SEC Number **PW-686**
Company TIN **000-263-340**

PHILIPPINE BANK OF COMMUNICATIONS
(Company's Full Name)

PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino Street, Makati City
(Company's Address: No. Street City/Town/Province)

8830-7000
(Company's Telephone Number)

December 31
(Fiscal Year Ending)
(Month & Day)

3rd Tuesday of June
Annual Meeting

SEC Form 17-A
(Annual Report Pursuant to Section 17 of the Securities Regulation Code
And Section 141 of the Corporation Code)
(FORM TYPE)

N/A
Amendment Designation (If Applicable)

None
(Secondary License Type, if any)

Atty. Michael Stephen H. Lao	212-167-776	June 16, 1983
(Company Representative)	(TIN)	(Birth Date)

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended . December 31, 2022 .

2. SEC Identification Number. PW-686 . 3. BIR Tax Identification No. 000-263-340

4. Exact name of issuer as specified in its charter. Philippine Bank of Communications .

5. Philippines
   Province, country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

PBCOM Tower, 6795 Ayala Avenue cor. V.A. Rufino Street, Makati City 1226 .

7. Address of principal office — Postal Code

. (632) 8830-7000 .

8. Issuer's telephone number, including area code

. N/A .

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of SRC, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	480,645,163 shares

.

11. Are any or all of the securities listed on a Stock Exchange?

Yes [X] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

. Philippine Stock Exchange . . Common Stock .

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [/] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Non-affiliated shares	-	168,180,988
Closing price as of March 22, 2023	-	₱15.02
Aggregate market value of voting stock	-	₱ 2,526,078,439.76

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. The Company

Philippine Bank of Communications ("PBCOM" or the "Bank") was incorporated as one of the earliest non-American foreign banks in the country on August 23, 1939. It received the authority to engage in commercial banking from the then Bureau of Banking of the Department of Finance under the Philippine Commonwealth, with a capitalization of Two Million Pesos. The Bank commenced operations on September 4, 1939. However, its operations were temporarily interrupted during World War II, but were immediately reconstituted in 1945 through the infusion of fresh funds. The Bank started under full Filipino ownership in 1974 when a group of industrialists led by Ralph Nubla Sr. bought majority of the Bank's outstanding shares.

The Bank is a registered government securities dealer, having been granted the license on December 14, 1981. It also has a Trust license which was approved on August 24, 1961.

PBCOM acquired a license to operate as an expanded commercial bank from the Bangko Sentral ng Pilipinas ("Bangko Sentral" or "BSP") on December 24, 1993 and operated as such until the year 2000. In order to focus on its core strengths and maximize utilization of available resources, the Bank applied for the conversion of its expanded commercial bank license into a regular commercial banking license which was approved by the Monetary Board of the BSP on March 31, 2000. PBCOM had since opted to capitalize on its core strength by focusing on and pursuing traditional commercial banking operations. In December 2000, the Bank acquired 100% of Consumer Savings Bank as part of its strategy to expand its consumer banking business.

On July 26, 2011, the major shareholders of the Bank, namely the Chung, Luy, and Nubla Groups, signed a Memorandum of Agreement (MOA) with a group of investors led by ISM Communications Corporation (the "ISM Group"), involving the sale of their entire stake in the Bank to the ISM Group and the commitment of the Chung and Nubla groups to reinvest the proceeds of the sale of their respective shares amounting to approximately ₱2.8 Billion in the Bank.

On October 13, 2011, the Monetary Board approved the acquisition of PBCOM by the ISM Group.

On December 23, 2011, the acquisition by the ISM Group of a controlling interest in the Bank was successfully transacted through the facilities of the Philippine Stock Exchange.

On December 27, 2011, the Chung and Nubla Groups reinvested ₱2.4 Billion as deposits for future subscription of PBCOM shares of stock. Another ₱0.4 Billion was deposited in March 2012 and additional 22 Million in April 2012 to complete their commitment of approximately ₱2.8 Billion.

On May 31, 2012, the LFM Properties Group deposited ₱0.72 Billion for future subscription to PBCOM shares of stock. Another ₱30 Million was deposited by the LFM Properties Group on October 24, 2012.

On February 8, 2013, BSP issued a Certificate of Authority to the Bank for it to register its Amended Articles of Incorporation and Amended By-Laws with the SEC.

On March 8, 2013, the Bank obtained approval from SEC for a quasi-reorganization and an increase in authorized capital stock. The Articles of Incorporation was amended to implement the following:
Reclassification of Bank's existing 120,000,000 preferred shares to common shares;
Reduction of the par value of all its common shares from ₱100 per share to ₱25 per share; and
Increase in authorized capital stock to ₱19,000,000,000 divided into 760,000,000 common shares with a par value of ₱25 per share.

The reclassification of the said preferred shares to common shares took effect on March 19, 2013. On December 2013, the Bank received the approval of both the BSP and SEC to apply ₱3.94B in APIC to partially wipe out the bank's outstanding deficit.

On March 26, 2014, the Bank exited the 10-year Financial Assistance Agreement with PDIC by settling the loan of ₱7.6 Billion, representing financial assistance by the latter to the Bank in 2004.

The subscription by PGH to the new shares of the Parent Company amounting to P=5.98 billion was approved by the BSP on September 23, 2014. The first installment of ₱1.79 billion was paid by PGH on September 25, 2014. Subsequently, on October 1, 2014, VFC Land Resources Inc. (VFC) bought 59.24 million shares at ₱ 33.00 per share from the ISM Group. PGH and VFC are beneficially owned by the family of Mr. Lucio Co, bringing his total stake in the Parent Company to 49.99%.

On September 22, 2015, June 29, 2016, and September 11, 2017, the Parent Company received the second, third, and final installment payments, respectively, each amounting to ₱1.39 billion for the subscribed shares of PGH.

In 2015, both PGH and VFC bought additional 2.4 million shares, and in the following year, an additional 0.49 million shares and 9.49 million shares were acquired by PGH and VFC, respectively. In 2018, PGH bought an additional 2.27 million shares, and VFC acquired 0.49 million additional shares in 2019. The Co Family's total stake in the Parent Company is 53.65% as of December 31, 2020.

On July 29, 2019, PBCOM sold its stake in PBCOM Rural Bank, Inc. as it consolidates its efforts and resources at the parent level.

On January 20, 2022, the Monetary Board of Bangko Sentral ng Pilipinas approved PBCOM's application to upgrade its license to a Universal Bank subject to the completion of requisite regulatory requirements.

PBCOM's Board of Directors, in its Special Stockholder's Meeting held last March 15, 2022, approved the amendment of the Bank's Articles of Incorporation to (a) Change the Bank's primary purpose to a Universal Bank from a Commercial Bank and (b) Changed the Bank's Corporate term to Perpetual from 50 years.

On October 18, 2022, the bank entered into an exclusive insurance distribution agreement with Etiqa Life and General Assurance Philippines, Inc. (ETIQA Philippines), distribution activities will commence upon obtention of regulatory approvals.

On December 1, 2022, the BSP issued the Bank with its Certificate of Authority to operate as a universal bank, after all regulatory conditions were complied with.

Business of Registrant

PBCOM offers a wide range of products and services to clients. These includes basic universal banking services such as deposit products, credit and loan facilities, trade-related services, treasury and foreign exchange trading, cash management services and Trust and Investment Management services.

Deposit products and services include peso, dollar and third currency savings, checking and time deposit accounts, ATM accounts, foreign and domestic remittance services, cash management services namely deposit pick-up and cash delivery, payroll and check-writing services. Ancillary services such as safety deposit boxes and manager's checks, demand drafts, acceptance of tax and SSS payments are also available, these products and services are offered to both individuals and corporate clients.

Credit and loan facilities include working capital financing, post-dated check discounting, specialized lending programs such as contract-to-sell financing, and Micro-Finance. Other credit-related products include home, auto, and personal loans, as well as trade financing,

Trade-related services include import LCs, standby LCs, credit bank guaranty, and shipside bond, export LC advising, export packing credits & export bills negotiation and collections, trade financing of receivables and payables, domestic LCs, and trust receipt financing. These services are financing facilities offered to importers and exporters.

Treasury products include dealerships and brokering of government securities and commercial papers, both domestic and international, deposit substitutes like promissory notes and repurchase agreements, foreign exchange proprietary trading, and commercial client servicing.

Trust services include investment management services, personal trust funds, escrow agency services, employee benefit trust services, and estate planning.

Contribution to Operating Income

As of December 31, 2022, the contribution to Operating Income is broken down as follows: (1) 86.48% is derived from net interest income, which includes interest income from lending, investment securities, and others receivables less interest expense and finance charges (2) 13.52% is from non-interest income consisting of trading gains, service charges, fees and commissions, income from trust operations, profit/loss from asset sold, foreign exchange gain/loss, rental income and miscellaneous income.

The Bank does not maintain any branch or sales office abroad. Hence, all revenues are generated domestically.

Distribution Methods of Products and Services

As of December 31, 2022, the Parent Bank's liability and ancillary products and services are distributed primarily through its 95 branches, 4 of which are in Pop-Up formats situated in selected Puregold stores.

PBCOM clients may also conduct their transaction in various channels such as the 163 automated teller machines deployed in strategic branch sites and in 69 off-site locations. In addition, the Bank has also deployed 68 Cash Deposit Machines across various sites to help service the deposit transactions of its clients.

The Bank has likewise expanded its digital presence through its Digital-Only Bank which BSP approved last December 11, 2019, this will complement the existing Internet and Mobile Banking facilities of the bank launched last June 21, 2017 and September 28, 2018, respectively.

Competition

As of end of 2022, the Philippine commercial banking industry is composed of 45 Universal and Commercial Banks) of which 16 are Private Domestic Banks, 3 are Government Banks and 26 are Foreign Banks with either established subsidiaries or foreign branch licenses.

Patents, Trademarks, Licenses, Franchises, Concessions, and Royalty

PBCOM have registered the trademarks of the following: PBCOM, Philippine Bank of Communications, PBCOM Together we Grow, PBCOM Pop-up Branch, PBCOMobile and PBCOM eRegalo.

Customers

PBCOM has multi-segment client base with growth seen across Individuals, Commercial and Corporate accounts. This result stems from the bank's focus on expanding its market through the ecosystem of its principals.

Subsidiaries and Affiliates

PBCOM Insurance Services Agency, Inc. (PISAI)
PBCOM Insurance Services Agency, Inc. (PISAI) was incorporated and registered with the Securities and Exchange Commission on May 9, 2014 to engage primarily in the business of soliciting and promoting insurance products. The company offers a range of insurance agency services specific to life and investment-linked products to meet customers' wealth management and risk protection needs.

On January 11, 2021, the Board of Directors of PBCOM approved the dissolution and liquidation of PISAI as it has been inactive since the pre-termination of its general agency agreement with Pru Life UK in September 2017. On March 4, 2021, PISAI Board of Directors approved the shortening of the corporate term to June 30, 2021.

To give time to PISAI to obtain all regulatory clearances, the Board of Directors of PBCOM approved an extension, and the shortening of the corporate term of PISAI shall be until December 31, 2024, in order to comply with SEC issued Memorandum Circular No. 05 s. 2022.

PBCOM Finance Corporation
PBCOM Finance Corporation was incorporated and registered with the SEC on January 9, 1980 to provide, grant, and/or extend credit facilities to any person, business, juridical or otherwise. It is 40% owned by the Bank while the remaining 60% is owned by various individual shareholders. Its principal place of business is located at 7th floor, PBCOM Building, 214-216 Juan Luna St. Binondo, Manila.

Transaction with and/or Dependence on Related Parties
The Bank's related parties include key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members, associates and post-employment benefits for the benefit of the Bank's employee.

As required by BSP, the Bank discloses loan transactions with its associates, affiliates and with certain directors, officers, stockholders and related interests (DOSRI). As of December 31, 2022 the Bank is compliant with DOSRI rules and regulations.

The Bank's related party transactions are presented and discussed in Note 31 of the Audited Financial Statements.

Effect of Existing or Probable Government Regulations
<u>Bangko Sentral ng Pilipinas</u>
The Bank fully complies with the required capitalization for universal banks with expanded FCDU license as prescribed by the BSP. The Bank's consolidated qualifying capital as of end-December 31, 2022, stood at ₱16.86 Billion. As reported to BSP, its capital-to-risk assets ratio under the BASEL III reporting standards covering credit, market, and operational risks remained well above the 10% prescribed cap at 17.07%.

<u>Bureau of Internal Revenue</u>
RA No. 9337, An Act Amending the National Internal Revenue Code, provides that starting January 1, 2009, the regular corporate income tax rate (RCIT) shall be 30% while interest expense allowed as a deductible expense is reduced to 33% of interest income subject to final tax.

A Minimum Corporate Income Tax (MCIT) of 2% on modified gross income is computed and compared with the RCIT. Any excess MCIT over RCIT is deferred and can be used as a tax credit against the future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the year of inception.

FCDU offshore income (income from non-residents) is tax-exempt, while gross onshore income (interest income from loans to residents) is subject to a 10% income tax. Income from FCDU transactions, other than offshore and onshore, is subject to the 30% RCIT or 2% MCIT, whichever is applicable.

On January 1, 2018, Republic Act No. 10963, known as the TRAIN Law, took effect. The law increased Documentary Stamp Tax (DST) rates by 100%, except for the DST on debt instruments, which increased by 50%. Among the other taxes whose rates were increased is Fringe Benefits Tax from 32% to 35%, Excise Tax on Petroleum Products up to 8php per liter/kilo, and Final Withholding Tax on the interest income from the deposit under the expanded foreign currency deposit system from 7.5% to 15%.

Corporate Recovery and Tax Incentives for Enterprises Act, or “CREATE” was signed into law on March 26, 2021. Under the law, the corporate income tax shall be reduced to 25%, and the corresponding deductible interest expense shall be reduced by 20% of interest income subject to final tax. At the same time, the minimum corporate income tax shall be reduced to 1% of modified gross income, effective until June 30, 2023. There are no changes for FCDU.

Research and Development Activities

The Bank offers basic commercial banking products and services that require no significant amount to be spent on product research & development.

Employees

As of December 31, 2022, the Parent Bank has 1,006 employees with 780 officers and 226 rank-and-file. All of the Parent Company's rank-and-file employees are covered by a CBA. Negotiation is currently ongoing for the period of January 1, 2023, to December 31, 2025. While we are in the process of negotiation, all provisions in the existing CBA signed on December 28, 2021, remain the same. There had been neither dispute nor occurrence of employee strikes for the past years.

Risk Management

PBCOM applies risk management across the entire organization — from the Board of Directors, Senior Management, Business Groups, Business Centers, support units, its subsidiaries and affiliates, and to individual employees as well as in specific functions, programs, projects, and activities. Implementation of the framework contributes to strengthening management practices, decision-making, and resource allocation and increasing shareholder value while protecting the interest of its clients, maintaining trust and confidence, and ensuring compliance with regulations.

Enterprise risk management (ERM) is the framework of policies, processes, and systems, effected by an entity’s board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

ERM Vision, Mission, Philosophy and Objectives

Risk Vision Statement

To protect and optimize PBCOM’s enterprise value through effective risk management.

Risk Mission Statement

To develop risk awareness and a risk/return consciousness in the Bank in order to protect deposits, preserve capital, and ensure adequate return on capital.

ERM Philosophy

PBCOM recognizes that enterprise risk management is fundamental for its safe and sound operation and sustainable growth. It ensures business success through balanced risk and reward, operational excellence, and conformance to the highest ethical standards and regulatory requirements.

Enterprise Risk Management in PBCOM is aligned with its business objectives and strategies. It operates at all levels and in all units of PBCOM that continually manage risk in an environment fostered by an appropriate governance structure, a strong "control culture," and a proactive process of identification, understanding, assessment, and mitigation of all its material risks.

ERM Objectives

- To identify, measure, manage, and control risks inherent in PBCOM's activities or embedded in its portfolio;
- Define and disseminate risk management philosophy and policies;
- Assist risk-taking business and operating units in understanding and measuring risk/return profiles;
- Develop a risk management infrastructure that includes policies and procedures, organization, limits and approval authorities, MIS and reporting, systems and risk models and;
- Promote a risk awareness and strong "control culture" in PBCOM.

PBCOM Enterprise Risk Governance

The Board of Directors is responsible for establishing and maintaining a sound risk management system and is ultimately accountable for identifying and controlling risks; however, separate independent bodies are responsible for managing and monitoring risks.

The Risk Oversight Committee (ROC) has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. Its primary responsibilities are to:

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

The Enterprise Risk Management/ICAAP Group is the ROC's implementing arm in carrying out its functions. It serves the Bank's Board of Directors and Management by assisting the Bank in accomplishing its objectives by bringing a systematic and disciplined approach to promoting risk management practices consistent with the type and complexity of operation of the Bank and its subsidiaries. It assists in the management of risk that is a direct responsibility of the business and support units.

Capital Management

PBCOM's capital management framework involves providing shareholders optimal returns within the ability of the capital to protect the interests of all the Bank's stakeholders. The framework involves monitoring both capital requirements and capital resources to ensure:

- Qualifying capital remains above minimum requirements of ten (10) percent of risk weighted assets;
- Quality of capital resources aligns with the risks present or to be taken to achieve growth & return and;

- Prudent balance between the growth and return required of strategic plans and the continuing institutional strength of the Bank.

PBCOM consistently maintains a ratio of qualifying capital to risk weighted assets that are in excess of the ten (10) percent minimum requirement of Philippine banking regulations.

The Bank, in addition, conducts an Internal Capital Adequacy Assessment Process (ICAAP), along with its strategic planning exercise. The ICAAP provides the Bank the opportunity to:

- Articulate its risk appetite, strategic growth, and return targets;
- Identify the businesses, products, and services the Bank will pursue or use to achieve the targets;
- Define and measure the risks each business, product, or service will create;
- Consider how the Bank will mitigate and manage the identified risks;
- Determine the amount and the quality of the capital resources necessary to sustain financial strength through a risk event;
- Conduct stress tests to aid in identifying break points and vulnerabilities; and
- Develop capital build-up and contingency plans.

The ICAAP is a collaborative effort of the Management and the Board of Directors. PBCOM submits the documentation of the results of its ICAAP to the supervisory review and examination of the Bangko Sentral ng Pilipinas.

The regulatory qualifying capital of the Bank consists of Common Equity Tier 1 and Additional Tier 1 and is comprised of paid-up common stock, retained earnings including current year's profit, and surplus reserves, less required deductions such as unsecured credit accommodations to DOSRI, and goodwill. The other component of regulatory capital is Gone-Concern Capital (Tier 2), which includes appraisal increment reserves (as authorized by the Monetary Board) and general loan loss provision.

The Bank's capital charge for credit risk is computed at 10% of credit risk-weighted on- and off- balance sheet assets. Risk weights of on- and off-balance sheet assets are computed using the standardized approach as specified in the MORB.

Market risk capital charge is computed using the standardized approach specified in the MORB. Under this approach, capital for market risk is equivalent to 10% of market risk-weighted assets that cover interest rate, equity, and foreign exchange exposures of the Bank.

Operational risk capital charge is computed using the Basic Indicator Approach, under which, capital for operational risk is equal to 15% of the Bank's average positive annual gross income of the previous three years.

Market, Liquidity and Interest Rate Risk Management

Market risk arises from adverse fluctuations in the market value of financial instruments in both on- and off-balance sheet items. The Bank employs the Value-at-Risk (VaR) at 99% confidence level to measure market risk and performs back testing (using both hypothetical and actual back testing approaches) to ensure an accurate and robust VaR model. Stress Testing is also employed to determine the earnings impact of extreme market movements not captured by VaR calculations. A system of risk limits that reflect the Bank's level of capital, expected returns, and the overall risk appetite, is used to manage market risk. These limits include the VAR limit, Nominal Position limit, Off-Market Tolerance limit, Management Action Trigger, and Stop-loss limit. The Bank also uses Market Risk Assessment Matrix to assess the overall market risk profile of the Bank.

Liquidity risk refers to the possibility that the Bank will be unable to meet its financial obligations in any currency. To ensure compliance, the Bank requires daily monitoring of regulatory ratios such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Bank also monitors liquidity risk exposures using the following limits: liquidity indicators, liquidity funding concentration, and Maximum Cumulative Outflow (MCO). Liquidity stress testing is also performed to measure the impact of stressful scenarios to the Bank's MCO profile. The Bank also applies Liquidity Risk Assessment Matrix to assess its overall liquidity risk profile. In managing liquidity risk, the Bank also maintains substantial holdings of High Quality Liquid Assets (HQLA) which can easily be converted to cash.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Bank uses Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) based on its Interest Rate Repricing Gap profile to measure the possible impact to net interest income and net worth of the Bank under normal and stressed interest rate movements. Likewise, risk limits are also employed by the Bank to manage interest rate risk in the banking book. The Bank follows a prudent policy in managing its assets and liabilities to ensure that the exposure to fluctuations in interest rates is kept within acceptable limits.

Credit Risk Management

Credit Risk Management Process
Credit risk is the primary financial risk in the banking system and exists in all revenue-generating activities. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk arises when the Bank's funds are extended, committed, invested, or exposed through actual or implied contractual agreements. Capital depletion through loan losses has been the ultimate cause of most institutions' failures. The Bank's credit risk arises from its lending and trading of securities and foreign exchange activities.

The Bank, in recognition of the importance of identifying and rating credit risk as the initial step towards its effective management, has put in place a comprehensive set of policies and established underwriting processes, as approved by the Board of Directors. Regular analysis of the ability of potential and existing borrowers to meet interest and capital repayment obligations is made, including amendment of lending limits when appropriate. The Bank is thus able to continually manage credit-related risks in its risk asset portfolio through objective assessments/evaluations of credit proposals prior to presentation to the appropriate approval authority, ensuring the highest standards of credit due diligence and independence. The Bank's approval matrix begins at carefully reviewed and selected individual limit delegations, working its way up to the Executive Committee (EXCOM) and the Board of Directors as appropriate.

The Bank also employs and implements an Internal Credit Risk Rating System (ICRRS) that is consistent with global rating standards, compliant with Basel II requirements, and appropriate to the Bank's nature, complexity, and scale of activities. Resulting ratings/scores, together with experienced credit judgment, serve as basis in proactively setting-up of loan loss provisions in compliance with PFRS 9.

Credit Exposure Limits
The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual borrowers and groups of borrowers as well as limits on large exposures to industries/economic activities, including real estate loan ceilings, and limits on past due and non-performing ratios per product type. Such risks are monitored on a regular basis and subjected to annual or more frequent reviews when considered necessary. These limits are approved by the Board of Directors. The exposure to any one borrower is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored regularly.

Other Credit Enhancements
Exposure to credit risk is also managed in part by obtaining collateral, suretyships, or guarantees. The amount and type of security required depends on an assessment of the credit risk of the borrower or

counterparty. In order to minimize credit loss, additional security is sought from the borrower when impairment indicators are observed for the relevant individual loans and advances. The Bank implements guidelines on the acceptability and valuation parameters of specific classes of collateral for credit risk mitigation. The main types of collateral obtained are as follows: (i) for securities lending and reverse repurchase transactions: cash or securities; (ii) for commercial lending: mortgages over real estate properties, machineries, inventories, and trade receivables; and (iii) for retail lending: mortgages over residential properties and vehicles. It is the Bank's policy to dispose of repossessed properties in an orderly and timely fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank also has in place an independent post-credit review of the loan portfolio quality and credit process that allows it to continually identify and assess the risks on credit exposures and take corrective actions. The management of the credit portfolio is subject to internal and regulatory limits, which serve to control the magnitude of credit risk exposures and preserve the quality of the portfolio. ERMG also monitors large exposures and credit risk concentrations in accordance with BSP regulations.

Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. It includes legal risk, but excludes strategic and reputational risk. Operational risk is inherent in all activities, products, and services, and cuts across multiple activities and business lines within the Bank and across its subsidiaries and affiliates. The primary tool in controlling operational risk is an effective system of internal controls, which is approved by the Board and participated by each and every employee of the Bank.

The PBCOM's Operational Risk Management (ORM) Framework, which provides for a strengthened foundation and guidance on how PBCOM should effectively manage its operational risks, is regularly reviewed by the BOD to ensure that ORM policies, processes, and systems are implemented effectively at all decision levels.

The Bank's ORM tools include the Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRI), and the Internal Operational Loss Database, results of which are regularly reported by the ORM Team to the ROC. Operational risk reports such as Profile of Complaints, Legal Case Profile, Bank Security Assessments, and Vendor Performance Evaluation Results are likewise regularly reported by the respective line management to the ROC. A system for reporting of operational crimes and losses, and policies, whistle-blowing and handling of administrative cases are also in place.

Aside from securing adequate insurance coverage over bank assets, putting up of reserve for self-insurance, and setting up allowances for probable losses, operational risk is mitigated through preventive and detective controls, which are embedded in operating policies and procedures, approval limits, and authorities to govern day-to-day operations.

To instill a culture of risk awareness and a strong operational risk control environment, the Bank's ERMG, Compliance Management Group (CMG), and subject-matter experts (e.g. Chief Information Security Officer, Data Privacy Officer) from line management conduct regular in-house seminars and trainings, such as orientation for newly hired employees and computer-based training (CBT) for all employees, with due focus on risk management and regulatory compliance. The groups continuously develop and implement risk management and compliance policies while holding interactive meetings with operating units to address risk issues and implement process enhancements.

The Bank's Technology Risk Management Framework continues to provide strengthened foundation and guidance on how the Bank should effectively manage emerging technology risks. It incorporates the requirements under existing BSP regulations and which takes into account that strategic, operational, compliance, and reputational risks are periodically reviewed and updated to ensure that all risks in the

Bank's technology-enabled products, services, delivery channels, and processes are effectively managed and that any gaps are being regularly monitored and addressed.

A comprehensive risk assessment and profiling methodologies for both IT functions and application systems are in place. Risk identification and assessments over project management are enhanced from project initiation to implementation. Control validation process is incorporated in technology risk assessments to ensure effectiveness of established risk mitigation strategy. Corrective action plans are periodically monitored and reported to ensure risk issues are timely addressed and managed proactively. The Bank's risk management team continues to play an active role in providing risk insights and assessments during launch of new products, technology and services, development of risk management policies, and imbibing a culture of a risk aware organization through the conduct of trainings and seminars to Bank employees.

The Bank has in place a Business Continuity Management Framework that provides guidance for continuous operations in the event of any disruptions and proactive mechanisms designed to prevent interruptions to critical business functions and improve the Bank's resiliency. It follows a robust business continuity planning process that involves the conduct of a business impact analysis/risk assessment, periodic review and updating of business continuity plans, and conduct of BCP tests and tests evaluation. Bankwide Business Continuity Plan, Crisis Management and Emergency Preparedness Plan, Pandemic, and Cyber Resiliency Plans are established. These documents detail the step by step procedures to be taken to respond to the threat or impact of a crisis, and how the Bank will respond to emergencies to protect life, property and environment, addressed in timely manner.

Information and Cyber Security Management

Information security is a key element to maintain a resilient business. As the Bank continues to expand its business and respond to the evolving threat landscape, PBCOM has adopted a risk-centric approach to information security and is committed to continuously enhance its efforts through:

- Continuing education and awareness of people – PBCOM recognizes the importance of its people as a human firewall and act as the first line of defense to maintain good security posture
- Security governance and compliance – We have established strong internal processes, which serve as the solid foundation of the Bank
- Proactive security measures – PBCOM uses multiple layers (defense-in-depth) of security measures and controls to protect Bank's information assets and resources. This improves the Bank's visibility and establishing further transparency into cyber threats through maturing security monitoring capabilities and existing toolsets.

PBCOM continually secure and maintain a cyber-resilient environment where it delivers an on-going structured protection to information and system resources. Putting the Bank's and customers' information protection first, we have adopted the four main components to cyber readiness and resiliency:

- Manage and Protect – The ability of the Bank to identify, assess, manage risks. The extent to which the Bank have implemented and deployed technologies, processes and controls designed to protect systems, networks and data from cyber-attacks.
- Identity and Detect – The ability of the Bank to timely identify and detect anomalies and potential cyber security incidents before they can cause any significant damage. The extent to which the Bank have implemented continuous security monitoring and active detection controls.
- Respond and Recover – The ability of the Bank to mitigate attacks, eject intruders, analyze attacker actions, operate even if hit by a cyber-attack, and get back to business as usual as quickly and efficiently as possible. The extent to which the Bank has demonstrated its agility in incident response and recovery.
- Govern and Assure – Information security programs, initiatives and activities aligned with the Bank's business objectives and is overseen from the top of the organization and built into

business as usual. The extent to which the Bank takes action to achieve cyber security governance and oversight.

Data Privacy Management

PBCOM cares about the protection of personal identifiable and/or sensitive information provided by customers and/or clients, thus, shall at all times abide to the minimum regulatory and statutory requirements. PBCOM built its privacy risk management system based on the provisions of Republic Act 10173 – Data Privacy Act of 2012, its Implementing Rules and Regulations (IRR), National Privacy Commission (NPC) issuances, and other related laws.

Privacy risk is defined as a potential loss of control over personal identifiable and/or sensitive personal information. With the emerging threats on data privacy, the Bank has instituted control measures to efficiently manage the risk to an acceptable level.

PBCOM, through the designated Data Protection Officer (DPO), manages the risk related to data privacy by adhering to the five (5) pillars of compliance as mandated by the NPC, at the minimum.

Privacy Impact Assessment were the main focus for 2022, assessment of third party providers data protection measures and to update the inventory of the Banks processing systems to ensure that organizational, technical and physical security measures are in place.

With CISO and CRO's active participation in managing the organizational and technical risks and by actively participating in the conduct of Security Breach tabletop exercise, the Bank and its employees will be ready to handle incidents that may lead to security breaches including data privacy breach.

The Bank's compliance to the data privacy is reported to the Board of Directors (BOD), through the Risk Oversight Committee (ROC), on a quarterly basis or as deemed necessary.

Year 2023 will focus on activities to continuously contribute to increasing of awareness thru different campaigns both for internal and external data subjects. Strengthening the employees and the Banks readiness for any security incidents leading to privacy breach will also be an important program that will be implemented.

For the past years the Bank have a strong security measures In place for the Organizational and Technical aspect. The National Privacy Commission shared in the past years conferences that the common root cause for data privacy breaches are human error, which is a controllable factor and can be addressed immediately. For 2023 elevating our adherence with NPC's mandate related to Physical Security measures we will be more vigilant in implementing procedures, plans and programs promoting Data Protection.

Mid-year of 2022, we started to implement Physical Security Measures assessment across all the groups and divisions of the Bank. The result of the assessment that requires an action were immediately attended to, from as simple as safekeeping of documents containing personal information in locked storage areas to review of employees access to restricted office areas were managed and resolutions were provided.

DPO also advocates accountability on Data Privacy compliance by having Data Privacy Coordinators for each group and division. They will be the Data Privacy Champions that will assist the DPO and the Bank to ensure that each member of their team is compliant with the Banks Data Privacy Policy and National Privacy Commissions rules and regulations,

An increase in awareness of the Banks employees was also evident and can be attributed to the continuous campaigns cascaded and trainings facilitated by the DPO.

The campaigns and trainings conducted is to equip all employees on how to protect personal information not only of our customers and stakeholders, the Bank's information but their personal information as well and to understand their obligations as an employee in the adherence of the Data Privacy Principle of transparency, legitimate purpose and proportionality and their rights and role as a Data Subject.

PBCOM is one with the National Privacy Commission on its active campaign to protect all data subjects from any unauthorized and unlawful processing of information.

Trust Risk Management

The Trust and Wealth Management Group (TWMG) is exposed to fiduciary risks in managing funds and assets entrusted under its care and custody. Failure of the Group to fulfill its fiduciary responsibilities to the trustor/principal may result to a loss, damage liability, or any undesirable event that can have adverse impact on the Bank. The major risks associated with the fiduciary activities of TWMG are market, credit, liquidity, operational, legal, compliance, strategic, and reputation risks. Having account management, portfolio and trading, trust credit, and operations functions within TWMG, the Bank has also designated personnel performing independent risk management function on fiduciary activities who directly report to the Enterprise Risk Management/ICAAP Group (ERMG). The fiduciary risk exposure exists in both discretionary and non-discretionary trust arrangements.

Risks arising in the performance of trust duties and obligations are addressed through the Trust Committee, Risk Oversight Committee (ROC), and ERMG. The Trust Committee performs oversight function on wealth, trust, and other fiduciary services including the implementation of the risk management framework ensuring that internal controls are in place relative to the fiduciary activities of the Group. The ROC has the overall responsibility for the development of the risk strategy and implementing principles, risk framework, policies, and limits of the Bank, including its Trust business. ERMG spearheads the effective implementation of the risk management process through the following risk tools and controls:

a. Monthly and Quarterly reporting to ROC and TCOM, respectively
b. Periodic stress testing of Trust and Wealth TWMG portfolio
c. Risk Control Self-Assessments (RCSA)
d. Trust risk management policies

Item 2. Properties

PBCOM's Head Office is located at PBCOM Tower, 6795 Ayala Avenue, corner V.A. Rufino Street, Makati City. The Bank owns 50% of PBCOM Tower, which was constructed under a Joint Development Agreement with Filinvest Asia Corporation. The Bank has 91 branches and 4 branch-lites as of December 31, 2022. Most of these are located in the metropolitan areas of Luzon, Visayas, and Mindanao.

PBCOM's branches are owned and/or leased. The list of branches is attached herewith marked as Annex "A". All properties owned by the bank are unencumbered. To date, the Bank has not identified properties to acquire in the next 12 months.

Item 3. Legal Proceedings

PBCOM has pending cases, covering credit-related suits and claims and also non-credit-related cases, that remain unsettled. It is not practicable to estimate the potential financial statement impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums that would have a material effect on the financial statements.

The Bank is a defendant in legal actions arising from its normal business activities, including the management of the PBCOM Tower. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the Bank's financial position.

Item 4. Submission of Matters to a Vote of Security Holders

Nothing was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information
Common shares of the Bank are traded in the Philippine Stock Exchange.

Stock prices:

	2022		2021		2020	
	High	**Low**	**High**	**Low**	**High**	**Low**
First Quarter	18.98	17.40	23.45	20.10	20.80	17.00
Second Quarter	18.70	15.84	23.40	19.58	24.00	16.00
Third Quarter	17.96	13.02	19.98	17.70	18.00	16.70
Fourth Quarter	15.90	12.72	19.00	17.20	23.00	16.50

As of March 22, 2023, the closing price of the Bank's common share was ₱15.02.

Holders
As of December 31, 2022, there were 398 shareholders of the Bank's 480,645,163 issued and outstanding common shares.

The top 20 registered stockholders of the Bank as of December 31, 2022 are as follows:

	Name of Shareholder	Nationality	No. of Shares	%
1	P.G. Holdings, Inc.	Filipino	186,241,408	38.75%
2	VFC Land Resources, Inc.	Filipino	73,619,638	15.32%
3	PCD Nominee Corporation:		51,141,804	10.64%
		Filipino	49,147,743	
		Non-Filipino	1,994,061	
4	Eric O. Recto	Filipino	49,835,776	10.37%
5	Ralph C. Nubla, Jr.	Filipino	46,519,036	9.68%
6	Telengtan Brothers & Sons, Inc.	Filipino	31,859,844	6.63%
7	Langford Universal Finance Ltd.	BVI	15,263,964	3.18%
8	La Suerte Workmen's Compensation Fund	Filipino	7,687,833	1.60%
9	TTC Development Corporation	Filipino	4,181,665	0.87%
10	Roxas-Chua, Ray Anthony Go	Filipino	3,070,724	0.64%
11	Cham, Edison Siy	Filipino	1,790,853	0.37%
12	KLG International, Inc.	Filipino	1,790,853	0.37%

13	Yu, Gregorio T.	Filipino	1,432,692	0.30%
14	Chungunco, Raymond N.	Filipino	604,011	0.13%
15	TFC Holdings, Inc.	Filipino	562,588	0.12%
16	Chung, Bunsit G. (a.k.a. Carlos G. Chung)	Filipino	550,716	0.11%
17	Chung, Patricia Regine K.	Filipino	261,294	0.05%
18	Chung, Philippe Ryan K.	Filipino	261,294	0.05%
19	Ching, Winnifred	Filipino	187,798	0.04%
20	Ching, Jeffrey	Filipino	175,505	0.04%

Dividends History:

There were no dividends declared for the years ended December 31, 2022, 2021, and 2020.

The Bank strictly complies with the BSP regulatory requirements under Section 124 of the Manual of Regulations for Banks, which states that before any declaration of dividends, banks shall have complied with the following:

a. Clearing account with the Bangko Sentral is not overdrawn;
b. Liquidity floor requirement for government funds;
c. Minimum capitalization requirement and risk-based capital ratio;
d. The combined requirement for capital conservation buffer and countercyclical capital buffer;
e. Higher loss absorbency requirement for UB/KBs and their subsidiary banks and QBs that are identified as Domestic Systemically Important Banks; and
f. Has not committed any unsafe or unsound banking as defined under existing regulations.

Recent Sale of Unregistered Securities

There were no sales of unregistered securities within the calendar year covered by this report.

The Bank has no registered debt securities. There are no existing or planned stock options. There are no registered securities subject to redemption or call. There are no existing or planned stock warrant offerings.

Item 6. Management's Discussion and Analysis or Plan of Operation

(1) Management’s Discussion & Analysis

Financial Condition & Results of Operations: 2022 (Consolidated)

The Group registered a net income of ₱1.63 Billion for 2022. This is ₱58.62 Million or 3.7% improvement from 2021’s net income of ₱1.57 Billion. This is mainly attributable to ₱477.75 Million (9.4%) higher operating income largely due to ₱565.72 Million or 13.3% growth in net interest income, ₱58.38 Million higher fees & commission mainly from penalty fees in corporate loans, ₱40.82 higher foreign exchange gains, mostly realized, and ₱47.48 Million higher net gains from ROPA sales. These increases were partially offset by ₱124.73 Million higher net trading losses, reflecting the adverse effects of a rising interest rate environment on the Bank’s Peso and USD bond portfolios, and ₱85.23 Million reduction in rental income due to pre-terminations & re-negotiated contracts of tenants as a result of the COVID-19 crisis. ₱269.02 Million higher income taxes and ₱150.19 Million higher operating expenses further offset the increase in operating income.

Growth in net interest income is attributable to ₽485.29 Million increase in interest income from loans due to higher average loan volume, mainly from the growth in corporate loan portfolio, ₽393.74 Million increase in interest income from investments due to higher yields and higher average volume, partially offset by from ₽294.33 Million increase in interest expense mainly due to rise in cost of funds and higher average volume of Time Deposits & Repos. Income taxes increased by
₽269.02 Million or 104.8% as a result of lower deferred tax assets recognized, higher final taxes, and higher taxable income from growth in interest income from loans during the current year. Total operating expenses went up by ₽150.19 Million or 4.6%, mainly because of higher manpower costs, higher accruals for professional fees and higher taxes & licenses from rise in GRT and DST, partly offset by ₽34.61 Million lower provision requirements for credit and impairment losses in the current period.

Total Assets of the Group grew by ₽15.65 Billion (14.3%) from ₽109.24 Billion as of December 2021 to ₽124.89 Billion as of the end of December 2022. This is primarily due to ₽13.43 Billion increase in Loans and Other Receivables, mostly from expansion of corporate loans, and ₽6.14 Billion increase in Held to Collect Securities, partially offset by ₽1.60 Billion lower Interbank loans receivable and ₽1.48 Billion decline in Financial assets at Fair Value through Other Comprehensive Income.

The Group's gross NPL ratio is at 3.23%, 1.06 % points lower than the 4.89% ratio at the end of 2021. PBCOM's liquidity position continued to remain stable as the Bank comfortably met all its financial obligations and loan commitments, and likewise has fully complied with the regulatory reserve requirements on continuing basis at an optimum funding mix during the course of the year.

Total Liabilities increased by ₽14.26 Billion, 15.0% higher from last year's end level of ₽95.06 Billion. This resulted mostly from ₽12.50 Billion increase in deposit liabilities mainly from ₽6.85 Billion & ₽4.33 Billion growths in time and demand deposit volume, respectively.

Total Capital is now at ₽15.57 Billion from ₽14.18 Billion last December 2021. This 9.8% improvement in capital was mainly contributed by the earnings of the Bank during the year. The Bank's Risk Based Capital Adequacy Ratio of 17.07% under BASEL III reporting standards covering credit, market and operational risk as of report date is well above the 10% minimum requirement.

Financial Condition & Results of Operations: 2021 (Consolidated)

The Bank registered a net income of ₽1.57 Billion for 2021. This is ₽404.15M or 35% improvement from 2020's net income of ₽1.17 Billion. This is mainly attributable to ₽1.24 Billion decline in total operating expenses (28%) as a result of ₽1.10 Billion lower provision requirements for credit and impairment losses in the current period.

Total operating income declined by **P**807.60 Million (14%) mainly due to net trading losses as the Bank recognized ₽241.60 Million in losses, lower rent income due to vacancies of leased floors, pre-terminations, and re-negotiated contracts of tenants brought about by the COVID 19 pandemic, and lower fees & commission earned during the year due to decline in penalty fees in corporate loans, partly offset by ₽319.29 Million (8%) improvement in net interest income primarily due to decline in interest expense from lower cost of funds. Due to lower interest rates, interest income also fell by ₽255.21 Million (5%) despite the growth in loan and investments average volume during the year.

Total assets of the Group reached ₽109.23 Billion in December 2021, up by ₽8.0 Billion from the ₽101.23 Billion as of December 2020. This is primarily due to ₽13.26 Billion increase in Investment Securities at Amortized Cost, ₽5.87 Billion increase in Loans and Other Receivables, mostly from corporate loans, and ₽1.35 Billion increase in Financial assets at Fair Value through Other Comprehensive Income, partially offset by ₽10.3 Billion decline in Due from BSP due to lower investment in Overnight Deposit Facility (ODF) and lower reserve requirement.

The Group's gross NPL ratio is at 4.89%, 0.82% points lower than the 5.71% ratio at the end of 2020. PBCOM's liquidity position continued to remain stable as the Bank comfortably met all its financial obligations and loan commitments, and likewise has fully complied with the regulatory reserve requirements on continuing basis at an optimum funding mix during the course of the year.

Total Liabilities increased by ₱6.35 Billion, 7.16% higher from last year's level of ₱ 88.70 Billion. This resulted mostly from ₱3.83 Billion increase in bills payable, and ₱3.16 Billion growth in deposit liabilities. Low-cost deposit ratio improved as the Bank's demand and savings deposit average volume increased by ₱12.0 Billion, 30%.

Total Capital is now at ₱14.18 Billion from ₱12.53 Billion last December 2020. This 13% improvement in capital was mainly contributed by the earnings of the Bank during the year. The Bank's Risk Based Capital Adequacy Ratio of 18.18% under BASEL III reporting standards covering credit, market and operational risk as of report date is well above the 10% minimum requirement.

Financial Condition & Results of Operations: 2020 (Consolidated)

The Bank registered a net income of ₱1.17 Billion for 2020. This is an ₱11.7 Million or 1% improvement from the 2019's net income of ₱1.16 Billion despite recognizing an additional ₱1.0 Billion provision for credit losses as a result of credit score deterioration mainly due to the COVID-19 pandemic. ₱720.5 Million or 22.5% improvement in net interest income was primarily the result of the decline in interest expense from lower cost of fund and lower volume. This and higher loan volume in 2020, primarily in corporate loans, have compensated the drop in interest income due to the decline in yields and the loan payment holiday as a result of the Bayanihan to Heal as One Act. Other operating income also contributed to the increase in net income, which is mainly driven by higher trading gain in 2020. Total operating expenses went up by 29.7% mainly because of higher provisions for losses recognized in the current period. This was partially offset by lower depreciation & amortization and lower occupancy costs.

Total Assets of the Group decreased by ₱1.5 Billion from ₱102.7 Billion as of December 2019 to ₱101.2 Billion at the end of 2020. This is primarily due to ₱10.6 Billion decrease in Financial Assets at Amortized Cost due to the HTC sale in June 2020, and ₱3.6 Billion decrease in Loans and Receivables, partially offset by ₱10.4 Billion higher placements in the BSP's overnight deposit facility (ODF) and ₱5.4 Billion higher in interbank loans.

Moreover, Total Liabilities amounted to ₱88.7 Billion with a decrease of 2.9% from the last year's end level of ₱91.4 Billion. This resulted mostly from lower bills payable by ₱10.9 Billion, partially offset by ₱7.9 Billion increase in Deposits, mostly in time deposits and demand deposits by ₱3.8 Billion and ₱3.7 Billion, respectively.

Total Capital, on the other hand, amounted to ₱12.5 Billion from ₱11.4 Billion last December 2019. Improvement in capital by 10.3% was mainly contributed by the earnings of the Bank during the year. The Bank's Risk Based Capital Adequacy Ratio of 18.87% under BASEL III reporting standards covering credit, market and operational risk as of report date is well above the 10% minimum requirement.

The Group's gross NPL ratio increased by 1.89% from 3.82% in 2019 to 5.71% in 2020. PBCOM's liquidity position continued to remain stable as the Bank comfortably met all its financial obligations and loan commitments and likewise fully complied with the regulatory reserve requirements on continuing basis at an optimum funding mix during the course of the year.

(2) Discussion of various key indicators:

A. Key Performance Indicators

Ratio	December 2022 (Consolidated)	December 2021 (Consolidated)	Remarks
Profit Margin *(Net income divided by Gross income)*	29.33%	30.94%	Net profit margin decreased by 1.6 % pts mainly due to higher provision for income tax from lower recognition of DTA, higher final taxes, and higher taxable income in 2022
Return on Average Asset *(Net income divided by Average assets)*	1.39%	1.49%	Decreased by 10 bps as the impact of increase in average assets exceeded the impact of growth in net income
Return on Average Equity *Net income divided by Average equity)*	10.97%	11.78%	Return on average equity decreased by 81 bps from higher provision for income taxes and total operating expense from the results of the current operations
Capital Adequacy Ratio *Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)*	17.07%	18.18%	The capital ratio decreased by 1.11% due to higher total credit risk-weighted assets
Basic Earnings per share *Net income divided by average no. of common shares)*	3.39	3.27	Increase in basic earnings per share by ₱0.12 from higher net income during the current period

B. Financial Soundness

Ratio	December 2022 (Consolidated)	December 2021 (Consolidated)	Remarks
Liquidity Ratio (Liquid Assets to Total Deposits) *Liquid Assets include cash, due from banks, interbank loans, and trading and inv. Securities. Total deposit refers to the total of peso and foreign currency deposits.*	21.41%	28.96%	Ratio decreased by 7.55 % pts due to lower liquid assets (from lower Interbank loans & financial assets, particularly FVOCI) in relation to higher total deposits, mainly time and demand deposits
Debt Ratio (Total Liability to Total Asset) *Debt refers to the total liabilities while assets is the total assets*	87.54%	87.02%	Decreased by 1 bp as the increase in total assets slightly exceeded the increase in total liabilities. Increase in assets is mostly from investment securities at amortized cost and loans and other receivables, mostly from corporate loans
Asset to Equity Ratio (Total Asset to Total Equity	8.02	7.71	Ratio is higher by 31 bps mainly as result of higher growth in assets in relation to the increase in equity
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	374%	470%	Bank's interest rate coverage decreased by 96.72 % pts. due to impact of increase in interest expense from rising cost of funds & higher time deposit volume, partially offset by impact of higher earnings before interest & taxes
Net Interest Margin Net interest income over Average Earning assets	4.80%	4.83%	Ratio is slightly lower as the impact of increase in average total yields is offset by increase in average COF rates

Statement of Condition: December 2022 vs. December 2021 (consolidated)

(in thousands)	Increase/(Decrease)	Percentage Change	Explanation
Cash and Other Cash Items	(111,700)	-7.37%	Lower cash on hand
Due from Bangko Sentral ng Pilipinas	1,064,985	10.37%	Higher mainly from ODF
Due from Other Banks	430,597	65.38%	Higher funds with foreign banks
Interbank Loans Receivable	(1,595,267)	-38.02%	Lower GS Repo and foreign interbank loans
Financial Assets at Fair Value through Profit or Loss	(886,291)	-100.00%	Sale of investments in FVTPL
Financial Assets at Fair Value through Other Comprehensive Income	(1,480,691)	-22.82%	Sale of investments in FVOCI
Investment Securities at Amortized Cost	6,141,545	39.57%	Increase due to purchase of securities at amortized cost
Loans and Receivables	12,138,486	18.74%	Increase in outstanding receivables, mainly in corporate loans
Property and Equipment	(78,380)	-8.88%	Decline due to depreciation recognized for the period
Investment Properties			
Foreclosed properties	127,809	15.32%	Higher ROPA foreclosures, offset by depreciation recognized for the period
Office units for lease	(351)	-13.05%	Decline due to depreciation recognized for the period
Deferred Tax Assets	64,953	19.95%	Increase mainly due to set-up of tax assets on additional provision for credit losses
Other Assets	(116,652)	-20.17%	Lower largely due to decline in tax credits and CWT carry-over
Deposit Liabilities			
Demand	4,333,580	10.53%	Higher volume of demand deposits
Savings	1,308,795	11.52%	Higher volume of savings deposits
Time	6,851,167	21.73%	Higher volume of time deposits
Bills Payable	1,583,031	26.34%	Increase in bills payable - REPO
Outstanding Acceptances	(21,391)	-29.87%	Decrease due to lower bills of exchange accepted by the Bank
Manager's Checks	49,288	28.61%	Higher un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses	183,666	26.98%	Increase in expense and interest payable accruals as of the period
Income Tax Payable	51,990	77.80%	Higher income tax payable for the period
Other Liabilities	(85,957)	-7.79%	Lower mainly from lower advance rentals and rental security deposit
Surplus reserves	105,916	99.06%	Increase mainly due to additional RE appropriation to cover deficiency on 1% minimum GLLP requirement
Retained Earnings	1,525,772	-2309.62%	Increase mostly from net income for the period
Unrealized gain/(loss) on equity securities carried at fair value	(368,094)	-687.91%	Higher net MTM losses

through other comprehensive income			
Cumulative translation adjustment	131,663	55.40%	Lower downward CTA mainly due to exchange rate differential
Remeasurement gains (losses) on retirement liability	(5,027)	-12.34%	Cumulative amount of actuarial loss in 2022

Statement of Condition: December 2021 vs. December 2020 (consolidated)

(in thousands)	Increase/(Decrease)	Percentage Change	Explanation
Cash and Other Cash Items	126,419	9.10%	Higher cash on hand
Due from Bangko Sentral ng Pilipinas	(10,326,382)	-50.13%	Lower placement in ODF
Due from Other Banks	(837,892)	-55.96%	Lower funds with foreign banks
Interbank Loans Receivable	(1,858,608)	-30.70%	Lower foreign interbank loans and GS Repo
Financial Assets at Fair Value through Profit or Loss	167,997	23.39%	Higher investments in FVTPL
Financial Assets at Fair Value through Other Comprehensive Income	1,351,471	26.30%	Purchase of investments in FVOCI
Investment Securities at Amortized Cost	13,256,923	585.72%	Higher due to additional inventory purchase in 2021
Loans and Receivables	6,083,795	10.36%	Increase in outstanding loans and receivables, mainly in corporate loans/import bills/CTS
Property and Equipment	(12,400)	-1.39%	Decline mainly due to depreciation recognized for the period
Investment Properties			
Foreclosed properties	224,228	36.75%	ROPA foreclosures in 2021 partially offset by depreciation recognized for the period
Office units for lease	(234)	-8.01%	Decline due to depreciation recognized for the period
Intangible Assets	(86,023)	-14.02%	Lower mostly due to amortization of software during the period, partially offset by acquisitions
Deferred Tax Assets - net	155,006	90.86%	Increase in allowance probable loss
Other Assets	(198,103)	-25.48%	Lower primarily from creditable withholding taxes
Deposit Liabilities			
Demand	10,300,825	33.37%	Higher volume of demand deposits
Savings	1,694,167	17.53%	Higher volume of savings deposits
Time	(8,835,947)	-21.89%	Lower volume of time deposits
Bills Payable	3,828,144	175.37	Higher due to higher bills payable - REPO, partly offset by lower BP- deposit substitute
Outstanding Acceptances	(426,204)	-85.62%	Lower bills of exchange accepted by the Bank
Manager's Checks	(15,853)	-8.43%	Lower un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses	(122,051)	-15.20	Lower mainly from lower retirement obligation (net retirement asset in 2021) and lower accrued interest for deposits due to decline in cost of funds

Income Tax Payable	(80,043)	-54.50%	Lower due to change from MCIT to RCIT in Q4 2020.
Retained Earnings	1,572,560	95.97%	Net income for the period
Unrealized gain on equity securities carried at fair value through other comprehensive income	(46,584)	-46.54%	Lower unrealized gain on FVOCI
Cumulative translation adjustment	(26,204)	12.39%	Lower CTA
Remeasurement gains (losses) on retirement liability	145,864	-138.76	Cumulative amount of actuarial gains in 2021

Statement of Income and Expenses: Jan-Dec 2022 vs Jan-Dec 2021 (consolidated)

(in thousands)	Increase (Decrease)	Percentage	Remarks
INTEREST INCOME			
Loans and receivables	485,232	11.81%	Higher interest income from growth in average volume (from impact of new loan availments, mainly from corporate loans), partially offset by drop in yields
Investment securities	405,262	85.72%	Higher interest income due to higher yields (mainly from HTC & FVOCI, and from higher average volume, mainly HTC)
Interbank loans receivable and securities purchased under resale agreements	(7,073)	-11.77%	Lower interest income from lower volume
Financial Assets at Fair Value through Profit or Loss	(11,469)	-28.43%	Decrease from lower volume, partially offset by higher yields
Deposits with other banks	(26,052)	-46.78%	Lower interest income mainly from decrease in average volume mainly in ODF
INTEREST AND FINANCE CHARGES			
Deposit liabilities	164,444	37.81%	Increase is primarily from higher cost of funds and from higher CASA volume
Bills payable, borrowings and others	129,886	219.78%	Increase is mainly from higher cost and average volume due to new repos during the year
OTHER INCOME			
Rent income	(85,234)	-16.87%	Lower mainly due to downward impact of pre-terminations and re-negotiated contracts of tenants as a result of the COVID-19 crisis
Trading and securities gain (loss) – net	(124,729)	51.63%	Higher net trading loss, mostly realized
Service charges, fees and commissions	58,381	17.60%	Increase is mainly from higher penalty on corporate loans
Profit (loss) from assets sold	47,476	349.94%	Higher gain on sale of foreclosed ROPA assets
Foreign exchange gain - net	40,821	71.83%	Higher foreign exchange gain, mostly realized
Income from trust operations	2,525	8.64%	Increase is mainly due to impact of higher ADB of assets under management
Gain (loss) on assets exchange – net	(10,936)	-146.60%	Net loss on asset exchange compared to net gain in prior year
Miscellaneous	(16,275)	-11.85%	Decrease primarily due to lower recovery on charged-off asset

OPERATING EXPENSE			
Provision for credit and impairment losses - net	(34,615)	-10.74%	Lower loan provision requirements during the period
Compensation and fringe benefits	98,909	9.73%	Higher manpower costs for the period due to higher headcount and salary adjustments
Insurance	20,984	12.89%	Higher PDIC insurance from higher volume of deposits
Occupancy and other equipment-related costs	17,614	14.86%	Higher mainly from increase in electricity costs
Management and professional fees	66,772	67.08%	Increase is primarily due to higher professional fees
Security, clerical, messengerial and janitorial services	16,445	18.51%	Higher security and janitorial costs primarily due to increase in minimum wage
Entertainment, amusement and recreation	(42,151)	-35.02%	Lower expenses incurred in 2022
Communications	7,463	15.02%	Increase in commercial leased lines
Miscellaneous	(22,172)	-5.39%	Decrease is primarily due to lower ROPA related expenses
Share In Net Income Of An Associate	26	9.06%	Net income from PBCOM Finance
Provision For Income Tax	269,020	104.83%	Increase is mainly due to lower DTA recognized, from higher final taxes, and due to higher taxable income for the period

Statement of Income and Expenses: Jan-Dec 2021 vs Jan-Dec 2020 (consolidated)

(in thousands)	Increase (Decrease)	Percentage	Remarks
INTEREST INCOME			
Loans and receivables	(215,326)	-4.98%	Lower interest income primarily from drop in yields, partially offset by higher ADB volume
Investment securities	109,178	30.03%	Higher due to volume, mainly due to HTC & FVOCI
Interbank loans receivable and securities purchased under resale agreements	(32,677)	-35.23%	Lower volume of GS with repurchase agreement
Financial Assets at Fair Value through Profit or Loss	(39,662)	-49.57%	Decrease from lower volume and lower yields
Deposits with other banks	(76,722)	-57.94%	Lower income from decrease in average volume mainly in ODF, and lower yields
INTEREST AND FINANCE CHARGES			
Deposit liabilities	(486,560)	-52.80%	Decline from lower cost of funds and lower volume, mostly TDs
Bills payable, borrowings and others	(87,935)	-59.81%	Lower cost of funds ,and lower volume mainly in Repo
OTHER INCOME			
Rent income	(168,173)	-24.97%	Lower mainly due to downward impact of pre-

			terminations and re-negotiated contracts of tenants as a result of the COVID-19 crisis
Service charges, fees and commissions	(57,367)	-14.74	Lower mostly due to decrease in penalties on corporate loans
Trading and securities gain (loss) - net	(896,329)	-136.90%	Higher trading loss, mostly realized
Profit (loss) from assets sold	6,788	100.13%	Higher gain on sale of ROPA
Income from trust operations	3,542	13.79%	Increase due to higher average volume of assets under management
Gain (loss) on assets exchange - net	10,617	-336.30%	Higher due to net gain on ROPA foreclosures for the year
Gain on sale of investment securities at amortized cost	(2,552)	-100.00%	Gain on sale of HTC for the period
Miscellaneous	(21,056)	-13.29%	Decrease primarily due to lower pre-termination penalty income from lease contracts
OPERATING EXPENSE			
Provision for credit and impairment losses - net	(1,095,927)	-77.27%	Lower provision requirement in 2021
Taxes and licenses	(162,618)	-25.41%	Lower GRT and business taxes
Insurance	9,058	5.89%	Higher PDIC insurance from higher volume of deposits
Occupancy and other equipment-related costs	17,185	16.96%	Higher electricity and water costs
Management and professional fees	(40,458)	-28.90	Lower professional fees
Security, clerical, messengerial and janitorial services	5,424	6.5%	Higher security and janitorial costs
Share In Net Income Of An Associate	21	7.89%	Net income from PBCOM Finance offset by net loss from PISAI
Provision For Income Tax	26,503	11.52	Higher taxable income

Interest income on non-discounted loans is recognized based on the accrual method of accounting, while unearned discounts are amortized to income over the terms of the loans. As such, there are no seasonal aspects that materially impact the Bank's interest revenues.

(3) Other material events and/or uncertainties:

- The Bank does not anticipate any cash flow or liquidity problems in the next 12 months after year-end 2022.

- The Bank does not foresee any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- There are no material commitments for capital expenditures.
- The Bank remain cautious in expanding its loan portfolio given the on-going effect of the pandemic on the economy while the Executive Committee (EXCOM) stays vigilant with its loan approvals.
- There are no significant elements of the Bank's income in 2022 that did not arise from continuing operations.
- There are no seasonal aspects that have a material effect on the financial condition or results of operations.

Item 7. Financial Statements

Attached hereto are the audited financial statements for the year ended December 31, 2022.

The accounting firm of Sycip, Gorres, Velayo and Co. ("SGV"), with address at SGV Building, 6760 Ayala Avenue, Makati City, has been the Bank's independent public accountants for the past years. The same accounting firm will likely be recommended for re-election at the scheduled annual meeting this year. Mr. Ray Francis C. Balagtas was assigned partner starting in 2019 in compliance with SRC 68(3)(b)(ix).

SGV is expected to be represented in the coming Annual Stockholders' Meeting with an opportunity to make statements, if they so desire, and will be available to respond to appropriate questions.

There is no disagreement with the Bank's accountants on matters of accounting and financial disclosure.
The aggregate external audit fees billed for each of the last three (3) fiscal years for the audit of the registrant's annual financial statements or services that are normally provided by the external auditors are as follows:

Fiscal Year	Audit Fees	All other fees
2022	₱5,256	
2021	₱4,721	
2020	₱3,943	

The above audit fees are inclusive of the following: (a) Other assurance related services by the External Auditor that are reasonably related to the performance of the audit or review of the Bank's financial statements and (b) All Other Fees. Fees paid to professional partnerships like SGV are not subject to withholding tax.

The Audit Committee is directly responsible for selecting and appointing the independent public accountants. Annually, the Committee recommends that the Board request shareholder ratification of the appointment of the independent public accountants. The Committee is also responsible for setting the compensation of the independent public accountants and periodically reviews the fees charged for all permitted audit-related expenses and other services. It is also their responsibility to evaluate and, when appropriate, to remove the independent public accountants.

At present, the Audit Committee is composed of: Emmanuel Y. Mendoza as Chairman with Gilda E. Pico and Teresita J. Herbosa as members.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes or disagreements with accountants on matters of accounting and financial disclosure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(1) Directors and Executive Officers

NAME	OFFICE	AGE	CITIZENSHIP	YEAR OF ASSUMPTION OF OFFICE
Eric O. Recto	Chairman of the Board/Director	59	Filipino	2011
Leonardo B. Dayao	Vice Chairman / Director	79	Filipino	2014
Lucio L. Co	Director/Chairman of the Executive Committee	68	Filipino	2014
Patricia May T. Siy	President & CEO / Director	62	Filipino	2015
Bunsit Carlos G. Chung	Director	72	Filipino	1997
Susan P. Co	Director	65	Filipino	2014
Levi B. Labra	Director	64	Filipino	2014/2017
Gregorio T. Yu	Director	64	Filipino	2011
Jack Ekian T. Huang	Director	68	Filipino	2019
Stephen Anthony T. CuUnjieng	Independent Director	63		2022
Conrado A. Gloria, Jr.	Independent Director	63	Filipino	2019
Teresita J. Herbosa	Independent Director	71	Filipino	2022
Emmanuel Y. Mendoza	Independent Director	58	Filipino	2014
Gilda E. Pico	Independent Director	76	Filipino	2017
John Howard D. Medina	Executive Vice President-COO	53	Filipino	2017
Alan E. Atienza	Executive Vice President-Treasurer	52	Filipino	2016
Victor O. Martinez	Executive Vice President – Corporate and Commercial Banking Group Head	57	Filipino	2020
Arlene M. Datu	Senior Vice President – Comptroller	64	Filipino	2013
Expedito G. Garcia	Senior Vice President – Transaction Banking	55	Filipino	2015
Erico C. Indita	Senior Vice President – Branch Banking Group	54	Filipino	2020
Jane Lim-Laragan	Senior Vice President – General Services Group	55	Filipino	2016
Jeruel N. Lobien	Senior Vice President – Chief Audit Executive	45	Filipino	2014
Mina F. Martinez	Senior Vice President – Human Resources Group Head	60	Filipino	2015

Board of Directors

ERIC O. RECTO, *Chairman of the Board and Director*

Eric Recto, Filipino, 59 years old, was elected Director and Vice Chairman of the Board on July 26, 2011, appointed Co-Chairman of the Board on January 18, 2012 and Chairman of the Board on May 23, 2012.

He is presently Chairman and President of Bedfordbury Development Corporation; Vice-Chairman of Alphaland Corporation and Vice Chairman and President of Atok-Big Wedge Co., Inc. Mr. Recto is Vice Chairman and Lead Independent Director of Aboitiz Power Corporation and an Independent Director of Manila Water Company, Inc. He was recently appointed Senior Advisor of Stonepeak Infrastructure Partners in the US and Director of Miescor Infrastructure Development Corporation.

Prior to his current roles, he was President of Petron Corporation, the largest oil refining and marketing company in the Philippines. He also previously served as Undersecretary of Finance of the Republic of the Philippines from 2002 to 2005.

Mr. Recto has an undergraduate degree in Industrial Engineering from the University of the Philippines and has an MBA from Cornell University's Johnson Graduate School of Management.

LEONARDO B. DAYAO, *Vice Chairman and Director*

Mr. Dayao, Filipino, 79 years old, was elected Director on September 29, 2014 and Co-Vice Chairman on October 24, 2014. Mr. Dayao currently holds the following positions in publicly listed companies: President of Cosco Capital, Inc. and Director of Puregold Price Club, Inc.

He also holds various positions in the following privately-owned companies: Chairman and President of Fertuna Holdings Corp., Chairman of Catuiran Hydropower Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, League One Finance and Leasing Corporation, Pamana Water Corporation, PSMT Philippines, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc.; Vice-Chairman of Ayagold Retailers, Inc.; President of Alcorn Petroleum Minerals Corporation, K4 Water Resources Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Southern Utility Management Services, Incorporated (SUMSI), Union Energy Corporation; Vice-President of Alerce Holdings Corp., Bellagio Holdings, Inc., KMC Realty Corporation, Puregold Properties, Inc., Union Equities, Inc.; and Director of Canaria Holdings Corporation, Entenso Equities Incorporated, Kareila Management Corporation and Puregold Realty Leasing & Management, Inc.

Mr. Dayao received a Bachelor of Science Degree in Commerce from Far Eastern University. He is a Certified Public Accountant and has completed Basic Management Program at Asian Institute of Management and earned units in MBA from University of the Philippines-Cebu.

LUCIO L. CO, *Chairman of the Executive Committee and Director*

Mr. Co, Filipino, 68 years old was elected Director on September 29, 2014. Mr. Co currently holds the following positions in other publicly listed companies: Director and Chairman of Puregold Price Club, Inc., Chairman of Cosco Capital, Inc. and Chairman of The Keepers Holdings, Inc. (formally Da Vinci Capital Holdings, Inc.).

He is also the Chairman of the following privately-owned companies: Alcorn Petroleum & Minerals Corporation, Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Entenso

Equities Incorporated, Invescap Incorporated, Makabayan Holdings Incorporated, NE Pacific Shopping Centers Corporation, P.G. Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc., Mr. Co is also a Director of the following privately-owned companies: Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corp., LCCK & Sons Realty Corporation, League One Finance and Leasing Corporation, Meritus Prime Distributions, Inc., Montosco, Inc., Pamana Water Corporation, PPCI Subic Inc., Patagonia Holdings Corp., Premier Wine & Spirits, Inc., S&R Pizza (Harbor Point), Inc., and S&R Pizza, Inc., Tower 6789 Corporation and VS Gripal Power Corporation. He is a member of the Board of Trustees of Adamson University and Luis Co Chi Kiat Foundation, Inc.

Mr. Co has been an entrepreneur for the past 40 years.

PATRICIA MAY T. SIY, *President & CEO and Director*

Ms. Siy, Filipino, 62 years old, was elected Director, President and Chief Executive Officer on June 1, 2015. She is also a Director of PBCOM Finance Corporation and Chairman of PBCOM Insurance Services Agency, Inc.

Immediately before joining PBCOM, she served as Chief Corporate Planning Officer of Travellers International Hotel Group from 2012 and as Chief Finance Officer of Rustan's Supercenter Inc. from 2011 to 2012. Her banking experience spanned 39 years. She was with Security Bank Corporation where she held various positions from 2000 to 2011 in Middle Market Lending and Corporate Lending leading to the Executive Vice President post for the Commercial and Retail Banking Segment. She held senior positions in Standard Chartered Bank from 1994 to 2000 in the fields of Regional and Philippine Consumer Credit, Group Special Asset Management, and Corporate Banking in Cebu and Head Office. Her first Bank was Private Development Corporation of the Philippines where she stayed from 1983 to 1994 as Project Analyst, Cebu Lending Head, Visayas Lending Head, and then Branch Lending Head.

Ms. Siy graduated from De La Salle University with a Bachelor of Science degree in Industrial Management Engineering minor in Chemical Engineering.

BUNSIT CARLOS G. CHUNG, *Director*

Mr. Chung, Filipino, 72 years old, was elected Director on June 17, 1997. He is Chairman & President of Supima Holdings, Inc., and Director of La Suerte Cigar & Cigarette Factory, Century Container Corporation, Bicutan Container Corporation, Tosen Foods Corporation, PBCom Finance Corporation, State Investment House, Inc. and State Properties, Inc. He is an Advisory member of the Board of Trustees of Xavier School Inc., and a member of the Board of Trustees of Immaculate Conception Academy (Greenhills) Scholarship Foundation, Seng Guan Temple, Angelo King Foundation Inc. and Kim Siu Ching Family Association, Vice-Chairman & President of Tiong Se Academy.

Mr. Chung has a degree in AB (Economics) & Business Administration from De La Salle University as well as an MBA from the University of Southern California.

SUSAN P. CO, *Director*

Mrs. Co, Filipino, 65 years old was elected Director on September 29, 2014. She currently holds the positions of Vice-Chairman of Puregold Price Club, Inc. and Vice-Chairman and Treasurer of Cosco Capital, Inc., both publicly listed companies.

Mrs. Co is the Chairman and President of Cosco Price, Inc., Chairman of Kareila Management Corporation and Tower 6789 Corporation, President of Makabayan Holdings Incorporated and Director of the following privately-owned companies: Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., NE Pacific Shopping Center Corporation, P.G. Holdings, Inc., Patagonia Holdings Corp., PPCI Subic Inc., Premier Wines and Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., San Jose City I Power Corp., Union Energy Corporation and Union Equities, Inc. and Treasurer of Forbes Corporation.

Mrs. Co received a Bachelor of Science Degree in Commerce from the University of Santo Tomas.

JACK EKIAN T. HUANG, *Director*

Mr. Huang, Filipino, 68 years old, was elected Director on June 4, 2019. He currently holds the positions of Director of Puregold Price Club Inc., Vice President of Abacus Securities Corporation and Director and Treasurer of Richmedia Network Inc. Mr. Huang also serves as Member of the Board of Trustees and Member of the Finance Committee of Sacred Heart School (Ateneo de Cebu).

In the past, he was Assistant Vice President of the Bank of the Philippine Islands, Branch Manager of Ayala Investment & Development Corporation and Director and General Manager of Cebu Business Continuous Forms.

Mr. Huang obtained his Bachelor of Arts in Economics at the Ateneo de Manila University.

LEVI B. LABRA, *Director*

Mr. Labra, Filipino, 64 years old, served as an Independent Director from October 24, 2014 until his election as a regular member of the Board of Directors on February 22, 2017. Mr. Labra is also a Director of Cosco Capital, Inc., a publicly listed company.

He obtained his Bachelor of Science in Business Administration (Cum Laude) at the University of San Carlos, Cebu City.

GREGORIO T. YU, *Director*

Mr. Yu, Filipino, 64 years old, was elected Director on July 26, 2011 and is presently the Chairman of Auto Nation Group, Inc., Cats Automobile Corp and Nexus Technologies, Inc. Mr. Yu also sits as Director in various companies, among which are CATS Asian Cars, Inc., American Motorcycles, Inc., Unistar Credit and Finance Corporation, Glyph Studios, Inc., Prople BPO Inc., WSI Corporation, and Jupiter Systems Corporation.

He is concurrently an Independent Director of Alphaland Corporation, Glacier Megafridge, EEI Corporation, APO Agua Infrastructura Inc., Philequity Management Inc., Vantage Financial Corporation (formerly E-business Services, Inc. and Vantage Equities Inc.. He also serves as Board Member of The Manila Symphony Orchestra since 2009.

He received his MBA from the Wharton School of the University of Pennsylvania in 1983 and his Bachelor of Arts in Economics (Honors Program) Summa Cum Laude from De La Salle University in 1978**.**

STEPHEN ANTHONY T. CUUNJIENG, *Independent Director*

Mr. CuUnjieng, Filipino, 63 years old, was elected Independent Director on July 1, 2022. He concurrently serves as an Independent Director of First Philippine Holdings Corporation since 2018. He is also an Independent Director at Century Properties Group, Golden Springs (Singapore) and a Ho Director Phoenix Petroleum PH Inc. He is part of the Executive Advisory Board for Asia of the Wharton School of Business and the International Advisory Board of the New York Philharmonic.

He was a Senior Managing Director at Evercore and Chairman at Evercore Asia Limited from 2009 to 2022. He was previously an Independent Director of Aboitiz Equity Ventures (2010 to 2018), an Adviser to the Board of SM Investments Corporation (2008-2017) and Director of Manila North Tollways Corporation (2008-2013). He was Vice Chairman, ASEAN of Macquarie (Hong Kong) Limited from 2007 to 2009.

Mr. CuUnjieng holds a degree in Bachelor of Arts (1980) and also has a Bachelor’s Degree in Law (with honors) (1984) from the Ateneo de Manila University and the Ateneo Law School. He also has a Master’s Degree in Business Administration (Finance) from Wharton School of Business (1986).

CONRADO A. GLORIA, JR., *Independent Director*

Mr. Gloria, Filipino, 63 years old, was elected Independent Director on June 4, 2019. He currently holds the positions of President & CEO of GIV Capital Holdings Corporation and Corporate Secretary of Miguel and Maria Group of Restaurants, Inc. Mr. Gloria is an Independent Director of PBCOM Insurance Services Agency, Inc. and Scheirman Construction Consolidated Inc.

In the past, he served as President & COO of Investment & Capital Corporation of the Philippines, Executive Vice President and Managing Director of SB Capital Investment Corporation, President of SB Equities, Inc., Senior Vice President of Southeast Asia Cement Holdings Inc. and Senior Finance Officer of International Finance Corporation.

Mr. Gloria obtained his Bachelor of Arts in Economics at the University of the Philippines and his Master’s in Business Administration at the Asian Institute of Management.

TERESITA J. HERBOSA, *Independent Director*

Ms. Herbosa, Filipino, 71 years old, was elected as Independent Director on November 2, 2022. She currently serves as a Director of the Board of Telecommunications Connectivity, Inc., and also sits as an Independent Director of mutual fund companies under the Sunlife Group: Sunlife of Canada Prosperity Bond Fund, Inc., Sunlife Prosperity Peso Starter Fund, Inc., Sunlife Prosperity Dollar Starter Fund, Inc., Sunlife Prosperity Peso Voyager Feeder Fund Inc., Sunlife Prosperity World Income Fund, Inc., Sunlife Prosperity Achiever Fund 2028, Inc., and Sunlife Prosperity Achiever Fund 2038, Inc.

Ms. Herbosa is likewise a trustee of the CHS Alumnae Foundation Inc. and a law professor at the DLSU College of Law (Rufino Campus) and Lyceum Makati. She is the former Chairperson of the Philippine Securities and Exchange Commission or SEC from April 2011 up to June 2018.

Prior to government service, Ms. Herbosa was with Angara Abello Concepcion Regala & Cruz Law Offices (“ACCRALAW”) where she headed its prestigious Litigation and Dispute Resolution Department for more than 10 years during which it was consistently recognized as the best in that area of practice. She retired from ACCRALAW in 2011 as a Senior Partner/Co-Managing Partner.

Ms. Herbosa finished AB Political Science cum laude at the University of the Philippines (UP) Diliman, and Bachelor of Laws cum laude and class salutatorian from the UP College of Law. She has a master’s degree from the University of Michigan.

EMMANUEL Y. MENDOZA, *Independent Director*

Mr. Mendoza, Filipino, 58 years old, was elected Independent Director on December 19, 2014. He is currently the Managing Partner of Mendoza Querido & Co., and President of MQ Agri Unlimited Inc. He is also an Independent Director of Medicard Philippines, Inc.

He obtained his Bachelor in Business Administration in Accountancy at the University of the Philippines and a Master in Management at the Asian Institute of Management. Mr. Mendoza is a Certified Public Accountant.

GILDA E. PICO, *Independent Director*

Ms. Pico, Filipino, 76 years old, was elected Independent Director on February 22, 2017. She is currently Chairman of the Board of Producers Savings Bank Corporation. Ms. Pico is also connected with Marinor Development Corporation as Director/Treasurer, Gilart Holdings Corporation as President and PayMaya Philippines as Independent Director.

In the past, Ms. Pico was President and CEO of Land Bank of the Philippines from November 2006 to July 2016. She was Land Bank's Acting President from July 2005 to November 2006 and Trustee of Land Bank Countryside Development Fund from 2005 to 2015. She also served as Chairman/Director in various government and private institutions engaged in leasing, realty, insurance, guarantees, microfinancing, rural and development banking from 1985 to 2016 such as LBP Insurance Brokerage, Inc., LBP Leasing and Finance Corporation, Landbank Realty Corp., Masaganang Sakahan, Inc., National Livelihood Development Corporation, Peoples Credit and Finance Corporation, Philippine Crop Insurance Corporation, among others.

Ms. Pico obtained her Bachelor of Science Degree in Commerce in 1966 from the College of the Holy Spirit where she graduated Magna Cum Laude and earned units in Masters in Business Administration from the University of the East. Ms. Pico is a Certified Public Accountant.

MICHAEL STEPHEN H. LAO, *Corporate Secretary and Corporate Information Officer*

Atty. Lao, Filipino, 39 years old, was elected Corporate Secretary on June 4, 2019. He is concurrently the Bank's Corporate Information Officer which he holds since November 30, 2014. Atty. Lao was the Bank's Assistant Corporate Secretary from November 30, 2014 up to his election as Corporate Secretary. He is currently a Partner at Zambrano Gruba Caganda and Advincula Law Offices.

Atty. Lao received his Bachelor of Science degree in Business Administration from College of Saint Benilde and his Juris Doctor degree from Ateneo de Manila School of Law in 2012. He was admitted to the Philippine Bar in 2013.

Executive Officers

JOHN HOWARD D. MEDINA, *Executive Vice President and Chief Operations Officer*
Mr. Medina, Filipino, 53 years old, joined PBCOM in 2017 and has over 25 years of experience in the banking industry as a senior executive in the Philippines and as an adviser to large banks in the United States. Mr. Medina obtained his Bachelor of Science in Industrial Engineering degree from the University of the Philippines, Diliman and Master of Business Administration degree from the Shidler College of Business at the University of Hawai'i at Manoa. He was also awarded Graduate Certificates in Leadership from The East–West Center, International Management from the Pacific Asian Management Institute, and European Management from the European Summer School for Advanced Management held in Marseilles, France.

ALAN E. ATIENZA, *Executive Vice President – Treasurer*
Mr. Atienza, Filipino, 52 years old, joined PBCOM in 2015 and has over 25 years of banking experience in Trading and Treasury Operations. He has been a recipient of numerous industry awards for Fixed Income Trading and has been a board member of Money Market Association of the Philippines (MART). Mr. Atienza obtained both his Bachelor of Arts in Economics and his Master of Business Administration degree from San Sebastian College.

VICTOR O. MARTINEZ, *Executive Vice President – Corporate and Commercial Banking Group Head*
Mr. Martinez, 57 years old, joined PBCOM in 2020 and has over 26 years of experience in the banking industry in the area of Institutional, Corporate and Commercial Banking covering industries in real estate, telcos, logistics, coal-fired & renewable energy power generation, power distribution, construction, gaming & entertainment. Mr. Martinez graduated from DLSU with a BS degree in Commerce, major in Management of Financial Institutions and from the Atkinson Graduate School of Management of Willamette University with a Masters degree in Management, major in Finance.

ARLENE M. DATU, *Senior Vice President – Comptroller*
Ms. Datu, Filipino, 64 years old, joined PBCOM in 2013 and has over 38 years of banking experience gained from Local and Foreign Banks as well as a Credit Card Company. She has extensive exposure on Financial Accounting, Management Profitability Reporting and Analysis, Regulatory Compliance, Operations, Risk and Audit. Ms. Datu obtained her Bachelor of Science major in Accounting from Polytechnic University of the Philippines.

EXPEDITO G. GARCIA, *Senior Vice President – Transaction Banking Group*
Mr. Garcia, Filipino, 55 years old, joined PBCOM in 2015 with over 29 years of extensive Management and Banking experience, with the last 18 years spent in a senior supervisory role. He has strong background in Corporate Cash Management and Managing and Developing Electronic Banking Channels with exposure to both corporate and retail markets. Mr. Garcia, obtained both his Bachelor of Science in Industrial Management Engineering minor in Mechanical Engineering and Master's Degree in Business Administration from De La Salle University. He also holds a Certificate in International Cash Management from the Association of Corporate Treasurers, United Kingdom.

ERICO C. INDITA, *Senior Vice President – Branch Banking Group*
Mr. Indita, 54 years old, joined the Bank in 2020 with over 26 years of banking experience particularly in Retail Banking. He obtained his Bachelor of Science degree in Commerce, major in Management, from San Beda College & his MBA from the Ateneo Graduate School of Business.

JANE LIM-LARAGAN, *Senior Vice President – General Services Group*
Atty. Laragan, Filipino, 55 years old, joined PBCOM in 2016 and has 20 years of experience in various Department: Legal, Human Resources, General Services, Compliance and Risk. Atty. Laragan obtained her Bachelors Degree in Commerce Major in Economics, and Bachelors Degree in Law from the University of Santo Tomas.

JERUEL N. LOBIEN, Senior Vice President – Chief Audit Executive
Mr. Lobien, Filipino, 45 years old, joined the Bank in 2014 with more than 8 years of banking experience and 6 years of auditing/internal audit work. He completed his Executive Masters in Business Management at AIM and graduated from UP with a BS in Business Administration & Accountancy (cum laude). He also has a Certification on Control Self-Assessment, Is a Certified Internal Auditor and a Certified Public Accountant.

MINA F. MARTINEZ, Senior Vice President – Human Resources Group Head
Ms. Martinez, Filipino, 60 years old, joined PBCOM in 2015 with more than 20 years of experience in HR, specializing in employee relations, counseling, performance management, benefits and compensation administration, policy development and documentation, motivation, organization and leadership. She has a Bachelor of Arts degree, major in Mass Communications from the Far Eastern University.

The directors of the bank are elected at the annual stockholder's meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

Directorship in Other Reporting Companies

- Mr. Eric O. Recto is also a Director of Atok-Big Wedge Co. Inc. and Aboitiz Power Corporation
- Mr. Leonardo B. Dayao is also a Director of Puregold Price Club, Inc. and Cosco Capital, Inc.
- Mr. Lucio L. Co is also a Director of Puregold Price Club, Inc., Cosco Capital, Inc., and The Keepers Holdings, Inc. (formerly Da Vinci Capital Holdings, Inc)
- Ms. Susan P. Co is also a Director of Puregold Price Club, Inc. and Cosco Capital, Inc.
- Mr. Levi B. Labra is also a Director of Cosco Capital, Inc.
- Mr. Gregorio T. Yu is also a Director of Vantage Equities, Inc.
- Mr. Jack Ekian T. Huang is also a Director of Puregold Price Club, Inc.
- Mr. Stephen Anthony T. CuUnjieng is also a Director of First Philippine Holdings Corporation, Century Properties Group and Phoenix Petroleum Philippines, Inc.

Shares of Atok-Big Wedge Co., Inc. (AB), Aboitiz Power Corporation (AP), Puregold Price Club, Inc. (PGOLD), Cosco Capital, Inc. (COSCO), Keepers Holdings, Inc. (KEEPR) (formerly Da Vinci Capital Holdings, Inc.), Vantage Equities, Inc. (V), First Philippine Holdings Corporation (FPH), Century Properties Group (CPG) and Phoenix Petroleum Philippines, Inc. (PNX) are all listed in the Philippine Stock Exchange, Inc.

(2) Significant Employees
There is none to disclose. The Bank currently does not employ any person who is not an executive officer but makes a significant contribution to the business.

(3) Family Relationships
Mr. Lucio L. Co and Ms. Susan P. Co are husband and wife. Atty. Michael Stephen H. Lao, Corporate Secretary, is the son-in-law of Mr. and Mrs. Lucio Co. Other than the foregoing, the persons nominated or chosen by the Bank to become directors or executive officers are not related to each other up to the fourth civil degree either by consanguinity or affinity.

(4) Involvement in Legal Proceedings
To the best of the knowledge of management, the Bank is not aware of:

- any bankruptcy petition filed by or against any business of which they are incumbent directors or senior officers was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent directors or executive officers;

- any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of the incumbent directors or executive officers in any type of business, securities, commodities or banking activities; and
- any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization that any of the incumbent directors or executive officers has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated, which may have a material effect in the operations and deter, bar or impede the fulfillment of his/ her duties as a director or executive officer of the Bank.

Item 10. Executive Compensation

Compensation of Directors and Executive Officers

Since the Bank obtained an exemption from the SEC to disclose the required detailed compensation information, disclosure of aggregate compensation paid or accrued during the last three fiscal years 2020 to 2022 of the Bank's Chief Executive Officer and four other most highly compensated executive officers are as follows:

	2022	2021	2020
CEO and four most highly compensated Executive officers	Patricia May T. Siy President & CEO	Patricia May T. Siy President & CEO	Patricia May T. Siy President & CEO
	John Howard D. Medina Executive Vice President	John Howard D. Medina Executive Vice President	John Howard D. Medina Executive Vice President
	Alan E. Atienza Executive Vice President	Alan E. Atienza Executive Vice President	Alan E. Atienza Executive Vice President
	Victor O. Martinez Executive Vice President	Victor O. Martinez Executive Vice President	Victor O. Martinez Executive Vice President
	Arlene M. Datu Senior Vice President	Arlene M. Datu Senior Vice President	Arlene M. Datu Senior Vice President
Salary	₱64,465	₱60,175	₱50,719
Bonus	21,488	20,258	18,685
Other Annual Compensation			
TOTAL	₱85,953	₱80,433	₱69,404

All officers and directors as Group Unnamed			
Salary	₱648,154	₱ 624,600	₱621,114
Bonus	216,051	193,915	192,947
Other Annual Compensation	-	-	-
TOTAL	₱864,205	₱818,515	₱814,061

The following is the estimated annual compensation for year 2023:

	Salary	Bonus	Other Annual Compensation	Total
Total of CEO and Four most highly compensated	₱65,754	₱21,918	none	₱87,672

Executive Officers				
All officers as a group unnamed	661,117	220,372	none	881,489

The director's per diem paid amounted to ₱12.98 Million, ₱13.36 Million, and ₱12.43 Million, as of December 31, 2022, 2021, and 2020, respectively.

The five (5) Independent and four (4) other regular Directors are entitled to a Director's fee for attending Board meetings. The remaining six (6) Directors have waived their right to receive Director's fees. As stipulated in the By-laws, Directors are also entitled to share in the net profits to be distributed in such manner as the Board may provide but not exceeding four (4) percent.

There are no other terms and conditions with regard to the employment contract between PBCOM and named Executive Officers or any other more compensatory plans or arrangements except those disclosed above.

There are no Outstanding Warrants or Options held by the Directors and Officers as of December 31, 2022.

The Bank has no record of adjusting or amending the exercise price of stock warrants previously awarded to any of the officers and directors.

Item 11. Security Ownership of Certain Beneficial Owners and Management

A. Security Ownership of Certain Record and Beneficial Owners of more than 5 percent of the Bank's capital stock as of December 31, 2022:

Title of Class	Name and Address of Record Owner and relationship with Issuer	Name of Beneficial Ownership and relationship with Record Owner	Citizenship	No. of Shares	% Held
Common	P.G. Holdings, Inc. 900 Romualdez St., Paco, Manila Stockholder	Lucio L. Co-Chairman Susan P. Co-Director	Filipino	186,241,408	38.75%
Common	VFC Land Resources, Inc. 1379 San Gregorio St., Paco, Manila Stockholder	Various stockholders Lucio L. Co – Authorized to vote the shares	Filipino	73,619,038	15.32%
Common	Ralph C. Nubla, Jr. 2 Sanso Street, Corinthian Gardens, Quezon City Stockholder	Ralph C. Nubla, Jr. – same as record owner	Filipino	51,779,374*	10.77%
Common	PCD Nominee Corporation 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City Stockholder	Various stockholders	Filipino Non-Filipino	49,147,743 1,994,061 51,141,804	10.23% 0.41% 10.64%
Common	Eric O. Recto 5/F PBCOM Tower 6795 Ayala Ave. cor. V.A. Rufino St., Makati City Stockholder	Eric O. Recto – same as record owner	Filipino	50,159,424**	10.43%
Common	Telengtan Brothers & Sons, Inc. Km. 14, South Superhighway, Paranaque City Stockholder	Various stockholders Authorized to vote the shares-any one the ff: Bunsit Carlos G. Chung/Felix Chung/Ching Tiong Keng	Filipino	31,859,844	6.63%

**5,260,338 shares of the 51,779,374 shares of Ralph C. Nubla, Jr. are under PCD Nominee Corporation*
***323,648 shares of the 50,159,424 shares of Eric O. Recto are under PCD Nominee Corporation*

B. Security Ownership of Management as of December 31, 2022:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent
Common	Eric O. Recto	Direct	50,159,424	Filipino	10.43%
Common	Leonardo B. Dayao	Direct	10,001	Filipino	0.00%
Common	Patricia May T. Siy	Direct	100	Filipino	0.00%
Common	Bunsit Carlos G. Chung	Direct	550,716	Filipino	0.11%
		Indirect	449,294		0.09%
Common	Lucio L. Co	Direct	1	Filipino	0.00%
		Indirect	93,120,704		19.37%
Common	Susan P. Co	Direct	1	Filipino	0.00%
		Indirect	93,027,584		19.35%
Common	Levi B. Labra	Direct	100	Filipino	0.00%
Common	Gregorio T. Yu	Direct	1,432,692	Filipino	0.30%
Common	Jack E. Huang	Direct	100	Filipino	0.00%
Common	Stephen Anthony T. CuUnjieng	Direct	100	Filipino	0.00%
Common	Conrado A. Gloria, Jr.	Direct	100	Filipino	0.00%
Common	Teresita J. Herbosa	Direct	100	Filipino	0.00%
Common	Emmanuel Y. Mendoza	Direct	100	Filipino	0.00%
Common	Gilda E. Pico	Direct	100	Filipino	0.00%

C. Voting Trust Holders of 5% or more

There are no voting trust agreements or any other agreements/arrangements that may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Bank's transactions with related parties include key management personnel, affiliates (i.e. entities which are controlled), significantly influenced by or for which significant voting power is held by the Bank or key management personnel or their close family members and retirement plan for the benefit of the Bank's employee). These transactions are made in the ordinary course of business and on substantially same terms as that of other parties.

The Bank's related party transactions below are also presented and discussed in detail in the Audited Financial Statements.

Related Party	Transaction with the Bank
Post-retirement Plan	The Bank's Retirement Board approves the investment made in the retirement plan. Trust fee income from such service and total deposits maintained with the Bank in 2022 amounted to ₱2.74 Million and ₱42.50 Million, respectively, while interest expenses paid by the Bank to the deposits was ₱0.31 Million.
Provident Fund	Outstanding deposit and interest paid by the Bank as of year-end were ₱ 25.82 Million and ₱0.16 Million, respectively, while trust fees earned from such service amounted to ₱2.25 Million.
Key Management Personnel	Senior Management Team constitutes key management personnel for purposes of PAS 24. Short-term benefits and post-employment benefits given to SMT in 2022 amounted to ₱150.51 Million and ₱6.34 Million, respectively. The year-end balance of deposits and interest expenses paid by the Bank amounted to ₱41.22 Million and ₱0.05 Million, respectively.

Affiliate	The year-end balance of deposits and interest expenses incurred by the Bank amounted to ₱17.99 Million and ₱0.06 Million, respectively. Rental income earned for the year is ₱0.15 Million.
Subsidiary	The year-end balance of deposits with the the Bank amounted to ₱8.9 Million.
Significant Investors	The year-end balance of deposits and interest expenses incurred by the Bank amounted to ₱11.27 Billion and ₱34.98 Million, respectively. Rental income during the year amounted to ₱3.95 Million, and rent-related depreciation and interest expense were ₱25.09 Million and ₱3.27 Million, respectively. Outstanding balance on loans and receivables is ₱464.53 Million.

As required by BSP, the Bank discloses loans transactions with certain directors, officers, shareholders and their related interests ("DOSRI") in the ordinary course of business, under commercial terms and on an arm's length basis observing at all times the legal limits prescribed under current BSP regulations on DOSRI loans. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the lower of the Bank's total unimpaired capital or 15% of the total loan portfolio. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations. As of December 31, 2022 the Bank is in compliance with such regulations.

PART IV - CORPORATE GOVERNANCE

Item 13. Corporate Governance

PBCOM Board of Directors and Management, employees and shareholders, believe that Corporate Governance is a necessary component of what constitutes sound strategic business management. Thus, the Bank has undertaken every effort necessary to create awareness for this within the organization. All Directors and Senior Management are required to attend its annual continuing education program on Corporate Governance and Risk Awareness. The Board, Senior Management and all employees conduct themselves with utmost honesty and integrity in the discharge of their duties, functions and responsibilities, thus nurturing the continuing success of the Bank and securing its competitiveness in the best interest of the Bank, its shareholders and other stakeholders. Bank Officers promote the good governance practices within the Bank by ensuring that policies on governance are consistently adopted across the organization, with measurable standards, initiatives and specific responsibilities and accountabilities for each personnel.

Consistent with the global practices of good Corporate Governance, the Bank's overriding commitment to a culture of good governance is seen through the following underlying principles:

1. It is the Bank's objective to enhance shareholders' value by making the most efficient use of resources. Its human capital strategy is one of its vital focus areas, as it is a principal indicator for the company's success.
2. The Board of Directors constitutes Board Committee namely Governance, Audit, Risk Oversight and Related Party Transactions Committees which are all chaired by Independent Directors and composed of majority of Independent Directors, all of whom have a good understanding of the business.
3. The Governance Committee is responsible for ensuring the Board's effectiveness and due observance of Corporate Governance principles and guidelines. They assist the Board of Directors in fulfilling its corporate governance responsibilities.
4. The Governance Committee, through its Nominations Sub-Committee, ensures the quality of its leadership, consistent with its "fit and proper" rule when selecting its Directors and Senior Management Team, while the Performance Evaluation Sub-Committee, recommends and

oversees the implementation of a Performance Management Process for Senior Management and the Members of the Board, review performance vis-a-vis agreed upon objectives, evaluate progress made with respect to Senior Management Directors Development plans, monitor changes in professional affiliations, personal status even health, which could have qualifications, resignation and succession implications.

5. Transparency in its Annual Reports is ensured and reflects true and fair accounting information prepared in accordance with applicable standards; disclose and discuss all material risks; and disclose and explain the rationale for all material estimates. Disclosures are all completed in a timely manner.
6. To ensure that all act in the best interest of the Bank, full disclosure by its Directors, Officers and Employees on any actual or expected conflict of interest is required
7. The Bank's Corporate Governance Manual, Code of Ethics and Code of Conduct clearly states Management's philosophy and compliance standards.

Annually, the Bank through the Governance Committee reviews the Corporate Governance Manual and recommends changes/amendments/revisions for the approval of the Board of Directors when and where necessary.

In addition, to promote a strong governance culture and transparency, the Bank's compliance with the Code of Corporate Governance are disclosed in the Integrated Annual Corporate Governance Report.

PART V - EXHIBITS AND SCHEDULES

Item14. Exhibits and Reports on SEC Form 17-C

1. Exhibits – None

2. Reports on SEC Form 17 – C (2021)

Date	Particulars
December 28, 2022	Demise of Director Robert Y. Cokeng on 26 December 2022
November 21, 2022	Statement of Condition as of September 30, 2022.
November 16, 2022	Press Release for the upgrade of PBCOM's License to a Universal Bank.
November 10, 2022	PBCOM Secures a Universal Bank License
October 27, 2022	Election of Ms. Teresita J. Herbosa as Independent Director effective November 2, 2022 to serve the unexpired term of former Director, Mr. Jaime J. Bautista.
October 18, 2022	PBCOM signs Insurance Distributorship Agreement with Etiqa Life and General Assurance Philippines, Inc.
September 28, 2022	PBCOM to enter into an insurance distributorship partnership with Etiqa Life and General Assurance Philippines, Inc.
September 8, 2022	SEC Certificate of Filing of Amended By-Laws dated September 6, 2022 approving the amendments.
August 22, 2022	SEC's approval of Amended Articles of Incorporation with attached Certificate and Amended AOI
August 9, 2022	Statement of Condition as of June 30, 2022
August 9, 2022	PBCOM Consent to Publish Personal and Sensitive Personal Information of the Principal Officers of the Bank indicated in the Statement of Condition.
July 27, 2022	Board Committees' Reorganization
June 29, 2022	Resignations of Mr. Bienvenido E. Laguesma as Independent Director effective June

<table>
<tr><td></td><td>14, 2022 and Mr. Jaime J. Bautista effective June 29, 2022 and the election of Mr. Stephen Anthony T. CuUnjieng as Independent Director effective July 1, 2022. Mr. CuUnjieng shall serve the unexpired term of former Director, Mr. Bienvenido E. Laguesma.</td></tr>
<tr><td>June 7, 2022</td><td>Results of the Organizational Meeting of the Board of Directors on June 7, 2022.</td></tr>
<tr><td>June 7, 2022</td><td>Results of the Annual Stockholders’ Meeting on June 7, 2022.</td></tr>
<tr><td>May 12, 2022</td><td>Statement of Condition as of March 31, 2022.</td></tr>
<tr><td>May 2, 2022</td><td>Key Highlights of the 2021 Performance of PBCOM.</td></tr>
<tr><td>April 29, 2022</td><td>For Press Release: PBCOM’ 2021 NET INCOME HITS RECORD HIGH” (copy attached to the disclosure).</td></tr>
<tr><td>March 30, 2022</td><td>PBCOM Annual Stockholders’ Meeting.
<table>
<tr><th>Date and Time</th><th>7 June 2022 (Tuesday) at 9:00 A.M. to 10:00 A.M.</th></tr>
<tr><td>Venue</td><td>Virtual Stockholders’ Meeting at the link to be provided in PBCOM’s Website- https://www.pbcom.com.ph/</td></tr>
<tr><td>Record Date</td><td>18 April 2022</td></tr>
</table></td></tr>
<tr><td>March 15, 2022</td><td>Result of the March 15, 2022 Special Stockholders’ Meeting</td></tr>
<tr><td>March 14, 2022</td><td>Proposed Amendments to Articles of Incorporation for the change in primary purpose and corporate term.</td></tr>
<tr><td>February 18, 2022</td><td>Statement of Condition as of December 31, 2021</td></tr>
<tr><td>February 4, 2022</td><td>Press Release – Bangko Sentral ng Pilipinas approval on the upgrade of the commercial banking license of PBCOM to that of a Universal Bank subject to regulatory requirements,</td></tr>
<tr><td>February 4, 2022</td><td>Bangko Sentral ng Pilipinas approval on the upgrade of the commercial banking license of PBCOM to that of a Universal Bank subject to regulatory requirements,</td></tr>
<tr><td>January 27, 2022</td><td>Directors’ Attendance for 2021 Board Meetings</td></tr>
<tr><td>January 26, 2022</td><td>PBCOM’s Special Stockholders’ Meeting.
<table>
<tr><th>Date and Time</th><th>15 March 2022 (Tuesday) at 9:00 A.M. to 10:00 A.M.</th></tr>
<tr><td>Venue</td><td>Virtual Stockholders’ Meeting at the link to be provided in PBCOM’s Website- https://www.pbcom.com.ph/</td></tr>
<tr><td>Record Date</td><td>14 February 2022</td></tr>
</table></td></tr>
<tr><td>January 26, 2022</td><td>Amendments to PBCOM’s Articles of Incorporation for the change in the primary and secondary purposes</td></tr>
<tr><td>January 18, 2022</td><td>Amendments to PBCOM’s By-Laws</td></tr>
<tr><td>January 17, 2022</td><td>Certification for the Quarterly List of Top 100 Stockholders as of December 31, 2021</td></tr>
</table>

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on ______________.

By:

PATRICIA MAY T. SIY
President and Chief Executive Officer
(Principal Executive Officer)

ARLENE M. DATU
SVP and Comptroller
(Comptroller & Principal Accounting Officer)

ALAN E. ATIENZA
EVP and Treasurer

MICHAEL STEPHEN H. LAO
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this APR 17 2023, affiants exhibiting to me their SSS and Passport Number, as follows:

Name	
Patricia May T. Siy	SSS # 03-7309995-5
Alan E. Atienza	SSS # 33-3597567-4
Arlene M. Datu	SSS # 03-5663345-1
Michael Stephen H. Lao	Philippine Passport No. P2038491B

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2024
IBP No. 05729-Lifetime Member
MCLE Compliance No. VII-0022734
valid until April 14, 2025
Appointment No. M-39 (2023-2024)
PTR No. 9563522 Jan. 3, 2023/ Makati
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Doc No. 97
Page No. 21
Book No. XVIII
Series of 2023

PHILIPPINE BANK OF COMMUNICATIONS

BRANCHES' SITES - OWNED AND LEASED

ANNEX A

AS OF DECEMBER 31, 2022

No.	BRANCH	ADDRESS	CONDITION OF PREMISES	OWNED / LEASED	LEASE TERMS MONTHLY RENTAL (OFFICE + PARKING + OTHER CHARGES) AS OF	EXPIRY DATE
A. BANK-OWNED PROPERTIES UTILIZED AS BRANCHES						
1	BINONDO BANKING CENT	7th Floor, PBCOM Bldg 214-216 Juan Luna St. Binondo Manila	good	owned		
	CAGAYAN DE ORO	2/F PBCOM Bldg. Hayes St. cor. Tiano Bros. St. Cagayan De Oro City	good	owned		
2		3/F PBCOM Bldg. Hayes St. cor. Tiano Bros. St. Cagayan De Oro City	good	owned		
3	CEBU	Magallanes near corner Manalili Streets, Cebu City	good	owned		
4	DAVAO	41 Monteverde St., Davao City	good	owned		
5	GENERAL SANTOS	2/F Santiago Blvd., General Santos City	good	owned		
		G/F Santiago Blvd., General Santos City	good	owned		
6	ILOILO	Ledesma corner Valeria Sts, Iloilo City	good	owned		
7	KORONADAL	Gen. Santos Drive, Koronadal, South Cotabato	good	owned		
8	MAKATI BANKING CENTE	PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino, Makati City	good	owned		
9	MANDAUE	National Highway corner Jayme Street, Mandaue City	good	owned		
10	MANGO	General Maxillom (Mango) Ave., Cebu City	good	owned		
11	MARIKINA	34 J.P. Rizal St., Calumpang, Marikina	good	owned		
12	MERALCO AVE (FORMER J	C-1 Horizo Condominium, Meralco Avenue, Pasig City	good	owned		
13	QUIRINO-DAVAO	111 E. Quirino Avenue, Davao City	good	owned		
14	TAGUM	Pioneer Avenue, Tagum, Davao del Norte	good	owned		
15	U.N. AVENUE (FORMER M	U101 & 102, Don Alfonso Cond. 1108 MH del Pilar cor. UN Ave. & Guerreo Sts., Ermita, Manila	good	owned		
B. LEASED PROPERTIES UTILIZED AS BRANCHES						
1	ANGELES	Ground Floor, MLT Centre Building, Lot 28, Block 2, McArthur Highway, Brgy. Ninoy Aquino, Angeles City	good	leased	106,376.99	15-Aug-25
2	ANNAPOLIS	Unit 101 Victoria Plaza Condominium 41 Annapolis St., Greenhills, San Juan	good	leased	272,356.35	15-Apr-24
3	AYALA-ALABANG	ALPAP II Building, Investment Drive cor. Trade St., Madrigal Busines Park, Ayala Alabang, Muntinlupa City	good	leased	279,482.82	31-Jan-26
4	BACOLOD	Units A-E, Ground Floor, Sorrento	good	leased	167,402.30	29-Feb-24
5	BAGUIO	Ground Floor Level, Unit Nos. 105, 106 & 106-B, Baguio Holiday Villas, No. 10 Legarda Road, Baguio City	good	leased	212,334.25	30-Nov-25
6	BALIUAG	NE Super Bodega, Dona Remedios Trinidad Highway, Baliuag, Bulacan	good	leased	42,444.00	22-Sep-24
7	BANAWE	G/F 2 Benby Building, Banawe Street, Quezon City	good	leased	113,448.72	22-Nov-24
8	BATANGAS	Diego Silang St., Batangas City	good	leased	100,000.00	31-Jan-25
9	BMA	Web-Jet Building, Quezon Ave., Q.C.	good	leased	109,689.37	30-Nov-28
10	CABANATUAN	Ground Floor, SAM Building along Maharlika Highway, Cabanatuan City	good	leased	63,000.00	31-Jan-24
11	CAINTA	LG/F 04 & LG/F 05, CK Square Building, Ortigas Avenue Extension corner Sunset Drive, Cainta, Rizal	good	leased	79,856.56	17-Oct-26
12	CALAMBA	Ground Floor Walter Mart, National Highway corner Real Street, Calamba, Laguna	good	leased	75,264.00	31-Dec-26
13	CALOOCAN	298-C2 6th Avenue Ext. Caloocan City	good	leased	94,623.41	14-Sep-25
14	CAUAYAN	Mateo-Patricia Bldg., Rizal Avenue Extension, Cauayan, Isabela	good	leased	86,821.88	31-May-25
15	CEBU BUSINESS PARK	Unit 1, G/F, Creativo 2 Building, Mindanao Avenue, Cebu Business Park, Cebu City	good	leased	140,315.53	20-Jun-26
16	CONGRESSIONAL	No. 8 Congressional Ave., Brgy. Bahay Toro, Quezon City	good	leased	108,007.84	30-Apr-28
17	CORINTHIAN GARDENS	Sanso Street, Corinthian Gardens, Q.C.			Leasehold Rights of P12 Millio	30-Sep-31
18	CUBAO	2nd Floor SPARK Place, P. Tuazon cor. 10th Avenue, Quezon City	good	leased	205,077.17	31-Aug-23
19	DAGUPAN	Ground Floor, Balingit Building, Arellano Street, Dagupan City	good	leased	103,697.88	15-May-24
20	DASMARINAS	EVY Building Salawag-Paliparan Road Dasmariñas, Cavite	good	leased	101,516.80	31-Oct-25
21	DAVAO BUHANGIN (reloc	G/F Pacific Plaza, Lot 3, Block 18, Buhangin Road, Davao	good	leased	64,680.00	30-Apr-26
22	DIVISORIA MALL	Stalls No. 3N-01, 03 and 05 located at Third Floor (3rd) Old Divisoria Market, bounded by Tabora, Comercio, M. De Santos and Sto. Cristo, Manila	good	leased	129,531.72	2-Jul-26
23	ELCANO	SHC Tower, Elcano St., San Nicolas, Manila	good	leased	182,676.91	28-Feb-24
24	F1 HOTEL, BGC	F1 Hotel Building, Lane Q corner Lane A Roads, Bonifacio Global City,	good	leased	846,201.27	28-Feb-23
25	GREENHILLS	Quadstar Building, 80 Ortigas Avenue, San Juan, Metro Manila	good	leased	247,087.18	31-Mar-26
26	ILIGAN	Roxas Avenue, Poblacion, Iligan City, Lanao del Norte.	good	leased	100,088.67	18-Jul-24
27	IMUS	Luis Gaerlan St., and Imus Boulevard, Imus, Cavite	good	leased	89,600.00	30-Jun-26
28	INOZA TOWER	Ground Floor Unit D, 40th St., Bonifacio Global City, Taguig City	good	leased	368,757.46	6-Jul-27
29	INTRAMUROS (using ECH	AVR Building, Beaterio Intramuros Manila	good	leased	104,720.00	31-Mar-26

No.	BRANCH	ADDRESS	CONDITION OF PREMISES	OWNED / LEASED	LEASE TERMS MONTHLY RENTAL (OFFICE + PARKING + OTHER CHARGES) AS OF	EXPIRY DATE
30	J.P. RIZAL	Ground Floor, Santini Corp. Building, 519 J.P. Rizal Ave., Brgy. Olympia, Makati City	good	leased	181,226.38	31-Aug-23
31	LA UNION	Quezon Avenue, San Fernando City, La Union	good	leased	101,494.44	31-Jan-25
32	LAPU-LAPU	G/F Unit 11 Alpha Arcade Bldg., M.L. Quezon Ave. National Highway, Lapu Lapu City	good	leased	30,261.23	31-Jul-25
33	LAS PINAS	2012 Marcos Alvarez, Brgy. Talon Singko, Las Pinas City	good	leased	61,016.40	7-Jan-27
34	LEGASPI VILLAGE	Unit 1-A, Vernida I 120 Amorsolo St., Legaspi Vill., Makati City	good	leased	85,911.21	31-Jul-26
35	LEGAZPI CITY	Ground Floor De Los Santos , Commercial Building, Landco , Business Park, Legazpi City	good	leased	180,042.64	9-Aug-24
36	S & R C5 LIBIS	of Ground Floor Commercial Spaces at Nuvo City - Aspire Tower, 150 E. Rodriguez Jr. Avenue cor. Calle Industria, Bagumbayan, Quezon City	good	leased	95,631.90	5-Sep-25
37	LIPA	ATDRMAM Building Ayala Highway Mataas na Kahoy, Lipa	good	leased	117,928.98	31-Jan-24
38	LUCENA	VCCI Building Merchan cor. San Fernando, Lucena City	good	leased	107,749.43	15-Nov-28
39	M. DE SANTOS, DIVISORI	553-561 M. De Santos St., Divisoria, Tondo, Manila	good	leased	292,676.89	31-Mar-25
40	MAKATI PLACE	Ground Floor Unit C-15, Alphaland Makati Place, Ayala Ave. cor. Malugay St. Makati City.	good	leased	167,346.58	30-Nov-25
41	MALABON	Building L, #34 Gov. Pascual Avenue corner Ibarra Street, Brgy Acacia, Malabon City.	good	leased	96,878.88	24-Jun-24
42	MALOLOS	Malolos Shopping Arcade Paseo Del Congreso, Malolos City	good	leased	77,045.10	15-Aug-26
43	MASANGKAY	1004-1006 Masangkay St. Binondo, Manila	good	leased	175,000.00	30-Sep-24
44	MEYCAUAYAN	Mancon Building McArthur Highway, Calvario, Meycauyan City	good	leased	92,726.56	15-Apr-26
45	NAGA	Ground Floor, Rodriguez Building, 956 Panganiban St., corner Balintawak St., Naga City	good	leased	98,494.90	28-Feb-26
46	OLONGAPO	Grd. Flr. YBC Centre Mall, Rizal , Avenue Extension, Olongapo City	good	leased	152,945.60	30-Sep-25
47	ONGPIN	Sabino St. corner Ongpin St., Sta. Cruz, Manila	good	leased	348,085.39	31-Dec-22
	STRATA ONGPIN (RELOC SITE)	Strata Gold Condominium, 738 Ongpin St., Binondo, Manila	good	leased	169,078.65	14-Jan-26
48	ORMOC	Unit 105, Ground Floor of L & R Building, Bonifacio Street, District 8, Ormoc City, Leyte	good	leased	21,290.56	12-Apr-23
49	PADRE RADA	951 Juan Luna Street, Tondo, Manila	good	leased	142,191.20	14-Jul-25
50	PARANAQUE	Unit 3-4, Kingsland Building Dr. A. Santos Avenue, P'que. City	good	leased	160,980.21	31-May-27
51	PASAY	2492 Taft Avenue, Pasay City	good	leased	136,122.00	31-Oct-26
52	PIONEER	RFM Corporate Center Pioneer cor. Sheridan Sts., Mandaluyong City	good	leased	205,164.08	13-May-26
53	PUREGOLD SAN PEDRO	Puregold San Pedro, Old National Highway cor. Magsaysay St., San Pedro, Laguna	good	leased	55,932.69	31-Jan-25
54	QUEZON AVE	APC Building, 1186 Quezon Avenue, Quezon City	good	leased	272,249.60	30-Sep-26
55	S & R COMMONWEALTH	Ground Floor Unit 4 of S & R Membership Shopping – Commonwealth, Brgy. Kaligayahan, Quirino Highway, Novaliches, Quezon City	good	leased	145,068.93	15-Dec-24
56	S & R DAU	Ground Floor Unit 2 of S&R Membership Shopping Dau, NLEX Access Road, Barangay Dau, Mabalacat City, Pampanga	good	leased	108,631.53	15-Mar-25
57	S&R NEW Manila (reloc of	G/F S&R Membership Shopping New Manila E. Rodriguez Sr. Avenue, Brgy. Kalusugan, New Manila, Quezon City	good	leased	119,637.00	4-Feb-25
58	SAN FERNANDO	McArthur Highway Dolores, San Fernando, Pampanga	good	leased	161,936.05	31-Mar-24
59	SAN MIGUEL AVE.	Unit G101OMM-CITRA Condominium, San Miguel Avenue, Ortigas Center, Pasig City	good	leased	183,693.97	31-Jul-25
60	SAN PABLO	Rizal Avenue, San Pablo City, Laguna	good	leased	55,594.90	30-Apr-26
61	SEN. GIL PUYAT	Unit 101-C, Oppen Building, 349 Sen. Gil Puyat Avenue, Makati City	good	leased	263,489.74	14-Jul-23
62	SHAW BLVD	146 Shaw Boulevard cor. San Roque St., Pasig City	good	leased	83,641.95	15-Nov-27
63	SOLER	No. 943 Soler St., of R & S Tower, Inc., Binondo, Manila	good	leased	129,670.40	31-May-25
64	SOUTH GATE MALL (3/F)	Unit T06 and T07, Third Floor, Alphaland Southgate Mall, 2258 Chino Roces Avenue corner EDSA, Makati City, Metro Manila	good	leased	242,039.88	18-Dec-22
	SOUTH GATE MALL (G/F, reloc site)	Ground Floor, Alphaland Southgate Mall, 2258 Chino Roces Avenue corner EDSA, Makati City, Metro Manila	good	leased	178,534.94	18-Dec-25
65	STA. MESA	G. Araneta Avenue, Sta. Mesa, Q.C.	good	leased	94,315.78	31-Jul-24
66	STA. ROSA	Unit No. 2, Paseo 5, Phase 2, Paseo de Sta. Rosa	good	leased	219,786.07	31-Mar-24
67	STO. CRISTO	563 Sto. Cristo Street, Divisoria, Manila	good	leased	99,225.00	16-Sep-27
68	T. ALONZO	T. Alonzo Street, Sta. Cruz, Manila	good	leased	316,957.73	10-Sep-24
69	TACLOBAN (reloc site of D	Imelda Veteranos St. Brgy. 23, Tacloban City	good	leased	80,647.88	5-Mar-25
70	TAGBILARAN	Ground Floor, LTS Building, Carlos, P. Garcia Avenue, Tagbilaran City	good	leased	67,200.00	30-Jul-25
71	TIMOG	75 Timog Avenue, Quezon City	good	leased	170,372.49	15-Jul-24
72	TUTUBAN	Prime Block Building, Tutuban Center, C.M. Recto Avenue, Manila			Leasehold Rights of P9.92 Million	22-Aug-39
73	VALENZUELA (reloc site)	246 McArthur Highway, Karuhatan, Valenzuela	good	leased	53,760.00	16-Apr-27
74	WILSON	Ground Floor Unit of ONE86 at Wilson, San Juan, Metro Manila	good	leased	82,654.43	14-Oct-23

No.	BRANCH	ADDRESS	CONDITION OF PREMISES	OWNED / LEASED	LEASE TERMS MONTHLY RENTAL (OFFICE + PARKING + OTHER CHARGES) AS OF	EXPIRY DATE
75	ZAMBOANGA VALDEROSA	LKG Building, Valderosa Street, Zamboanga City	good	leased	136,399.10	30-Apr-24
76	ZAMBOANGA VETERANS	BSC Tower (formerly Zamsulu Bldg.) Ground Floor, Door 5-7, Veterans Ave., Zamboanga City	good	leased	123,824.84	30-Sep-24
LIST OF BRANCHES LITES/ POP-UPS						
1	BL- PG TAGUIG	G/F Puregold Taguig, Gen. A. Luna St. cor. Col. P. Cruz., Barangay Tuktukan, Taguig City	good	leased	41,065.71	31-Oct-24
2	BL- PG VALENZUELA	G/F Puregold Valenzuela, 419 Manila North Road (Mc Arthur Highway) Dalandanan, Valenzuela City	good	leased	23,240.00	31-Oct-23
3	BL- PG PASO DE BLAS	2/F VFC Mall, Puregold Paso de Blas, Paso de Blas cor. Gen. Luis St., Malinta Exit,Valenzuela City	good	leased	32,812.00	30-Jun-24
4	NE PACIFIC MALL - CABANATUAN	2/F VFC MalG/F NE Pacific Mall, Km.11, Maharlika Hi-way, Cabanatuan Ci	good	leased	63,388.27	22-Jan-26

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philippine Bank of Communications (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company'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.

Sycip, Gorres, Velayo and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ERIC O. RECTO
Chairman of the Board

PATRICIA MAY T. SIY
President and Chief Executive Officer

ALAN E. ATIENZA
Treasurer

ARLENE M. DATU
Comptroller

April 14, 2023

REPUBLIC OF THE PHILIPPINES)
CITY OF CITY OF MAKATI) SS.

SUBSCRIBED AND SWORN TO before me this APR 14 2023 at __________, affiants, Eric O. Recto, Patricia May T. Siy, Alan E. Atienza and Arlene M. Datu, exhibiting to me their TIN 108-730-891, SSS#0373099955, SSS# 3335975674 and SSS # 0356633451, respectively.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2024
IBP No. 05729-Lifetime Member
MCLE Compliance No. VII-0022734
valid until April 14, 2025
Appointment No. M-39 (2023-2024)
PTR No. 9563522 Jan. 3, 2023/ Makati
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Doc. No. 456
Page No. 63
Book No. XVII
Series of 2023

Suarez, Dan Aaron A.

From: eafs@bir.gov.ph
Sent: Monday, 17 April 2023 9:43 AM
To: Suarez, Dan Aaron A.
Cc: Suarez, Dan Aaron A.
Subject: Your BIR AFS eSubmission uploads were received

Hi PHILIPPINE BANK OF COMMUNICATIONS,

Valid files

- EAFS000263340AFSTY122022.pdf
- EAFS000263340ITRTY122022.pdf
- EAFS000263340OTHTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-79975HF50HF79K97M4PQXZS108K6GB7B6**
Submission Date/Time: **Apr 17, 2023 09:42 AM**
Company TIN: **000-263-340**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	-	0	0	0	0	6	8	6	

COMPANY NAME

PHILIPPINE BANK OF COMMUNICATIONS

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

PBCom Tower, 6795 Ayala Avenue corner V. A. Rufino Street, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
customercare@pbcom.com.ph	(02)8777-2266	n/a

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
398	6/13	12/31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Michael Stephen H. Lao	mshlao@pbcom.com.ph	(02) 8830-7000	n/a

CONTACT PERSON's ADDRESS

5th Floor, PBCOM Tower 6795 Ayala Ave., Cor. V.A. Rufino St., Makati City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Bank of Communications
PBCom Tower, 6795 Ayala Avenue
Corner V. A. Rufino Street, Makati City

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine Bank of Communications and its Subsidiary (the Group) and the parent company financial statements of Philippine Bank of Communications (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2022 and 2021, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2022 and 2021, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company 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 Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Applicable to the Audit of the Consolidated and Parent Company Financial Statements

Recognition of expected credit losses (ECL) on loans and receivables

The Group's and the Parent Company's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information in calculating ECL.

Allowance for credit losses for loans and receivables as of December 31, 2022 for the Group and the Parent Company amounted to ₱2.95 billion. Provision for credit losses of the Group and the Parent Company in 2022 amounted to ₱0.29 billion.

Refer to Notes 3 and 17 of the financial statements for the details of the allowance for credit losses using the ECL model.

Audit response

We obtained an understanding of the board approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments* to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place; (c) tested the Group's and the Parent Company's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay through corroboration of publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we compared the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems.

To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We involved our internal specialist in the performance of the above procedures. We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated and parent company financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and the Parent Company'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 Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and parent company 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 Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 to 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 consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Reports on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 37 and Revenue Regulations No. 15-2010 in Note 38 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine Bank of Communications. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Ray Francis C. Balagtas.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
Tax Identification No. 216-950-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 108795-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9369775, January 3, 2023, Makati City

April 14, 2023

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF FINANCIAL POSITION

	Consolidated			Parent Company		
	December 31		January 1	December 31		January 1
	2022	2021 (As restated – Note 12)	2021 (As restated – Note 12)	2022	2021 (As restated – Note 12)	2021 (As restated – Note 12)
			(Amounts in Thousands)			
ASSETS						
Cash and Other Cash Items	**₱1,404,214**	₱1,515,914	₱1,389,495	**₱1,404,214**	₱1,515,914	₱1,389,495
Due from Bangko Sentral ng Pilipinas (Notes 18 and 19)	**11,336,471**	10,271,486	20,597,868	**11,336,471**	10,271,486	20,597,868
Due from Other Banks	**1,089,190**	658,593	1,495,485	**1,089,190**	658,593	1,495,485
Interbank Loans Receivable and Securities Purchased under Resale Agreements (Note 8)	**2,600,579**	4,195,846	6,054,454	**2,600,579**	4,195,846	6,054,454
Financial Assets at Fair Value through Profit or Loss (Note 9)	**–**	886,291	718,294	**–**	886,291	718,294
Financial Assets at Fair Value through Other Comprehensive Income (Note 10)	**5,008,596**	6,489,287	5,137,816	**5,008,596**	6,489,287	5,137,816
Investment Securities at Amortized Cost (Note 11)	**21,661,825**	15,520,279	2,263,356	**21,661,825**	15,520,279	2,263,356
Loans and Receivables (Notes 12 and 31)	**76,923,878**	64,785,392	58,701,597	**76,926,711**	64,788,225	58,704,311
Investments in Subsidiary and an Associate (Note 7)	**14,715**	14,401	14,114	**20,788**	20,475	20,252
Property and Equipment (Note 13)	**803,837**	882,217	894,617	**803,837**	882,217	894,617
Investment Properties (Note 14)						
Condominium units for lease	**1,691,796**	1,740,177	1,788,559	**1,691,796**	1,740,177	1,788,559
Foreclosed properties	**962,112**	834,303	610,075	**962,112**	834,303	610,075
Office units for lease	**2,338**	2,689	2,923	**2,338**	2,689	2,923
Intangible Assets (Note 15)	**525,605**	527,503	613,526	**525,605**	527,503	613,526
Deferred Tax Assets - Net (Note 30)	**390,567**	325,614	170,608	**390,567**	325,614	170,608
Other Assets (Note 16)	**462,776**	579,328	777,431	**461,470**	578,077	776,034
TOTAL ASSETS	**₱124,878,499**	₱109,229,320	₱101,230,218	**₱124,886,099**	₱109,236,976	₱101,237,673
LIABILITIES AND EQUITY						
LIABILITIES						
Deposit Liabilities (Notes 18 and 31)						
Demand	**₱45,499,687**	₱41,166,107	₱30,865,282	**₱45,508,590**	₱41,175,066	₱30,874,143
Savings	**12,667,907**	11,359,112	9,664,945	**12,667,907**	11,359,112	9,664,945
Time	**38,382,737**	31,531,570	40,367,517	**38,382,737**	31,531,570	40,367,517
Long-term negotiable certificates of deposit	**2,893,897**	2,889,116	2,883,668	**2,893,897**	2,889,116	2,883,668
	99,444,228	86,945,905	83,781,412	**99,453,131**	86,954,864	83,790,273
Bills Payable (Note 19)	**7,594,019**	6,010,988	2,182,844	**7,594,019**	6,010,988	2,182,844
Outstanding Acceptances	**50,218**	71,609	497,813	**50,218**	71,609	497,813
Manager's Checks	**221,535**	172,247	188,100	**221,535**	172,247	188,100
Accrued Interest, Taxes and Other Expenses (Note 20)	**864,400**	680,734	802,785	**864,314**	680,648	802,637
Income Tax Payable	**118,813**	66,823	146,866	**118,813**	66,823	146,866
Other Liabilities (Note 21)	**1,019,239**	1,105,196	1,100,720	**1,018,022**	1,103,979	1,099,462
TOTAL LIABILITIES	**₱109,312,452**	₱95,053,502	₱88,700,540	**₱109,320,052**	₱95,061,158	₱88,707,995

(Forward)

	Consolidated			Parent Company		
	December 31		January 1	December 31		January 1
	2022	2021 (As restated – Note 12)	2021 (As restated – Note 12)	**2022**	2021 (As restated – Note 12)	2021 (As restated – Note 12)
			(Amounts in Thousands)			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY						
Common stock (Note 23)	**₱12,016,129**	₱12,016,129	₱12,016,129	**₱12,016,129**	₱12,016,129	₱12,016,129
Additional paid-in capital	**2,262,246**	2,262,246	2,262,246	**2,262,246**	2,262,246	2,262,246
Surplus reserves (Note 23)	**212,838**	106,922	106,418	**212,838**	106,922	106,418
Surplus (Deficit) (Note 23)	**1,459,710**	(66,061)	(1,638,621)	**1,459,710**	(66,061)	(1,638,621)
Unrealized gains on financial assets carried at fair value through other comprehensive income (Note 10)	**(314,585)**	53,509	100,093	**(314,585)**	53,509	100,093
Cumulative translation adjustment	**(106,005)**	(237,668)	(211,464)	**(106,005)**	(237,668)	(211,464)
Remeasurement gains (losses) on retirement liability (Note 27)	**35,714**	40,741	(105,123)	**35,714**	40,741	(105,123)
TOTAL EQUITY	**15,566,047**	14,175,818	12,529,678	**15,566,047**	14,175,818	12,529,678
TOTAL LIABILITIES AND EQUITY	**₱124,878,499**	₱109,229,320	₱101,230,218	**₱124,886,099**	₱109,236,976	₱101,237,673

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
	(Amounts in Thousands, Except Earnings per Share)					
INTEREST INCOME						
Loans and receivables (Notes 12 and 31)	**₱4,595,114**	₱4,109,882	₱4,325,208	**₱4,595,114**	₱4,109,882	₱4,325,208
Investment securities (Note 26)	**878,058**	472,796	363,618	**878,058**	472,796	363,618
Interbank loans receivable and securities purchased under resale agreements (Note 8)	**67,142**	60,069	92,746	**67,142**	60,069	92,746
Deposits with other banks	**29,634**	55,686	132,408	**29,634**	55,686	132,408
Financial assets at fair value through profit or loss (Note 26)	**28,876**	40,345	80,007	**28,876**	40,345	80,007
	5,598,824	4,738,778	4,993,987	**5,598,824**	4,738,778	4,993,987
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 18 and 31)	**599,343**	434,899	921,459	**599,343**	434,899	921,459
Bills payable, borrowings and others (Notes 19 and 21)	**188,985**	59,099	147,034	**188,985**	59,099	147,034
	788,328	493,998	1,068,493	**788,328**	493,998	1,068,493
NET INTEREST INCOME	**4,810,496**	4,244,780	3,925,494	**4,810,496**	4,244,780	3,925,494
Rent income (Notes 14, 28 and 31)	**420,007**	505,241	673,414	**420,007**	505,241	673,414
Service charges, fees and commissions	**390,110**	331,729	389,096	**390,110**	331,729	389,096
Trading and securities gain (loss) – net (Note 26)	**(366,327)**	(241,598)	654,731	**(366,327)**	(241,598)	654,731
Foreign exchange gain – net	**97,652**	56,831	59,185	**97,652**	56,831	59,185
Income from trust operations (Note 25)	**31,756**	29,231	25,689	**31,756**	29,231	25,689
Profit from assets sold (Notes 13, 14 and 16)	**61,043**	13,567	6,779	**61,043**	13,567	6,779
Gain (loss) on assets exchange – net (Note 14)	**(3,476)**	7,460	(3,157)	**(3,476)**	7,460	(3,157)
Gain on sale of investment securities at amortized cost (Note 3)	**–**	–	2,552	**–**	–	2,552
Miscellaneous (Note 29)	**121,071**	137,346	158,402	**121,071**	137,346	158,402
TOTAL OPERATING INCOME	**₱5,562,332**	₱5,084,587	₱5,892,185	**₱5,562,332**	₱5,084,587	₱5,892,185

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
	(Amounts in Thousands, Except Earnings per Share)					
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 14, 27 and 31)	**₱1,115,468**	₱1,016,559	₱1,009,118	**₱1,115,468**	₱1,016,559	₱1,009,118
Taxes and licenses (Notes 14 and 30)	**499,414**	477,442	640,060	**499,414**	477,432	640,053
Depreciation and amortization (Note 13)	**386,526**	387,619	380,653	**386,526**	387,619	380,653
Provision for credit and impairment losses – net (Notes 17)	**287,686**	322,301	1,418,228	**287,686**	322,301	1,418,228
Insurance	**183,804**	162,820	153,762	**183,804**	162,820	153,762
Entertainment, amusement and recreation	**78,224**	120,375	126,572	**78,224**	120,375	126,572
Occupancy and other equipment-related costs (Notes 14, 28 and 31)	**136,133**	118,519	101,334	**136,133**	118,519	101,334
Management and professional fees	**166,313**	99,541	139,999	**166,313**	99,497	139,944
Security, clerical, messengerial and janitorial services	**105,295**	88,850	83,426	**105,295**	88,850	83,426
Communications	**57,147**	49,684	47,487	**57,147**	49,684	47,487
Miscellaneous (Notes 14 and 29)	**389,302**	411,474	392,777	**389,302**	411,464	392,772
TOTAL OPERATING EXPENSES	**3,405,312**	3,255,184	4,493,416	**3,405,312**	3,255,120	4,493,349
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE	**2,157,020**	1,829,403	1,398,769	**2,157,020**	1,829,467	1,398,836
SHARE IN NET LOSS OF SUBSIDIARY (Note 7)	**–**	–	–	**–**	(64)	(67)
SHARE IN NET INCOME OF AN ASSOCIATE (Note 7)	**313**	287	266	**313**	287	266
INCOME BEFORE INCOME TAX	**2,157,333**	1,829,690	1,399,035	**2,157,333**	1,829,690	1,399,035
PROVISION FOR INCOME TAX (Note 30)	**525,646**	256,626	230,123	**525,646**	256,626	230,123
NET INCOME	**₱1,631,687**	₱1,573,064	₱1,168,912	**₱1,631,687**	₱1,573,064	₱1,168,912
Attributable to:						
Equity holders of the Parent Company	**₱1,631,687**	₱1,573,064	₱1,168,912	–	–	–
Non-controlling interests	**–**	–	–	–	–	–
	₱1,631,687	₱1,573,064	₱1,168,912	–	–	–
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	**₱3.39**	₱3.27	₱2.43	–	–	–

See accompanying Notes to Financial Statements

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
	(Amounts in Thousands)					
NET INCOME FOR THE YEAR	**₱1,631,687**	₱1,573,064	₱1,168,912	**₱1,631,687**	₱1,573,064	₱1,168,912
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX						
Items that may be reclassified to profit or loss in subsequent periods:						
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income (Note 10)	**(388,577)**	(62,055)	7,516	**(388,577)**	(62,055)	7,516
Net movement in cumulative translation adjustment	**131,663**	(26,204)	20,200	**131,663**	(26,204)	20,200
	(256,914)	(88,259)	27,716	**(256,914)**	(88,259)	27,716
Items that may not be reclassified to profit or loss in subsequent periods:						
Unrealized gains on equity securities carried at fair value through other comprehensive income (Note 10)	**20,483**	15,471	4,645	**20,483**	15,471	4,645
Change in remeasurement gains (losses) on retirement liability (Note 27)	**(6,702)**	204,497	(71,849)	**(6,702)**	204,497	(71,849)
Income tax relating to change in remeasurement gains/losses on retirement liability	**1,675**	(58,633)	45,053	**1,675**	(58,633)	45,053
	15,456	161,335	(22,151)	**15,456**	161,335	(22,151)
	(241,458)	73,076	5,565	**(241,458)**	73,076	5,565
TOTAL OTHER COMPREHENSIVE INCOME	**₱1,390,229**	₱1,646,140	₱1,174,477	**₱1,390,229**	₱1,646,140	₱1,174,477
Attributable to:						
Equity holders of the Parent Company	**₱1,390,229**	₱1,646,140	₱1,174,477			
Non-controlling interests	**–**	–	–			
TOTAL COMPREHENSIVE INCOME	**₱1,390,229**	₱1,646,140	₱1,174,477			

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY

STATEMENTS OF CHANGES IN EQUITY

	Consolidated										
	Years Ended December 31, 2022, 2021 and 2020										
	Equity Attributable to Equity Holders of the Parent Company										
	Common Stock (Note 23)	**Subscribed Common Stock – net** (Note 23)	**Additional Paid-in Capital**	**Surplus Reserves** (Note 23)	**Surplus (Deficit)** (Note 23)	**Unrealized Gains (Losses) on Financial Assets Carried at Fair Value Through Other Comprehensive Income** (Note 10)	**Cumulative Translation Adjustment**	**Remeasuremen t Gains (Losses) on Retirement Liability** (Note 27)	**Total**	**Non-Controlling Interests**	**Total Equity**
	(Amounts in Thousands)										
Balances at January 1, 2022	**₱12,016,129**	**₱–**	**₱2,262,246**	**₱106,922**	**(₱66,061)**	**₱53,509**	**(₱237,668)**	**₱40,741**	**₱14,175,818**	**₱–**	**₱14,175,818**
Transfer to surplus reserves	**–**	**–**	**–**	**193**	**(193)**	**–**	**–**	**–**	**–**	**–**	**–**
Appropriation during the year	**–**	**–**	**–**	**105,723**	**(105,723)**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**1,631,687**	**(368,094)**	**131,663**	**(5,027)**	**1,390,229**	**–**	**1,390,229**
Balances at December 31, 2022	**₱12,016,129**	**₱–**	**₱2,262,246**	**₱212,838**	**₱1,459,710**	**(₱314,585)**	**(₱106,005)**	**₱35,714**	**₱15,566,047**	**₱–**	**₱15,566,047**
Balances at January 1, 2021	₱12,016,129	₱–	₱2,262,246	₱106,418	(₱1,638,621)	₱100,093	(₱211,464)	(₱105,123)	₱12,529,678	₱–	₱12,529,678
Transfer to surplus reserves	–	–	–	504	(504)	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	1,573,064	(46,584)	(26,204)	145,864	1,646,140	–	1,646,140
Balances at December 31, 2021	₱12,016,129	₱–	₱2,262,246	₱106,922	(₱66,061)	₱53,509	(₱237,668)	₱40,741	₱14,175,818	₱–	₱14,175,818
Balances at January 1, 2020	₱12,016,129	₱–	₱2,262,246	₱105,952	(₱2,807,067)	₱87,932	(₱231,664)	(₱78,327)	₱11,355,201	₱–	₱11,355,201
Transfer to surplus reserves	–	–	–	466	(466)	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	1,168,912	12,161	20,200	(26,796)	1,174,477	–	1,174,477
Balances at December 31, 2020	₱12,016,129	₱–	₱2,262,246	₱106,418	(₱1,638,621)	₱100,093	(₱211,464)	(₱105,123)	₱12,529,678	₱–	₱12,529,678

	Common Stock (Note 23)	Subscribed Common Stock – net (Note 23)	Additional Paid-in Capital	Surplus Reserves (Note 23)	Surplus (Deficit) (Note 23)	Unrealized Gains (Losses) on Financial Assets Carried at Fair Value Through Other Comprehensive Income (Note 10)	Cumulative Translation Adjustment	Remeasurement Gains (Losses) on Retirement Liability (Note 27)	Total Equity
	Parent Company								
	Years Ended December 31, 2022, 2021 and 2020								
	(Amounts in Thousands)								
Balances at January 1, 2022	**₱12,016,129**	**₱–**	**₱2,262,246**	**₱106,922**	**(₱66,061)**	**₱53,509**	**(₱237,668)**	**₱40,741**	**₱14,175,818**
Transfer to surplus reserves	**–**	**–**	**–**	**193**	**(193)**	**–**	**–**	**–**	**–**
Appropriation during the year	**–**	**–**	**–**	**105,723**	**(105,723)**	**–**	**–**	**–**	**–**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**1,631,687**	**(368,094)**	**131,663**	**(5,027)**	**1,390,229**
Balances at December 31, 2022	**₱12,016,129**	**₱–**	**₱2,262,246**	**₱212,838**	**₱1,459,710**	**(₱314,585)**	**(₱106,005)**	**₱35,714**	**₱15,566,047**
Balances at January 1, 2021	₱12,016,129	₱–	₱2,262,246	₱106,418	(₱1,638,621)	₱100,093	(₱211,464)	(₱105,123)	₱12,529,678
Transfer to surplus reserves	–	–	–	504	(504)	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	1,573,064	(46,584)	(26,204)	145,864	1,646,140
Balances at December 31, 2021	₱12,016,129	₱–	₱2,262,246	₱106,922	(₱66,061)	₱53,509	(₱237,668)	₱40,741	₱14,175,818
Balances at January 1, 2020	₱12,016,129	₱–	₱2,262,246	₱105,952	(₱2,807,067)	₱87,932	(₱231,664)	(₱78,327)	₱11,355,201
Transfer to surplus reserves	–	–	–	466	(466)	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	1,168,912	12,161	20,200	(26,796)	1,174,477
Balances at December 31, 2020	₱12,016,129	₱–	₱2,262,246	₱106,418	(₱1,638,621)	₱100,093	(₱211,464)	(₱105,123)	₱12,529,678

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY

STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021 (As restated – Note 12)	2020 (As restated – Note 12)	**2022**	2021 (As restated – Note 12)	2020 (As restated – Note 12)
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱2,157,333**	₱1,829,690	₱1,399,035	**₱2,157,333**	₱1,829,690	₱1,399,035
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:						
Depreciation and amortization (Note 13)	**386,526**	387,619	380,653	**386,526**	387,619	380,653
Provision for credit and impairment losses (Note 17)	**287,686**	322,301	1,418,228	**287,686**	322,301	1,418,228
Trading loss (gain) on financial assets at FVOCI (Note 26)	**440,279**	285,542	(277,277)	**440,279**	285,542	(277,278)
Profit from assets sold (Notes 13, 14 and 16)	**(61,043)**	(13,567)	(6,779)	**(61,043)**	(13,567)	(6,779)
Accretion of interest on unquoted debt securities (Note 12)	**(57,928)**	(66,038)	(77,216)	**(57,928)**	(66,038)	(77,216)
Accretion of interest on lease liability (Note 21)	**12,256**	14,528	17,603	**12,256**	14,528	17,603
Loss (gain) on assets exchange (Note 14)	**3,476**	(7,460)	3,157	**3,476**	(7,460)	3,157
Share in net income of subsidiary and an associate (Note 7)	**(313)**	(287)	(266)	**(313)**	(223)	(199)
Unrealized losses (gains) on financial assets at fair value through profit or loss	**–**	9,794	(478)	**–**	9,794	(478)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Loans and receivables (Note 33)	**(12,639,333)**	(6,673,878)	2,360,402	**(12,639,333)**	(6,673,997)	2,360,441
Financial assets at fair value through profit or loss	**886,291**	(177,791)	950,011	**886,291**	(177,791)	950,011
Other assets	**102,102**	304,458	59,546	**102,158**	304,312	59,556
Increase (decrease) in the amounts of:						
Deposit liabilities	**12,498,323**	3,164,493	7,923,791	**12,498,267**	3,164,591	7,923,676
Manager's checks	**49,288**	(15,853)	(254,711)	**49,288**	(15,853)	(254,711)
Accrued interest, taxes and other expenses	**183,666**	(122,051)	90,360	**183,666**	(121,989)	90,360
Other liabilities	**239,869**	313,352	(93,399)	**239,869**	313,393	(93,399)
Net cash provided by operations	**4,488,478**	(445,148)	13,892,660	**4,488,478**	(445,148)	13,892,660
Income taxes paid	**(539,759)**	(551,454)	(233,541)	**(539,759)**	(551,454)	(233,541)
Net cash provided by (used in) operating activities	**3,948,719**	(996,602)	13,659,119	**3,948,719**	(996,602)	13,659,119
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease (increase) in interbank loans receivable	**905,208**	432,063	(3,902,952)	**905,208**	432,063	(3,902,952)
Acquisitions of:						
Financial assets at FVTOCI	**(38,627,252)**	(86,497,255)	(78,016,514)	**(38,627,252)**	(86,497,255)	(78,016,514)
Investment securities at amortized cost	**(6,223,747)**	(13,263,211)	(191,880)	**(6,223,747)**	(13,263,211)	(191,880)
Property and equipment (Note 13)	**(52,149)**	(195,531)	(49,355)	**(52,149)**	(195,531)	(49,355)
Intangible assets (Note 15)	**(80,152)**	(8,971)	(15,069)	**(80,152)**	(8,971)	(15,069)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021 (As restated – Note 12)	2020 (As restated – Note 12)	**2022**	2021 (As restated – Note 12)	2020 (As restated – Note 12)
	(Amounts in Thousands)					
Proceeds from disposals of:						
Financial assets at FVTOCI	**₱39,309,597**	₱84,804,597	₱81,263,005	**₱39,309,597**	₱84,804,597	₱81,263,005
Investment securities at amortized cost	**–**	–	10,498,994	**–**	–	10,498,994
Investment properties (Note 14)	**124,324**	62,581	20,441	**124,324**	62,581	20,441
Property and equipment (Note 13)	**4,182**	3,475	7,671	**4,182**	3,475	7,671
Chattel mortgage	**22,544**	24,118	18,097	**22,544**	24,118	18,097
Proceeds from maturity of investment securities	**75,000**	10,000	250,168	**75,000**	10,000	250,168
Net cash provided by (used in) investing activities	**(4,542,445)**	(14,628,134)	9,882,606	**(4,542,445)**	(14,628,134)	9,882,606
CASH FLOWS FROM FINANCING ACTIVITIES						
Availments of:						
Bills payable	**242,380,414**	111,742,108	58,922,973	**242,380,414**	111,742,108	58,922,973
Outstanding acceptances	**1,096,307**	595,094	855,416	**1,096,307**	595,094	855,416
Marginal deposits	**60,687**	32,857	18,700	**60,687**	32,857	18,700
Settlements of:						
Bills payable	**(241,070,236)**	(107,981,483)	(69,802,907)	**(241,070,236)**	(107,981,483)	(69,802,907)
Outstanding acceptances	**(1,132,364)**	(1,036,538)	(438,206)	**(1,132,364)**	(1,036,538)	(438,206)
Marginal deposits	**(60,687)**	(39,630)	(46,275)	**(60,687)**	(39,630)	(46,275)
Lease liabilities (Note 21)	**(118,234)**	(124,868)	(124,495)	**(118,234)**	(124,868)	(124,495)
Net cash provided by (used in) financing activities	**1,155,887**	3,187,540	(10,614,794)	**1,155,887**	3,187,540	(10,614,794)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENT	**131,663**	(26,204)	20,200	**131,663**	(26,204)	20,200
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**693,824**	(12,463,400)	12,947,131	**693,824**	(12,463,400)	12,947,131
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**1,515,914**	1,389,495	1,398,002	**1,515,914**	1,389,495	1,398,002
Due from Bangko Sentral ng Pilipinas	**10,271,486**	20,597,868	10,213,521	**10,271,486**	20,597,868	10,213,521
Due from other banks	**658,593**	1,495,485	357,960	**658,593**	1,495,485	357,960
Interbank loans receivable (Note 33)	**724,957**	2,151,502	717,736	**724,957**	2,151,502	717,736
	13,170,950	25,634,350	12,687,219	**13,170,950**	25,634,350	12,687,219
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**1,404,214**	1,515,914	1,389,495	**1,404,214**	1,515,914	1,389,495
Due from Bangko Sentral ng Pilipinas	**11,336,471**	10,271,486	20,597,868	**11,336,471**	10,271,486	20,597,868
Due from other banks	**1,089,190**	658,593	1,495,485	**1,089,190**	658,593	1,495,485
Interbank loans receivable (Note 33)	**34,899**	724,957	2,151,502	**34,899**	724,957	2,151,502
	₱13,864,774	₱13,170,950	₱25,634,350	**₱13,864,774**	₱13,170,950	₱25,634,350

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
	(Amounts in Thousands)					
Interest paid	**₱642,073**	₱525,620	₱1,139,197	**₱642,073**	₱525,620	₱1,139,197
Interest received	**5,397,179**	4,581,514	4,979,867	**5,397,179**	4,581,514	4,979,867

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philippine Bank of Communications (the Parent Company) is a publicly listed domestic commercial bank organized in the Philippines, primarily to engage in commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services.

The Parent Company's principal place of business is at the PBCOM Tower, 6795 Ayala Avenue corner V. A. Rufino Street, Makati City. It has a network of 91 regular branches and 4 branch-lite units, to serve its customers, as at December 31, 2022 and 2021, respectively.

The Parent Company's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on August 23, 1939. On June 21, 1988, the Board of Directors (BOD) of the Parent Company approved the amendment of Article IV of its Amended Articles of Incorporation to extend the corporate life of the Parent Company for another 50 years or up to August 23, 2039. The Amended Articles of Incorporation was approved by the SEC on November 23, 1988.

The Parent Company acquired a license to operate as an expanded commercial bank from the Bangko Sentral ng Pilipinas (BSP) on December 24, 1993. On March 31, 2000, the BSP's Monetary Board approved the amendment of the Parent Company's license to a regular commercial banking.

The Monetary Board, in its Resolution No. 96 dated 20 January 2022, approved the grant of a universal banking license to Parent Company, subject to compliance with certain regulatory requirements including the amendment of the Bank's charter documents. On March 15, 2022, the Bank held a special stockholders' meeting to approve the changes to the Bank's Articles of Incorporation to reflect the upgrade of its banking license.

On December 1, 2022, the BSP issued the Bank with its Certificate of Authority to operate as a universal bank, after all regulatory conditions were complied with. The Bank capitalized the cost of its universal bank license amounting to ₱25.00 million as intangible asset (Note 15).

The Parent Company's subsidiary and associate (collectively referred to as the Group) are engaged in the following businesses:

Entity	Effective Percentage of Ownership		Principal Place of Business and Country of Incorporation	Line of Business
	2022	2021		
Subsidiary				
PBCom Insurance Services Agency, Inc. (PISAI)	**100.00%**	100.00%	Philippines	Insurance Agent
Associate				
PBCom Finance Corporation (PBCom Finance)	**40.00%**	40.00%	Philippines	Financing Company

Retirement of Business Operations of PISAI
On January 11, 2021, the BOD of the Parent Company approved the dissolution and retirement of business of PISAI. PISAI, which has been inactive for the past three years, has continuously remained inactive but continued to incur operating expenses. The Parent Company does not see any need for the subsidiary and has decided to retire the business operations.

PISAI received clearances in relation to shortening of its corporate life from the Insurance Commission and the Makati Local Government last May 26, 2021 and September 30, 2021, respectively. Clearances from other regulatory agencies are still in process as of December 31, 2022.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Presentation
The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivatives that are measured at fair value. The financial statements are presented in Philippine peso (PHP or ₱) and all values are rounded to the nearest thousand, unless otherwise stated.

The financial statements of the Parent Company include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the PHP and United States dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP, which is the Parent Company’s presentation currency (see accounting policy on Foreign Currency Translation). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts and transactions.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Parent Company’s subsidiary is the PHP.

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The Group and the Parent Company present its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 22.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary. The consolidated financial statements of the Group are prepared for the same reporting year as the Parent Company using consistent accounting policies. The subsidiary is consolidated from the date on which control is transferred to the Parent Company. The Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (that is, existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual agreements; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiary to align their accounting policies with the Parent Company's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without loss of control, is accounted for within equity as an adjustment to 'Additional paid-in capital'. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

When a change in ownership interest in a subsidiary occurs, which results in loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the related OCI recorded in equity and recycle the same to the statement of income or surplus;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained; and
- Recognizes any surplus or deficit in the statement of income.

<u>Non-controlling Interests</u>
Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to the equity holders of the Parent Company. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and amendments effective as of January 1, 2022. The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Group.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2020 Cycle
- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Foreign Currency Translation

RBU
As of the statement of financial position date, foreign currency-denominated monetary assets and monetary liabilities of the RBU are translated into PHP based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, based on the spot rate at date of transactions. Foreign exchange differences arising from the restatement of foreign currency-denominated monetary assets and liabilities in the RBU are credited to or charged against the statement of income in the year in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU
As of the statement of financial position date, the FCDU's assets and liabilities are translated into PHP, the Parent Company's presentation currency, at the BAP closing rate prevailing at the statement of financial position date, and income and expenses are translated at BAP weighted average rate. Exchange differences arising on translation are taken directly to the statement of comprehensive income as 'Cumulative translation adjustment'. Upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each statement of financial position date.

External and internal valuers are involved for the valuation of investment properties. Selection criteria include market knowledge, reputation, independence, relevant accreditation, and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset and liability, and fair value hierarchy as explained above.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, and interbank loans receivable and securities purchased under resale agreements (SPURA) with original maturities of three months or less from dates of placements and that are subject to insignificant risks of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Group considers as cash equivalents since withdrawals can be made to meet the Group's cash requirements as allowed by the BSP. The components of cash and cash equivalents are shown in the statement of cash flows. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

SPURA

The Group enters into short-term purchases of securities under resale agreements of identical securities with the BSP. Resale agreements are contracts under which a party purchases securities and resells such securities to the same selling party at a specified future date at a fixed price. The amounts advanced under resale agreements are carried as SPURA in the statement of financial position. SPURA are carried at cost. Interest earned on resale agreements is reported as 'Interest income' in the statement of income.

Financial Instruments - Date of Recognition
The Group recognizes financial instruments when, and only when, it becomes a party to the contractual terms of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to:

a. The recognition of an asset on the day it is received by the Group; and
b. The derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Group.

Any change in fair value of unrecognized financial asset is recognized in the statement of income or in equity, depending on the classification of the financial asset. Loans and receivables are recognized when cash is advanced to the borrowers while financial liabilities are recognized when cash is received by the Group.

Classification, Measurement and Reclassification of Financial Assets
Classification and measurement of financial assets
For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments: Presentation*). All other non-derivative financial instruments are 'debt instruments'.

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVTOCI, and FVTPL. The classification depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Business model test
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
- The risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI test
As a second step of its classification process, the Group assesses the contractual terms of financial instruments to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

a. Financial Assets at Amortized Cost
   Financial assets are measured at amortized cost if both of the following conditions are met:
   - The asset is held within a business model with the objective to hold assets in order to collect contractual cash flows; and
   - The contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

   Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for credit losses, with the interest calculated recognized as 'Interest income' in the statement of income. Gains and losses are recognized in the statement of income when the financial assets are derecognized and impaired, as well as through the amortization process. The expected credit losses (ECL) are recognized in the statement of income under Provision for impairment and credit losses - net. The effects of revaluation of foreign currency denominated investments are recognized in statement of income. Gains or losses arising from disposals of these instruments are included in Gain on sale of financial assets at amortized cost in the statement of income.

   The Group classified 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and SPURA', 'Loans and receivables', 'Investment securities at amortized cost' and certain financial assets under 'Other assets' as financial assets at amortized cost.

   The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As of December 31, 2022 and 2021, the Group has not made such designation.

b. Financial Assets at FVTOCI
Financial assets at FVTOCI include debt and equity securities.

Debt Instruments at FVTOCI
The Group applies the category of debt instruments measured at FVTOCI when both the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

The initial measurement of these financial instruments includes transaction costs. Subsequently, these are measured at fair value with gains or losses arising due to changes in fair value recognized in OCI under 'Unrealized gain on financial assets carried at FVTOCI'. Interest income and foreign exchange gains and losses are recognized in the statement of income in the same manner as for financial assets measured at amortized cost. When the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. On derecognition, cumulative gains or losses recognized in OCI are reclassified from OCI to the statement of income.

Equity Instruments at FVTOCI
At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the investment in equity instrument is held for trading.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in 'Unrealized gain on financial assets carried at FVTOCI' in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Unrealized gain on financial assets carried at fair value through other comprehensive income' is not reclassified to the statement of income, but is reclassified to 'Deficit'.

Dividends earned on these investments in equity instruments are recognized in the statement of income when the Group's right to receive the dividends is established in accordance with PFRS 9, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income, under 'Miscellaneous income'.

c. Financial Assets at FVTPL
Debt instruments that do not meet the amortized cost or FVTOCI criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL.

Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity instrument that is not held for trading as at FVTOCI at initial recognition.

The Group's financial assets at FVTPL include government securities held for trading purposes.

As of December 31, 2022 and 2021, the Group has not designated any debt instrument that meets the amortized cost or FVTOCI criteria as at FVTPL.

Financial assets at FVTPL are carried at fair value, with net changes in fair value recognized as 'Trading and securities gain (loss) - net' in the statement of income. Interest earned on these investments is reported as 'Interest income' in the statement of income.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the BAP closing rate prevailing at the statement of financial position date. The foreign exchange component forms part of its fair value gain or loss.

d. Derivative Instruments
Derivative instruments are initially recorded at fair value and carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

Any gains or losses arising from changes in fair value of derivative instruments that do not qualify for hedge accounting are taken directly to the statement of income.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument. The Group assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment only when there is a change to the contract that significantly modifies the contractual cash flows.

Reclassification of financial assets
The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify as follows:
- From amortized cost or FVTOCI to FVTPL, if the objective of the business model changes so that the amortized cost or FVTOCI criteria are no longer met;
- From FVTPL to amortized cost or FVTOCI, if the objective of the business model changes so that the amortized cost or FVTOCI criteria start to be met and the characteristics of the instrument's contractual cash flows are SPPI; and
- From amortized cost to FVTOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVTOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVTOCI at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Impairment of Financial Assets

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Both the 12-month ECL and lifetime ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the instrument. Based on this process, the Group categorizes its credit exposures into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognized, the Group recognizes an allowance based on the 12-month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a SICR since origination, the Group records an allowance for lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered as credit-impaired or non-performing. The Group records an allowance for lifetime ECL.

The major portfolios of financial assets identified upon initial analysis of the Group's credit exposures are loan receivables and treasury accounts. Loan receivables are availed by corporations or specific individuals. Hence, this portfolio is further segmented to corporate and consumer portfolios.

Definition of 'default' and 'cure'

Loan receivables

The Group defines a financial instrument as in default based on the following:

- Loans and receivables which are past due for more than 90 days;
- There is a breach of any key covenants/agreements that will adversely affect the borrower's capacity to pay;
- Weak financial condition and results of operations that leads to the borrower's inability to generate sufficient cash flow for debt servicing; or
- Restructuring of principal and interest or any concession granted by the Group relating to the borrower's difficulty.

A financial instrument is considered to be no longer in default (that is, to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Treasury exposures
Treasury exposures are considered in default upon occurrence of a credit event, such as but not limited to bankruptcy, failure of meeting its obligations to depositors and non-deposit obligations, becoming critically undercapitalized, restructuring of obligations, or request for moratorium.

Credit risk at initial recognition
The Group uses an internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

SICR
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a 30-day backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit risk assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

For other credit risk exposures such as cash in banks, interbank loans and receivables, and debt securities at amortized cost and at FVTOCI, the Group applies the low credit risk simplification. The Group considers a debt financial asset to have low risk when its credit rating is equivalent to the definition of investment grade. The Group evaluates whether the debt financial asset, on an individual basis, is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL:
- For corporate loans, an account under Stage 3 may be reverted back to Stage 2 if it shows collection history of at least six consecutive payments. If an account continuous to shows collection history of another 6 consecutive payments, and other qualitative indicators representing substantial increase in credit risk has abated, the account will be further reverted back to Stage 1.
- For consumer loans, an account under Stage 3 may be reverted back to Stage 2 if at least six consecutive payments are received and days past due bucket improves to 31 to 90. If the status of an account further improves to current, it will be reverted back to Stage 1.
- For treasury exposures, the transfer from Stage 3 to Stage 2 must be evident with payments of interest and/or principal for at least six months. The Group shall transfer credit exposures from Stage 2 to Stage 1 if the rating upgrades and the resulting rating falls under investment grade rating bands.

Restructuring
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are moved to Stage 3.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual type of instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its loan-related credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each loan portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio. On the other hand, PD for cash and cash equivalents, interbank loans receivables and SPURA, debt securities at amortized cost and debt securities at FVTOCI are assessed on an individual basis using publicly available information.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. Two modelling approaches were employed during EAD estimation. A Balance-Based model for on-balance sheet accounts and a Credit Conversion Factor (CCF)-Based model for off-balance sheet accounts.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held. During LGD estimation, the discounted amounts of potential payments and expected recoveries from sale of the collateral are compared to the discounted amounts of corresponding direct expenses related with obtaining and selling of assets.

Economic overlays
The Group incorporates economic overlays into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of economic overlays is considered as economic inputs, such as gross domestic product (GDP) growth rates, inflation rates, unemployment rates, import growth rates, export growth rates and bank average lending rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect these, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Debt instruments measured at FVTOCI
The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to the statement of income. The accumulated loss recognized in OCI is recycled to the statement of income upon derecognition of the assets.

Collateral valuation
To mitigate its credit risks on financial assets, the Group seeks to use collateral, if possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at the inception and re-assessed annually.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on the data provided by internal and external appraisers.

Write-offs
Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery.

Undrawn loan commitments
Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. These contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life.

<u>Classification and Measurement of Financial Liabilities</u>
Financial liabilities are classified, at initial recognition, either as financial liabilities at FVTPL or other financial liabilities at amortized cost.

Financial liabilities at amortized cost
These liabilities are classified as such when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

These financial liabilities are measured initially at fair value, net of directly attributable transaction costs. After initial measurement, these liabilities are subsequently measured at amortized cost using the effective interest method.

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

This accounting policy relates to the statement of financial position captions 'Deposit liabilities', 'Bills payable', 'Outstanding acceptances', 'Manager's checks', and certain financial liabilities under 'Accrued interest, taxes and other expenses' and 'Other liabilities' which are not designated at FVTPL.

Financial Guarantees, Letters of Credit and Undrawn Loan Commitments
The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of income, and an ECL provision.

The premium received is recognized in the statement of income in 'Service charges, fees and commissions' on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

Derecognition of Financial Assets and Financial Liabilities

Derecognition due to substantial modification of terms and conditions
The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:
- Change in the currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; or
- If the modification is such that the instrument would no longer meet the SPPI criterion.

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Derecognition other than substantial modification

Financial Asset
A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognized (that is, removed from the statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of income.

Exchange or modification of financial liabilities
The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original

financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

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

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Repurchase and reverse repurchase agreements
Securities sold under agreements to repurchase at a specified future date (‘repos’) are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as a loan to the Group, reflecting the economic substance of such transaction.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Investments in Subsidiary and an Associate in the Parent Company Financial Statements
Subsidiary
A subsidiary is an entity in which the Parent Company holds more than half of the issued share capital or controls more than 50% of the voting power, or exercises control over the operations and management of the subsidiary.

Associate
An associate is an entity in which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control over those policies.

The Parent Company’s investments in its subsidiary and an associate and the Group’s investment in an associate are accounted for using the equity method. Under the equity method, the investments in subsidiary and an associate are initially recognized at cost. The carrying amount of the investments in subsidiary and an associate are adjusted to recognize changes in the Parent Company’s share in the net assets of the subsidiary and an associate since the acquisition date. Goodwill relating to the subsidiary and an associate are included in the carrying value of the investments and is not amortized.

The statement of income reflects the Group's and the Parent Company's share of the results of operations of the subsidiary and an associate. Any change in OCI of the investee is presented as part of the Group's and the Parent Company's OCI. In addition, when there has been a change recognized directly in the equity of the subsidiary or associate, the Group and the Parent Company recognize their share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the subsidiaries and associate are eliminated to the extent of the interest in the subsidiaries and associate. The aggregate of the Group's share in net income (loss) of subsidiary and associate is shown in the statement of income and represents profit or loss after tax and non-controlling interests in the subsidiary and associate.

If the Parent Company's share of losses in a subsidiary or an associate equals or exceeds its interest in the subsidiary or associate, the Parent Company discontinues recognizing its share in further losses.

The financial statements of the subsidiary and an associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Dividends received are treated as a reduction to the carrying amount of the investments.

Post-acquisition changes in the share of net assets of the subsidiaries include the share in the:
a. Income or losses; and
b. Remeasurement losses or gains on retirement liability.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value, except land, which is carried at cost less impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are charged against the statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation on property and equipment is computed using the straight-line method based on the estimated useful life (EUL) of the depreciable assets.

	EUL
Condominium properties	50 years
Buildings and improvements	25 years
Furniture, fixtures and equipment	5
Leasehold improvements	Shorter of 10 years or related lease terms

The residual values, EULs and methods of depreciation and amortization of property and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

Fully depreciated property and equipment are retained in the accounts until these are no longer used and no further depreciation and amortization is charged to the statement of income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Upon derecognition, the cost and the related accumulated depreciation and amortization and any impairment in value of the asset are removed from the accounts, and any resulting gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is reflected as income or loss in the statement of income.

Investment Properties

Investment properties include condominium and office units for lease and foreclosed properties in settlement of loan receivables.

Condominium and office units for lease

Condominium and office units for lease are carried at cost, less accumulated depreciation and impairment in value. All costs that are directly attributable to the acquisition and development of property are capitalized, including borrowing costs incurred to finance the property development. Depreciation is computed on a straight-line basis over 25 to 50 years.

Foreclosed properties

Foreclosed properties consist of land, building and improvements.

Land is carried at cost less impairment in value. Building and improvements are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and accumulated impairment losses. Transaction costs, which include nonrefundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of the carrying values of the foreclosed properties.

Foreclosed properties are recorded as ‘Investment properties’ upon:

a. Entry of judgment in case of judicial foreclosure;
b. Execution of the Sheriff’s Certificate of Sale in case of extra-judicial foreclosure; or
c. Notarization of the Deed of Dacion in case of dation in payment (dacion en pago).

The Group applies the cost model in accounting for foreclosed properties. Depreciation is computed on a straight-line basis over the EUL of 10 years for buildings and improvements.

The EUL of investment properties and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The carrying values of the investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the investment property or cash-generating units (CGUs) it is related to are written down to their recoverable amounts.

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

Investment properties are derecognized when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on retirement or disposal of investment properties are recognized in the statement of income in the year of retirement or disposal under 'Profit from assets sold'.

<u>Intangible Assets</u>
Intangible assets consist of branch and bank licenses and software costs.

Branch and bank licenses
The cost of branch licenses acquired in a business combination is its fair value at the date of acquisition. Licenses acquired directly from the BSP is initially recognized based on acquisition cost.

Following initial recognition, branch and bank licenses are measured at cost less any accumulated impairment losses.

Branch and bank licenses have an indefinite useful life as there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Software costs
Software costs, which are purchased by the Group separately for use in its operations, are measured on initial recognition at cost. Following initial recognition, software costs are carried at cost less accumulated amortization and any accumulated impairment losses.

Software costs are amortized over the economic useful life of 2 to 5 years. The amortization period and method for software costs are reviewed at least at each statement of financial position date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in this asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on software costs is recognized in the statement of income.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

<u>Impairment of Non-financial Assets</u>
Investments in subsidiary and an associate, property and equipment (including right-of-use assets) and software costs
At each statement of financial position date, the Group assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those other assets or groups of assets, in which case, the recoverable amount is assessed as part of the CGU to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against the statement of income in the period in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to the current statement of income.

Branch and bank licenses
Branch and bank licenses are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for branch and bank licenses by assessing the recoverable amount of the CGU (or group of CGUs) to which the branch and bank licenses relate. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which branch and bank licenses have been allocated, an impairment loss is recognized immediately in the statement of income. For branch and bank licenses, a previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of this asset, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized for this asset in prior years.

<u>Common Stock and Additional Paid-in Capital</u>
Common stocks are recorded at par. Proceeds in excess of par value are recognized under equity as 'Additional-paid-in capital' in the statement of financial position. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

<u>Subscribed Common Stock</u>
Subscribed common stock is recognized at subscribed amount, net of subscription receivable. This will be debited upon full payment of the subscription and issuance of the shares of stock.

<u>Subscription Receivable</u>
Subscription receivable refers to the total amount of subscription to be received. The Parent Company accounted for the subscription receivable as a contra equity account.

<u>Revenue Recognition</u>
Under PFRS 15, revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the five-step model to contracts with customers.

The following specific recognition criteria must be met before revenue is recognized:

Revenue within the scope of PFRS 15

a. Service Charges and Penalties
Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability.

b. Gains (Loss) on Sale of Assets
Gain (loss) from sale of assets such as investment properties and property and equipment is recognized when the control over the properties has been transferred to the buyer and collection of proceeds from sale is probable.

Revenue outside the scope of PFRS 15

a. Interest Income
Interest on interest-bearing financial assets at FVTPL are recognized based on contractual rate. Interest on financial instruments measured at amortized cost and debt instruments classified as FVTOCI is recognized based on the EIR method.

The EIR method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed under 'Impairment of financial assets' above), the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

b. Trading and Securities Gain (Loss) - Net
Trading and securities gain (loss) - net represents results arising from trading activities, including gains and losses from changes in fair value of financial assets and liabilities at FVTPL. This also represents results arising from sale of debt financial assets at FVOCI.

c. Fees and Commissions
Loan fees that are directly related to the acquisition and origination of loans are included in the initial carrying amount of the loan and are amortized using the effective interest method over the term of the loan. Loan commitment fees are recognized as earned over the term of the credit lines granted to each borrower. Loan syndication fees are recognized upon completion of all syndication activities and where the Group does not have further obligation to perform under the syndication agreement.

d. Dividends
   Dividends are recognized when the Group's right to receive the payments is established.

e. Rental
   Rental income arising from leased premises is accounted for on a straight-line basis over the lease terms of ongoing leases.

Expense Recognition
Expenses are recognized at the same time as the initial recognition of a liability, or an increase in the carrying amount of a liability, or the derecognition of an asset, or a decrease in the carrying amount of an asset. Expenses are recognized in the statement of income:

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

Expenses in the statement of income are presented using the nature of expense method. General and administrative expenses are costs attributable to administrative and other business activities of the Group.

Interest Expense
Interest expense for all interest-bearing financial liabilities is recognized in 'Interest expense' in the statement of income using the EIR of the financial liabilities to which they relate to.

Retirement Benefits
Defined benefit plans
The Parent Company maintains defined benefit plans covering all of their respective officers and regular employees.

The net retirement liability is the aggregate of the present value of defined benefit obligation at the statement of financial position date reduced by the fair value of plan assets and adjusted for any effect of limiting a net retirement asset to the asset ceiling. The defined benefit obligation is calculated annually by an independent actuary. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related net retirement. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement costs comprise of service costs and net interest on the net retirement liability.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements, are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net retirement liability is the change during the period in the net retirement liability that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net retirement liability. Net interest on the net retirement liability is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risks associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined contribution plans
The Parent Company also contributes to its contributory, defined-contribution type staff provident plan based on a fixed percentage of the employees' salaries as defined in the plan.

Payments to the defined contribution plans are recognized as expenses when employees have rendered service in exchange for these contributions.

Leases

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

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets presented under Property and equipment
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized adjusted by lease payments made at or before the commencement date and lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the depreciable assets. The depreciation expense is presented under 'Depreciation and Amortization' in the statement of income.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of Nonfinancial Assets.

ii) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of ATM sites (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM sites that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Income Taxes</u>
Current tax
Current tax assets and current tax liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carryforward of unused tax credits from the excess of Minimum Corporate Income Tax (MCIT) over the Regular Corporate Income Tax (RCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits from excess MCIT over RCIT can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced 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 assets to be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in equity is recognized in OCI and not in the statement of income.

Provisions
Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and when it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an ‘Interest expense’ in the statement of income.

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

Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the statement of financial position date.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6. No geographical segment information is presented as all of the Group's operations are in the Philippines.

Fiduciary Activities
Assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, are excluded from the financial statements where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

Events after the Statement of Financial Position Date
Post year-end events that provide additional information about the Group's financial position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material to the financial statements.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as these become reasonably determinable.

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

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

Business model test
The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost, the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers the following, among others:

a. Sales attributable to an anticipated or in reaction to events of systemic proportions that may adversely affect the behavior of customer deposits and/or the Group's creditors. This is particularly important, among others, for securities that are funded principally through repurchase agreements with international banks or foreign currency swaps;
b. Sales made due to occurrence of systemic events affecting the industry that severely curtails access to credit and funding other than the lending facilities of the BSP as lender of last resort in order to forestall the need for the Group to draw on the emergency lending facilities;
c. Sales attributable to the corrective measures of the Asset and Liability Committee (ALCO) to bring the asset-liability structure and regulatory capital within the BOD's risk appetite and targeted ratios;
d. Sales attributable to an unanticipated significant decline in the debt instrument's liquidity characteristics to meet the minimum eligibility criteria of stock of High Quality Liquid Assets (HQLA); and
e. Sales attributable to systemic movements that have been generally accepted to negatively impact economic conditions, credit quality, and/or the liability profile of the Group.

On May 27, 2020, the Parent Company's BOD approved the sale of HTC securities. In June 2020, the Parent Company liquidated all of its Peso (RBU) government securities classified under investment securities measured at amortized cost with a total face amount of ₱8.60 billion and carrying value of ₱10.44 billion. The sale resulted in a trading gain of ₱2.55 million presented in the statements of income. Under the Parent Company's Business Model Documentation for Managing debt Securities, a permissible sale of Hold-To-Collect (HTC) includes those attributable to systemic movements that have been generally accepted to negatively impact economic conditions, credit quality and or liability profile of the Parent Company.

The above disposals were assessed by the Parent Company as not inconsistent with the portfolios' business models considering the conditions and reasons for which the disposals were made. Further, these disposals did not result in a change in business model and the remaining securities in the affected portfolios continue to be accounted for at amortized cost.

Fair value of financial instruments
Where the fair values of financial instruments cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these valuation models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The carrying values and corresponding fair values of financial instruments, as well as the manner in which fair values were determined, are discussed in more detail in Note 4.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future financial performance could be materially affected by

changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 24).

Estimates and Assumptions

ECLs on loans and other receivables

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered significant accounting judgments and estimates include:

- The segmentation of financial assets when their ECL is assessed on a collective basis;
- The definition of default;
- The Group's internal grading model, which impacts the PDs assigned to the exposures;
- The Group's criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as GDP growth rates, inflation rates, unemployment rates, import growth rates, export growth rates, and bank average lending rates, and the effect on PDs;
- Selection of forward-looking macroeconomic scenario variables; and
- Calculation of expected recoveries from defaulted accounts.

In response to the COVID-19 pandemic, the Group conducted a re-assessment of all corporate accounts by re-scoring the Borrower Risk Ratings (BRR) using a stressed scenario in order to account for the ongoing and future effects of the pandemic on the borrowers' operations and earnings. Specific impairment was likewise assessed for corporate borrowers with large exposures especially those that were severely affected by the pandemic.

On the other hand, for consumer loans, expert judgment was incorporated by the Group to determine the possible deterioration in the flow rates from one bucket to the next (i.e. current to 1-30 days past due, 1-30 days past due to 31-60 days past due, etc. up to more than 90 days past due bucket). Forecasted figures were assessed with the required additional allowance for credit loss.

The Group also revisited weight distribution on Macroeconomic Variables (MEVs) to reflect management's view of the overall business environment. The Group also revisited stages of borrowers that were affected by the pandemic and are expected to remain unable to pay regular amortization.

These exercises and calibrations, considering current and future outlook, resulted to changes in account staging and loan loss provisioning.

The carrying value of loans and receivables and allowance for credit losses on loans and receivables are disclosed in Notes 12 and 17, respectively.

Realizability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group. These assumptions include management's expectations on growth of the Group's loans and deposit portfolios and future operating costs and expenses.

The recognized and unrecognized deferred tax assets are disclosed in Note 30.

Impairment of branch licenses
The Group determines whether branch licenses are impaired at least on an annual basis. Branch licenses are written down for impairment where the net present value of the forecasted future cash flows from the relevant CGU is insufficient to support its carrying value.

The recoverable amount of the CGU has been determined based on a VIU calculation using the CGU's cash flow projections from the five-year plan approved by the Board. Key assumptions in the VIU calculations are most sensitive to the following assumptions:
- Discount rate, which is based on the cost of equity by reference to comparable entities using the capital asset pricing model;
- Loan and deposit portfolios growth rates; and
- Growth rate to project cash flows beyond the budget period.

The carrying values of branch licenses and details of the VIU calculations are disclosed in Note 15.

Present value of defined benefit obligation
The cost of defined benefit plans, as well as the present value of defined benefit obligation, is determined using an actuarial valuation. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, salary increase rates, mortality rates and employee turnover rates. Due to the complexity of the actuarial valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each statement of financial position date.

In determining the appropriate discount rate, the Group considers the interest rates of Philippine government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Salary increase rates are based on historical annual merit, market and promotional increase and future inflation rates.

Other assumptions, such as mortality rates and employee turnover rates, are based on publicly available mortality tables and the Group's historical experience.

The present value of defined benefit obligation as of December 31, 2022 and 2021 are disclosed in Note 27.

4. Fair Value Measurement

The following tables provide the fair value hierarchy of the Group's and the Parent Company's assets and liabilities measured at fair value and those for which fair values should be disclosed:

	Consolidated and Parent Company				
	2022				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets measured at fair value					
Financial assets at FVTOCI:					
Debt securities:					
Government securities	**₱4,161,400**	**₱4,161,400**	**₱4,161,400**	**₱–**	**₱–**
Private bonds	**311,799**	**311,799**	**311,799**	**–**	**–**
Sovereign bonds	**385,203**	**385,203**	**385,203**	**–**	**–**
Equity securities	**150,194**	**150,194**	**–**	**123,146**	**27,048**
	5,008,596	**5,008,596**	**4,858,402**	**123,146**	**27,048**
Assets for which fair values are disclosed					
Investment securities at amortized cost:					
Government securities	**21,424,865**	**19,647,983**	**19,647,983**	**–**	**–**
Sovereign bonds	**236,959**	**234,763**	**234,763**	**–**	**–**
Loans and receivables:					
Receivables from customers:					
Corporate loans	**71,060,966**	**70,213,953**	**–**	**–**	**70,213,953**
Auto loans	**405,142**	**400,806**	**–**	**–**	**400,806**
Home loans	**3,074,755**	**2,648,326**	**–**	**–**	**2,648,326**
Personal loans	**38,316**	**34,877**	**–**	**–**	**34,877**
Unquoted debt securities	**649,371**	**642,616**	**–**	**–**	**642,616**
	96,890,374	**93,823,324**	**19,882,746**	**–**	**73,940,578**
Investment properties:					
Condominium units for lease	**1,691,796**	**7,310,658**	**–**	**–**	**7,310,658**
Foreclosed properties	**962,112**	**3,813,942**	**–**	**–**	**3,813,942**
Office units for lease	**2,338**	**151,956**	**–**	**–**	**151,956**
	2,656,246	**11,276,556**	**–**	**–**	**11,276,556**
	₱104,569,539	**₱110,110,682**	**₱24,743,354**	**₱123,146**	**₱85,244,182**
Liability measured at fair value					
Currency forwards (Note 24)	**₱2,911**	**₱2,911**	**₱–**	**₱2,911**	**₱–**
Liabilities for which fair value is disclosed					
Financial liabilities at amortized cost:					
Time deposits	**38,382,737**	**38,331,804**	**–**	**–**	**38,331,804**
LTNCD	**2,893,897**	**2,869,322**	**–**	**2,869,322**	**–**
Bills payable	**7,594,019**	**7,593,027**	**–**	**–**	**7,593,027**
	₱48,873,564	**₱48,797,064**	**₱–**	**₱2,872,233**	**₱45,924,831**

	Consolidated and Parent Company				
	2021				
		Fair Value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Financial assets at FVTPL:					
Government securities	₱886,291	₱886,291	₱886,291	₱–	₱–
Financial assets at FVTOCI:					
Debt securities:					
Government securities	6,362,401	6,362,401	6,362,401	–	–
Equity securities	126,886	126,886	–	91,600	35,286
	7,375,578	7,375,578	7,248,692	91,600	35,286
Assets for which fair values are disclosed					
Investment securities at amortized cost:					
Government securities	15,520,279	17,139,928	17,139,928	–	–

(Forward)

	Consolidated and Parent Company				
	2021				
		Fair Value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Loans and receivables:					
Receivables from customers:					
Corporate loans	₱57,985,808	₱57,055,766	₱–	₱–	₱57,055,766
Auto loans	520,800	509,847	–	–	509,847
Home loans	3,404,733	2,618,975	–	–	2,618,975
Personal loans	105,938	83,273	–	–	83,273
Unquoted debt securities	678,557	945,563	–	–	945,563
	78,216,115	78,353,352	17,139,928	–	61,213,424
Investment properties:					
Condominium units for lease	1,740,177	6,963,013	–	–	6,963,013
Foreclosed properties	834,303	3,072,551	–	–	3,072,551
Office units for lease	2,689	53,867	–	–	53,867
	2,577,169	10,089,431	–	–	10,089,431
	₱88,168,862	₱95,818,361	₱24,388,620	₱91,600	₱71,338,141
Liability measured at fair value					
Currency forwards (Note 24)	₱6,042	₱6,042	₱–	₱6,042	₱–
Liabilities for which fair value is disclosed					
Financial liabilities at amortized cost:					
Time deposits	31,531,570	31,552,068	–	–	31,552,068
LTNCD	2,889,116	3,104,683	–	3,104,683	–
Bills payable	6,010,988	6,010,678	–	–	6,010,678
	₱40,437,716	₱40,673,471	₱–	₱3,110,725	₱37,562,746

Movements in the fair value measurement of ‘Financial assets at FVTOCI’ categorized within Level 3 pertain only to the changes in fair value of unquoted equity securities. No additions and disposals were made in 2022 and 2021.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers out of Level 3 fair value measurements in 2022 and 2021.

The methods and assumptions used by the Group in estimating the fair value of its assets and liabilities are as follows:

Investment Securities

Debt securities

Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using consensus prices obtained from Bloomberg.

Equity securities - club shares

Fair values of club shares are based on prices published in GG&A Club Shares and G&W Club Shares. GG&A Club Shares and G&W Club Shares are involved in trading and leasing proprietary and non-proprietary club shares.

Unquoted equity securities

Fair values of unquoted equity securities are estimated using the guideline publicly-traded company method, which utilizes publicly available information from publicly-traded comparable companies that are the same or similar to the unlisted company being valued. Unquoted equity security holdings of the Group are not significant to the financial statements.

Loans and Receivables

Cash and other cash items, amounts due from BSP and other banks, interbank loans receivable and SPURA

Carrying amounts approximate fair values considering that these accounts consist mostly of overnight deposits.

Receivables from customers
Fair values of receivables from customers are estimated using the discounted cash flow methodology that makes use of the Group's current incremental lending rates for similar types of loans and receivables.

Unquoted debt securities
Fair values are estimated based on the discounted cash flow methodology that makes use of interpolated risk-free rates plus spread.

Accrued interest receivable and returned checks and other cash items (RCOCI)
Carrying amounts approximate fair values due to the short-term nature of the accounts, with some items that are due and demandable.

Accounts receivable, sales contracts receivable and refundable security deposits
Quoted market prices are not available for these assets. These are not reported at fair value and are not significant in relation to the Group's total portfolio of financial instruments.

Derivative Assets/Liabilities
Currency forwards under Other Assets/Liabilities
Fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the statement of financial position date, taking into account the remaining term to maturity of the derivative assets/liabilities.

Financial Liabilities at Amortized Cost
Deposit liabilities (excluding LTNCD)
Fair values of time deposits are estimated based on the discounted cash flow methodology that makes use of the current incremental borrowing rates for similar types of borrowings. The carrying amount of demand and savings deposit liabilities approximate fair value considering that these are due and demandable.

LTNCD
Fair values of LTNCD are determined based on the market yield rate of the Parent Company's LTNCD as provided by the Philippine Dealing and Exchange Corporation (PDEx).

Bills payable
The fair value is estimated using the discounted cash flow methodology that makes use of the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. Where the instrument has a relatively short maturity, carrying amounts approximate fair values.

Outstanding acceptances, manager's checks, accrued interest payable, accrued other expenses, accounts payable, refundable security deposits and due to the Treasurer of the Philippines
Carrying amounts approximate fair values due to the short-term nature of these accounts, with some items that are due and demandable.

Investment Properties
Fair values of investment properties are determined based on valuations made by professionally qualified appraisers accredited by the BSP and SEC and internal appraisers. The fair values of foreclosed assets were derived based on market sales comparison approach. Under this approach, recent transactions for similar properties in the same areas as the investment properties were considered, taking into account the economic conditions prevailing at the time the valuations were made. Prices of recent transactions are adjusted to account for differences in a property's size, shape, location, marketability and bargaining allowances. For depreciable properties, other inputs considered in the valuations are the age and remaining life of the buildings.

On the other hand, the fair values of the condominium and office units for lease were determined using the income capitalization approach model. The income capitalization approach model is used since the properties generate revenue from rental income. Income capitalization approach is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step – either by dividing the income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate income factor. The rate of interest calculated represents the relationship between income and value observed in the market and is derived through comparable sales analysis. The income from a property, usually the annual net operating income or pre-tax cash flow, is divided by its sale or equity price to obtain the income rate.

The valuation, therefore, is based on the following critical assumptions:

- Rental rates;
- Capitalization rate (income rate), which is based on market rent for similar properties;
- Vacancy rates, which are based on vacancy rates for comparable properties within the area where the Group's properties are located; and
- The floor areas, which are based on the total leasable area.

Significant Unobservable Inputs

Quantitative information about the Group's and the Parent Company's fair value measurements using significant unobservable inputs (Level 3) on unquoted equity securities follows:

Year	**Fair Value at December 31**	**Valuation Technique(s)**	**Unobservable Input(s)**	**Range**	**Reasonably Possible Alternative Assumption**	**Sensitivity of the Fair Value to the Input**
2022	**₱27,048**	**Guideline publicly-traded company method**	**Price to book ratio**	**0.60:1 -0.66:1**	**0.1**	**₱115**
					-0.1	**(115)**
			Discount for lack of marketability	**30%**	**+0.10**	**72**
					-0.10	**(72)**

Year	Fair Value at December 31	Valuation Technique(s)	Unobservable Input(s)	Range	Reasonably Possible Alternative Assumption	Sensitivity of the Fair Value to the Input
2021	₱35,286	Guideline publicly-traded company method	Price to book ratio	0.61:1 -0.93:1	+0.10	₱116
					-0.10	(116)
			Discount for lack of marketability	30%	+10%	89
					-10%	(89)

The Parent Company estimates the fair value of the unquoted equity securities using the 'benchmark multiples' of comparable publicly-traded companies. The identification of comparable companies considers the similarities between the subject company being valued and the guideline companies in terms of industry, market, product line or service type, growth, etc. The Parent Company also determines an appropriate discount adjustment for the lack of marketability of these unquoted equity securities based on empirical evidence gathered from available public market research.

The use of reasonably possible alternative assumptions in the significant unobservable inputs will affect the fair value of the unquoted equity securities and the OCI (before tax) as presented above.

There has been no change in the valuation techniques used from 2021 to 2022.

Description of Significant Unobservable Input to Valuation

The significant unobservable input used in the fair value measurement of financial instruments carried at amortized cost that are categorized within Level 3 of the fair value hierarchy:

Loans and receivables at amortized cost
Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans. The significant increase (decrease) in the current increment lending rate would result to a lower (higher) fair value measurement.

Liabilities
The carrying amount of liabilities approximates fair value in view of their relatively short-term maturity except for time deposits and bills payable whose fair values are estimated using the discounted cash flow methodology using the Bank's incremental borrowing rates for similar borrowings with maturities consistent with those for the liability being valued.

5. Financial Risk Management Objectives and Policies

Introduction
Risk is inherent in the Group's activities but is managed through a continuing and pro-active process of identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group is significantly exposed to the following risks from its financial instruments:

a. Credit risk
b. Liquidity risk
c. Market risk
   i. Interest rate risk
   ii. Foreign currency risk

Risk management structure
The Group's risk management environment is characterized by a well-defined risk organizational structure, flow of risk information, risk-based audit coverage, and an established compliance system.

BOD
The BOD of the Parent Company is responsible for establishing and maintaining a sound risk management system and is ultimately accountable for identifying and controlling risks; there are, however, separate independent bodies responsible for managing and monitoring risks.

Risk Oversight Committee (ROC)
The ROC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

Enterprise Risk Management Group (ERMG)
The ERMG is an independent unit within the Parent Company that directly reports to the ROC. It is the responsibility of the ERMG to identify, analyze and measure risks from the Parent Company's trading, lending, borrowing and other transactional activities. It also recommends control policies and procedures to mitigate risk in identified risk areas in Treasury, Credit, Trust and other areas of operations.

Together with other risk control functions such as Operations Group, it performs the important day-to-day monitoring of risk exposures of the Parent Company against approved limits and reporting of such exposures, and implementation of policies and control procedures.

Treasury segment
The Treasury Segment is responsible for managing the Parent Company's assets and liabilities. It is also primarily responsible for the management of the funding and liquidity risks of the Parent Company.

Compliance Group
Through the Group's Compliance Group, relevant Philippine laws and regulations, as well as pertinent BSP circulars governing the operations of rural banks, are continuously identified for guidelines on implementation. The Compliance Group is also responsible for the systematic and effective communications systems to keep management always conscious of their obligations and legal responsibility as trustee of public funds. It ensures the Group's adherence to the rules and regulations and the provisions of the Manual of Regulations for Banks (MORB) prescribed by the BSP.

Internal Audit Group (IAG)
Risk management processes throughout the Group are audited by the IAG which examines both the adequacy of the procedures and the Group's compliance thereto. The IAG discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems
The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group adjusted existing models to take into account the probable effects of the COVID 19 pandemic. This resulted in increased loan provisions anticipated because of the pandemic.

The Group also performed worst case scenarios that would arise in the event that extreme events which are unlikely to occur, happen.

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect both the business strategy and market environment of the Group, as well as the level of risk that the Group is willing to accept. In addition, the Group monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities. In response to the pandemic, the Group implemented stricter approval policies particularly for consumer loans. All consumer loans need to go through a pre-clearance process from the Executive Committee Chair and minimum approval required is from the President & CEO.

Information gathered from all the businesses is evaluated and processed in order to analyze, identify and control and identify risks early. All significant information is presented to the BOD, the ROC, and the head of each business division. The report includes credit exposure to groups and industries, Value-at-Risk (VaR), liquidity ratios and risk profile changes. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis for prudential and financial reporting.

<u>Credit Risk and Concentration of Assets and Liabilities and Off-Balance Sheet Items</u>
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit risk arises from its lending and trading of and investments in securities and foreign exchange activities. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual

borrowers and groups of borrowers, as well as limits on large lines and industry concentrations. The ERMG monitors exposures in relation to these limits.

The Group obtains security where appropriate, enters into collateral arrangements with counterparties, and limits the duration of exposures. The Group's credit risk management process is guided by policies and procedures established by Corporate & Commercial Banking Group (CCBG), Consumer Finance Group and ERMG and approved by the BOD.

For the corporate loan portfolio, the Group has an internal credit risk rating system (ICRRS) for the purpose of measuring credit risk for every exposure in a consistent manner that is as accurate as possible and uses the risk information for business and financial decision making. The ICRRS shall cover all credit exposures to companies regardless of asset size, except those whose facilities are purely 1:1 which will be given a default Borrower Risk Rating of 1. The system has two components, namely: (a) Borrower Risk Rating (BRR) System, which provides an assessment of credit risk without considering the security arrangements, and (b) Composite Risk Rating (CRR), which is an account rating taking into account the collateral and other credit risk mitigants and the credit facility granted to the borrower. The Borrower Risk Rating consists of 14 grades, ten of which fall under unclassified accounts and the remaining four are classified accounts according to regulatory provisioning guidelines.

The Group uses a set of Minimum Risk Acceptance Criteria for its consumer loan portfolio as part of its credit undertaking. Risks are mitigated by focusing on the accounts with a low PD while exercising prudent judgment on accounts whose risks are higher than normal but remains within the Group's risk appetite.

The Group also has a post approval loan portfolio quality and credit process review in place that allows the Group to continuously identify and assess the risks on credit exposures and take corrective actions. This function is carried out by the Group's Credit Policy and Review Division.

Credit risk at initial recognition
The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment considers quantitative and qualitative factors and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Maximum exposure to credit risk
The tables below provide the analysis of the maximum exposure of the Group's and the Parent Company's financial instruments to credit risk, excluding those where the carrying values as reflected in the statements of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancements:

	Consolidated and Parent Company					
	2022			2021		
	Gross Maximum Exposure*	**Net Exposure**	**Financial Effect of Collateral or Credit Enhancement**	Gross Maximum Exposure*	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Receivables from customers:						
Corporate loans	**₱71,060,966**	**₱37,160,345**	**₱34,221,645**	₱57,985,808	₱40,259,897	₱17,725,911
Consumer loans	**3,518,213**	**383,501**	**3,145,107**	4,031,471	1,400,749	2,630,722
Credit exposure	**₱74,579,179**	**₱37,543,846**	**₱37,366,752**	₱62,017,279	₱41,660,646	₱20,356,633

***** *Net of allowance for credit losses and unearned discount*

For sales contracts receivable, the fair value of collaterals and their corresponding financial effect on credit exposure are no longer disclosed since the system does not regularly monitor such information. The carrying value of these sales contracts receivable are disclosed in Note 12.

Risk concentrations by industry
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Group exposures and risk concentrations to industries are monitored and reported in accordance with the Group's policies on group lending/inter-corporate earmarking and managing large exposure and credit risk concentrations.

Credit-related commitment risks
The Parent Company makes available to its customers guarantees that may require the Parent Company to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Parent Company to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Parent Company to similar risks to loans and are mitigated by the same control processes and policies.

The industry sector analysis of the maximum exposure of the Group to credit risk concentration follows (amounts in millions):

	Consolidated									
	2022					2021				
	Loans and Receivables	Loans and Advances to Banks*	Debt Investment Securities	Others**	Total	Loans and Receivables	Loans and Advances to Banks*	Debt Investment Securities	Others**	Total
Government	₱1,017	₱13,902	₱26,223	₱1	₱41,143	₱936	₱13,742	₱22,776	₱1	₱37,455
Construction and real estate	22,474	–	–	88	22,562	18,017	–	–	53	18,070
Wholesale and retail trade	19,748	–	–	1,049	20,797	16,916	–	–	1,048	17,964
Manufacturing	14,352	–	–	1,982	16,334	14,481	–	–	1,128	15,609
Banks and financial institutions	3,913	1,124	–	–	5,037	2,183	1,384	–	–	3,567
Electricity, gas and water supply	4,226	–	–	460	4,686	3,818	–	–	7	3,825
Transportation, storage, communication	3,110	–	–	35	3,145	1,994	–	–	5	1,999
Agriculture, hunting and forestry	1,379	–	–	1	1,380	1,364	–	–	10	1,374
Mining and quarrying	120	–	–	–	120	168	–	–	–	168
Others	9,532	–	312	19	9,866	7,640	–	–	30	7,670
	79,871	15,026	26,535	3,635	125,070	67,517	15,126	22,776	2,282	107,701
Less allowance for ECL	2,947	–	14	–	2,961	2,732	–	7	–	2,739
	₱76,924	₱15,026	₱26,521	₱3,635	₱122,106	₱64,785	₱15,126	₱22,769	₱2,282	₱104,962

* *Consist of due from BSP, due from other banks, and interbank loans receivable and SPURA*
** *Consist of RCOCI, refundable deposits, and commitments and contingencies*

	Parent Company									
	2022					2021				
	Loans and Receivables	Loans and Advances to Banks*	Debt Investment Securities	Others**	Total	Loans and Receivables	Loans and Advances to Banks*	Debt Investment Securities	Others**	Total
Government	₱1,017	₱13,902	₱26,223	₱1	₱41,143	₱936	₱13,742	₱22,776	₱1	₱37,455
Construction and real estate	22,474	–	–	88	22,562	18,017	–	–	53	18,070
Wholesale and retail trade	19,748	–	–	1,049	20,797	16,916	–	–	1,048	17,964
Manufacturing	14,352	–	–	1,982	16,334	14,481	–	–	1,128	15,609
Banks and financial institutions	3,913	1,124	–	–	5,037	2,183	1,384	–	–	3,567
Electricity, gas and water supply	4,226	–	–	460	4,686	3,812	–	–	7	3,825
Transportation, storage, communication	3,110	–	–	35	3,145	1,364	–	–	5	1,999
Agriculture, hunting and forestry	1,379	–	–	1	1,380	1,994	–	–	10	1,374
Mining and quarrying	120	–	–	–	120	168	–	–	–	168
Others	9,535	–	312	19	9,866	7643	–	–	30	7,673
	79,874	15,026	26,535	3,635	125,070	67,520	15,126	22,776	2,282	107,704
Less allowance for ECL	2,947	–	14	–	2,961	2,732	–	7	–	2,739
	₱76,927	₱15,026	₱26,521	₱3,635	₱122,109	₱64,788	₱15,126	₱22,769	₱2,282	₱104,965

* *Consist of due from BSP, due from other banks, and interbank loans receivable and SPURA*
** *Consist of RCOCI, refundable deposits, and commitments and contingencies*

Collateral and other credit enhancements
The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
- For securities lending and reverse repurchase transactions: cash or securities
- For commercial lending: deposit hold-out, mortgages over real estate properties, machineries, inventories and trade receivables
- For retail lending: mortgages over residential properties and motor vehicles

It is the Group's policy to dispose repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

Collaterals obtained by the Group and the Parent Company from settlement of loans and receivables which remain outstanding as of December 31, 2022 and 2021 amounted to ₱258.13 million and ₱347.78 million, respectively (see Notes 14 and 16).

The Group does not hold collateral on financial assets which it may sell or repledge in the absence of default by the owner of the collateral.

Credit quality per class of financial assets
In compliance with MORB Sec. 143, the Group has developed and continuously reviews and calibrates its internal risk rating system for credit exposures aimed at uniformly assessing its credit portfolio in terms of risk profile. Where appropriate, it obtains security, enters into master netting agreements, and limits the duration of exposures to maintain and even further enhance the quality of the Group's credit exposures.

The credit quality of financial assets is monitored and managed using internal ratings and where available, external ratings.

a. Loans and Receivables

Receivables from customers
In 2019, the Parent Company adopted new BRR scorecards by segmenting its portfolio further thus improve on the previous scorecards. The Parent Company employs specific scorecards for each segment of the portfolio and uses specific scorecards for different classes of financial intermediaries. The new scorecards are more flexible and innovatively use more forward-looking elements into the scoring mechanism, making the results more accurate. For purposes of computing allowance, the Parent Company has prepared a transition matrix to bridge the previous rating grades to the new BRR scorecards.

The description and definition of the loan grades or ICRRS used by the Group for corporate loans follow:

BRR Grade	Description	Definition
1	Excellent	Excellent capacity to meet its financial commitments with minimal credit risk
2	Strong	Strong capacity to meet its financial commitments with very low credit risk
3	Good	Good capacity to meet its financial commitments with low credit risk.
4	Fairly Good	An obligor rated 4 differs from rated 3 obligor only to a small degree and has a fairly good capacity to meet its financial commitments with low credit risk.
5	Satisfactory	Satisfactory capacity to meet its financial commitments with moderate credit risk
6	Fairly Satisfactory	Fairly satisfactory capacity to meet its financial commitments with moderate credit risk
7	Acceptable	Acceptable capacity to meet its financial commitments with substantial credit risk
8	Acceptable with Care	A credit, though acceptable, needs care in granting facilities. However, the borrower is still creditworthy.
9	Acceptable with Caution	A credit, though acceptable, needs significant caution to be exercised while granting facilities to the borrower. The borrower is still creditworthy but has problems that need to be addressed.
10	Watch List	An obligor rated 10 is judged to be of poor credit standing and is subject to high default risk.
11	Especially Mentioned	These are loans that have potential weaknesses that deserve management's close attention. If left uncorrected, said weaknesses may affect the repayment of the loan.
12	Substandard	Loans that have well-defined weaknesses 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.
13	Doubtful	Loans that exhibit more sever weaknesses than those under "Substandard", whose characteristics on the basis of currently known facts, conditions, and values make collection or liquidation highly improbable, however, the exact amount remains undeterminable as yet.
14	Loss	Loans which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted.

The credit quality of the Group's corporate loans under receivables from customers, which is based on the BRR grade, is grouped as follows:

High Grade (BRR 1 to 7)
Under this category, the borrower has the apparent ability to satisfy its obligations in full and therefore, no loss in ultimate collection is anticipated. These loans or portions thereof are secured by hold-outs on deposits/deposit substitute, margin deposits or government-supported securities, other readily marketable collateral or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

Standard Grade (BRR 8 to 10)
Under this category are accounts not considered adversely classified but require close supervision/monitoring due to some warning signals such as start-up business, substantial changes in the business affecting operation or management, three continuous years of substantial decline in income (exclusive of extraordinary income/losses).

Substandard Grade or Past-Due (BRR 11 to 14)
Under this category are loans which exhibit unfavorable record or unsatisfactory characteristics, or where existing facts, conditions and values, make collection or liquidation in full improbable.

The credit quality of the Group's consumer loans under receivables from customers, which is based on the age and status of delinquency of receivables and the credit standing of the counterparties, is grouped as follows:

High Grade
This category is comprised of current receivables with no history of defaults and delayed payments and other financial assets with counterparties that have the apparent ability to satisfy their obligations in full. This rating includes amounts due from the BSP and due from other banks.

Standard Grade
This category is comprised of receivables that are technically past due, with period of default of 1 to 30 days, but are still regarded as good credit quality since the counterparties have the apparent ability to satisfy their obligations in full.

Past Due but not Impaired
These are accounts which are classified as delinquent, with period of default of 31 to 90 days.

Past Due and Impaired
This comprised of receivables and other financial assets which are classified as non-performing, with period of default of more than 90 days.

Positive and vigorous management action is required to avert or minimize loss.

As of December 31, 2022, the credit quality of receivables from customers, net of unearned discount and capitalized interest of the Group and Parent Company follows:

Consolidated and Parent Company		**2022**		
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
High grade	**₱60,813,497**	**₱–**	**₱–**	**₱60,813,497**
Standard grade	**–**	**10,454,567**	**–**	**10,454,567**
Substandard grade	**–**	**291,623**	**–**	**291,623**
Past due but not impaired	**–**	**1,873**	**–**	**1,873**
Past due and impaired	**–**	**–**	**2,109,855**	**2,109,855**
	60,813,497	**10,748,063**	**2,109,855**	**73,671,415**
Consumer loans:				
Auto loans:				
High grade	**392,624**	**–**	**–**	**392,624**
Standard grade		**1,964**	**–**	**1,964**
Past due but not impaired	**–**	**3,303**	**–**	**3,303**
Past due and impaired	**–**	**–**	**62,526**	**62,526**
	392,624	**5,267**	**62,526**	**460,417**
Home loans:				
High grade	**2,784,776**	**–**	**–**	**2,784,776**
Standard grade		**44,441**	**–**	**44,441**
Past due but not impaired	**–**	**23,250**	**–**	**23,250**
Past due and impaired	**–**	**–**	**391,965**	**391,965**
	2,784,776	**67,691**	**391,965**	**3,244,432**
Personal loans:				
High grade	**38,618**	**–**	**–**	**38,618**
Standard grade	**–**	**1,991**	**–**	**1,991**
Past due but not impaired	**–**	**587**	**–**	**587**
Past due and impaired	**–**	**–**	**26,206**	**26,206**
	38,618	**2,578**	**26,206**	**67,402**
Total consumer loans:				
High grade	**3,216,018**	**–**	**–**	**3,216,018**
Standard grade	**–**	**48,396**	**–**	**48,396**
Past due but not impaired	**–**	**27,140**	**–**	**27,140**
Past due and impaired	**–**	**–**	**480,697**	**480,697**
	3,216,018	**75,536**	**480,697**	**3,772,251**
Total receivables from customers:				
High grade	**64,029,515**	**–**	**–**	**64,029,515**
Standard grade	**–**	**10,502,963**	**–**	**10,502,963**
Substandard grade	**–**	**291,623**	**–**	**291,623**
Past due but not impaired	**–**	**29,013**	**–**	**29,013**
Past due and impaired	**–**	**–**	**2,590,552**	**2,590,552**
	₱64,029,515	**₱10,823,599**	**₱2,590,552**	**₱77,443,666**

Consolidated and Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
High grade	₱45,551,479	₱–	₱–	₱45,551,479
Standard grade	4,172,469	7,877,160	–	12,049,629
Substandard grade	–	20,411	–	20,411
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	2,611,532	2,611,532
	49,723,948	7,897,571	2,611,532	60,233,051
Consumer loans:				
Auto loans:				
High grade	452,291	–	–	452,291
Standard grade	–	–	–	–
Past due but not impaired	–	18,702	13,704	32,406
Past due and impaired	–	–	113,409	113,409
	452,291	18,702	127,113	598,106
Home loans:				
High grade	2,995,384	–	–	2,995,384
Standard grade	–	–	–	–
Past due but not impaired	–	82,052	41,112	123,164
Past due and impaired	–	–	518,054	518,054
	2,995,384	82,052	559,166	3,636,602
Personal loans:				
High grade	109,400	–	–	109,400
Standard grade	–	355	–	355
Past due but not impaired	–	5,224	6,186	11,410
Past due and impaired	–	–	91,986	91,986
	109,400	5,579	98,172	213,151
Total consumer loans:				
High grade	3,557,075	–	–	3,557,075
Standard grade	–	355	–	355
Past due but not impaired	–	105,978	61,002	166,980
Past due and impaired	–	–	723,449	723,449
	3,557,075	106,333	784,451	4,447,859
Total receivables from customers:				
High grade	49,108,554	–	–	49,108,554
Standard grade	4,172,469	7,877,515	–	12,049,984
Substandard grade	–	20,411	–	20,411
Past due but not impaired	–	105,978	61,002	166,980
Past due and impaired	–	–	3,334,981	3,334,981
	₱53,281,023	₱8,003,904	₱3,395,983	₱64,680,910

Movements during 2022 and 2021 for receivables from customers follows:

Consolidated and Parent Company	**2022**			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
Balance at January 1, 2022	**₱49,723,948**	**₱7,897,571**	**₱2,611,532**	**₱60,233,051**
New assets originated or purchased	**26,992,686**	**–**	**–**	**26,992,686**
Assets derecognized or repaid	**(11,532,982)**	**(1,365,045)**	**(656,295)**	**(13,554,322)**
Transfers to Stage 1	**1,861,233**	**(1,861,233)**	**–**	**–**
Transfers to Stage 2	**(6,124,925)**	**6,171,833**	**(46,908)**	**–**
Transfers to Stage 3	**(106,463)**	**(95,063)**	**201,526**	**–**
Balance at December 31, 2022	**60,813,497**	**10,748,063**	**2,109,855**	**73,671,415**
Consumer loans:				
Auto loans:				
Balance at January 1, 2022	**452,291**	**18,702**	**127,113**	**598,106**
New assets originated or purchased	**146,221**	**–**	**–**	**146,221**

(Forward)

Consolidated and Parent Company	**2022**			
	Stage 1	Stage 2	Stage 3	Total
Assets derecognized or repaid	**(₱194,516)**	**(₱14,934)**	**(₱65,546)**	**(₱274,996)**
Transfers to Stage 1	**2,262**	**(2,262)**	**–**	**–**
Transfers to Stage 2	**(6,736)**	**8,624**	**(1,888)**	**–**
Transfers to Stage 3	**(6,898)**	**(4,863)**	**11,761**	**–**
Accounts written-off	**–**	**–**	**(8,914)**	**(8,914)**
Balance at December 31, 2022	**392,624**	**5,267**	**62,526**	**460,417**
Home loans:				
Balance at January 1, 2022	**2,995,384**	**82,052**	**559,166**	**3,636,602**
New assets originated or purchased	**299,248**	**–**	**–**	**299,248**
Assets derecognized or repaid	**(528,238)**	**(9,021)**	**(154,159)**	**(691,418)**
Transfers to Stage 1	**98,886**	**(36,458)**	**(62,428)**	**–**
Transfers to Stage 2	**(15,959)**	**58,878**	**(42,919)**	**–**
Transfers to Stage 3	**(64,545)**	**(27,760)**	**92,305**	**–**
Balance at December 31, 2022	**2,784,776**	**67,691**	**391,965**	**3,244,432**
Personal loans:				
Balance at January 1, 2022	**109,400**	**5,579**	**98,172**	**213,151**
New assets originated or purchased	**26,155**	**–**	**–**	**26,155**
Assets derecognized or repaid	**(92,062)**	**(3,679)**	**(10,893)**	**(106,634)**
Transfers to Stage 1	**3,935**	**(421)**	**(3,514)**	**–**
Transfers to Stage 2	**(2,204)**	**4,130**	**(1,926)**	**–**
Transfers to Stage 3	**(6,606)**	**(3,031)**	**9,637**	**–**
Accounts written-off	**–**	**–**	**(65,270)**	**(65,270)**
Balance at December 31, 2022	**38,618**	**2,578**	**26,206**	**67,402**
Total consumer loans:				
Balance at January 1, 2022	**3,557,075**	**106,333**	**784,451**	**4,447,859**
New assets originated or purchased	**471,624**	**–**	**–**	**471,624**
Assets derecognized or repaid	**(814,816)**	**(27,634)**	**(230,598)**	**(1,073,048)**
Transfers to Stage 1	**105,083**	**(39,141)**	**(65,942)**	**–**
Transfers to Stage 2	**(24,899)**	**71,632**	**(46,733)**	**–**
Transfers to Stage 3	**(78,049)**	**(35,654)**	**113,703**	**–**
Accounts written-off	**–**	**–**	**(74,184)**	**(74,184)**
Balance at December 31, 2022	**3,216,018**	**75,536**	**480,697**	**3,772,251**
Total receivables from customers:				
Balance at January 1, 2022	**53,281,023**	**8,003,904**	**3,395,983**	**64,680,910**
New assets originated or purchased	**27,464,310**	**–**	**–**	**27,464,310**
Assets derecognized or repaid	**(12,347,798)**	**(1,392,679)**	**(886,893)**	**(14,627,370)**
Transfers to Stage 1	**1,966,316**	**(1,900,374)**	**(65,942)**	**–**
Transfers to Stage 2	**(6,149,824)**	**6,243,465**	**(93,641)**	**–**
Transfers to Stage 3	**(184,512)**	**(130,717)**	**315,229**	**–**
Accounts written-off	**–**	**–**	**(74,184)**	**(74,184)**
	₱64,029,515	**₱10,823,599**	**₱2,590,552**	**₱77,443,666**

Consolidated and Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
Balance at January 1, 2021	₱41,125,106	₱8,858,232	₱2,729,677	₱52,713,015
New assets originated or purchased	42,516,314	–	–	42,516,314
Assets derecognized or repaid	(28,849,119)	(5,818,305)	(250,973)	(34,918,397)
Transfers to Stage 1	698,018	(554,253)	(143,765)	–
Transfers to Stage 2	(5,743,308)	5,743,308	–	–
Transfers to Stage 3	–	(276,593)	276,593	–
Accounts written-off	–	–	–	–
Foreign exchange adjustments	(23,063)	(54,818)	–	(77,881)
Balance at December 31, 2021	49,723,948	7,897,571	2,611,532	60,233,051
Consumer loans:				
Auto loans:				
Balance at January 1, 2021	514,924	72,459	184,539	771,922
New assets originated or purchased	195,755	–	–	195,755
Assets derecognized or repaid	(178,922)	(75,466)	(115,183)	(369,571)
Transfers to Stage 1	10,657	(4,185)	(6,472)	–

(Forward)

Consolidated and Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 2	(28,603)	28,603	–	–
Transfers to Stage 3	(61,520)	(2,709)	64,229	–
Accounts written-off	–	–	–	–
Balance at December 31, 2021	452,291	18,702	127,113	598,106
Home loans:				
Balance at January 1, 2021	3,822,679	119,337	526,533	4,468,549
New assets originated or Purchased	912,293	–	–	912,293
Assets derecognized or repaid	(1,660,038)	(10,471)	(73,731)	(1,744,240)
Transfers to Stage 1	61,884	(21,431)	(40,453)	–
Transfers to Stage 2	(81,702)	84,411	(2,709)	–
Transfers to Stage 3	(59,732)	(89,794)	149,526	–
Balance at December 31, 2021	2,995,384	82,052	559,166	3,636,602
Personal loans:				
Balance at January 1, 2021	305,607	18,647	115,859	440,113
New assets originated or Purchased	31,625	–	–	31,625
Assets derecognized or repaid	(131,961)	(9,654)	(57,270)	(198,885)
Transfers to Stage 1	1,632	(763)	(869)	–
Transfers to Stage 2	(10,123)	10,123	-	–
Transfers to Stage 3	(87,380)	(9,079)	96,459	–
Accounts written-off	–	(3,695)	(56,007)	(59,702)
Balance at December 31, 2021	109,400	5,579	98,172	213,151
Total consumer loans:				
Balance at January 1, 2021	4,643,210	210,443	826,931	5,680,584
New assets originated or Purchased	1,139,673	–	–	1,139,673
Assets derecognized or repaid	(1,970,921)	(95,591)	(246,184)	(2,312,696)
Transfers to Stage 1	74,173	(26,379)	(47,794)	–
Transfers to Stage 2	(120,428)	123,137	(2,709)	–
Transfers to Stage 3	(208,632)	(101,582)	310,214	–
Accounts written-off	–	(3,695)	(56,007)	(59,702)
Balance at December 31, 2021	3,557,075	106,333	784,451	4,447,859
Total receivables from customers:				
Balance at January 1, 2021	45,768,316	9,068,675	3,556,608	58,393,599
New assets originated or purchased	43,655,987	–	–	43,655,987
Assets derecognized or repaid	(30,820,040)	(5,913,896)	(497,157)	(37,231,093)
Transfers to Stage 1	772,191	(580,632)	(191,559)	–
Transfers to Stage 2	(5,863,736)	5,866,445	(2,709)	–
Transfers to Stage 3	(208,632)	(378,175)	586,807	–
Accounts written-off	–	(3,695)	(56,007)	(59,702)
Foreign exchange adjustments	(23,063)	(54,818)	–	(77,881)
	₱53,281,023	₱8,003,904	₱3,395,983	₱64,680,910

As of December 31, 2022 and 2021, the credit quality of the Group's and the Parent Company's financial guarantees, letters of credit and loan commitments follows:

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
High grade	**₱1,872,846**	**₱–**	**₱–**	**₱1,872,846**
Standard grade	**–**	**40,903**	**–**	**40,903**
	₱1,872,846	**₱40,903**	**₱–**	**₱1,913,749**

	2021			
	Stage 1	Stage 2	Stage 3	Total
High grade	₱1,309,136	₱1,000	₱–	₱1,310,136
Standard grade	303,560	236,928	–	540,488
	₱1,612,696	₱237,928	₱–	₱1,850,624

Movements during 2022 and 2021 for the Group's and the Parent Company's financial guarantees, letters of credit and loan commitments follows:

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1	**₱1,612,696**	**₱237,928**	**₱–**	**₱1,850,624**
New assets originated or purchased	**1,297,885**	**40,903**	**–**	**1,338,788**
Transfers	**1,000**	**(1,000)**	**–**	**–**
Assets derecognized or repaid	**(1,038,735)**	**(236,928)**	**–**	**(1,275,663)**
Balance at December 31	**₱1,872,846**	**₱40,903**	**₱–**	**₱1,913,749**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	₱1,727,726	₱261,085	₱–	₱1,988,811
New assets originated or purchased	946,715	237,928	–	1,184,643
Assets derecognized or repaid	(1,061,745)	(261,085)	–	(1,322,830)
Balance at December 31	₱1,612,696	₱237,928	₱–	₱1,850,624

As of December 31, 2022 and 2021, outstanding shipping guarantees amounted to ₱1.68 billion and ₱396.02 million, respectively. As of December 31, 2022 and 2021, 100% and 30% of outstanding shipping guarantees are in stage 1, respectively, while nil and 70% are in stage 2, respectively.

As of December 31, 2022 and 2021 the credit quality of other receivables, gross of allowance for credit losses follows:

Consolidated	2022			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
High grade	**₱649,995**	**₱–**	**₱–**	**₱649,995**
Accrued interest receivable:				
High grade	**604,181**	**–**	**–**	**604,181**
Standard grade	**–**	**97,589**	**–**	**97,589**
Substandard grade	**–**	**1,215**	**–**	**1,215**
Past due but not impaired	**–**	**125**	**–**	**125**
Past due and impaired	**–**	**-**	**9,798**	**9,798**
	604,181	**98,929**	**9,798**	**712,908**
Accounts receivable:				
High grade	**924,020**	**–**	**–**	**924,020**
Standard grade	**11,719**	**–**	**–**	**11,719**
Substandard grade	**–**	**6,583**	**–**	**6,583**
Past due but not impaired	**–**	**6,700**	**–**	**6,700**
Past due and impaired	**–**	**–**	**51,535**	**51,535**
	935,739	**13,283**	**51,535**	**1,000,557**
Sales contracts receivable:				
High grade	**42,166**	**–**	**–**	**42,166**
Standard grade	**–**	**19,025**	**–**	**19,025**
Past due and impaired	**–**	**–**	**2,524**	**2,524**
	42,166	**19,025**	**2,524**	**63,715**
Total other receivables:				
High grade	**2,220,362**	**–**	**–**	**2,220,362**
Standard grade	**11,719**	**116,614**	**–**	**128,333**
Substandard grade	**–**	**7,798**	**–**	**7,798**
Past due but not impaired	**–**	**6,825**	**–**	**6,825**
Past due and impaired	**–**	**–**	**63,857**	**63,857**
	₱2,232,081	**₱131,237**	**₱63,857**	**₱2,427,175**

Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
High grade	**₱649,995**	**₱–**	**₱–**	**₱649,995**
Accrued interest receivable:				
High grade	**604,181**	**–**	**–**	**604,181**
Standard grade	**–**	**97,589**	**–**	**97,589**
Substandard grade	**–**	**1,215**	**–**	**1,215**
Past due but not impaired	**–**	**125**	**–**	**125**
Past due and impaired	**–**	**–**	**9,798**	**9,798**
	604,181	**98,929**	**9,798**	**712,908**
Accounts receivable:				
High grade	**924,020**	**–**	**–**	**924,020**
Standard grade	**14,552**	**–**	**–**	**14,552**
Substandard grade	**–**	**6,583**	**–**	**6,583**
Past due but not impaired	**–**	**6,700**	**–**	**6,700**
Past due and impaired	**–**	**–**	**51,535**	**51,535**
	938,572	**13,283**	**51,535**	**1,003,390**
Sales contracts receivable:				
High grade	**42,166**	**–**	**–**	**42,166**
Standard grade	**–**	**19,025**	**–**	**19,025**
Past due and impaired	**–**	**–**	**2,524**	**2,524**
	42,166	**19,025**	**2,524**	**63,715**
Total other receivables:				
High grade	**2,220,362**	**–**	**–**	**2,220,362**
Standard grade	**14,552**	**116,614**	**–**	**131,166**
Substandard grade	**–**	**7,798**	**–**	**7,798**
Past due but not impaired	**–**	**6,825**	**–**	**6,825**
Past due and impaired	**–**	**–**	**63,857**	**63,857**
	₱2,234,914	**₱131,237**	**₱63,857**	**₱2,430,008**

Consolidated	2021			
Unquoted debt securities:				
High grade	₱678,557	₱–	₱–	₱678,557
Accrued interest receivable:				
High grade	397,489	–	–	397,489
Standard grade	38,752	108,651	–	147,403
Substandard grade	–	5	–	5
Past due but not impaired	–	410	232	642
Past due and impaired	–	–	14,231	14,231
	436,241	109,066	14,463	559,770
Accounts receivable:				
High grade	1,474,327	–	–	1,474,327
Standard grade	13,923	–	–	13,923
Substandard grade	–	8,084	–	8,084
Past due but not impaired	–	27,035	–	27,035
Past due and impaired	–	–	29,844	29,844
	1,488,250	35,119	29,844	1,553,213
Sales contracts receivable:				
High grade	37,562	–	–	37,562
Standard grade	–	126	–	126
Past due but not impaired	–	–	237	237
Past due and impaired	–	–	7,230	7,230
	37,562	126	7,467	45,155
Total other receivables:				
High grade	2,587,935	–	–	2,587,935
Standard grade	52,675	108,777	–	161,452
Substandard grade	–	8,089	–	8,089
Past due but not impaired	–	27,445	469	27,914
Past due and impaired	–	–	51,305	51,305
	₱2,640,610	₱144,311	₱51,774	₱2,836,695

Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
High grade	₱678,557	₱–	₱–	₱678,557
Accrued interest receivable:				
High grade	397,489	–	–	397,489
Standard grade	38,752	108,651	–	147,403
Substandard grade	–	5	–	5
Past due but not impaired	–	410	232	642
Past due and impaired	–	–	14,231	14,231
	436,241	109,066	14,463	559,770
Accounts receivable:				
High grade	1,474,327	–	–	1,474,327
Standard grade	16,756	–	–	16,756
Substandard grade	–	8,084	–	8,084
Past due but not impaired	–	27,035	–	27,035
Past due and impaired	–	–	29,844	29,844
	1,491,083	35,119	29,844	1,556,046
Sales contracts receivable:				
High grade	37,562	–	–	37,562
Standard grade	–	126	–	126
Past due but not impaired	–	–	237	237
Past due and impaired	–	–	7,230	7,230
	37,562	126	7,467	45,155
Total other receivables:				
High grade	2,587,935	–	–	2,587,935
Standard grade	55,508	108,777	–	164,285
Substandard grade	–	8,089	–	8,089
Past due but not impaired	–	27,445	469	27,914
Past due and impaired	–	–	51,305	51,305
	₱2,643,443	₱144,311	₱51,774	₱2,839,528

Movements during 2022 and 2021 for other receivables follows:

Consolidated	**2022**			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Balance at January 1, 2022	**₱678,557**	**₱–**	**₱–**	**₱678,557**
Assets derecognized or repaid	**(28,562)**	**–**	**–**	**(28,562)**
Balance at December 31, 2022	**649,995**	**–**	**–**	**649,995**
Accrued interest receivable:				
Balance at January 1, 2022	**436,241**	**109,066**	**14,463**	**559,770**
New assets originated or purchased	**314,082**	**–**	**–**	**314,082**
Assets derecognized or repaid	**(113,991)**	**(40,661)**	**(4,436)**	**(161,007)**
Transfers to Stage 1	**4,556**	**(4,250)**	**(306)**	**–**
Transfers to Stage 2	**(34,453)**	**34,728**	**(98)**	**–**
Transfers to Stage 3	**(2,254)**	**(399)**	**2,653**	**–**
Accounts written-off	**–**	**–**	**–**	**–**
Balance at December 31, 2022	**604,181**	**98,484**	**10,243**	**712,908**
Accounts receivable:				
Balance at January 1, 2022	**1,488,250**	**35,119**	**29,844**	**1,553,213**
New assets originated or Purchased	**4,408,787**	**–**	**–**	**4,408,787**
Assets derecognized or repaid	**(4,958,956)**	**(5,997)**	**5,602**	**(4,959,351)**
Transfers to Stage 1	**(2,342)**	**(15,839)**	**18,181**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**
Accounts written-off	**–**	**–**	**(2,092)**	**(2,092)**
Balance at December 31, 2022	**935,739**	**13,283**	**51,535**	**1,000,557**

(Forward)

Consolidated	2022			
	Stage 1	Stage 2	Stage 3	Total
Sales contract receivable:				
Balance at January 1, 2022	**₱37,562**	**₱126**	**₱7,467**	**₱45,155**
New assets originated or Purchased	**31,021**	**–**	**–**	**31,021**
Assets derecognized or repaid	**(5,306)**	**(6,586)**	**(569)**	**(12,461)**
Transfers to Stage 1	**3,647**	**(63)**	**(3,584)**	**–**
Transfers to Stage 2	**(24,694)**	**25,548**	**(854)**	**–**
Transfers to Stage 3	**(64)**	**–**	**64**	**–**
Balance at December 31, 2022	**42,166**	**19,025**	**2,524**	**63,715**
Total other receivables:				
Balance at January 1, 2022	**1,353,183**	**144,311**	**51,774**	**1,549,268**
New assets originated or purchased	**6,041,317**	**–**	**–**	**6,041,317**
Assets derecognized or repaid	**(5,106,815)**	**(53,244)**	**597**	**(5,159,462)**
Transfers to Stage 1	**5,861**	**(20,152)**	**14,291**	**–**
Transfers to Stage 2	**(59,147)**	**60,276**	**(1,129)**	**–**
Transfers to Stage 3	**(2,318)**	**(399)**	**2,717**	**–**
Accounts written-off	**–**	**–**	**(3,948)**	**(3,948)**
	₱2,232,081	**₱130,792**	**₱64,302**	**₱2,427,175**

Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Balance at January 1, 2022	**₱678,557**	**₱**–	**₱**–	**₱678,557**
Assets derecognized or repaid	**(28,562)**	–	–	**(28,562)**
Balance at December 31, 2022	**649,995**	–	–	**649,995**
Accrued interest receivable:				
Balance at January 1, 2022	**436,241**	**109,066**	**14,463**	**559,770**
New assets originated or Purchased	**314,082**	–	–	**314,082**
Assets derecognized or repaid	**(113,991)**	**(40,661)**	**(4,436)**	**(159,088)**
Transfers to Stage 1	**4,556**	**(4,250)**	**(306)**	–
Transfers to Stage 2	**(34,453)**	**34,728**	**(275)**	–
Transfers to Stage 3	**(2,254)**	**(399)**	**2,653**	–
Accounts written-off	–	–	(1,856)	(1,856)
Balance at December 31, 2022	**604,181**	**98,484**	**10,243**	**712,908**
Accounts receivable:				
Balance at January 1, 2022	**1,491,083**	**35,119**	**29,844**	**1,556,046**
New assets originated or Purchased	**4,408,787**	–	–	**4,408,787**
Assets derecognized or repaid	**(4,958,956)**	**(5,997)**	**5,602**	**(4,959,351)**
Transfers to Stage 1	**(2,342)**	**(15,839)**	**18,181**	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Accounts written-off	–	–	**(2,092)**	**(2,092)**
Balance at December 31, 2022	**938,572**	**13,283**	**51,535**	**1,003,390**
Sales contract receivable:				
Balance at January 1, 2022	**37,562**	**126**	**7,467**	**45,155**
New assets originated or Purchased	**31,021**	–	–	**31,021**
Assets derecognized or repaid	**(5,306)**	**(6,586)**	**(569)**	**(12,461)**
Transfers to Stage 1	**3,647**	**(63)**	**(3,584)**	–
Transfers to Stage 2	**(24,694)**	**25,548**	**(854)**	–
Transfers to Stage 3	**(64)**	**-**	**64**	–
Balance at December 31, 2022	**42,166**	**19,025**	**2,524**	**63,715**
Total other receivables:				
Balance at January 1, 2022	**2,643,443**	**144,311**	**51,774**	**2,839,528**
New assets originated or Purchased	**4,753,890**	–	–	**4,753,890**
Assets derecognized or repaid	**(5,106,815)**	**(53,244)**	**597**	**(5,159,462)**
Transfers to Stage 1	**5,861**	**(20,152)**	**14,291**	–
Transfers to Stage 2	**(59,147)**	**60,276**	**(1,129)**	–
Transfers to Stage 3	**(2,318)**	**(399)**	**2,717**	–
Accounts written-off	–	–	**(3,948)**	**(3,948)**
	₱2,234,914	**₱130,792**	**₱64,302**	**₱2,430,008**

Consolidated	2021			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Balance at January 1, 2021	₱852,565	₱–	₱–	₱852,565
Assets derecognized or repaid	(174,008)	–	–	(174,008)
Balance at December 31, 2021	678,557	–	–	678,557
Accrued interest receivable:				
Balance at January 1, 2021	296,326	115,473	56,745	468,544
New assets originated or purchased	523,890	–	–	523,890
Assets derecognized or repaid	(258,191)	(116,877)	(55,378)	(430,446)
Transfers to Stage 1	(109,197)	109,197	–	–
Transfers to Stage 2	(1,414)	1,414	–	–
Transfers to Stage 3	(15,173)	(44)	15,217	–
Accounts written-off	–	(97)	(2,121)	(2,218)
Balance at December 31, 2021	436,241	109,066	14,463	559,770
Accounts receivable:				
Balance at January 1, 2021	1,579,108	30,427	11,192	1,620,727
New assets originated or Purchased	3,838,735	–	–	3,838,735
Assets derecognized or repaid	(3,922,186)	13,573	3,370	(3,905,243)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	(7,407)	(8,881)	16,288	–
Accounts written-off	–	–	(1,006)	(1,006)
Balance at December 31, 2021	1,488,250	35,119	29,844	1,553,213
Sales contract receivable:				
Balance at January 1, 2021	22,283	8,548	35,121	65,952
New assets originated or Purchased	12,561	–	–	12,561
Assets derecognized or repaid	(7,647)	(714)	(24,997)	(33,358)
Transfers to Stage 1	10,407	(7,436)	(2,971)	–
Transfers to Stage 2	–	88	(88)	–
Transfers to Stage 3	(42)	(360)	402	–
Balance at December 31, 2021	37,562	126	7,467	45,155
Total other receivables:				
Balance at January 1, 2021	2,750,282	154,448	103,058	3,007,788
New assets originated or purchased	4,375,186	–	–	4,375,186
Assets derecognized or repaid	(4,362,032)	(104,018)	(77,005)	(4,543,055)
Transfers to Stage 1	(106,197)	92,880	13,317	–
Transfers to Stage 2	(1,414)	1,502	(88)	–
Transfers to Stage 3	(15,215)	(404)	15,619	–
Accounts written-off	–	(97)	(3,127)	(3,224)
	₱2,640,610	₱144,311	₱51,774	₱2,836,695

Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Balance at January 1, 2021	₱852,565	₱–	₱–	₱852,565
Assets derecognized or repaid	(174,008)	–	–	(174,008)
Balance at December 31, 2021	678,557	–	–	678,557
Accrued interest receivable:				
Balance at January 1, 2021	296,326	115,473	56,745	468,544
New assets originated or Purchased	523,890	–	–	523,890
Assets derecognized or repaid	(258,191)	(116,877)	(55,378)	(430,446)
Transfers to Stage 1	(109,197)	109,197	–	–
Transfers to Stage 2	(1,414)	1,414	–	–
Transfers to Stage 3	(15,173)	(44)	15,217	–
Accounts written-off	–	(97)	(2,121)	(2,218)
Balance at December 31, 2021	436,241	109,066	14,463	559,770

(Forward)

Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
Accounts receivable:				
Balance at January 1, 2021	1,579,108	30,427	13,907	1,623,442
New assets originated or Purchased	3,838,736	–	–	3,838,736
Assets derecognized or repaid	(3,919,354)	13,573	655	(3,905,126)
Transfers to Stage 1	(7,407)	(8,881)	16,288	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Accounts written-off	–	–	(1,006)	(1,006)
Balance at December 31, 2021	1,491,083	35,119	29,844	1,556,046
Sales contract receivable:				
Balance at January 1, 2021	22,283	8,548	35,121	65,952
New assets originated or Purchased	12,561	–	–	12,561
Assets derecognized or repaid	(7,647)	(714)	(24,997)	(33,358)
Transfers to Stage 1	10,407	(7,436)	(2,971)	–
Transfers to Stage 2	–	88	(88)	–
Transfers to Stage 3	(42)	(360)	402	–
Balance at December 31, 2021	37,562	126	7,467	45,155
Total other receivables:				
Balance at January 1, 2021	2,750,282	154,448	105,773	3,010,503
New assets originated or Purchased	4,375,187	–	–	4,375,187
Assets derecognized or repaid	(4,359,200)	(104,018)	(79,720)	(4,542,938)
Transfers to Stage 1	(106,197)	92,880	13,317	–
Transfers to Stage 2	(1,414)	1,502	(88)	–
Transfers to Stage 3	(15,215)	(404)	15,619	–
Accounts written-off	–	(97)	(3,127)	(3,224)
	₱2,643,443	₱144,311	₱51,774	₱2,839,528

As of December 31, 2022 and 2021, the credit quality of other financial assets (RCOCI and refundable security deposits) are as follows:

Consolidated and Parent Company	**2022**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
High grade	**₱35,561**	**₱–**	**₱–**	**₱35,561**
Standard grade	**44**	**–**	**–**	**44**
Past due and impaired	**–**	**–**	**1,564**	**1,564**
	₱35,605	**₱–**	**₱1,564**	**₱37,169**

Consolidated and Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
High grade	₱33,907	₱–	₱–	₱33,907
Standard grade	62	–	–	62
Past due and impaired	–	–	1,564	1,564
	₱33,969	₱–	₱1,564	₱35,533

Movements during 2022 and 2021 for other financial assets follows:

Consolidated and Parent Company	**2022**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1	**₱33,969**	**₱–**	**₱1,564**	**₱35,533**
New assets originated or purchased	**8,664**	**–**	**–**	**8,664**
Assets derecognized or repaid	**(7,028)**	**–**	**–**	**(7,028)**
Balance at December 31	**₱35,605**	**₱–**	**₱1,564**	**₱37,169**

Consolidated and Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	₱34,660	₱–	₱–	₱34,660
New assets originated or purchased	1,139	–	1,564	2,703
Assets derecognized or repaid	(1,830)	–	–	(1,830)
Balance at December 31	₱33,969	₱–	₱1,564	₱35,533

As of December 31, 2022 and 2021, restructured loans by the Group and the Parent Company which are neither past due nor impaired are as follow:

	2022	2021
Receivables from customers:		
Corporate	**₱930,687**	₱102,674
Consumer	**332,725**	93,085

a. Due from Banks, Interbank Loans Receivables, Government Securities and Corporate Investments

The Group follows an internally developed risk rating system for local banks and external risk ratings [that is, Standard and Poor's (S&P)] for foreign banks, government securities and corporate investments.

A description of the rating systems for local banks follows:

High Grade (Tier 1)

Tier 1 - Banks categorized under this tier are capable of withstanding very difficult market conditions for 2-3 years without deteriorating to a substandard credit classification by virtue of their size, reputation and ranking in the industry.

Standard Grade (Tier 2 to Tier 3)

These are accounts that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the financial instrument, thus, increase credit risk to the Group.

Tier 2 - Banks categorized under this tier may deteriorate to substandard within 1-2 years under very difficult market conditions.

Tier 3 - Banks categorized under this tier may deteriorate to substandard within one year under very difficult market conditions. These are banks, which fall short relative to size, in view of perceived concern of uncertainty about their portfolio, earnings, or market condition. Banks with total net worth of ₱3.00 billion to less than ₱4.50 billion and net income of ₱200.00 million to less than ₱400.00 million are included in this category.

Substandard Grade (Tier 4)

Tier 4 - These are banks, which fall short relative to size, in view of perceived concern of uncertainty about their portfolio, earnings, or market condition. Banks with total net worth of ₱1.50 billion to less than ₱3.00 billion and net income of ₱70.00 million to less than ₱200.00 million are included in this category.

The following is the credit rating scale applicable for foreign banks, government securities, and corporate investment outlets (aligned with S&P ratings):

AAA - Obligor's capacity to meet its financial commitment is extremely strong.

AA - Obligor's capacity to meet its financial commitment is very strong. It differs from the highest-rated obligors at a minimal degree.

A - Obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors rated in higher-rated categories.

BBB and below:

BBB - Obligation rated 'BBB' has adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB - Obligation is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B - Obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC - Obligation is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC - Obligation is currently highly vulnerable to nonpayment.

C - Obligation is currently highly vulnerable to nonpayment, payment arrearages allowed by the terms of the documents, and subject of a bankruptcy petition or similar action which have not experienced a payment default.

Among others, the 'C' rating may be assigned to subordinated debt, preferred stock or other obligations on which cash payments have been suspended in accordance with the instrument's terms or when preferred stock is the subject of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

D - Obligation is in payment default. Payments on an obligation are not made on the due date even if the applicable grace period has not expired. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on an obligation are jeopardized. An obligation's rating is lowered to 'D' upon completion of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

As of December 31, 2022 and 2021, the credit quality of loans and advances to banks and investment securities, gross of allowance for ECL follows:

Consolidated and Parent Company	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Due from BSP:				
High grade	**₱11,336,471**	**₱–**	**₱–**	**₱11,336,471**
Due from other banks:				
High grade	**1,038,193**	**–**	**–**	**1,038,193**
Standard grade	**50,997**	**–**	**–**	**50,997**
Unrated	**–**	**–**	**–**	**–**
	1,089,190	**–**	**–**	**1,089,190**
Interbank loans receivable and SPURA:				
High grade	**2,600,579**	**–**	**–**	**2,600,579**
Total loans and advances to banks:				
High grade	**14,975,243**	**–**	**–**	**14,975,243**
Standard grade	**50,997**	**–**	**–**	**50,997**
Unrated	**–**	**–**	**–**	**–**
	₱15,026,240	**₱–**	**₱–**	**₱15,026,240**
Debt securities at FVTPL				
High grade	**₱–**	**₱–**	**₱–**	**₱–**
Debt securities at FVTOCI:				
High grade	**4,858,402**	**–**	**–**	**4,858,402**
Investment securities at amortized cost:				
High grade	**21,676,147**	**–**	**–**	**21,676,147**
Total debt investment securities				
High grade	**26,534,549**	**–**	**–**	**26,534,549**
Standard grade	**–**	**–**	**–**	**–**
	₱26,534,549	**₱–**	**₱–**	**₱26,534,549**

Consolidated and Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
Due from BSP:				
High grade	₱10,271,486	₱–	₱–	₱10,271,486
Due from other banks:				
High grade	102,154	–	–	102,154
Standard grade	554,530	–	–	55,4530
Unrated	1,909	–	–	1,909
	658,593	–	–	658,593
Interbank loans receivable and SPURA:				
High grade	4,195,846	–	–	4,195,846
Total loans and advances to banks:				
High grade	14,569,486	–	–	14,569,486
Standard grade	554,530	–	–	554,530
Unrated	1,909	–	–	1,909
	₱15,125,925	₱–	₱–	₱15,125,925

Consolidated and Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
Debt securities at FVTPL				
High grade	₱886,291	₱–	₱–	₱886,291
Debt securities at FVTOCI:				
High grade	6,362,401	–	–	6,362,401
Investment securities at amortized cost:				
High grade	15,527,190	–	–	15,527,190
Total debt investment securities				
High grade	22,775,882	–	–	22,775,882
Standard grade	–	–	–	–
	₱22,775,882	₱–	₱–	₱22,775,882

Total credit risk exposure

The tables below show the different credit risk exposures of the Group and of the Parent Company by risk weight applied in accordance with MORB Section 125 and Appendix 59 as reported to the BSP:

Consolidated and Parent Company	**2022**						
	Net	**Risk Weights[(b)]**					
	Exposures[(a)]	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**
On-balance sheet assets[(c)]	**₱124,487**	**₱31,095**	**₱66**	**₱13,506**	**–**	**₱78,281**	**₱1,539**
Credit risk weighted on-balance sheet assets (d = b x c)	**87,355**	**–**	**13**	**6,753**	**–**	**78,281**	**2,308**
Off-balance sheet assets[(e)]	**15,572**	**11,973**	**2,628**	**–**	**–**	**971**	**–**
Credit risk weighted off-balance sheet assets (f = b x e)	**1,497**	**–**	**526**	**–**	**–**	**971**	**–**
Banking Book[(g)]							
Counter party risk-weighted assets in Banking Books (h = b x g)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Credit Risk Weighted Assets[(d + f + h)]	**₱88,852**	**–**	**₱539**	**₱6,753**	**–**	**₱79,252**	**₱2,308**

(a) *Net of specific provisions*

Consolidated and Parent Company	2021						
	Net	Risk Weights[(b)]					
	Exposures[(a)]	0%	20%	50%	75%	100%	150%
On-balance sheet assets[(c)]	₱108,862	₱27,416	₱–	₱14,156	₱–	₱65,103	₱2,187
Credit risk weighted on-balance sheet assets (d = b x c)	75,461	–	–	7,078	–	65,103	3,280
Off-balance sheet assets[(e)]	11,461	9,392	1,424	–	–	825	–
Credit risk weighted off-balance sheet assets (f = b x e)	1,111	–	286	–	–	825	–
Banking Book[(g)]	–	–	–	–	–	–	
Counter party risk-weighted assets in Banking Books (h = b x g)	–	–	–	–	–	–	–
Total Credit Risk Weighted Assets[(d + f + h)]	₱76,572	₱–	₱286	₱7,078	₱–	₱65,928	₱3,280

Liquidity Risk and Funding Management

Liquidity risk is the risk that the Parent Company will be unable to meet its payment obligations when they fall due under normal and stressful conditions. To mitigate this risk, management diversifies its funding while it strengthens its core deposit base and actively, monitors future cash flows and liquidity position on a daily basis.

This incorporates an assessment of expected cash flows and the amount of secured funding that can be tapped from its holdings of high quality securities as well as unsecured funding. The Parent Company measures liquidity risk using the Maximum Cumulative Outflow (MCO) metric. Utilization against the Board-approved MCO limit is monitored on a monthly basis and is reported to the ALCO and ROC. The ALCO meets weekly to discuss, among others, the liquidity state of the Parent Company.

The Parent Company maintains a portfolio of highly marketable securities that can be easily monetized in the event of an unforeseen interruption of cash flows. The Parent Company also ensures that it complies with LCR and NSFR regulatory liquidity risk limits. This includes an assessment of the liquidity characteristics of its portfolio of assets that will provide necessary liquidity support during periods of liquidity stress as required by MORB Section 145.

In managing Intraday liquidity, the Parent Company performs its Intraday Liquidity Monitoring in accordance with MORB Section 145. It monitors the levels and trends of intraday liquidity risk exposures vis-a-vis the ability of the Parent Company to meet immediate payment and settlement obligations on a timely basis. Apart from monitoring compliance with regulatory ratios, the Parent Company also utilizes internal Liquidity Ratios that allows it to easily gauge its readily available liquidity based on its holdings of high quality liquid assets as well as estimated unsecured funding, against deposit liabilities on a daily basis. These ratios also aid in the management of substantial liability outflows and funding for new loans.

Collectively, these allow the Parent Company to readily support its new business strategies and direction and management of liquidity risk.

Analysis of financial instruments by remaining contractual maturities

The tables below summarize the maturity profile of the Group's and the Parent Company's financial instruments as of December 31, 2022 and 2021, based on undiscounted contractual payments, except for financial assets at FVTPL. Repayments which are subject to notice are treated as if notices are to be given immediately. However, the Group and the Parent Company expect that many customers will not request repayment on the earliest date the Group and the Parent Company could be required to pay and the tables do not reflect the expected cash flows indicated by the Group's and the Parent Company's deposit retention history (amounts in millions):

Consolidated and Parent Company	2022					
	On Demand	Less than 3 Months	3-12 Months	1-2 Years	Beyond 2 Years*	Total
Financial assets						
Financial assets at FVTOCI	**₱–**	**₱66**	**₱190**	**₱267**	**₱5,708**	**₱6,231**
Investment securities at amortized cost:						
Government securities	**–**	**393**	**653**	**1,049**	**21,433**	**23,534**
Sovereign bonds	**–**	**–**	**238**		**–**	**238**
Loans and receivables:						
Due from BSP	**11,336**	**–**	**–**	**–**	**–**	**11,336**
Due from other banks	**–**	**1,089**	**–**	**–**	**–**	**1,089**
Interbank loans receivable	**–**	**2,601**	**–**	**–**	**–**	**2,601**

(Forward)

Consolidated and Parent Company	2022					
	On Demand	Less than 3 Months	3-12 Months	1-2 Years	Beyond 2 Years*	Total
Receivables from customers:						
Corporate	**₱1,765**	**₱1,247**	**₱3,519**	**₱42,864**	**₱40,363**	**₱89,758**
Consumer	**533**	**66**	**180**	**383**	**5,117**	**6,279**
Unquoted debt securities	**–**	**–**	**–**	**–**	**650**	**650**
Accrued interest receivable	**–**	**472**	**32**	**22**	**187**	**713**
Accounts receivable	**875**	**69**	**4**	**3**	**52**	**1,003**
Sales contracts receivable	**–**	**12**	**4**	**4**	**44**	**64**
Refundable deposit	**–**	**–**	**–**	**–**	**37**	**37**
RCOCI	**–**	**–**	**–**	**–**	**–**	**–**
	14,509	**6,015**	**4,826**	**44,592**	**73,591**	**143,533**
Financial liabilities						
Deposit liabilities:						
Demand	**₱45,500**	**₱–**	**₱–**	**₱–**	**₱–**	**45,500**
Savings	**12,668**	**–**	**–**	**–**	**–**	**12,668**
Time	**–**	**28,482**	**7,583**	**1,293**	**1,477**	**38,835**
LTNCD	**–**	**41**	**122**	**2,947**	**–**	**3,110**
Bills payable:						
Private firms and individuals	**–**	**3,571**	**1,469**	**–**	**–**	**5,040**
Banks and other financial institutions	**–**	**2,395**	**217**	**–**	**–**	**2,612**
Outstanding acceptances	**50**	**–**	**–**	**–**	**–**	**50**
Manager's checks		**–**	**–**	**–**	**–**	
Accrued interest payable	**–**	**151**	**42**	**–**	**–**	**193**
Accrued other expenses	**–**	**589**	**–**	**–**	**–**	**589**
Other liabilities:						
Accounts payable	**277**	**–**	**–**	**–**	**–**	**277**
Refundable security deposits	**–**	**44**	**18**	**56**	**14**	**132**
Miscellaneous liabilities	**31**	**–**	**–**	**–**	**–**	**31**
	₱58,526	**₱35,273**	**₱9,451**	**₱4,296**	**₱1,491**	**₱109,037**

**Including non-performing loans and receivables*

Consolidated and Parent Company	2021					
	On Demand	Less than 3 Months	3-12 Months	1-2 Years	Beyond 2 Years*	Total
Financial assets						
Financial assets at FVTPL	₱–	₱8	₱23	₱30	₱1,842	₱1,903
Financial assets at FVTOCI	–	74	222	296	7,978	8,570
Investment securities at amortized cost:						
Government securities	–	230	460	1,335	18,057	20,082
Loans and receivables:						
Due from BSP	10,271	–	–	–	–	10,271
Due from other banks	–	659	–	–	–	659
Interbank loans receivable	–	4,217	–	–	–	4,217
Receivables from customers:						
Corporate	–	23,565	13,887	2,738	28,848	69,038
Consumer	–	155	458	782	6,522	7,917
Unquoted debt securities	–	–	–	–	678	678
Accrued interest receivable	–	312	248	–	–	560
Accounts receivable	–	188	47	–	31	266
Sales contracts receivable	–	36	2	–	7	45
Refundable deposit	–	–	–	–	35	35
RCOCI	–	62	–	–	–	62
	₱10,271	₱29,506	₱15,347	₱5,181	₱63,998	₱124,303
Financial liabilities						
Deposit liabilities:						
Demand	₱41,166	₱–	₱–	₱–	₱–	₱41,166
Savings	11,359	–	–	–	–	11,359
Time	–	24,142	4,609	950	2,141	31,842
LTNCD	–	41	122	163	2,933	3,259
Bills payable:						
Private firms and individuals	–	5,204	4	–	–	5,208
Banks and other financial institutions	–	280	529	–	–	809
Outstanding acceptances	72	–	–	–	–	72
Manager's checks	172	–	–	–	–	172

(Forward)

Consolidated and Parent Company	2021					
	On Demand	Less than 3 Months	3-12 Months	1-2 Years	Beyond 2 Years*	Total
Accrued interest payable	–	14	45	–	–	59
Accrued other expenses	–	557	–	–	–	557
Other liabilities:						
Accounts payable	311	–	–	–	–	311
Refundable security deposits	–	22	24	44	76	166
Miscellaneous Liabilities	28	–	–	–	–	28
	₱53,108	₱30,260	₱5,333	₱1,157	₱5,150	₱95,008

**Including non-performing loans and receivables*

The tables below show the contractual expiry of the Group's and the Parent Company's commitments and contingent liabilities as of December 31, 2022 and 2021 (amounts in millions):

	2022				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Beyond 1 Year**	**Total**
Unused Commercial LC:					
Standby LC	**₱81**	**₱130**	**₱707**	**₱52**	**₱970**
Sight LC outstanding	**14**	**18**	**315**	–	**347**
Usance LC outstanding	**5**	**-**	**591**	–	**596**
Outstanding shipping guarantees	**445**	**123**	**1,116**	–	**1,684**
Spot exchange:					
Sold	**561**	–	–	–	**561**
Bought	**252**	–	–	–	**252**
Currency forwards:					
Sold	–	**75**	–	–	**75**
Bought	–	**1**	–	–	**1**
	₱1,358	**₱347**	**₱2,729**	**₱52**	**₱4,486**

	2021				
	On Demand	Less than 3 Months	3 to 12 Months	Beyond 1 Year	Total
Unused Commercial LC:					
Standby LC	₱43	₱71	₱711	₱–	₱825
Sight LC outstanding	190	590	110	–	890
Usance LC outstanding	6	129	–	–	135
Outstanding shipping guarantees	53	–	343	–	396
Spot exchange:					
Sold	102	–	–	–	102
Bought	362	–	–	–	362
Currency forwards:					
Sold	–	162	–	–	162
Bought	–	1	1	–	2
	₱756	₱953	₱1,165	₱–	₱2,874

Liquidity Position and Leverage

Liquidity Coverage Ratio

Pursuant to MORB Section 145 which aims to promote short-term resilience of banks' liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days, the Group is required to hold and maintain an adequate level of unencumbered high-quality liquid assets (HQLA) that are sufficient to meet its estimated total cash outflows over a 30-calendar day horizon of liquidity stress. The LCR is the ratio of HQLAs to total net cash outflows which should be no lower than 100% on a daily basis. HQLA represents the Group's stock of liquid assets that qualify for inclusion in the LCR which consists mainly of cash, regulatory reserves and unencumbered high-quality liquid securities. HQLAs therefore, serve as defense against potential stress events.

As of December 31, 2022 and 2021, LCR of the Parent Company as reported to BSP is shown in the table below (amounts, except ratios, are expressed in millions):

	2022	2021
Total Stock of High-Quality Liquid Assets	**₱32,014**	₱32,848
Total Net Cash Outflows	**15,150**	13,442
LCR	**211.31%**	244.37%

Net Stable Funding Ratio
Pursuant to MORB Section 145, the Group is required to compute its Net Stable Funding Ratio (NSFR). The NSFR is aimed at strengthening the Group's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items. The NSFR is expressed as the ratio of available stable funding and the required stable funding and complements the LCR as it takes a longer view of the Group's liquidity risk profile.

As of December 31, 2022 and 2021, NSFR of the Parent Company is shown in the table below (amounts, except ratios, are expressed in millions):

	2022	2021
Available stable funding	**₱87,749**	₱80,521
Required stable funding	**65,584**	55,093
NSFR	**133.80%**	146.15%

Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations.

Market Risk Management
Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes. The Parent Company's market risk originates from the Parent Company's holdings of foreign exchange instruments, debt securities, equity securities and derivatives.

Value-at-Risk (VaR)
VaR is a statistical estimate of potential loss given prevailing market price trends, correlations and volatilities. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, a given "confidence level" over a specified time horizon. VaR is used to alert senior management whenever the potential for losses in the Parent Company's portfolios exceeds the VaR limit. This allows management to react quickly and adjust its portfolio strategies in different market conditions in accordance with the Parent Company's risk philosophy and appetite.

In 2022 and 2021, Parent Company uses Historical VaR Model using 99% confidence level, and a 1-day defeasance period.

The Financial Risk Management Team runs VaR on a daily basis, monitors the VaR against the BOD approved VaR limit and submits Daily VaR Reports to concerned division/group/segment heads.

To verify the validity of the VaR model used, the Treasury Operations Division performs quarterly back testing to examine how frequently actual daily losses exceeds the daily VaR. Backtesting results are reviewed by the head of Treasury Operations Division. Exceptions, if any, are reported to the ROC and the BOD.

A summary of the VaR position of USD fixed income exposures of the Parent Company to changes in market conditions is as follows:

	Interest Rate and Foreign Exchange	
	USD Bonds from January to December 2022 (in ₱ millions)	USD Bonds from January to December 2021 (in ₱ millions)
31 December	**40.79**	51.10
Average Daily	**43.08**	56.19
Highest	**68.47**	132.73
Lowest	**32.44**	21.25

A summary of the VaR position of PHP fixed income exposures of the Parent Company to changes in market conditions is as follows:

	Interest Rate	
	Peso Bonds 2022 (in ₱ millions)	Peso Bonds 2021 (in ₱ millions)
31 December	**19.44**	20.07
Average Daily	**18.52**	44.47
Highest	**36.74**	95.98
Lowest	**7.59**	2.30

A summary of the VaR position of FX exposures of the Parent Company to changes in market conditions is as follows

	Interest Rate	
	FX Open position 2022 (in ₱ millions)	FX Open position 2021 (in ₱ millions)
31 December	**4.00**	0.50
Average Daily	**3.10**	0.96
Highest	**6.69**	6.93
Lowest	**0.07**	0.00

Stress testing

Since VaR is designed to describe risk in normal market conditions (that is, 99.00% of the time), it may not capture potential losses in the extreme that occur following movements outside the prevailing market trend. Stress testing is done to address extreme market conditions.

The Parent Company performs stress testing on its foreign currency trading position and on its outstanding investment portfolios. Stress testing is a technique used to determine the impact on earnings of above position/portfolios from conditions or scenarios deemed "extreme" but plausible. Stress testing is used to inform senior management as to where vulnerabilities in the Parent Company's portfolio actually lie.

This helps the Parent Company to evaluate its tolerance for risks and understand the combinations of risks that can produce large losses.

Unlike VaR, which reflects price behavior in everyday markets, stress tests simulate portfolio performance during abnormal market periods. Accordingly, these provide information about risks falling outside those typically captured by the VaR framework. Hence, losses resulting from stress tests are larger than the losses predicted by the VaR model.

The Parent Company performs the stress testing of its Bond portfolios and open FX position using internally developed stress test assumptions as well as the uniform set of market stress shocks as prescribed by the BSP under their Uniform Stress Testing Program for Banks. The stress testing using internal assumptions are conducted monthly while BSP uniform stress testing are conducted semiannually. Results of the stress tests are reported to the ALCO, ROC and BOD.

Interest Rate Risk Management

Interest rate risk arises from the possibility that changes in the interest rates will affect future cash flows or the fair value of financial instruments. The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that the exposure to fluctuations in interest rates is kept within acceptable limits.

As of December 31, 2022 and 2021, 81.78% and 56.72%, respectively, of the Bank’s total loan portfolio comprised floating rate loans which are repriced periodically by reference to the transfer pool rate that reflects the Bank’s internal cost of funds. As a result of these factors, the Bank’s exposure to interest rate fluctuations, and other market risks, is significantly reduced.

The Bank, in keeping with banking industry practice, aims to achieve stability and lengthen the term structure of its deposit base, while providing adequate liquidity to cover transactional banking requirements of customers. Interest is paid on substantial portion of demand accounts which constituted 45.76% and 47.35% respectively, of total deposits of the Parent Company as of December 31, 2022 and 2021, respectively, and pays a variable interest rate of 0.10% to 0.11% and 0.10% to 0.20%, respectively. Rates on savings accounts and time deposit accounts, which constituted 12.74% and 38.59%, respectively, of total deposits as of December 31, 2022 and 13.06% and 36.26%, respectively, of total deposits as of December 31, 2021, are set by different criteria. Savings account rates are set by reference to prevailing market rates, while rates on time deposits and special savings accounts are usually priced by reference to rates applicable to prevailing rates on Philippine Treasury Bills and other money market instruments or, in the case of foreign currency deposits, Singapore Interbank Offer Rate and other benchmark dollar deposit rates in the Asian and international money markets with similar maturities.

The following tables provide for the average EIR by period of maturity or repricing of the Group and the Parent Company as of December 31, 2022 and 2021:

	Consolidated and Parent Company					
	2022			2021		
	Less than 3 Months	**3 Months to 1 Year**	**Greater than 1 Year**	Less than 3 Months	3 Months to 1 Year	Greater than 1 Year
Peso-denominated assets						
Due from banks	**0.04%**	–	–	0.33%	–	–
Interbank loans	–	–	–	–	–	–
Loans and receivables	**6.72%**	**6.92%**	**7.47%**	7.78%	15.23%	11.36%
Peso-denominated liabilities						
Deposit liabilities	**0.61%**	**3.32%**	**2.48%**	0.16%	1.47%	2.63%
Bills payable	**3.02%**	**4.10%**	–	1.07%	1.33%	
Foreign currency-denominated assets						
Due from banks	**0.60%**	–	–	0.07%	–	–
Loans and receivables	**4.36%**	**5.78%**	**4.90%**	3.65%	5.77%	3.91%
Foreign currency-denominated liability						
Deposit liabilities	**0.61%**	**3.80%**	**3.43%**	0.33%	0.63%	0.90%
Bills payable	**4.93%**	**4.13%**	–	0.25%	0.63%	–

The Parent Company also monitors its exposure to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income. This is done by modeling the impact of various changes in interest rates to the Parent Company's interest-related income and expenses.

The method by which the Parent Company measures the sensitivity of its assets and liabilities to interest rate fluctuations is by way of interest rate analysis. This analysis provides the Parent Company with a measure of the impact of changes in interest rates on the actual portfolio, that is, the risk exposure of future accounting income. The repricing gap is calculated by distributing the financial assets and financial liabilities into tenor buckets according to the time remaining to maturity or next repricing date and then obtaining the difference between the total of the repricing (interest rate sensitive) assets and repricing (interest rate sensitive) liabilities.

A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. Accordingly, during a period of rising interest rates, a bank with a positive gap would be better positioned than one with a negative gap to invest in or hold higher yielding assets more quickly than it would need to refinance its interest-bearing liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

The following tables set forth the asset-liability gap position of the Group and the Parent Company as of December 31, 2022 and 2021 (amounts in millions):

	Consolidated					
	2022					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 to 12 Months**	**More than 1 Year but less than 2 Years**	**Beyond 2 Years**	**Total**
Assets						
Due from other banks	**₱1,089**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,089**
Interbank loans receivable	**2,601**	–	–	–	–	**2,601**
Financial assets at FVTOCI	–	–	–	–	**4,859**	**4,859**
Investment securities at amortized cost	–	–	**242**	**5,931**	**15,489**	**21,662**
Loans and receivables	**2,196**	**26,493**	**12,937**	**4,977**	**30,321**	**76,924**
	5,886	**26,493**	**13,179**	**10,908**	**50,669**	**107,135**
Liabilities						
Deposit liabilities	**13,301**	**14,958**	**7,452**	**4,157**	**1,409**	**41,277**
Bills payable	**5,923**	**1,671**	–	–	–	**7,594**
	19,224	**16,629**	**7,452**	**4,157**	**1,409**	**48,871**
Asset-liability gap	**(₱13,338)**	**₱9,864**	**₱5,727**	**₱6,751**	**₱49,260**	**₱58,264**

	Consolidated					
	2021					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 to 12 Months	More than 1 Year but less than 2 Years	Beyond 2 Years	Total
Assets						
Due from other banks	₱659	₱–	₱–	₱–	₱–	₱659
Interbank loans receivable	4,196	–	–	–	–	4,196
Financial assets at FVTPL	886	–	–	–	–	886
Financial assets at FVTOCI	–	–	–	–	6,362	6,362
Investment securities at amortized cost	–	–	–	–	15,520	15,520
Loans and receivables	3,448	24,185	12,083	1,623	23,446	64,785
	9,189	24,185	12,083	1,623	45,328	92,408
Liabilities						
Deposit liabilities	13,355	12,018	3,130	907	5,011	34,421
Bills payable	3,789	1,690	532	–	–	6,011
	17,144	13,708	3,662	907	5,011	40,432
Asset-liability gap	(₱7,955)	₱10,477	₱8,421	₱716	₱40,317	₱51,976

	Parent Company					
	2022					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 to 12 Months**	**More than 1 Year but less than 2 Years**	**Beyond 2 Years**	**Total**
Assets						
Due from other banks	**₱1,089**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,089**
Interbank loans receivable	**2,601**	**–**	**–**	**–**	**–**	**2,601**
Financial assets at FVTPL	**–**	**–**	**–**	**–**	**–**	**–**
Financial assets at FVTOCI	**–**	**–**	**–**	**–**	**4,859**	**4,859**
Investment securities at amortized cost	**–**	**–**	**242**	**5,931**	**15,489**	**21,662**
Loans and receivables	**2,199**	**26,493**	**12,937**	**4,977**	**30,321**	**76,927**
	5,889	**26,493**	**13,179**	**10,908**	**50,669**	**107,138**
Liabilities						
Deposit liabilities	**13,301**	**14,958**	**7,452**	**4,157**	**1,409**	**41,277**
Bills payable	**5,923**	**1,671**	**–**	**–**	**–**	**7,594**
	19,224	**16,629**	**7,452**	**4,157**	**1,409**	**48,871**
Asset-liability gap	**(₱13,335)**	**₱9,864**	**₱5,727**	**₱6,751**	**₱49,260**	**₱58,267**

	Parent Company					
	2021					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 to 12 Months	More than 1 Year but less than 2 Years	Beyond 2 Years	Total
Assets						
Due from other banks	₱659	₱–	₱–	₱–	₱–	₱659
Interbank loans receivable	4,196	–	–	–	–	4,196
Financial assets at FVTPL	886	–	–	–	–	886
Financial assets at FVTOCI	–	–	–	–	6,362	6,362
Investment securities at amortized cost	–	–	–	–	15,520	15,520
Loans and receivables	3,451	24,185	12,083	1,623	23,446	64,788
	9,192	24,185	12,083	1,623	45,328	92,411
Liabilities						
Deposit liabilities	13,355	12,018	3,130	907	5,011	34,421
Bills payable	3,789	1,690	532	–	–	6,011
	17,144	13,708	3,662	907	5,011	40,432
Asset-liability gap	(₱7,592)	₱10,477	₱8,421	₱716	₱40,317	₱51,979

The following tables demonstrate the sensitivity of the cumulative net position of risk-sensitive assets and risk-sensitive liabilities to a reasonable change in interest rates, with all other variables held constant (amounts in millions):

	2022			
	Changes in Interest Rates (in Basis Points)			
Changes in interest rates (in basis points)	**+50**	**-50**	**+100**	**-100**
Change in annualized net interest income	**₱172.14**	**(₱172.14)**	**₱344.28**	**(₱344.28)**

	2021			
	Changes in Interest Rates (in Basis Points)			
Changes in interest rates (in basis points)	+50	-50	+100	-100
Change in annualized net interest income	₱169.52	(₱169.52)	₱339.04	(₱339.04)

The table below shows the Group's and the Parent Company's different market risk-weighted assets, as reported to BSP, using the standardized approach in accordance with MORB Section 125 and Appendix 59:

Type of Market Risk Exposure	**2022**	2021
Interest rate exposures	**₱-**	₱443,323
Foreign exchange exposures	**305,309**	56,698
	₱305,309	₱500,021

<u>Foreign Currency Risk Management</u>

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency liabilities generally consist of foreign currency-deposits in the Parent Company's FCDU account made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency assets with the foreign currency liabilities held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs.

The Parent Company's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Parent Company believes that its profile of foreign currency exposure on its assets and liabilities is within limits for a financial institution engaged in the type of business in which the Parent Company is engaged in.

The ERMG uses VaR, Foreign Exchange Sensitivity Testing, and Foreign Exchange Stress Testing to measure risk inherent to the Parent Company's foreign currency net exposures. In assessing the foreign currency risk, the Parent Company employs a pre-defined key risk indicator under Market Risk Assessment Matrix to determine the level of risk (for example, Low Risk, Moderate Risk, High Risk) the results of which are reported to the ROC on a quarterly basis.

The table summarizes the Group's and the Parent Company's exposure to foreign exchange risk as of December 31, 2022 and 2021. Included in the table are the Group's and the Parent Company's assets and liabilities at carrying amounts, categorized by currency (amounts in '000s):

	2022			2021		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
Cash on hand	**₱288**	**₱89**	**₱377**	₱1,806	₱168	₱1,974
Due from other banks	**77,310**	**514,488**	**591,798**	44,176	4,553	48,729
Interbank loans receivable	**11,905**	**–**	**11,905**	169,853	–	169,853
Financial assets at amortized cost	**–**	**236,997**	**236,997**	–	231,158	231,158
Loans and receivables:						
Corporate loans	**71,147**	**–**	**71,147**	133,519	–	133,519
Accrued interest receivable	**78**	**3439**	**3,517**	141	3,423	3,564
Other assets	**–**	**128**	**128**	–	125	125
	160,728	**755,141**	**915,869**	349,495	239,427	588,922
Liabilities						
Deposit liabilities	**–**	**530,482**	**530,482**	–	37,833	37,833
Bills payable	**–**	**216,377**	**216,377**	–	221,509	221,509
Outstanding acceptances	**50,218**	**–**	**50,218**	71,609	–	71,609
Other liabilities:						
Others	**91,950**	**177**	**92,127**	87	1	88
	142,168	**747,036**	**889,204**	71,696	259,343	331,039
Net exposure	**₱18,559**	**₱8,105**	**₱26,664**	₱277,799	(₱19,916)	₱257,883

**Includes Euro, Australian Dollar, Japanese Yen, Swiss Franc, Canadian Dollar, Singapore Dollar*

The tables below indicate the exposure of the Group (excluding the Parent Company's FCDU) to USD on its non-trading monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the base currency rate against the USD, with all other variables held constant, on the statement of income and statement of comprehensive income. A negative amount in the tables reflects a potential net reduction in income, while a positive amount reflects a potential net increase.

	2022			
	Changes in Foreign Exchange Rates			
Changes in foreign exchange rates	**+3.00%**	**-3.00%**	**+4.00%**	**-4.00%**
Change in annualized net income	**₱9,159**	**(₱9,159)**	**₱12,212**	**(₱12,212)**

	2021			
	Changes in Foreign Exchange Rates			
Changes in foreign exchange rates	+3.00%	-3.00%	+4.00%	-4.00%
Change in annualized net income	₱1,701	(₱1,701)	₱2,268	(₱2,268)

Operational Risk
The Parent Company uses the Basic Indicator Approach in computing Operational Risk in accordance with MORB Section 125 and Appendix 59 as reported to the BSP (amounts in millions):

	2022	2021
Average Gross Income (Previous 3 Years)	**₱5,132**	₱4,680
Capital Charge (Average Gross Income times 18.75%[(a)])	**962**	877
Risk Weighted Asset (Capital Charge times 10)	**₱9,622**	₱8,774

(a) Equivalent to adjusted capital charge of 15% of 125% to be consistent with required minimum Capital Adequacy Ratio of 10%

6. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Group's business segments are as follow:

Branch Banking Group – handles the individual customers' deposits, and provides overdrafts and fund transfer facilities;

Corporate Banking Group – manages the relationship with the corporate and institutional clients of the Parent Company with loans and credit facilities as the primary product;

Treasury Segment – is responsible for the management of the Group's balance sheet and liquidity position. It also handles the Group's investments in securities, both local and abroad, as well as placements and acceptances with other banks;

Consumer Finance Segment – provides the retail client's credit requirements for the purchase of auto, home and personal loan requirements; and

Trust and Wealth Management Segment – is the segment that functions as the Trustee or Investment Manager for both individual and corporate accounts.

Segment's resources, both assets and liability are those operating resources that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Revenue is reported net of interest expense as management primarily relies on net interest revenue as a performance measure, not the gross interest income and expense. Revenue also includes trading gains from dealing of securities.

No revenue from transactions with a single external customer or counterparty amounted to 10.00% or more of the Group's total revenue for 2022, 2021 and 2020.

The Group's revenue-producing assets are located in one geographical location, which is the Philippines, therefore, geographical segment information is no longer presented. Revenue from third party includes trading gains.

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments as of and for the years ended December 31, 2022, 2021 and 2020:

	Consolidated						
	2022						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Revenue							
Revenue, net of interest expense							
Third party	(₱521,120)	₱4,151,978	₱457,283	₱346,563	₱2,605	₱6,860	₱4,444,169
Intersegment	2,550,041	(2,296,275)	(491,105)	(82,157)	(3,736)	323,232	–
	2,028,921	1,855,703	(33,822)	264,406	(1,131)	330,092	₱4,444,169
Other operating income	118,182	281,454	80,868	38,211	31,756	567,691	1,118,163
Total operating income	2,147,103	2,137,157	47,047	302,617	30,625	897,783	5,562,332
Compensation and fringe benefits	623,286	237,083	87,581	74,140	32,747	60,631	1,115,468
Taxes and licenses	186,719	199,568	50,652	13,948	2,598	45,929	499,414
Depreciation and amortization	219,361	44,492	15,521	25,456	5,344	76,352	386,526
Provision for (reversal of) credit and impairment losses	–	357,688	–	(75,103)	–	5,101	287,686
Occupancy and other equipment-related costs	106,698	8,952	2,997	4,930	1,037	11,519	136,133
Other operating expenses	543,131	189,603	93,570	64,131	15,822	73,828	980,085
Net operating income (loss) before income tax	₱467,908	₱1,099,771	(₱203,274)	₱195,115	(₱26,923)	₱624,423	₱2,157,020
Segment results							
Net interest income	₱2,028,921	₱1,855,703	₱332,504	₱264,406	(₱1,131)	₱330,093	₱4,810,496
Rent income	–	–	–	–	–	420,007	420,007
Service charges, fees, and commissions	92,754	248,226	2,033	22,711	–	24,386	390,110
Trading and securities gain (loss) - net	–	–	(366,327)	–	–	–	(366,327)
Foreign exchange gain - net	14,862	6,632	76,158	–	–	–	97,652
Profit (loss) from assets sold	–	–	–	–	–	61,043	61,043
Income from trust operations	–	–	–	–	31,756	–	31,756
Loss on assets exchange - net	–	–	–	–	–	(3,476)	(3,476)
Miscellaneous	10,566	26,596	2,679	15,499	–	65,731	121,071
Total operating income	2,147,103	2,137,157	47,047	302,616	30,625	897,784	5,562,332
Compensation and fringe benefits	623,286	237,083	87,581	74,140	32,747	60,631	1,115,468
Taxes and licenses	186,719	199,568	50,652	13,948	2,598	45,929	499,414
Depreciation and amortization	219,361	44,492	15,521	25,456	5,344	76,352	386,526
Provision for (reversal of) credit and impairment losses	–	357,688	–	(75,103)	–	5,101	287,686
Occupancy and other equipment-related costs	106,698	8,952	2,997	4,930	1,037	11,519	136,133
Other operating expenses	543,131	189,603	93,570	64,131	15,822	73,828	980,085
Total operating expenses	1,679,195	1,037,386	250,321	107,502	57,548	273,360	3,405,312
Segment profit (loss)	467,908	1,099,771	(203,274)	195,114	(26,923)	624,424	2,157,020
Provision for income tax	(63,391)	(192,460)	(168,259)	(16,259)	–	(85,330)	(525,646)
Share in net income of associate	–	–	–	–	–	313	313
Net income	₱404,517	₱907,311	(₱371,533)	₱178,855	(₱26,923)	₱539,407	₱1,631,687
Segment assets							
Property and equipment	390,562	–	–	–	–	413,275	803,837
Investment properties	–	–	–	–	–	2,656,246	2,656,246
Other allocated assets	11,935,299	71,423,651	32,402,041	3,507,619	123,158	2,026,648	121,418,416
Total segment assets	₱12,325,861	₱71,423,651	₱32,402,041	₱3,507,619	₱123,158	₱5,096,169	₱124,878,499
Total segment liabilities	₱99,616,697	₱95,728	₱8,484,630	₱22,535	₱648	₱1,092,214	₱109,312,452

	Consolidated						
	2021						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Revenue							
Revenue, net of interest expense	(₱299,081)	₱3,597,205	₱295,673	₱398,050	₱3,393	₱7,942	₱4,003,182
Third party	1,495,942	(1,278,380)	(362,503)	(74,865)	(3,244)	223,050	−
Intersegment	1,196,861	2,318,825	(66,830)	323,185	149	230,992	4,003,182
Other operating income	107,595	241,522	48,234	6,700	29,230	648,124	1,081,405
Total operating income	1,304,456	2,560,347	(18,596)	329,885	29,379	879,116	5,084,587
Compensation and fringe benefits	595,498	194,653	68,926	109,400	21,779	26,303	1,016,559
Taxes and licenses	185,418	168,124	45,797	20,479	627	56,997	477,442
Depreciation and amortization	211,715	51,273	17,031	28,577	5,003	74,020	387,619
Provision for credit and impairment losses	−	282,124	6,135	28,279	−	5,763	322,301
Occupancy and other equipment-related costs	91,881	9,880	2,765	12,518	705	770	118,519
Other operating expenses	508,012	155,937	126,681	75,223	9,029	57,862	932,744
Net operating income (loss) before income tax	(₱288,068)	₱1,698,356	(₱285,931)	₱55,409	(₱7,764)	₱657,401	₱1,829,403
Segment results							
Net interest income (loss)	₱1,196,861	₱2,318,825	₱174,768	₱323,185	₱150	₱230,991	₱4,244,780
Rent income	−	−	−	−	−	505,241	505,241
Service charges, fees, and commissions	88,604	212,836	−	6,752	−	23,537	331,729
Trading and securities gain (loss) - net	−	−	(241,598)	−	−	−	(241,598)
Foreign exchange gain - net	9,009	7,314	40,508	−	−	−	56,831
Income from trust operations	2	−	−	−	29,229	−	29,231
Profit (loss) from assets sold	−	−	−		−	13,567	13,567
Gain on assets exchange - net	−	−	−	−	−	7,460	7,460
Miscellaneous	9,980	21,372	7,726	(52)	−	98,320	137,346
Total operating income	1,304,456	2,560,347	(18,596)	329,885	29,379	879,116	5,084,587
Compensation and fringe benefits	595,498	194,653	68,926	109,400	21,779	26,303	1,016,559
Taxes and licenses	185,418	168,124	45,797	20,479	627	56,997	477,442
Depreciation and amortization	211,715	51,273	17,031	28,577	5,003	74,020	387,619
Provision for credit and impairment losses	−	282,124	6,135	28,279	−	5,763	322,301
Occupancy and other equipment-related costs	91,881	9,880	2,765	12,518	705	770	118,519
Other operating expenses	508,012	155,937	126,681	75,223	9,029	57,862	932,744
Total operating expenses	1,592,524	861,991	267,335	274,476	37,143	221,715	3,255,184
Segment profit (loss)	(288,068)	1,698,356	(285,931)	55,409	(7,764)	657,401	1,829,403
Provision for income tax	−	(2,139)	(106,660)	−	−	(147,827)	(256,626)
Share in net income of associate	−	−	−	−	−	287	287
Net income (loss)	(₱288,068)	₱1,696,217	(₱392,591)	₱55,409	(₱7,764)	₱509,861	₱1,573,064
Segment assets							
Property and equipment	₱218,683	₱–	₱–	₱–	₱–	₱663,534	₱882,217
Investment properties	−	−	−	–	−	2,577,169	2,577,169
Other allocated assets	10,087,192	58,301,076	29,726,452	4,031,789	109,365	3,514,060	105,769,934
Total segment assets	₱10,305,875	₱58,301,076	₱29,726,452	4,031,789	₱109,365	₱6,754,763	₱109,229,320
Total segment liabilities	₱87,223,697	₱111,302	₱6,236,132	₱20,832	₱498	₱1,461,041	₱95,053,502

	Consolidated						
	2020						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Revenue							
Revenue, net of interest expense							
Third party	(₱864,759)	₱3,701,429	₱1,251,051	₱481,609	₱3,109	₱10,338	₱4,582,777
Intersegment	2,661,504	(1,759,023)	(522,140)	(206,669)	(4,156)	(169,516)	−
	1,796,745	1,942,406	728,911	274,940	(1,047)	(159,178)	4,582,777
Other operating income	89,435	278,215	53,073	18,991	25,689	844,005	1,309,408
Total operating income	1,886,180	2,220,621	781,984	293,931	24,642	684,827	5,892,185
Provision for (reversal of) credit and impairment losses	−	982,336	−	447,412	−	(11,520)	1,418,228
Compensation and fringe benefits	576,227	183,807	67,298	134,561	16,067	31,158	1,009,118
Taxes and licenses	271,732	207,399	100,398	30,220	1,973	28,338	640,060
Depreciation and amortization	220,423	41,230	15,349	25,752	3,598	74,301	380,653
Occupancy and other equipment-related costs	77,858	8,549	2,771	10,827	363	966	101,334
Other operating expenses	480,610	153,410	158,856	82,455	16,333	52,359	944,023
Net operating income (loss) before income tax	₱259,330	₱643,890	₱437,312	(₱437,296)	(₱13,692)	₱509,225	₱1,398,769

	Consolidated 2020						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Segment results							
Net interest income (loss)	₱1,796,745	₱1,942,406	₱71,628	₱274,941	(₱1,048)	(₱159,178)	₱3,925,494
Rent income	–	–	–	–	–	673,414	673,414
Trading and securities gain (loss) - net	–	–	657,283	–	–	–	657,283
Service charges, fees, and commissions	78,094	247,845	–	18,991	–	44,166	389,096
Foreign exchange gain - net	7,440	6,148	45,597	–	–	–	59,185
Income from trust operations	–	–	–	–	25,689	–	25,689
Profit from assets sold	–	–	–		–	6,779	6,779
Loss on assets exchange - net	–	–	–	–	–	(3,157)	(3,157)
Miscellaneous	3,901	24,221	7,477	–	–	122,803	158,402
Total operating income	1,886,180	2,220,620	781,985	293,932	24,641	684,827	5,892,185
Provision for (reversal of) credit and impairment losses	–	982,336	–	447,412	–	(11,520)	1,418,228
Compensation and fringe benefits	576,227	183,807	67,298	134,561	16,067	31,158	1,009,118
Other operating expenses	480,610	153,410	158,856	82,455	16,333	52,359	944,023
Taxes and licenses	271,732	207,399	100,398	30,220	1,973	28,338	640,060
Depreciation and amortization	220,423	41,230	15,349	25,752	3,598	74,301	380,653
Occupancy and other equipment-related costs	77,858	8,549	2,771	10,827	363	966	101,334
Total operating expenses	1,626,850	1,576,731	344,672	731,227	38,334	175,602	4,493,416
Segment profit (loss)	259,330	643,889	437,313	(37,295)	(13,693)	509,225	1,398,769
Provision for income tax	(47)	(8,794)	(136,821)	–	–	(84,461)	(230,123)
Share in net income of associate	–	–	–	–	–	266	266
Net income	₱259,283	₱635,095	₱300,492	(₱437,295)	(₱13,693)	₱425,030	₱1,168,912
Segment assets							
Property and equipment	₱231,265	₱–	₱–	₱–	₱–	₱663,352	₱894,617
Investment properties	–	–	–	–	–	2,401,557	2,401,557
Other allocated assets	9,456,803	51,117,485	28,471,664	5,214,873	71,977	3,601,242	97,934,044
Total segment assets	₱9,688,068	₱51,117,485	₱28,471,664	₱5,214,873	₱71,977	₱6,666,151	₱101,230,218
Total segment liabilities	₱82,186,805	₱546,583	₱4,357,647	₱37,806	₱–	₱1,571,699	₱88,700,540

7. Investments in Subsidiary and an Associate

This account consists of investments in:

	% of Ownership			**Consolidated**			**Parent Company**		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Subsidiary:									
Cost:									
PISAI	**100.00**	100.00	100.00	**₱–**	₱–	₱–	**₱10,000**	₱10,000	₱10,000
Accumulated share in net income									
Balance at January 1				**–**	–	–	**(3,927)**	(3,863)	(3,796)
Share in net income				**–**	–	–	**–**	(64)	(67)
Balance at December 31				**–**	–	–	**(3,927)**	(3,927)	(3,863)
				–	–	–	**6,073**	6,073	6,137
Associate - PBCom Finance									
Acquisition cost				**2,000**	2,000	2,000	**2,000**	2,000	2,000
Accumulated equity in net income									
Balance at January 1				**12,402**	12,114	11,848	**12,402**	12,115	11,849
Share in net income				**313**	287	266	**313**	287	266
Balance at December 31				**12,715**	12,401	12,114	**12,715**	12,402	12,115
				14,715	14,401	14,114	**14,715**	14,402	14,115
				₱14,715	₱14,401	₱14,114	**₱20,788**	₱20,475	₱20,252

<u>PISAI</u>
The investment cost of ₱10.00 million represents the initial equity investment as approved by the BSP on May 2, 2014.

On January 11, 2021, the BOD of the Parent Company approved the dissolution and retirement of business of PISAI. PISAI, which has been inactive starting 2017, has continuously remained inactive but continued to incur operating expenses. The Parent Company does not see any need for the subsidiary and has decided to retire the business operations.

The Company has received clearance from the Insurance Commission and business permit from the Makati Local Government last May 26, 2021 and September 30, 2021, respectively. Clearances from other regulatory agencies are currently being processed as of December 31, 2022 (Note 1).

The following table presents the financial information of PBCom Finance:

	PBCom Finance		
	2022	2021	2020
Total assets	**₱35,764**	₱35,367	₱34,942
Total liabilities	**629**	1,007	1,125
Equity	**35,135**	34,329	33,816
Gross income	**3,525**	3,492	3,363
Operating income (loss)	**1,001**	705	529
Profit (loss) after tax	**806**	513	339
Total comprehensive income (loss)	**806**	513	339

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA)

Interbank loans receivable of the Group and the Parent Company is comprised of USD-denominated loans of ₱34.90 million ($0.63 million) and ₱724.96 million ($14.22 million) as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, outstanding SPURA is ₱2.57 billion and ₱3.47 billion, respectively.

Interest income on the Group's and the Parent Company's interbank loans receivable and SPURA follows:

	2022	2021	2020
SPURA	**₱65,567**	₱59,969	₱88,043
Interbank loans receivable	**1,575**	100	4,703
	₱67,142	₱60,069	₱92,746

Interbank loans receivable bears nominal annual interest rates ranging from 1.84% to 1.88% in 2022, 0.07% to 0.25% in 2021, and 1.81% to 3.94% in 2020, while SPURA bears nominal annual interest rates ranging from 2.00% to 5.5% in 2022, 2.00% in 2021, and 2.00% to 4.00% in 2020.

The Parent Company is not permitted to sell or repledge the related collateral on SPURA in the absence of default by the counterparty.

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

Financial assets at FVTPL of the Group and the Parent Company consist of government securities amounting to nil and ₱886.29 million as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, financial assets at FVTPL include net unrealized gain (loss) amounting to nil and (₱9.79 million), respectively. Net fair value gain or loss on financial assets at FVTPL is included in 'Trading and securities gain (loss) - net' in the statements of income (see Note 26).

10. **Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI)**

As of December 31, 2022 and 2021, the Group's and the Parent Company's financial assets at FVTOCI consist of the following:

	2022	2021
Debt securities:		
Government (Note 19)	**₱4,161,400**	₱6,362,401
Corporate	**311,799**	–
Sovereign bonds	**385,203**	–
	4,858,402	6,362,401
Equity securities:		
Quoted	**123,146**	91,600
Unquoted	**27,048**	35,286
	150,194	126,886
	₱5,008,596	₱6,489,287

The Parent Company has designated the above equity investments as at FVTOCI as these are held for long-term strategic purpose rather than for trading.

There were no dividends declared on these equity investments and no cumulative gain or loss was transferred within equity in 2022, 2021, and 2020.

The movements in net unrealized gain on debt and equity securities recognized in OCI follow:

	2022	2021
Balance at January 1	**₱53,509**	₱100,093
Items that may be reclassified to profit or loss in subsequent periods		
Fair value changes during the year on debt securities	**(821,558)**	(357,686)
Losses taken to profit or loss upon sale of FVTOCI debt securities (Note 26)	**440,279**	285,542
Provision for (reversal of) credit losses (Note 17)	**(7,298)**	10,089
Items that may not be reclassified to profit or loss in subsequent periods		
Fair value changes during the year on equity securities	**20,483**	15,471
Balance at December 31	**(₱314,585)**	₱53,509

<u>Reclassification of Financial Assets</u>
On January 1, 2018, the Parent Company reclassified debt securities with aggregate face amount of ₱1,623.47 million from the hold-to-collect portfolio to the FVTOCI portfolio. The reclassification of these debt securities resulted in recognition of unrealized gain of ₱56.90 million.

In 2022 and 2021, debt securities in FVOCI matured and the unrealized gain previously recognized from reclassification from hold-to-collect to FVTOCI portfolio in 2018 was recognized as realized gain.

11. Investment Securities at Amortized Cost

As of December 31, 2022 and 2021, the Group's and the Parent Company's investment securities at amortized cost consist of the following:

	2022	2021
Government securities (Notes 19 and 25)	**₱21,438,388**	₱15,527,190
Sovereign bonds	**237,759**	–
Less: Allowance for ECL (Note 17)	**(14,322)**	(6,911)
	₱21,661,825	₱15,520,279

As of December 31, 2022, investment securities at amortized cost are comprised of the Parent Company's investment in peso-denominated securities amounting to ₱13.91 billion and investment in foreign currency-denominated securities amounting to ₱7.76 billion ($134.87 million and €3.99 million).

As of December 31, 2021, investment securities at amortized cost are comprised of the Parent Company's investment in peso-denominated securities amounting to ₱8.39 billion and investment in foreign currency-denominated securities amounting to ₱7.14 billion ($135.42 million and €4.00 million).

12. Loans and Receivables

This account consists of:

	Consolidated			Parent Company		
	December 31		January 1	December 31		January 1
	2022	2021	2021	2021	2021	2020
Receivables from customers:						
Corporate loans	**₱73,725,593**	₱60,277,746	₱52,764 ,271	**₱73,725,593**	₱60,277,746	₱52,764,271
Consumer loans:						
Home loans	**3,244,432**	3,636,663	4,473,549	**3,244,432**	3,636,663	4,473,549
Auto loans	**460,417**	598,106	771,922	**460,417**	598,106	771,922
Personal loans	**67,402**	213,151	435,113	**67,402**	213,151	435,113
	77,497,844	64,725,666	58,444,855	**77,497,844**	64,725,666	58,444,855
Unearned discounts and capitalized interest	**(54,178)**	(44,756)	(51,256)	**(54,178)**	(44,756)	(51,256)
	77,443,666	64,680,910	58,393,599	**77,443,666**	64,680,910	58,393,599
Unquoted debt securities	**649,995**	678,557	852,565	**649,995**	678,557	852,565
Accrued interest receivable	**712,908**	559,770	468,544	**712,908**	559,770	468,544
Accounts receivable	**1,000,557**	1,553,213	1,410,904	**1,003,390**	1,556,046	1,413,878
Sales contracts receivable	**63,715**	45,155	65,952	**63,715**	45,155	65,692
	79,870,841	67,517,605	61,191,564	**79,873,674**	67,520,438	61,194,278
Less Allowance for ECL (Note 17)	**(2,946,963)**	(2,732,213)	(2,489,967)	**(2,946,963)**	(2,732,213)	(2,489,967)
	₱76,923,878	₱64,785,392	₱58,701,597	**₱76,926,711**	₱64,788,225	₱58,704,311

Bayanihan to Heal as One Act
On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on

interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2020, the Group, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, has offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the following:

- Lenders were allowed to renegotiate terms of existing loan agreements either via restructuring of loan terms, extension of maturities, or moratorium on payments/amortizations among others on a case-to-case basis depending on financial status, cash flow, and security position of each borrower.
- Restructuring of existing receivables including extension of payment terms
- Relief for principal and interest repayments

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and, therefore, did not result in the derecognition of the affected financial assets but would require the recognition of modification losses. The total modification losses did not have a material impact on the financial statements.

Unquoted Debt Securities

As of December 31, 2022 and 2021, unquoted debt securities of the Group and the Parent Company consist of Metro Rail Transit (MRT) bonds with the gross amount of ₱650.0 million and ₱678.56 million in 2022 and 2021, respectively, and an allowance for credit losses amounting to ₱0.63 million and ₱0.57 million in 2022 and 2021, respectively.

The accretion of interest on unquoted debt securities amounted to ₱57.93 million, ₱66.04 million, and ₱77.22 million in 2022, 2021 and 2020, respectively, which is included under 'Interest income - Loans and receivables' in the statements of income.

Accounts receivable

As of December 31, 2022 and 2021, accounts receivables include cash amounting to ₱731.24 million and ₱1.29 billion, respectively, held under custody by cash security and armored transport service companies that will be delivered to the Parent Bank's cash center units on demand or excess from the limit are deposited to BSP depending on cash requirements during the day.

Correction of prior-period misstatement

In 2022, comparative financial statements were restated to correct the classification of cash held by third-party service providers from 'Cash and other cash items' to 'Accounts receivable' under 'Loans and receivables', the impact of which is presented below:

	As previously reported	Restatement	As Restated
Statements of Financial Position			
As at December 31, 2021			
Consolidated			
Cash and Other Cash Items	₱2,803,341	(₱1,287,427)	₱1,515,914
Loans and Receivables	63,497,965	1,287,427	64,785,392
Parent Company			
Cash and Other Cash Items	2,803,341	(1,287,427)	1,515,914
Loans and Receivables	63,500,798	1,287,427	64,788,225
As at January 1, 2021			
Consolidated			
Cash and Other Cash Items	2,467,099	(1,077,604)	1,389,495
Loans and Receivables	57,623,993	1,077,604	58,701,597
Parent Company			
Cash and Other Cash Items	2,467,099	(1,077,604)	1,389,495
Loans and Receivables	57,626,707	1,077,604	58,704,311
Statements of Cash Flows			
For the year ended December 31, 2021			
Consolidated			
Increase in the amounts of loans and receivables	(6,464,055)	(209,823)	(6,673,879)
Cash and cash equivalents at beginning of year			
Cash and other cash items	2,467,099	(1,077,604)	1,389,495
Cash and cash equivalents at end of year			
Cash and other cash items	2,803,341	(1,287,427)	1,515,914
Parent Company			
Increase in the amounts of loans and receivables	(6,464,174)	(209,823)	(6,673,998)
Cash and cash equivalents at beginning of year			
Cash and other cash items	2,467,099	(1,077,604)	1,389,495
Cash and cash equivalents at end of year			
Cash and other cash items	2,803,341	(1,287,427)	1,515,914
For the year ended December 31, 2020			
Consolidated			
Decrease in the amounts of loans and receivables	2,137,326	223,076	2,360,402
Cash and cash equivalents at beginning of year			
Cash and other cash items	2,698,682	(1,300,680)	1,398,002
Cash and cash equivalents at end of year			
Cash and other cash items	2,467,099	(1,077,604)	1,389,495
Parent Company			
Decrease in the amounts of loans and receivables	2,137,365	223,076	2,360,441
Cash and cash equivalents at beginning of year			
Cash and other cash items	2,698,682	(1,300,680)	1,398,002
Cash and cash equivalents at end of year			
Cash and other cash items	2,467,099	(1,077,604)	1,389,495

Interest Income

Interest income on loans and receivables consists of interest income on:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Receivables from customers:						
Corporate	**₱4,107,919**	₱3,555,476	₱3,713,692	**₱4,107,919**	₱3,555,476	₱ 3,713,692
Consumer	**394,785**	443,857	473,247	**394,785**	443,857	473,247
Unquoted debt securities	**88,138**	104,306	126,794	**88,138**	104,306	126,794
Others	**4,272**	6,243	11,475	**4,272**	6,243	11,475
	₱4,595,114	₱4,109,882	₱4,325,208	**₱4,595,114**	₱4,109,882	4,325,208

Of the total receivables from customers of the Group as of December 31, 2022, 2021 and 2020, 81.78%, 56.72%, and 85.59%, respectively, are subject to periodic interest repricing. The remaining peso-denominated receivables from customers earn annual fixed interest rates ranging from 1.50% to 42.00% in 2022, 1.50% to 42.00% in 2021, 1.99% to 42.00% in 2020 while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 3.00% to 9.82% in 2022, 3.00% to 7.25% in 2021 and 4.00% to 9.13% in 2020.

Unquoted debt securities have EIRs of 11.90% in 2022 and 2021. Sales contracts receivable bears interest rates ranging from 7.00% to 12.00% in 2022 and 2021.

13. Property and Equipment

The composition of and movements in property and equipment of the Group and the Parent Company follow:

	Consolidated and Parent Company 2022						
	Land	Condominium Properties	Buildings and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Right of Use Assets (Office Premises)	Total
Cost							
Balance at January 1	₱117,678	₱516,509	₱381,435	₱937,853	₱436,120	₱435,509	₱2,825,104
Additions	–	1,125	20,882	30,142	–	67,672	119,821
Disposals	–	–	–	(20,514)	–	(71,685)	(92,199)
Transfers (Note 16)	–	–	(14,011)	11,346	14,011	(7,014)	4,332
Balance at December 31	117,678	517,634	388,306	958,827	450,131	424,482	2,857,058
Accumulated depreciation and amortization							
Balance at January 1	–	198,051	328,256	820,646	401,067	194,867	1,942,887
Depreciation	–	13,495	14,379	44,461	16,266	102,897	191,498
Disposal	–	–	–	(16,332)	–	(71,685)	(88,017)
Transfers	–	–	–	6,853	–	–	6,853
Balance at December 31		211,546	342,635	855,628	417,333	226,079	2,053,221
Net book value	₱117,678	₱306,088	₱45,671	₱103,199	₱32,798	₱198,403	₱803,837

	Consolidated and Parent Company 2021						
	Land	Condominium Properties	Buildings and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Right of Use Assets (Office Premises)	Total
Cost							
Balance at January 1	₱117,678	₱499,598	₱390,538	₱920,414	₱422,075	₱386,756	₱2,737,059
Additions	–	725	18,720	32,282	3,786	123,024	178,537
Disposals	–	–	–	(19,638)	–	(74,271)	(93,909)
Transfers (Notes 14 and 16)	–	16,186	(27,823)	4,795	10,259	–	3,417
Balance at December 31	117,678	516,509	381,435	937,853	436,120	435,509	2,825,104
Accumulated depreciation and amortization							
Balance at January 1	–	185,526	316,802	785,631	384,789	169,694	1,842,442
Depreciation	–	12,525	14,240	44,145	16,278	99,444	186,632
Disposal	–	–	–	(16,163)	–	(74,271)	(90,434)
Transfers (Note 16)	–	–	(2,786)	7,033	–	–	4,247
Balance at December 31	–	198,051	328,256	820,646	401,067	194,867	1,942,887
Net book value	₱117,678	₱318,458	₱53,179	₱117,207	₱35,053	₱240,642	₱882,217

The Group and Parent Company recognized gain (loss) on disposal of furniture, fixtures, and equipment, which is included under ‘Profit (loss) from assets sold’ in the statements of income, amounting to nil in 2022 and 2021 and (₱3.01 million) in 2020.

Depreciation and Amortization

Details of this account are as follows:

	Consolidated and Parent Company		
	2022	**2021**	2020
Property and equipment	**₱88,601**	₱87,188	₱106,617
Right-of-use assets	**102,897**	99,444	107,525
Investment properties (Note 14)			
Foreclosed properties	**47,883**	42,079	33,055
Office units for lease	**351**	350	351
Condominium Units for Lease	**48,381**	48,382	48,382
Software costs (Note 15)	**82,050**	94,994	74,632
Chattel mortgage (Note 16)	**16,363**	15,182	10,091
	₱386,526	₱387,619	₱380,653

As of December 31, 2022 and 2021, the cost of fully depreciated furniture, fixtures and equipment still in use by the Group and Parent Company amounted to ₱710.15 million and ₱691.42 million, respectively.

14. **Investment Properties**

The composition of and movements in this account follow:

	Consolidated and Parent Company				
	2022				
	Foreclosed Properties				
	Land	**Building and Improvements**	**Total**	**Office Units for Lease**	**Condominium Units for Lease**
Cost					
Balance at January 1	**₱610,512**	**₱500,842**	**₱1,111,354**	**₱39,390**	**₱2,644,075**
Additions	**120,498**	**111,041**	**231,539**	**–**	**–**
Disposals	**(55,590)**	**(17,476)**	**(73,066)**	**–**	**–**
Balance at December 31	**675,420**	**594,407**	**1,269,827**	**39,390**	**2,644,075**
Accumulated depreciation and amortization					
Balance at January 1	**–**	**211,817**	**211,817**	**36,701**	**903,898**
Depreciation	**–**	**47,883**	**47,883**	**351**	**48,381**
Disposals	**–**	**(7,751)**	**(7,751)**	**–**	**–**
Balance at December 31	**–**	**251,949**	**251,949**	**37,052**	**952,279**
Accumulated impairment losses					
Balance at January 1	**29,671**	**35,563**	**65,234**	**–**	**–**
Disposals	**(3,632)**	**(5,836)**	**(9,468)**	**–**	**–**
Balance at December 31	**26,039**	**29,726**	**55,766**	**–**	**–**
Net book value	**₱649,381**	**₱312,731**	**₱962,112**	**₱2,338**	**₱1,691,796**

	Consolidated and Parent Company				
	2021				
	Foreclosed Properties				
	Land	Building and Improvements	Total	Office Units for Lease	Condominium Units for Lease
Cost					
Balance at January 1	₱449,043	₱399,126	₱848,169	₱39,274	₱2,644,075
Additions	206,614	107,191	313,805	–	–
Disposals	(45,145)	(5,475)	(50,620)	116	–
Balance at December 31	610,512	500,842	1,111,354	–	2,644,075

(Forward)

	Consolidated and Parent Company				
	2021				
	Foreclosed Properties				
	Land	Building and Improvements	Total	Office Units for Lease	Condominium Units for Lease
Accumulated depreciation and amortization					
Balance at January 1	₱–	₱171,015	₱171,015	₱39,390	₱855,516
Depreciation	–	42,079	42,079	36,351	48,382
Disposals	–	(1,277)	(1,277)	350	–
Balance at December 31	–	211,817	211,817	36,701	903,898
Accumulated impairment losses					
Balance at January 1	31,098	35,981	67,079	–	–
Disposals	(1,427)	(418)	(1,845)	–	–
Balance at December 31	29,671	35,563	65,234	–	–
Net book value	₱580,841	₱253,462	₱834,303	₱2,689	₱1,740,177

Condominium units for lease represents the contributed cost of developing the Parent Company's Ayala Avenue property, originally consisting of land and fully depreciated building, into a 52-storey building (the PBCom Tower) under a joint development agreement with Filinvest Asia Corporation (Filinvest Asia).

The agreement provided for equal sharing of the cost of the project and, correspondingly, of the net usable area of the building, which was converted into a condominium property. Under the agreement, the Parent Company's share in such cost included its land along Ayala Avenue, which was given an appraised value of ₱900.00 million in 1995. The related appraisal increment was closed to surplus, net of applicable deferred tax liability, upon completion of the project in 2000.

In November 2007, by virtue of condominiumization, various condominium certificates of title under the name of the Parent Company were derived from transfer certificate of title (TCT) No. 134599 where the declaration of restrictions and scope of coverage were annotated on October 23, 2007.

In May 2019, the 4th floor of Parent Company's PBCOM tower building was converted from bank premises to Condominium units for lease.

As of December 31, 2022 and 2021, about 87.12% and 87.44% of the usable area that the Parent Company acquired from the PBCOM Tower project is held for lease, with the balance used for the Parent Company's operations. Accordingly, the cost allocable to the areas available for lease is carried as investment properties, while the remaining balance is carried as condominium properties and included in 'Property and equipment' (see Note 13).

As of December 31, 2022 and 2021, the aggregate fair value of investment properties amounted to ₱11.28 billion and ₱10.09 billion, respectively, for the Group and Parent Company, which has been determined based on valuations made by professionally qualified appraisers accredited by the BSP and SEC.

The Parent Company recognized rental income (included under 'Rent income' in the statements of income) amounting to ₱401.55 million, ₱484.93 million, and ₱655.92 million in 2022, 2021 and 2020, respectively, on condominium properties leased out under operating leases. In 2022, 2021 and 2020, the Parent Company also recognized rental income from office units for lease amounting to ₱8.10 million, ₱8.11 million and ₱4.57 million, respectively.

The Group and Parent recorded gain (loss) from foreclosure of loan collaterals amounting to (₱3.48 million), ₱7.46 million and (₱3.16 million) in 2022, 2021, and 2020, respectively. This is presented as 'Gain (loss) on assets exchange - net' in the statements of income.

The Group and Parent recorded gain on disposal of certain foreclosed properties amounting to ₱63.07 million, ₱15.08 million and ₱12.21 million in 2022, 2021, and 2020, respectively. This is included under 'Profit (loss) from assets sold' in the statements of income.

Direct operating expenses (included under 'Compensation and fringe benefits', 'Occupancy and other equipment-related costs', 'Taxes and licenses' and 'Miscellaneous') arising from investment properties that generated rental income amounted to ₱113.72 million, ₱111.41 million and ₱99.63 million in 2022, 2021, and 2020, respectively.

Direct operating expenses (included under 'Compensation and fringe benefits', 'Occupancy and other equipment-related costs', 'Taxes and licenses' and 'Miscellaneous') arising from investment properties that did not generate rental income amounted to ₱88.23 million, ₱125.82 million and ₱68.82 million in 2022, 2021, and 2020, respectively.

15. **Intangible Assets**

<u>Intangible Assets</u>
The Group and Parent Company's account consists of:

	2022	2021
Branch licenses	**₱364,700**	₱364,700
Bank license	**25,000**	–
Software costs	**135,905**	162,803
	₱525,605	₱527,503

Bank license
This refers to the universal bank license paid by the Parent Company in 2022.

Branch licenses
Branch licenses of the Group arose from the acquisitions of Consumer Savings Bank (CSB) and PRBI. As of December 31, 2022 and 2021, details of branch licenses follow:

Branch licenses from the acquisition of:	
PRBI	₱262,600
CSB	102,100
	₱364,700

The branch license incentives given to the Parent Company for its acquisition of Rural Bank of Nagcarlan, Inc. (RBNI), which was eventually merged with PRBI, was measured at fair value on September 1, 2014, the acquisition date, consistent with the requirements of PFRS 3, *Business Combination*. PFRS 3 requires that the identifiable assets and liabilities arising from a business combination be measured at fair value. The fair value of the branch licenses was based on the provisions of the Manual of Regulations for Banks (MORB) that was in effect at that time, which sets a licensing fee and processing fee per branch of ₱20.00 million and ₱200.00 thousand, respectively.

On July 25, 2019, the BSP approved the sale of 100 percent voting shares of PRBI to Producers Savings Bank Corporation (PROSBI) to consolidate the efforts and resources to the Parent Company. In 2014, branch licenses were granted to the Parent Company as a result of its acquisition of Rural Bank of Nagcarlan, Inc. which was subsequently merged to PRBI in 2017. Accordingly, branch licenses from RBNI acquisition were reclassified from the investment account to intangible assets in the Parent Company's separate financial statements upon sale of PRBI. No new asset was recognized because the branch licenses have always been recognized as an asset of the Parent Company since its acquisition of RBNI.

As of December 31, 2022 and 2021, the individual branches were identified as the CGU for purposes of impairment testing on the branch licenses for CSB. For the impairment testing on the branch licenses arising from the acquisition of RBNI, the Parent Company's branch banking group was identified as the CGU as the branch banking group would benefit from the synergies of the additional branches in obtaining fresh funds from depositors for deployment.

In 2022, 2021 and 2020, the Parent Company's impairment assessment indicates no impairment.

Key assumptions used in the VIU calculations
As of December 31, 2022 and 2021, the recoverable amounts of the CGUs have been determined based on VIU calculations that use cash flow projections based on financial budgets approved by management covering a 5-year period. The significant assumptions used in computing for the recoverable amount for PRBI and CSB branches in 2022 and 2021 as follows:

Significant Assumptions	**2022**	2021
Deposit growth rates	**12.24%**	5.60%
Discount rate	**12.58%**	14.21%
Terminal value growth rate	**5.20%**	5.12%

Deposit growth rates were based on experiences and strategies developed by the Parent Company. The discount rate used for the computation of the present value of the projected cash flows is the cost of equity and was determined by reference to comparable entities. The terminal value growth rate has been determined to reflect the long-term view on the CGU's business.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to exceed its recoverable amount.

Software
The movements of software costs follow:

	Consolidated and Parent Company	
	2022	2021
Balance at January 1	**₱162,803**	₱248,826
Additions	**55,152**	8,971
	217,955	257,797
Amortization (Note 13)	**(82,050)**	(94,994)
Balance at December 31	**₱135,905**	₱162,803

16. **Other Assets**

Other assets consist of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Prepaid expenses	**₱135,176**	₱187,704	**₱135,014**	187,541
Tax credits	**20,768**	106,169	**20,624**	106,081
Retirement asset (Note 27)	**88,791**	95,493	**88,791**	95,493
Chattel mortgage	**20,966**	34,987	**20,966**	34,987
Receivable from BIR	**5,528**	5,528	**5,528**	5,528
RCOCI	**44**	62	**44**	62
Miscellaneous	**193,067**	151,958	**192,067**	150,958
	464,340	581,901	**463,034**	580,650
Less allowance for impairment losses (Note 17)	**(1,564)**	(2,573)	**(1,564)**	(2,573)
	₱462,776	₱579,328	**₱461,470**	₱578,077

Receivable from BIR

This account includes creditable withholding tax and tax credit cases that are still pending SC decision. As of December 31, 2022 and 2021, there is nil allowance for impairment losses on receivable from BIR.

Chattel Mortgage

The movements in chattel mortgage of the Group and the Parent Company follow:

	2022	2021
Cost		
Balance at January 1	**₱52,756**	₱54,937
Additions	**26,606**	33,970
Disposals	**(25,069)**	(32,731)
Transfers (Note 13)	**(4,332)**	(3,420)
Balance at December 31	**49,961**	52,756
Accumulated depreciation and amortization		
Balance at January 1	**17,769**	9,933
Depreciation	**16,363**	15,182
Disposals	**(4,559)**	(7,097)
Transfers (Note 13)	**(578)**	(249)
Balance at December 31	**28,995**	17,769
Net book value	**₱20,966**	₱34,987

In 2022, 2021 and 2020, loss recognized by the Group and the Parent Company from the disposal of certain chattel mortgage amounted to ₱2.03 million, ₱1.52 million and ₱2.42 million, respectively. This is included under ‘Profit (loss) from assets sold’ in the statements of income.

Miscellaneous
As of December 31, 2022 and 2021, the Group's and the Parent Company's miscellaneous other assets consist of the following:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Documentary stamp taxes (DST)	**₱74,084**	₱63,277	**₱74,084**	₱63,277
Refundable security deposits	**37,125**	35,471	**37,125**	35,471
Advance rentals	**19,989**	17,388	**19,989**	17,388
Stationery and supplies	**15,243**	10,055	**15,243**	10,055
Others	**46,626**	25,767	**45,626**	24,767
	₱193,067	₱151,958	**₱192,067**	₱150,958

"Others" of the Group and the Parent Company include trust fee receivables, shortages, interoffice floats and other investments.

17. Allowance for Credit and Impairment Losses

As of December 31, 2022 and 2021, the analyses of changes in the allowance for ECL follow:

Investment securities at FVTOCI

Consolidated and Parent Company	**2022**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for ECL, January 1, 2022	**₱15,634**	**₱–**	**₱–**	**₱15,634**
New investment originated or purchased	**16,132**	–	–	**16,132**
Asset derecognized during the period	**(23,430)**	–	–	**(23,430)**
Allowance for ECL, December 31, 2022	**₱8,336**	**₱–**	**₱–**	**₱8,336**

Investment securities at amortized cost

Consolidated and Parent Company	**2022**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for ECL, January 1, 2022	**₱6,911**	**₱–**	**₱–**	**₱6,911**
Impact of change in PD	**2,973**	–	–	**2,973**
New investment originated or purchased	**4,438**	–	–	**4,438**
Allowance for ECL, December 31, 2022	**₱14,322**	**₱–**	**₱–**	**₱14,322**

Receivables from customers

Consolidated and Parent Company	**2022**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans:				
Allowance for ECL, January 1, 2022	**₱430,128**	**₱249,399**	**₱1,567,716**	**₱2,247,243**
Newly originated assets that remained in Stage 1 as at December 31, 2022	**653,538**	–	–	**653,538**
Effect of collections and other movements	**(301,348)**	**(53,374)**	**(305,567)**	**(660,289)**
Transfers to Stage 1	**10,770**	**(10,770)**	–	–
Transfers to Stage 2	**(3,661)**	**3,661**	–	–
Transfers to Stage 3	**(306)**	**(11,360)**	**11,666**	–
Impact on ECL of exposures transferred between stages	**(4,343)**	**28,501**	**59,237**	**83,395**
Impact on ECL of exposures that did not transfer between stages	**–**	**229,491**	**62,122**	**291,613**
Foreign exchange adjustments	**(5,051)**	–	–	**(5,051)**
Allowance for ECL, December 31, 2022	**779,727**	**435,548**	**1,395,174**	**2,610,449**

Consolidated and Parent Company		**2022**		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Consumer loans:				
Auto loans				
Allowance for ECL, January 1, 2022	**9,098**	**7,676**	**60,532**	**77,306**
Newly originated assets that remained in Stage 1 as at December 31, 2022	**5,789**	–	–	**5,789**
Effect of collections and other movements	**(3,017)**	**(5,996)**	**(30,168)**	**(39,181)**
Transfers to Stage 1	**394**	**(394)**	–	–
Transfers to Stage 2	**(156)**	**861**	**(705)**	–
Transfers to Stage 3	**(243)**	**(1,785)**	**2,028**	**–**
Impact on ECL of exposures transferred between stages	**(330)**	**304**	**1,776**	**1,750**
Impact on ECL of exposures that did not transfer between stages	**–**	**31**	**18,611**	**18,642**
Accounts written-off	**–**	**–**	**(9,031)**	**(9,031)**
Allowance for ECL, December 31, 2022	**11,535**	**697**	**43,043**	**55,275**
Home Loans				
Allowance for ECL, January 1, 2022	**20,283**	**11,119**	**200,467**	**231,869**
Newly originated assets that remained in Stage 1 as at December 31, 2022	**13,245**	–	–	**13,245**
Effect of collections and other movements	**(7,473)**	**(2,454)**	**(95,972)**	**(105,899)**
Transfers to Stage 1	**26,866**	**(5,699)**	**(21,167)**	–
Transfers to Stage 2	**(114)**	**6,443**	**(6,329)**	–
Transfers to Stage 3	**(780)**	**(7,523)**	**8,303**	–
Impact on ECL of exposures transferred between stages	**(25,170)**	**2,893**	**18,912**	**(3,365)**
Impact on ECL of exposures that did not transfer between stages	**–**	**1,520**	**32,307**	**33,827**
Allowance for ECL, December 31, 2022	**26,857**	**6,299**	**136,521**	**169,677**
Personal Loans				
Allowance for ECL, January 1, 2022	**8,909**	**2,963**	**95,341**	**107,213**
Newly originated assets that remained in Stage 1 as at December 31, 2022	**1,599**	–	–	**1,599**
Effect of collections and other movements	**(7,328)**	**(1,512)**	**(10,102)**	**(18,942)**
Transfers to Stage 1	**3,379**	**(205)**	**(3,174)**	–
Transfers to Stage 2	**(327)**	**1,667**	**(1,340)**	–
Transfers to Stage 3	**(546)**	**(2,492)**	**3,038**	–
Impact on ECL of exposures transferred between stages	**(3,197)**	**145**	**3,085**	**33**
Impact on ECL of exposures that did not transfer between stages	–	**115**	**4,338**	**4,453**
Accounts written-off	–	–	**(65,270)**	**(65,270)**
Allowance for ECL, December 31, 2022	**2,489**	**681**	**25,916**	**29,086**
Total receivables from customers:				
Allowance for ECL, January 1, 2022	**468,418**	**271,157**	**1,924,056**	**2,663,631**
Newly originated assets that remained in Stage 1 as at December 31, 2022	**674,171**	–	–	**674,171**
Effect of collections and other movements	**(319,166)**	**(63,336)**	**(441,809)**	**(824,311)**
Transfers to Stage 1	**41,409**	**(17,068)**	**(24,341)**	**–**
Transfers to Stage 2	**(4,258)**	**12,632**	**(8,374)**	**–**
Transfers to Stage 3	**(1,875)**	**(23,160)**	**25,035**	**–**
Impact on ECL of exposures transferred between stages	**(33,040)**	**31,843**	**83,010**	**81,813**
Impact on ECL of exposures that did not transfer between stages	**–**	**231,157**	**117,378**	**348,535**
Accounts written-off	**–**	**–**	**(74,301)**	**(74,301)**
Foreign exchange adjustments	**(5,051)**	**–**	**–**	**(5,051)**
Allowance for ECL, December 31, 2022	**₱820,608**	**₱443,225**	**₱1,600,654**	**₱2,864,487**

Other receivables

Consolidated and Parent Company		**2022**		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Unquoted debt securities:				
Allowance for ECL, January 1, 2022	**₱571**	**₱–**	**₱–**	**₱571**
Effect of collections	**54**	–	–	**54**
Allowance for ECL, December 31, 2022	**625**	–	–	**625**
Accrued interest receivable:				
Allowance for ECL, January 1, 2022	**1,474**	**2,448**	**8,685**	**12,607**
Newly originated assets	**8,424**	–	–	**8,424**
Effect of collections and other Movements	**(1,023)**	**(615)**	**(3,863)**	**(5,501)**
Transfers to Stage 1	**148**	**(24)**	**(124)**	–
Transfers to Stage 2	**(3,451)**	**3,480**	**(29)**	–
Transfers to Stage 3	**(2,693)**	**(89)**	**2,782**	–
Accounts written-off	–	–	**(1,856)**	**(1,856)**
Allowance for ECL, December 31, 2022	**2,879**	**5,200**	**5,595**	**13,674**
Accounts receivable:				
Allowance for ECL, January 1, 2022	**782**	**15,539**	**28,838**	**45,159**
Newly originated assets	**650**	–	–	**650**
Effect of collections and other movements	**(84)**	**(6,447)**	**20,746**	**14,215**
Transfers to Stage 3	**(698)**	**(3,344)**	**4,042**	–
Accounts written-off	–	**-**	**(2,092)**	**(2,092)**
Allowance for ECL, December 31, 2022	**650**	**5,748**	**51,534**	**57,932**
Sales contracts receivable				
Allowance for ECL, January 1, 2022	**181**	**2,688**	**7,376**	**10,245**
Newly originated assets	**7,104**	–	–	**7,104**
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	**(3,230)**	**(1,387)**	**(2,487)**	**(7,104)**
Transfers to Stage 1	**5,146**	**(1,553)**	**(3,593)**	–
Transfers to Stage 2	**(2,632)**	**3,546**	**(914)**	–
Transfers to Stage 3	–	**(8)**	**8**	–
Allowance for ECL, December 31, 2022	**6,569**	**3,286**	**390**	**10,245**
Total other receivables				
Allowance for ECL, January 1, 2022	**3,008**	**20,675**	**44,899**	**68,582**
Newly originated assets	**16,178**	–	–	**16,178**
Effect of collections and other movements	**(4,283)**	**(8,449)**	**14,396**	**1,664**
Transfers to Stage 1	**5,294**	**(1,577)**	**(3,717)**	–
Transfers to Stage 2	**(6,083)**	**7,026**	**(943)**	–
Transfers to Stage 3	**(3,391)**	**(3,441)**	**6,832**	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Accounts written-off	–	–	**(3,948)**	**(3,948)**
Allowance for ECL, December 31, 2022	**₱10,723**	**₱14,234**	**₱57,519**	**₱82,476**

Investment securities at FVTOCI

Consolidated and Parent Company		2021		
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL, January 1, 2021	₱5,545	₱–	₱–	₱5,545
New investment originated or purchased	15,634	–	–	15,634
Asset derecognized during the period	(5,545)	–	–	(5,545)
Allowance for ECL, December 31, 2021	₱15,634	₱–	₱–	₱15,634

Investment securities at amortized cost

Consolidated and Parent Company		2021		
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL, January 1, 2021	₱10,516	₱–	₱–	₱10,516
Impact of change in PD	(4,381)	–	–	(4,381)
New investment originated or purchased	776	–	–	776
Allowance for ECL, December 31, 2021	₱6,911	₱–	₱–	₱6,911

Receivables from customers

Consolidated and Parent Company		2021		
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
Allowance for ECL, January 1, 2021	₱378,946	₱157,165	₱1,406,425	₱1,942,536
Newly originated assets that remained in Stage 1 as at December 31, 2021	333,000	–	–	333,000
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	88,485	15,476	103,961
Effect of collections and other movements	(233,730)	(40,134)	(247,374)	(521,238)
Transfers to Stage 1	8,023	(7,487)	(536)	–
Transfers to Stage 2	(149,428)	149,428	–	–
Transfers to Stage 3	–	(146,622)	146,622	–
Impact on ECL of exposures transferred between stages	144,896	21,115	205,556	371,567
Impact on ECL of exposures that did not transfer between stages	(50,343)	27,458	41,547	18,662
Foreign exchange adjustments	(1,236)	(9)	–	(1,245)
Allowance for ECL, December 31, 2021	430,128	249,399	1,567,716	2,247,243
Consumer loans:				
Auto loans				
Allowance for ECL, January 1, 2021	12,799	8,833	80,620	102,252
Newly originated assets that remained in Stage 1 as at December 31, 2021	3,841	–	–	3,841
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	–	857	857
Effect of collections and other movements	(788)	(7,621)	(32,869)	(41,278)
Transfers to Stage 1	3,778	(971)	(2,807)	–
Transfers to Stage 2	(1,182)	1,182	–	–
Transfers to Stage 3	(1,696)	(4,855)	6,551	–
Impact on ECL of exposures transferred between stages	(3,551)	11,726	6,342	14,517
Impact on ECL of exposures that did not transfer between stages	(4,103)	(618)	1,838	(2,883)
Allowance for ECL, December 31, 2021	9,098	7,676	60,532	77,306
Home loans:				
Allowance for ECL, January 1, 2021	40,619	17,286	181,945	239,850
Newly originated assets that remained in Stage 1 as at December 31, 2021	3,905	–	–	3,905
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	–	40,102	40,102
Effect of collections and other movements	(8,842)	(3,536)	(55,149)	(67,527)
Transfers to Stage 1	17,259	(3,354)	(13,905)	–
Transfers to Stage 2	(1,318)	2,275	(957)	–
Transfers to Stage 3	(1,792)	(9,800)	11,592	–
Impact on ECL of exposures transferred between stages	(16,571)	8,114	31,839	23,382
Impact on ECL of exposures that did not transfer between stages	(12,977)	134	5,000	(7,843)
Allowance for ECL, December 31, 2021	₱20,283	₱11,119	₱200,467	₱231,869

(Forward)

Consolidated and Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
Personal loans:				
Allowance for ECL, January 1, 2021	₱28,471	₱8,236	₱104,589	₱141,296
Newly originated assets that remained in Stage 1 as at December 31, 2021	1,222	–	–	1,222
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	240	12,443	12,683
Effect of collections and other movements	(6,299)	(3,938)	(43,316)	(53,553)
Transfers to Stage 1	1,037	(357)	(680)	–
Transfers to Stage 2	(1,587)	1,587	–	–
Transfers to Stage 3	(7,355)	(3,868)	11,223	–
Impact on ECL of exposures transferred between stages	(963)	1,284	15,549	15,870
Impact on ECL of exposures that did not transfer between stages	(5,617)	(36)	(886)	(6,539)
Accounts written-off	–	(185)	(3,581)	(3,766)
Allowance for ECL, December 31, 2021	8,909	2,963	95,341	107,213
Total receivables from customers:				
Allowance for ECL, January 1, 2021	460,835	191,520	1,773,579	2,425,934
Newly originated assets that remained in Stage 1 as at December 31, 2021	341,968	–	–	341,968
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	88,725	68,878	157,603
Effect of collections and other movements	(249,659)	(55,229)	(378,708)	(683,596)
Transfers to Stage 1	30,097	(12,169)	(17,928)	–
Transfers to Stage 2	(153,515)	154,472	(957)	–
Transfers to Stage 3	(10,843)	(165,145)	175,988	–
Impact on ECL of exposures transferred between stages	123,811	42,239	259,286	425,336
Impact on ECL of exposures that did not transfer between stages	(73,040)	26,938	47,499	1,397
Accounts written-off	–	(185)	(3,581)	(3,766)
Foreign exchange adjustments	(1,236)	(9)	–	(1,245)
Allowance for ECL, December 31, 2021	₱468,418	₱271,157	₱1,924,056	₱2,663,631

Other receivables

Consolidated and Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Allowance for ECL, January 1, 2021	₱896	₱–	₱–	₱896
Effect of collections	(325)	–	–	(325)
Allowance for ECL, December 31, 2021	571	–	–	571
Accrued interest receivable:				
Allowance for ECL, January 1, 2021	2,509	2,808	19,536	24,853
Newly originated assets that remained in Stage 1 as at December 31, 2021	872	–	–	872
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	–	–	–
Effect of collections and other movements	(2,177)	(949)	(13,372)	(16,498)
Transfers to Stage 1	805	(805)	–	–
Transfers to Stage 2	(343)	343	–	–
Transfers to Stage 3	(3,882)	(57)	3,939	–
Impact on ECL of exposures transferred between stages	4,487	186	–	4,673
Impact on ECL of exposures that did not transfer between stages	(797)	968	552	723
Accounts written-off	–	(46)	(1,970)	(2,016)
Foreign exchange adjustments	–	–	–	–
Allowance for ECL, December 31, 2021	1,474	2,448	8,685	12,607

(Forward)

Consolidated and Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
Accounts receivable:				
Allowance for ECL, January 1, 2021	–	–	28,039	28,039
Newly originated assets	383,874	–	–	383,874
Effect of collections and other movements	(384,164)	7,469	10,947	(365,748)
Transfers to Stage 3	1,072	8,070	(9,142)	–
Accounts written-off	–	–	(1,006)	(1,006)
Allowance for ECL, December 31, 2021	782	15,539	28,838	45,159
Sales contracts receivable				
Allowance for ECL, January 1, 2021	3	830	9,412	10,245
Newly originated assets that remained in Stage 1 as at December 31, 2021	3	–	–	3
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	1,227	–	1,227
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	(6,339)	197	(369)	(6,511)
Transfer to ROPA	–	–	–	–
Transfers to Stage 1	1,527	(1,232)	(295)	–
Transfers to Stage 2	–	1,906	(1,906)	–
Transfers to Stage 3	(10)	(240)	250	–
Impact on ECL of exposures transferred between stages	4,997	–	284	5,281
Allowance for ECL, December 31, 2021	181	2,688	7,376	10,245
Total other receivables				
Allowance for ECL, January 1, 2021	3,408	3,638	56,987	64,033
Newly originated assets that remained in Stage 1 as at December 31, 2021	384,749	–	–	384,749
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	1,227	–	1,227
Effect of collections and other movements	(392,680)	6,717	(2,794)	(388,757)
Transfers to Stage 1	2,332	(2,037)	(295)	–
Transfers to Stage 2	(343)	2,249	(1,906)	–
Transfers to Stage 3	(2,820)	7,773	(4,953)	–
Impact on ECL of exposures transferred between stages	9,484	186	284	9,954
Impact on ECL of exposures that did not transfer between stages	(1,122)	968	552	398
Accounts written-off	–	(46)	(2,976)	(3,022)
Allowance for ECL, December 31, 2021	₱3,008	₱20,675	₱44,899	₱68,582

As of December 31, 2022 and 2021, changes in the allowance for credit and impairment losses of the Group and the Parent Company follow:

	Consolidated and Parent Company	
	2022	2021
Balances at January 1		
Loans and receivables (Note 12)	**₱2,732,213**	₱2,489,967
Investment securities at FVTOCI	**15,634**	5,545
Investment securities at amortized cost	**6,911**	10,516
Investment properties (Note 14)	**65,234**	67,079
Other assets (Note 16)	**2,573**	2,573
	2,822,565	2,575,680
Provision for credit and impairment losses	**287,686**	322,301
Accounts written-off, revaluation, and others	**(83,300)**	(75,416)

(Forward)

	Consolidated and Parent Company	
	2022	2021
	204,386	246,885
Balance at December 31:		
Loans and receivables (Note 12)	**2,946,963**	2,732,213
Investment securities at FVTOCI	**8,336**	15,634
Investment securities at amortized cost	**14,322**	6,911
Investment properties (Note 14)	**55,766**	65,234
Other assets (Note 16)	**1,564**	2,573
	₱3,026,951	₱2,822,565

Below is the breakdown of provisions for (reversals of) credit and impairment losses:

	Consolidated and Parent Company		
	2022	2021	2020
Financial assets and other credit-related exposures:			
Loans and receivables	**₱298,050**	₱317,662	₱1,447,601
Investment securities at FVTOCI	**(7,298)**	10,089	–
Investment securities at amortized cost	**7,411**	(3,605)	–
	298,163	324,146	1,447,601
Non-financial assets:			
Investment properties	**(9,468)**	(1,845)	(1,956)
Other assets (Note 16)	**(1,009)**	–	(27,417)
	(10,477)	(1,845)	(29,373)
	₱287,686	₱322,301	₱1,418,228

While the Group recognizes through the statement of income the movements in the expected credit losses computed using the models, the Group also complies with BSP's regulatory requirement to appropriate a portion of its earnings at an amount necessary to bring to at least 1% the allowance for credit losses on loans (Note 23).

	2022	2021	2020
Provision for credit and impairment losses	**₱287,799**	₱322,301	₱1,418,228
Appropriation from current net income	**53,483**	52,240	**–**
Total	**₱341,282**	₱374,541	₱1,418,228

18. **Deposit Liabilities**

Deposit liabilities and deposit substitute liabilities are subject to required reserves. MORB Sec 251 already incorporates BSP Circular No. 1041, 1082, and 1092 which reduced the required reserved for deposit to 12.0% for universal and commercial banks. Long-term negotiable certificates of deposits (LTNCDs) remain subject to required reserves at 4.00%. MORB Sec 252, Composition of Reserves, provides a reference that includes the use of eligible loans to MSME and large enterprises as alternative compliance to required reserves for deposit liabilities.

As of December 31, 2022 and 2021, Due from BSP amounting to ₱9.75 billion and ₱8.46 billion, respectively, were set aside as reserves for deposit liabilities. As of December 31, 2022 and 2021, the Group is in compliance with the above regulations.

On July 26, 2018, the Monetary Board of the BSP, in its Resolution No. 1220, approved the Parent Company's issuance of LTNCDs of up to ₱5.00 billion in one or more tranches over the course of one year, with minimum tenor of 5 years and 1 day to a maximum of 7 years. The purpose of the issuance is specifically for long-term funding.

On October 8, 2018, the Parent Company issued ₱2.90 billion worth of LTNCDs with a tenor of 5 years and 6 months. The LTNCDs will mature on April 8, 2024 and have fixed interest rate of 5.625% per annum, payable quarterly in arrears on October 8, January 8, April 8 and July 8 of each year, commencing on January 8, 2019. The LTNCDs are listed in the trading platform of the Philippine Dealing & Exchange Corp. for secondary market trading.

Interest expense on deposit liabilities consists of:

	Consolidated and Parent Company		
	2022	2021	2020
Demand	**₱49,113**	₱44,004	₱64,029
Savings	**13,229**	10,683	10,103
Time	**368,942**	211,486	678,893
LTNCD	**168,059**	168,726	168,434
	₱599,343	₱434,899	₱921,459

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.09% to 5.50% in 2022, 0.10% to 3.00% in 2021, and 0.10% to 3.50% in 2020, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.09% to 2.75%, 0.09% to 1.50%, and 0.10% to 2.00% in 2022, 2021 and 2020, respectively.

19. **Bills Payable**

This account consists of the Group's and the Parent Company's borrowings from:

	2022	2021
Private firms and individuals	**₱4,992,538**	₱5,203,348
Banks and other financial institutions	**2,601,481**	807,640
	₱7,594,019	₱6,010,988

As of December 31, 2022, ₱7.58 billion of the bills payable is collateralized by investment in government securities. Details of the securities pledged are as follows:

		2022	
	Face value	Carrying amount	Fair value
Investment securities at amortized cost	₱7,840,683	₱7,951,682	₱7,680,925

As of December 31, 2021, ₱5.91 billion of the bills payable are collateralized by investment in government securities. Details of the securities pledged are as follows:

	2021		
	Face value	Carrying amount	Fair value
FVTOCI	₱171,472	₱163,269	₱163,269
Investment securities at amortized cost	5,737,155	5,863,489	5,888,170
	₱5,908,627	₱6,026,758	₱6,051,439

The Group has no dollar interbank borrowings as of December 31, 2022 and 2021.

The Group also did not avail of peso and dollar rediscounting facilities in 2022 and 2021.

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Borrowed funds	**₱176,729**	₱40,211	₱127,462	**₱176,729**	₱40,211	₱127,462
Lease liability (Note 21)	**12,256**	14,528	17,603	**12,256**	14,528	17,603
Net interest cost on retirement liability (Note 27)	**–**	4,360	1,969	**–**	4,360	1,969
	₱188,985	₱59,099	₱147,034	**₱188,985**	₱59,099	₱147,034

The net interest income on retirement liability of ₱4.87 million in 2022 is presented as part of miscellaneous income (Note 29).

Borrowings from private firms and individuals represent deposit substitutes with maturities of 1 to 181 days and 1 to 216 days in 2022 and 2021, respectively. These borrowings bear annual interest rates ranging from 0.30% to 5.00%%, 0.25% to 1.13%, and 0.37% to 3.88%, in 2022, 2021 and 2020, respectively.

As of December 31, 2022 and 2021, Due from BSP amounting to ₱651.98 million and ₱633.53 million, respectively, were set aside as reserves for deposit substitutes.

20. **Accrued Interest, Taxes and Other Expenses**

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Financial liabilities				
Accrued interest payable	**₱193,187**	₱59,188	**₱193,187**	₱59,188
Accrued other expenses	**589,209**	557,368	**589,123**	557,282
	782,396	616,556	**782,310**	616,470
Non-financial liabilities				
Accrued taxes and licenses	**82,004**	64,178	**82,004**	64,178
	₱864,400	₱680,734	**₱864,314**	₱680,648

21. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Financial liabilities				
Accounts payable	**₱276,651**	₱310,957	**₱276,643**	₱310,949
Refundable security deposits	**131,651**	165,866	**131,651**	165,866
Miscellaneous (Note 24)	**30,955**	28,060	**30,955**	28,060
	439,257	504,883	**439,249**	504,875
Non-financial liabilities				
Lease liability (Note 28)	**214,195**	252,501	**214,195**	252,501
Deferred credits	**184,918**	206,412	**184,918**	206,412
Withholding taxes payable	**34,513**	20,229	**34,513**	20,229
Due to the Treasurer of the Philippines	**47,194**	44,575	**47,194**	44,575
Miscellaneous	**99,162**	76,596	**99,162**	75,387
	579,982	600,313	**579,982**	599,104
	₱1,019,239	₱1,105,196	**₱1,019,239**	₱1,103,979

Miscellaneous liabilities of the Group and the Parent Company include marginal deposits, cash letters of credit, and deposit liabilities classified as dormant.

Shown below is the movement of lease liability of the Group and Parent Company:

	2022	2021
Balance at January 1	**₱252,501**	₱239,734
Additions	**67,672**	123,107
Lease payments	**(118,234)**	(124,868)
Interest expense (Note 19)	**12,256**	14,528
Balance at December 31	**₱214,195**	₱252,501

22. Maturity Analysis of Assets and Liabilities

The tables below show an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	Consolidated					
	2022			2021 (As restated – Note 12)		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial assets - at gross						
Cash and other cash items	**₱1,404,214**	**₱-**	**₱1,404,214**	₱1,515,914	₱–	₱1,515,914
Due from BSP	**11,336,471**	–	**11,336,471**	10,271,486	–	10,271,486
Due from other banks	**1,089,190**	–	**1,089,190**	658,593	–	658,593
Interbank loans receivable and SPURA (Note 8)	**2,600,579**	–	**2,600,579**	4,195,846	–	4,195,846
Financial assets at FVTPL (Note 9)	–	–	–	886,291	–	886,291
Financial assets at FVTOCI (Note 10)	–	**5,008,596**	**5,008,596**	–	6,504,921	6,504,921
Investment securities at amortized cost (Note 11)	**242,769**	**21,433,377**	**21,676,146**	–	15,527,190	15,527,190
(Forward)						

	Consolidated					
	2022			2021 (As restated – Note 12)		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Loans and receivables (Note 12):						
Receivables from Customers	**₱42,353,574**	**₱35,144,270**	**₱77,497,844**	₱40,102,875	₱24,622,791	₱64,725,666
Unquoted debt securities	–	**649,995**	**649,995**	–	678,557	678,557
Accrued interest receivable	**504,334**	**208,574**	**712,908**	559,770	–	559,770
Accounts receivable	**945,426**	**55,132**	**1,000,558**	1,522,214	30,998	1,553,212
Sales contracts receivable	**27,188**	**36,527**	**63,715**	37,926	7,229	45,155
Other assets (Note 16):						
Refundable security deposits	–	**37,125**	**37,125**	–	35,471	35,471
RCOCI	**44**	–	**44**	62	–	62
	60,503,789	**62,573,596**	**123,077,385**	59,750,977	47,407,157	107,158,134
Non-financial assets - at gross						
Investments in subsidiary and an associate (Note 7)	**–**	**14,715**	**14,715**	–	14,401	14,401
Property and equipment (Note 13)	**66,205**	**2,790,853**	**2,857,058**	68,762	2,756,342	2,825,104
Investment properties (Note 14):						
Condominium units for Lease	**–**	**2,644,075**	**2,644,075**	–	2,644,075	2,644,075
Foreclosed properties	**–**	**1,269,827**	**1,269,827**	–	1,111,354	1,111,354
Office units for lease	**–**	**39,390**	**39,390**	–	39,390	39,390
Intangible assets (Note 15)	**–**	**525,605**	**525,605**	–	527,503	527,503
Deferred tax assets (Note 30)	**–**	**390,567**	**390,567**	–	325,614	325,614
Other assets (Note 16)	**276,269**	**179,897**	**456,166**	291,216	272,921	564,137
	342,474	**7,854,929**	**8,197,403**	359,978	7,691,600	8,051,578
	60,846,263	**70,428,525**	**131,274,788**	60,110,955	55,098,757	115,209,712
Less:						
Unearned interest and discounts (Note 12)	**(54,025)**	**(153)**	**(54,178)**	(44,482)	(274)	(44,756)
Accumulated depreciation and amortization (Notes 13, 14 and 16)	**(58,395)**	**(3,265,101)**	**(3,323,496)**	(54,393)	(3,058,679)	(3,113,072)
Allowance for credit and impairment losses (Notes 12, 16 and 17)	**(2,151,371)**	**(867,244)**	**(3,018,615)**	(2,334,448)	(488,116)	(2,822,564)
Total	**₱58,582,472**	**₱66,296,027**	**₱124,878,499**	₱57,677,632	₱51,551,688	109,229,320
Financial liabilities						
Deposit liabilities:						
Demand	**₱45,499,687**	**₱–**	**₱45,499,687**	₱41,166,107	₱–	₱41,166,107
Savings	**12,667,907**	**–**	**12,667,907**	11,359,112	–	11,359,112
Time	**35,709,697**	**2,673,040**	**38,382,737**	28,502,686	3,028,884	31,531,570
LTNCD	**–**	**2,893,897**	**2,893,897**	–	2,889,116	2,889,116
Bills payable (Note 19)	**7,594,019**	**–**	**7,594,019**	6,010,988	–	6,010,988
Outstanding acceptances	**50,218**	**–**	**50,218**	71,609	–	71,609
Manager's checks	**221,535**	**–**	**221,535**	172,247	–	172,247
Accrued interest payable (Note 20)	**193,187**	**–**	**193,187**	59,188	–	59,188
Accrued other expenses (Note 20)	**589,209**	**–**	**589,209**	557,368	–	557,368
Other liabilities (Note 21):		**–**			–	
Accounts payable	**276,651**	**–**	**276,651**	310,957	–	310,957
Refundable security deposits	**43,023**	**88,628**	**131,651**	45,686	120,180	165,866
Miscellaneous	**30,955**	**–**	**30,955**	28,060	–	28,060
	102,876,088	**5,655,565**	**108,531,653**	88,284,008	6,038,180	94,322,188

(Forward)

	Consolidated					
	2022			2021 (As restated – Note 12)		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Non-financial liabilities						
Accrued taxes and licenses (Note 20)	₱82,004	₱–	₱82,004	₱64,178	₱–	₱64,178
Income tax payable	118,813	–	118,813	66,823	–	66,823
Other liabilities (Note 21):						
Deferred credits	110,762	74,156	184,918	94,528	111,884	206,412
Lease liability	91,490	122,705	214,195	98,208	154,293	252,501
Withholding taxes payable	34,513	–	34,513	20,229	–	20,229
Due to the Treasurer of the Philippines	47,194	–	47,194	44,575	–	44,575
Miscellaneous	29,463	69,699	99,162	16,497	60,099	76,596
	514,239	266,560	780,799	405,038	326,276	731,314
	₱103,390,327	₱5,922,125	₱109,312,452	₱88,689,046	₱6,364,456	₱95,053,502

	Parent Company					
	2022			2021 (As restated – Note 12)		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial assets - at gross						
Cash and other cash items	₱1,404,214	₱-	₱1,404,214	₱1,515,914	₱–	₱1,515,914
Due from BSP	11,336,471	–	11,336,471	10,271,486	–	10,271,486
Due from other banks	1,089,190	–	1,089,190	658,593	–	658,593
Interbank loans receivable and SPURA (Note 8)	2,600,579	–	2,600,579	4,195,846	–	4,195,846
Financial assets at FVTPL (Note 9)				886,291	–	886,291
Financial assets at FVTOCI (Note 10)	–	5,008,596	5,008,596	–	6,504,921	6,504,921
Investment securities at amortized cost (Note 11)	242,769	21,433,377	21,676,146		15,527,190	15,527,190
Loans and receivables (Note 12):						
Receivables from customers	42,353,574	35,144,270	77,497,844	40,102,875	24,622,791	64,725,666
Unquoted debt securities	–	649,995	649,995	–	678,557	678,557
Accrued interest receivable	504,334	208,574	712,908	559,770	–	559,770
Accounts receivable	948,259	55,132	1,003,391	1,522,214	33,831	1,556,045
Sales contracts receivable	27,188	36,527	63,715	37,926	7,229	45,155
Other assets (Note 16):						
Refundable security deposits	–	37,125	37,125	–	35,471	35,471
RCOCI	44	–	44	62	–	62
	60,506,622	62,573,596	123,080,218	59,750,977	47,409,990	107,160,967
Non-financial assets - at gross						
Investments in subsidiary and an associate (Note 7)	–	20,788	20,788	–	20,475	20,475
Property and equipment (Note 13)	66,205	2,790,853	2,857,058	68,762	2,756,342	2,825,104
Investment properties (Note 14):						
Condominium units for lease	–	2,644,075	2,644,075	–	2,644,075	2,644,075
Foreclosed assets	–	1,269,827	1,269,827	–	1,111,354	1,111,354
Office units for lease	–	39,390	39,390	–	39,390	39,390
Intangible assets (Note 15)	–	525,605	525,605	–	527,503	527,503
Deferred tax assets (Note 30)	–	390,567	390,567	–	325,614	325,614
Other assets (Note 16)	274,963	179,897	454,860	291,163	271,723	562,886
	341,168	7,861,002	8,202,170	359,925	7,696,476	8,056,401
	60,847,790	70,434,598	131,282,388	60,110,902	55,106,466	115,217,368

(Forward)

	Parent Company					
	2022			2021 (As restated – Note 12)		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Less:						
Unearned interest and discounts (Note 12)	**(54,025)**	**(153)**	**(₱54,178)**	(44,482)	(274)	(₱44,756)
Accumulated depreciation and amortization (Notes 13, 14 and 16)	–	**(3,323,496)**	**(3,323,496)**	–	(3,113,072)	(3,113,072)
Allowance for credit and impairment losses (Notes 12, 14, 16 and 17)	**(2,151,371)**	**(867,244)**	**(3,018,615)**	(2,334,448)	(488,116)	(2,822,564)
Total	**₱58,642,394**	**₱66,243,705**	**₱124,886,099**	₱57,731,972	₱51,505,004	₱109,236,976
Financial liabilities						
Deposit liabilities:						
Demand	**₱45,508,590**	**₱–**	**₱45,508,590**	₱41,175,066	₱–	₱41,175,066
Savings	**12,667,907**	**–**	**12,667,907**	11,359,112	–	11,359,112
Time	**35,709,697**	**2,673,040**	**38,382,737**	28,502,686	3,028,884	31,531,570
LTNCD	**–**	**2,893,897**	**2,893,897**	–	2,889,116	2,889,116
Bills payable (Note 19)	**7,594,019**	**–**	**7,594,019**	6,010,988	–	6,010,988
Outstanding acceptances	**50,218**	**–**	**50,218**	71,609	–	71,609
Manager's checks	**221,535**	**–**	**221,535**	172,247	–	172,247
Accrued interest payable (Note 20)	**193,187**	**–**	**193,187**	59,188	–	59,188
Accrued other expenses (Note 20)	**589,123**	**–**	**589,123**	557,282	–	557,282
Other liabilities (Note 21):		**–**			–	
Accounts payable	**276,643**	**–**	**276,643**	310,949	–	310,949
Refundable security deposits	**43,023**	**88,628**	**131,651**	45,686	120,180	165,866
Miscellaneous	**30,955**	**–**	**30,955**	28,060	–	28,060
	102,884,897	**5,655,565**	**108,540,462**	88,292,873	6,038,180	94,331,053
Non-financial liabilities						
Accrued taxes and licenses (Note 20)	**82,004**	**–**	**82,004**	64,178	–	64,178
Income tax payable	**118,813**	**–**	**118,813**	66,823	–	66,823
Other liabilities (Note 21):						
Deferred credits	**110,762**	**74,156**	**184,918**	94,528	111,884	206,412
Lease liability	**91,490**	**122,705**	**214,195**	98,208	154,293	252,501
Withholding taxes payable	**34,513**	**–**	**34,513**	20,229	–	20,229
Due to the Treasurer of the Philippines	**47,194**	**–**	**47,194**	44,575	–	44,575
Miscellaneous	**29,463**	**68,490**	**97,953**	16,497	58,890	75,387
	514,239	**265,351**	**779,590**	405,038	325,067	730,105
	₱103,399,136	**₱5,920,916**	**₱109,320,052**	₱88,697,911	₱6,363,247	₱95,061,158

23. **Equity**

Common Stock

Details and movements of common stock follow:

	Shares	**Amount**
Common - ₱25 par value		
Authorized	**760,000**	
Issued and outstanding		
Balance at December 31	**480,645**	**₱12,016,129**

The Parent Company became listed in the PSE on May 12, 1988. After its listing in the PSE, there was no succeeding offer/selling to the public of the Parent Company's shares.

The summarized information on the Parent Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Type/Class	Authorized Shares	Par Value
November 23, 1988	Common Class A	7,000,000	100
	Common Class B	3,000,000	100
June 3, 1993	Common Class A	14,000,000	100
	Common Class B	6,000,000	100
September 11, 1997	Common	65,000,000	100
April 6, 2001	Common	145,000,000	100
March 31, 2006	Common	145,000,000	100
	Preferred	120,000,000	25
March 11, 2013	Common	760,000,000	25

As reported by the Parent Company's transfer agent, AB Stock Transfers Corporation, the total number of shareholders is 398 as of December 31, 2022 and 2021.

Surplus Reserves

In compliance with BSP regulations and RA No. 337, *The General Banking Act*, 10.00% of the Parent Company's profit from trust business is appropriated to surplus reserves. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Parent Company's authorized capital stock. Surplus reserve for self-insurance represents the amount set aside to cover for losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

Upon adoption of PFRS 9, BSP requires appropriation of a portion of the Group's Surplus at an amount necessary to bring to at least 1% the allowance for credit losses on loans (Note 17). In 2022, the Bank transferred to surplus reserves appropriation of ₱53.48 million and ₱52.24 million out of 2022 and 2021 net income, respectively, to meet prudential requirements on 1% general loan loss provisioning.

Deficit

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 differs to a certain extent from the computation following BSP Guidelines.

Accumulated net earnings of the subsidiary and an associate amounting to ₱12.71 million and ₱12.40 million as of December 31, 2022 and 2021, respectively, that were closed out to 'Surplus'/'Deficit' is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

Capital Management

The primary objectives of the Parent Company's capital management are to ensure that the Parent Company complies with regulatory capital requirements and that the Parent Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Parent Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Parent Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Parent Company's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("Bank for International Settlements rules/ratios") and adopted by the BSP as discussed below. The Parent Company has complied in full with all its regulatory capital requirements.

BSP approvals
On December 14, 2012, the BSP, in its Resolution No. 2088, approved the request of the Parent Company to include the ₱1.92 billion appraisal increment resulting from the revaluation of PBCom Tower as part of unimpaired and qualifying capital in computing for net worth and capital adequacy ratio. Effective January 1, 2018, the Group and the Parent Company changed their method of accounting for Investment Properties and Land from the fair value model and revaluation model, respectively, to the cost model, and restated the comparative information in its audited financial statements. As approved by the BSP, however, the Parent Company continues to include the above revaluation increment for purposes of regulatory unimpaired and qualifying capital in its computation of net worth and capital adequacy ratio. As of December 31, 2022 and 2021, the revaluation increment pertaining to PBCOM Tower amounted to ₱1.75 billion and ₱1.74 billion, respectively.

<u>Regulatory Qualifying Capital</u>
Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Group's "qualifying capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies which may differ from PFRS in some respects.

The BSP, under Section 125 and Appendix 59 of the MORB, prescribes guidelines in implementing the revised risk-based capital adequacy framework for universal and commercial banks to conform with Basel III standards.

Under the MORB, the quality capital a bank must maintain to cover its risks. These include:
- Tier One capital - comprises the Group's and the Parent Company's core capital resources that are immediately available to sustain the financial stability of the group. Components of tier one capital include:
  - Core-Equity Tier One or CET-1 includes paid-in shares of common stock, retained earnings and accumulated OCI. CET-1 must be the predominant form of Tier One Capital. CET-1 absorbs all deductions to capital mandated by regulation. These deductions include capital invested in affiliates, net deferred tax assets and intangible assets items.
  - Alternative Tier One or AT-1 includes other equity type claims on a bank's statement of financial position that are sufficiently subordinate to the claims of depositors and senior creditors and whose cash flow distributions are not committed and cancellable at the option of the bank.
- Tier Two capital - includes auxiliary items, such as the general loan loss provision and appraisal increment reserves on investment property, that supplement Tier One Capital in sustaining the financial stability of the bank.

Banks must maintain CET-1 capital equivalent to 6.00%, Total Tier One capital equivalent to 7.5% and Total capital equivalent to 10% of regulatory risk weighted assets at all times.

Below is a summary of risk weights and selected exposure types:

Risk Weight	Exposure/Asset Type*
0.00%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.00%	Cash and other cash items, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50.00%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75.00%	Direct loans of defined Small Medium Enterprise and microfinance loans portfolio; non-performing housing loans fully secured by first mortgage
100.00%	All other assets (for example, real estate assets) excluding those deducted from capital (for example, deferred income tax)
150.00%	All non-performing loans (except non-performing housing loans fully secured by first mortgage) and all non-performing debt securities

*Not all inclusive

As of December 31, 2021 and 2021, the Group and the Parent Company reported ratios in excess of the regulatory requirements.

Presented below are the composition of qualifying capital and the related disclosures as reported to the BSP (amounts in millions):

	2022	2021
CET-1 Capital	**₱15,084**	₱13,919
Less: Regulatory Adjustments to CET-1	**(639)**	(543)
	14,445	13,376
Additional Tier 1 Capital	–	–
Less: Regulatory Adjustments to AT-1	–	–
	–	–
Total Tier 1 Capital	**14,445**	13,376
Tier 2 Capital	**2,413**	2,227
Less: Regulatory Adjustments to Tier 2 Capital	–	–
Total Tier 2 Capital	**2,413**	2,227
Total Qualifying Capital	**₱16,858**	₱15,603

The Group’s and the Parent Company’s RBCAR as reported to the BSP as of December 31, 2022 and 2021 are shown in the table below (amounts in millions):

	2022	2021
CET-1 Capital:		
Paid-up common stock	**₱12,016**	₱12,016
Additional paid-in capital	**2,262**	2,262
Surplus (Deficit)	**1,073**	(284)
Net unrealized gains or losses on FVTOCI	**(308)**	36
Cumulative foreign currency translation	–	2
Cumulative actuarial losses	**41**	(113)
	15,084	13,919
Less: Regulatory Adjustments to CET-1		
Other intangible assets	**523**	523
Defined benefit pension fund assets	**95**	–
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies	**6**	6
Significant minority investments	**15**	14
	639	543
Tier 1 Capital		
Additional Tier 1 Capital	**–**	–
Total Tier 1 Capital	**14,445**	13,376
Appraisal increment reserve	**1,749**	1,737
General loan loss provision	**664**	490
	2,413	2,227
Less: Regulatory Adjustments to Tier 2 Capital	**–**	–
Total Tier 2 Capital	**2,413**	2,227
Total Qualifying Capital	**₱16,858**	₱15,603
Credit risk-weighted assets	**88,852**	₱76,572
Market risk-weighted assets	**305**	500
Operational risk-weighted assets	**9,622**	8,774
Total Risk Weighted Assets	**₱98,779**	₱85,846
CET 1 Capital Ratio	**14.62%**	15.58%
Tier 1 Capital Ratio	**14.62%**	15.58%
Total Capital Ratio	**17.07%**	18.18%

Leverage ratio

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based “backstop” measure.

Exposure measure is the sum of on-balance sheet exposures, derivative exposures, and off-balance sheet items. Items that are deducted completely from capital (regulatory deductions) do not contribute to leverage, hence, deducted from the exposure measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

As of December 31, 2022 and 2021, BLR of the Parent Company, as reported to the BSP, is shown in the table below (amounts, except ratios, are expressed in millions):

	2022	2021
Tier 1 capital	**₱14,445**	₱13,376
Total exposure measure	**131,322**	116,271
BLR	**11.00%**	11.50%

Internal Capital Adequacy Assessment Process (ICAAP)
The ICAAP methodology of the Parent Company was based on the minimum regulatory capital requirement under BSP Circular No. 639 which involved, first, an assessment of whether the risks covered by the Framework are fully captured; and second, an assessment of other risks the Parent Company is exposed to which are not fully captured and covered under the Framework, and an assessment of whether and how much capital to allocate against these other risks.

The ICAAP included the articulation of the Parent Company's Risk Appetite and the corresponding limit on each material risk which was deliberated upon by the ICAAP Steering Committee, ROC and endorsed to the BOD for approval.

Salient points of the 2022 ICAAP Document:
- The Parent Company's total Qualifying Capital for December 31, 2021 fully covers the capital requirements for risks under MORB Section 125 and 130 (Pillar 1 and Pillar 2 Risks).
- The Parent Company's resulting operating environment and risk requirements from 2022 to 2024 will be guided by the Capital Development and Sustainability Plan to ensure appropriate capital coverages not only to meet the regulatory and internal capital adequacy requirements but also to ensure execution of the 3-year strategic growth within the BOD's desired appetite for capital adequacy. Realization of the capital plan will enable the Parent Company to have sufficient RBCAR, and even projecting significant excess of capital in 2023 to 2025.

24. **Commitments and Contingent Liabilities**

In the normal course of operations, the Group has various outstanding commitments and contingent liabilities such as guarantees, forward exchange contracts, and commitments to extend credit, which are not presented in the accompanying financial statements. The Group does not anticipate any material losses as a result of these transactions.

The Group has certain loan-related suits and claims that remain unsettled. It is not practicable to estimate the potential financial statement impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums that would have a material effect on the financial statements.

The Group is a defendant in legal actions arising from its normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the consolidated and parent company financial statements. Allowance for credit losses on the loan commitments and financial guarantee contracts for the years ended December 31, 2022 and 2021 is not material to the Group's financial statements.

The following is a summary of contingencies and commitments of the Group and the Parent Company with the equivalent peso contractual amounts:

	2022	2021
Trust department accounts	**₱10,814,414**	₱8,631,952
Standby LC	**970,552**	825,173
Spot exchange:		
Bought	**251,584**	101,998
Sold	**561,113**	362,093
Usance LC outstanding (Forward)	**596,009**	135,023

	2022	2021
Outstanding shipping guarantees	**1,684,193**	396,019
Sight LC outstanding	**347,188**	890,428
Outward bills for collection	**61,043**	13,293
Currency forwards:		
Bought	**808**	1,987
Sold	**75,420**	162,464
Inward bills for collection	**196,173**	106,075
Items held for safekeeping	**16**	19
Items held as collateral	**7**	7
Other contingencies	**13,223**	14,241

Derivative Financial Instruments

As of December 31, 2022, the Parent Company has outstanding buy US dollar currency forwards with aggregate notional amount of US$1.37 million, terms of 365 days, and weighted average forward rate of ₱53.66. As of December 31, 2022, derivative liability amounting to ₱2.91 million is presented under miscellaneous liability.

As of December 31, 2021, the Parent Company has outstanding buy US dollar currency forwards with aggregate notional amount of US$3.147 million, terms of 359 days, and weighted average forward rate of ₱50.33. As of December 31, 2022, derivative liability amounting to ₱6.04 million is presented under miscellaneous liability.

In 2022, 2021 and 2020, total gain (loss) on currency forwards included under ‘Trading and securities gain (loss) - others’ in the statements of income amounted to ₱3.13 million, (₱16.64 million), and ₱2.56 million, respectively (see Note 26).

25. **Trust Operations**

Securities and other properties (other than deposits) held by the Parent Company for its customers in its fiduciary or agency capacity are not included in the statements of financial position since these are not assets of the Parent Company. Total assets held by the Parent Company’s trust department amounted to ₱10.81 billion and ₱8.63 billion as of December 31, 2022 and 2021, respectively (see Note 24).

As of December 31, 2022 and 2021, government securities (included under ‘Investment securities at amortized cost’) owned by the Parent Company with total face value of ₱120.00 million and ₱90.00 million, respectively, are deposited with the BSP in compliance with the requirements of RA No. 337 relative to the Parent Company’s trust functions.

Income from the Group’s and the Parent Company’s trust operations shown under ‘Income from trust operations’ in the statements of income amounted to ₱31.76 million, ₱29.23 million, and ₱25.69 million in 2022, 2021 and 2020, respectively.

26. Income on Investment Securities

Interest income on investment securities follows:

	2022	2021	2020
Investment securities at amortized cost	**₱658,690**	₱222,525	₱150,348
Financial assets at FVOCI	**219,368**	250,271	213,270
Investment securities	**878,058**	472,796	363,618
Financial assets at FVTPL	**28,876**	40,345	80,007
	₱906,934	₱513,141	₱443,625

The Parent Company's peso-denominated investment securities earned annual interest rates ranging from 2.38% to 9.25% in 2022, 2.38% to 6.25% in 2021 and 2.63% to 8.00% in 2020 , while dollar-denominated investment securities earned annual interest rates ranging from 1.38% to 10.63%, 1.13% to 10.63%, and 0.63% to 10.63%, in 2022, 2021 and 2020, respectively and euro-denominated investment securities earned an annual interest rate of 2.63% in 2022 and 2021.

The Group's and the Parent Company's trading and securities gain (loss) - net follows:

	2022	2021	2020
Financial assets at FVTPL	**₱70,821**	₱60,585	₱374,890
Financial assets at FVTOCI (Note 10)	**(440,279)**	(285,542)	277,278
Derivatives (Note 24)	**3,131**	(16,641)	2,563
	(₱366,327)	(₱241,598)	₱654,731

27. Employee Benefits

The existing regulatory framework, RA No. 7641, *The Retirement Pay Law*, requires companies with at least ten employees to pay retirement benefits to qualified private sector employees in the absence of any retirement plan in the entity, provided however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

<u>Defined Benefit Plans</u>

Parent Company

The Parent Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its officers and regular employees. The Parent Company's annual contribution to the retirement plan consists of a payment covering the current service cost and unfunded actuarial accrued liability. The retirement plan provides a retirement benefit based on applicable percentage of salary (100% - 150%) depending on the number of years of service (minimum of five years), a fraction of a month being considered as one whole month. The Parent Company's retirement plan is in the form of a trust administered by the Parent Company's Trust and Wealth Management Group (TWMG) under the supervision of the Retirement Board.

The latest actuarial valuation studies of the defined benefit retirement plans of the Group were made as of December 31, 2022. The amounts relating to the defined benefit retirement plans of the Group and Parent Company are presented under 'Other assets' in the statements of financial position.

The following table shows the actuarial valuation results for the Group and the Parent Company as of December 31, 2022 and 2021:

	2022			2021		
	Fair Value of Plan Assets	**Present Value of Obligation**	**Net Plan Assets**	Fair Value of Plan Assets	Present Value of Obligation	Net Plan Assets
Consolidated and Parent Company	**₱542,142**	**₱453,351**	**₱88,791**	₱557,039	₱461,546	₱95,493

Changes in the present value of the defined benefit obligations of the Group and the Parent as of December 31, 2022 and 2021 are as follows:

	Consolidated	
	2022	2021
Balance at January 1	**₱461,546**	₱609,646
Current service cost	**47,836**	72,798
Interest cost	**23,539**	24,386
Remeasurement losses (gains):		
Actuarial losses (gains) arising from deviations of experience from assumptions	**65,812**	(37,526)
Actuarial gains arising from changes in financial assumptions	**(100,386)**	(181,272)
Benefits paid	**(44,996)**	(26,486)
Balance at December 31	**₱453,351**	₱461,546

Changes in the fair value of the plan assets of the Group and Parent Company as of December 31, 2022 and 2021 are as follows:

	2022	2021
Balance at January 1	**₱557,039**	₱500,642
Sale of subsidiary (Note 7)		–
Contributions	**42,966**	77,158
Interest income	**28,409**	20,026
Return on plan assets (excluding interest income)	**(41,276)**	(14,300)
Benefits paid	**(44,996)**	(26,487)
Balance at December 31	**₱542,142**	₱557,039

The fair values of plan assets by class of the Group and Parent Company as of December 31, 2022 and 2021 are as follows:

	2022	2021
Cash and cash equivalents	**₱69,353**	₱41,000
Debt instruments:		
Philippine government	**160,472**	204,143
Real estate	**95,424**	90,739
Industrial	**72,396**	55,363
Holding firms	**26,160**	16,238
Power, electricity and water distribution	**12,284**	14,304
Financial intermediaries	**1,942**	2,019

(Forward)

	2022	2021
Equity instruments:		
Real estate	**36,524**	41,490
Holding firms	**21,176**	24,764
Financial intermediaries	**12,457**	12,524
Wholesale and retail trade	**7,914**	9,858
Transport, storage and communication	**7,956**	15,576
Power, electricity and water distribution	**4,531**	4,966
Manufacturing	**2,740**	2,412
Others	**2,233**	703
Other assets and liabilities	**8,580**	20,940
	₱542,142	₱557,039

The Group's plan assets are carried at fair value. All equity and debt instruments have quoted prices in an active market. The fair values of other assets and liabilities, which include amounts due from other banks, accrued interest and other receivables and trust fee payables, approximate their carrying amount due to the short-term nature of these accounts.

The plan assets are diversified investments and are not exposed to concentration risk.

The Group expects to contribute ₱39.96 million to the defined retirement benefit plans in 2023.

The cost of defined benefit retirement plans, as well as the present value of the benefit obligations, are determined using actuarial valuations, which involve making various assumptions. The principal assumptions used are shown below:

	Parent Company	
	2022	2021
Discount rate:		
At January 1	**5.10%**	4.00%
At December 31	**7.30%**	5.10%
Salary increase rate	**5.00%**	5.00%
Average remaining working life	**13**	13

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the Group and Parent Company as of December 31, 2022 and 2021, assuming all other assumptions were held constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

	Increase (Decrease) in Defined Benefit Obligation	
	2022	2021
Increase in discount rate of 1.00%	**(₱124,692)**	(₱139,271)
Decrease in discount rate of 1.00%	**47,287**	43,972
Increase in salary increase rate of 1.00%	**49,760**	47,563
Decrease in salary increase rate of 1.00%	**(₱123,152)**	(₱137,097)

The amounts of defined benefit cost included in the statements of other comprehensive income as 'Remeasurement of retirement liability', gross of tax, follow:

	Consolidated and Parent Company		
	2022	2021	2020
Actuarial gain (loss) on benefit obligation	**₱34,574**	₱218,797	(₱51,431)
Return on plan assets (excluding interest income)	**(41,276)**	(14,300)	(20,418)
Remeasurement gains (loss) in OCI	**(₱6,702)**	₱204,497	(₱71,849)

The amounts of retirement cost included in the statements of income follow:

	Consolidated and Parent Company		
	2022	2021	2020
Current service cost*	**₱47,836**	₱72,798	₱60,898
Net interest expense (income) (Note 19)	**(4,870)**	4,360	1,969
Retirement cost	**₱42,966**	₱77,158	₱62,867

**Included under 'Compensation and fringe benefits' in the statements of income*

Shown below is the maturity profile of the undiscounted benefit payments of the Group and the Parent Company as of December 31, 2022 and 2021:

Plan Year	**2022**	2021
Less than five years	**₱223,371**	₱169,982
More than five to ten years	**358,584**	309,796
Ten years and above	**2,564,452**	2,193,537
	₱3,146,407	₱2,673,315

Collective Bargaining Agreement (CBA)
All of the Parent Company's rank and file employees are covered by a CBA. While the Bank is in the process of negotiation with employees covering the periods January 1, 2023 to December 31, 2025, all provisions in the existing CBA signed on December 28, 2021 remain in effect.

Defined Contribution Plans
Parent Company
The Parent Company employs a provident fund scheme where the Parent Company and its covered employees shall contribute 11% and 5% of the employees' basic monthly salary, respectively. Contributions are maintained under the Provident Fund account administered by the Parent Company's TWMG under the supervision of the Retirement/Provident Fund Board. As approved by the Parent Company's BOD on November 27, 2013, new officers hired after December 31, 2013, except those whose terms of employment have been negotiated prior to December 1, 2013, are no longer eligible for inclusion in the Parent Company's provident fund. The Parent Company's BOD, in its meeting held on January 27, 2016, approved a change in vesting for the retirement fund from 5 to 10 years effective for all new hires who sign up starting February 1, 2016.

Contributions paid and accrued by the Parent Company for both the Staff Provident Fund and the Retirement Fund recognized under 'Compensation and fringe benefits' in the statements of income amounted to ₱69.44 million, ₱103.84 million, and ₱91.28 million, in 2022, 2021 and 2020, respectively.

28. **Long-term Leases**

Group as a Lessee

As of December 31, 2022 and 2021, 84.04% of the Parent Company's branch sites are under lease arrangements. The lease contracts are for periods ranging from one to five years and some are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, which bear an annual rent increase of 3.00% to10.00%. As of December 31, 2022 and 2021, the Group has no contingent rent payable.

As of December 31, 2022 and 2021, the carrying amount of lease liabilities (included in 'Other Liabilities' in Note 21) is ₱214.19 million and ₱252.50 million, respectively.

The Group and the Parent Company recognized interest expense on lease liabilities and rent expense from short-term leases and lease of low value's and the Parent Company's future minimum rentals payable under noncancellable assets operating leases are as follows:

	2022	2021	2020
Depreciation expense – right of use asset	**₱102,897**	₱99,444	₱107,525
Interest expense – lease liability*	**12,256**	14,528	17,601
Rent expense – short-term lease	**45,078**	41,580	44,240
	₱160,231	₱155,552	₱169,366

**Included under 'interest on bills payable and other borrowings' in the statements of income*

The Group's and the Parent Company's future minimum rentals payable under noncancellable operating leases are as follows:

	2022	2021
Within one year	**₱143,937**	₱148,654
Beyond one year but not more than five years	**197,463**	222,323
	₱341,400	₱370,977

Group as a Lessor

The Parent Company has also entered into commercial property leases on its investment properties. These noncancellable leases have remaining noncancellable lease terms of between one to five years. The Parent Company recognized rent income, included under 'Rent income' in the statements of income, amounting to ₱409.65 million, ₱493.04 million, and ₱660.49 million, in 2022, 2021 and 2020, respectively.

The Group's and the Parent Company's future minimum rentals receivable under noncancellable operating leases follow:

	2022	2021
Within one year	**₱378,223**	₱376,557
Beyond one year but not more than five years	**318,477**	489,398
	₱696,700	₱865,955

29. Miscellaneous Income and Expenses

Miscellaneous income

Details of this account are as follows:

	Consolidated and Parent Company		
	2022	2021	2020
Rental charges	**₱64,765**	₱70,299	₱112,721
Penalties	**26,914**	21,676	24,116
Dividend income	**1,612**	3,344	9,585
Others (Note 19)	**27,780**	42,027	11,980
	₱121,071	₱137,346	₱158,402

Miscellaneous expenses

Details of this account are as follows:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Information technology	**₱96,155**	₱77,757	₱81,861	**₱96,155**	₱77,757	₱81,861
Fines, penalties and other charges	**51,331**	48,748	71,796	**51,331**	48,748	71,796
Transaction dues	**47,959**	44,996	44,634	**47,959**	44,996	44,634
Litigation and assets acquired – related expenses	**45,700**	85,949	36,926	**45,700**	85,949	36,926
Brokerage fees	**17,455**	27,979	38,191	**17,455**	27,979	38,191
Stationery and supplies	**13,020**	18,153	13,064	**13,020**	18,153	13,064
Fuel and lubricants	**11,925**	11,199	10,123	**11,925**	11,199	10,123
Freight	**6,597**	9,767	7,926	**6,597**	9,767	7,926
Advertising	**2,410**	1,221	4,668	**2,410**	1,221	4,668
Travel	**1,944**	10,093	12,094	**1,944**	10,093	12,094
Others	**94,806**	75,612	71,494	**94,806**	75,602	71,489
	₱389,302	₱411,474	₱392,777	**₱389,302**	₱411,464	₱392,772

Others include account maintenance charges, contractual services, and Philippine Dealing Exchange Corp. transaction fees.

30. Income and Other Taxes

Under Philippine tax laws, the RBU of the Parent Company and its subsidiary are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income), as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and DST. Income taxes include corporate income tax, as discussed below, and final taxes paid, which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

RA No. 9397, *An Act Amending National Internal Revenue Code*, provides that the RCIT rate shall be 30.00% and the interest expense allowed as a deductible expense shall be reduced by 33.00% of interest income subjected to final tax.

An MCIT of 2.00% of modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the period of incurrence.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law and introduced reforms to the corporate income tax and incentives systems. It became effective on April 11, 2021, 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Income tax arbitrage rate reduced from 33% to 20% of interest income subject to final tax effective July 1, 2020

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. Based on the provisions of Revenue Memorandum Circular No. 50-2021 dated April 5, 2021 issued by the BIR, the prorated RCIT rate of the Group for 2020 is 27.50%.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 were computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

The impact of CREATE, which reduced 2020 current income tax by ₱27.25 million and deferred tax assets by ₱30.08 million were recognized in the 2021 financial statements.

Provision for income tax consists of:

	Consolidated and Parent Company		
	2022	2021	2020
Current:			
RCIT	**₱413,945**	₱364,041	₱217,947
Final	**177,804**	107,370	144,040
	591,749	471,411	361,987
Deferred	**(66,103)**	(214,785)	(131,864)
	₱525,646	₱256,626	₱230,123

The Group's and Parent Company's components of deferred tax assets and liabilities follow:

	2022	2021
Deferred tax assets:		
Allowance for ECL and impairment losses	**₱729,241**	₱669,175
Accumulated depreciation on investment properties	**60,076**	50,088
Lease liability	**53,559**	63,126
Advance rental	**45,850**	51,603
Unamortized past service cost	**7,683**	9,667
	₱896,409	₱843,659
Deferred tax liabilities:		
Revaluation increment credited to surplus free	**₱333,316**	₱333,316
Branch licenses acquired from business combinations	**65,650**	65,650
Right-of-use assets	**49,610**	60,161
Retirement asset	**22,199**	23,874
Unrealized gain on equity securities carried at FVTOCI	**13,841**	11,016
Gain on foreclosure of foreclosed of properties	**17,927**	21,904
Unrealized foreign exchange gain	**3,299**	2,124
	505,842	518,045
Net deferred tax assets	**₱390,567**	₱325,614

Provision for (benefit from) income tax directly charged to OCI by the Group and Parent Company in 2022, 2021 and 2020 amounted to ₱1.15 million, (₱59.78 million), and ₱45.05 million, respectively.

The ultimate realization of deferred tax assets is dependent on the generation of future taxable income. In assessing the realizability of its deferred tax assets, the Group considers projected future taxable income, reversal of temporary differences, and tax planning strategies. The Group and Parent Company assessed that deferred tax assets will be realized in the future.

A reconciliation between the statutory income tax and the effective income tax follows:

	Consolidated and Parent Company		
	2022	2021	2020
Statutory income tax	**₱539,333**	₱457,422	₱419,711
Tax effects of:			
Nondeductible expenses and others	**68,403**	38,148	123,146
FCDU loss (income) before income tax	**19,780**	(39,400)	(93,512)
Interest income subjected to final tax	**(42,558)**	(26,651)	(36,579)
Nontaxable income	**(59,312)**	(83,659)	(67,280)
Changes in temporary differences	–	(89,234)	(115,363)
Effective income tax	**₱525,646**	₱256,626	₱230,123

31. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Parent Company's related parties include key management personnel, close family members of key management personnel, affiliates (that is, entities which are controlled, significantly influenced by or for which significant voting power is held by the Parent Company or key management personnel or their close family members and retirement plan for the benefit of the Group's employees).

The Parent Company has business relationships with certain related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Retirement Plans
Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has a business relationship with its defined benefit and contribution plans, as it provides trust and management services to the plans. Any investments made in the retirement plans are approved by the Parent Company's Retirement Board. The Parent Company's Retirement Board is comprised of senior officers of the Parent Company. Income earned by the Parent Company (presented as part of 'Income from trust operations' in the statements of income) from such services amounted to ₱4.99 million in 2022, ₱4.98 million in 2021, and ₱4.79 million in 2020. Total deposits maintained by the related party retirement plans with the Parent Company amounted to ₱68.4 million and ₱84.6 million as of December 31, 2022 and 2021, respectively.

Key Management Personnel
Key management personnel are those persons with authority and responsibility for planning, directing and controlling the activities of the Parent Company, directly or indirectly. The Parent Company considers the members of the Senior Management Team to constitute key management personnel for purposes of PAS 24.

Total remunerations of key management personnel are as follows:

	2022	2021	2020
Short-term benefits	**₱150,513**	₱141,574	₱131,425
Post-employment benefits	**6,339**	8,282	6,681
	₱156,852	₱149,856	₱138,106

The remuneration of Parent's Board of Directors, presented under 'Compensation and fringe benefits' in the statements of income, such as per diem and other fees amounted to ₱12.91 million, ₱13.6 million, and ₱12.43 million, as of December 31, 2022, 2021 and 2020, respectively.

Details on significant related party transactions of the Parent Company follow:

	2022		
Category	**Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant investors:			
Deposit liabilities	**₱5,595,275**	**₱11,276,269**	**Savings and time deposit accounts with annual interest rates ranging from 0.1% to 5.5%.**
Interest expense	**34,983**		
Depreciation expense	**25,014**		**Branch and office space leased for five years ending in various years, with 5.00% annual escalation**
Lease liability	**55,316**		
Interest expense	**3,274**		
Rent income	**3,946**		**5-year lease of branches, subject to pre-termination, with escalation rate of 5%.**
Loans and receivables	**394,892**	**464,526**	**Loans with annual interest rates from 6.50% to 7.25%**
Affiliate:			
Deposit liabilities	**(241)**	**17,989**	**Demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 2.50%.**
Interest expense	**59**		

Category	Volume	Outstanding Balance	Nature, Terms and Conditions
	2022		
Rent income	**149**		**5-year lease expiring in July 2023 with 5.00% annual escalation.**
Subsidiary:			
Deposit liabilities	**(43)**	**8,902**	**Non-interest demand deposit account.**
Key management personnel:			
Deposit liabilities	**3,593**	**41,216**	**Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.60%.**
Interest expense	**51**		
Provident fund:			
Deposit liabilities	**(16,204)**	**25,820**	**Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.25%.**
Interest expense	**164**		**A certain percentage of the monthly ending market value of the fund depending on agreement.**
Trust fee	**2,248**		
Retirement fund:			
Deposit liabilities	**46**	**42,582**	**Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.25%**
Interest expense	**307**		**A certain percentage of the monthly ending market value of the fund depending on agreement.**
Trust fee	**2,743**	−	

Category	Volume	Outstanding Balance	Nature, Terms and Conditions
	2021		
Significant investors:			
Deposit liabilities	₱1,698,617	₱5,680,994	Savings and time deposit accounts with annual interest rates ranging from 0.06% to 3.37%.
Interest expense	15,635	−	
Depreciation expense	24,366	−	Branch and office space leased for five years ending in various years, with 5.00% annual escalation.
Lease liability	58,402	−	
Interest expense	4,278		
Rent income	2,046	−	5-year lease of branches, subject to pre-termination, with escalation rate of 5%.
Loans and receivables	(22,998)	69,634	Loans with annual interest rates of 5.50%
Affiliate:			
Deposit liabilities	681	18,229	Demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.27%.
Interest expense	15	−	
Rent income	153	−	5-year lease expiring in July 2023 with 5.00% annual escalation.
Subsidiary:			
Deposit liabilities	(26)	8,945	Non-interest demand deposit account.
Key management personnel:			
Deposit liabilities	12,844	37,623	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.25%.
Interest expense	25		
Provident fund:			
Deposit liabilities	(83,876)	42,024	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.13%.
Interest expense	120	−	A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	2,325	−	
Retirement fund:			
Deposit liabilities	(97,499)	41,000	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.13%
Interest expense	138	−	A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	2,652	−	

Category	Volume	Outstanding Balance	Nature, Terms and Conditions
	2020		
Significant investors:			
Deposit liabilities	(₱4,406,238)	₱3,982,377	Savings and time deposit accounts with annual interest rates ranging from 0.06% to 3%.
Interest expense	26,676	−	
Depreciation expense	22,559	−	Branch and office space leased for five years ending in various years, with 5.00% annual escalation.
Lease liability	(6,634)	−	
Interest expense	5,649	−	
Rent income	4,064	−	5-year lease of branches, subject to pre-termination, with escalation rate of 5%.
Loans and receivables	12,843	92,632	Loans with annual interest rates ranging from 5.80% to 8.00%
Affiliate:			
Deposit liabilities	2,985	17,548	Demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.50%.
Interest expense	172	−	
Rent income	157	−	5-year lease expiring in July 2023 with 5.00% annual escalation.
Subsidiary:			
Deposit liabilities	(5,574)	8,971	Non-interest demand deposit account.
Key management personnel:			
Deposit liabilities	8,240	24,779	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 2.63%
Interest expense	66	−	
Provident fund:			
Deposit liabilities	120,691	125,900	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.50%.
Interest expense	256	−	
			A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	2,348	−	A certain percentage of the monthly ending market value of the fund depending on agreement.
Retirement fund:			
Deposit liabilities	137,558	138,499	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.50%
Interest expense	271	−	
			A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	2,443	−	A certain percentage of the monthly ending market value of the fund depending on agreement.

32. **Earnings Per Share**

Basic EPS amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2022	2021	2020
Net income attributable to equity holders of the Parent Company	**₱1,631,687**	₱1,573,064	₱1,168,912
Weighted average number of common shares outstanding	**480,645**	480,645	480,645
Basic/diluted earnings per share	**₱3.39**	₱3.27	₱2.43

As of December 31, 2022, 2021 and 2020, there are no outstanding potential dilutive common shares.

33. Notes to Statements of Cash Flows

The amounts of interbank loans receivable and SPURA considered as cash and cash equivalents of the Group and Parent as of December 31, 2022, 2021 and 2020 follow:

	2022	2021	2020
Interbank loans receivable and SPURA shown under statements of cash flows	**₱34,899**	₱724,957	₱2,151,502
Interbank loans receivable and SPURA not considered as cash and cash equivalents	**2,565,680**	3,470,889	3,902,952
	₱2,600,579	₱4,195,846	₱6,054,454

The following is a summary of noncash activities:

	2022	2021	2020
Noncash operating activities:			
Additions to investment properties from settlement of loans (Note 14)	**₱231,539**	₱313,805	₱63,969
Additions to chattel mortgage from settlement of loans (Note 16)	**26,606**	33,970	58,211
Noncash investing activities:			
Transfer to property and equipment from other assets (Notes 13 and 16)	**3,754**	3,171	5,247
Transfer to other assets from property and equipment (Notes 13 and 16)	**(3,754)**	(3,171)	(5,247)
Unrealized gain (loss) on financial assets at FVOCI	**(368,094)**	(46,584)	12,161
Additions to right-of-use assets	**67,672**	123,024	76,116
Additions to lease liability	**(67,672)**	(123,024)	(76,116)

The changes in liabilities arising from the financing activities of the Group and Parent Company in 2022, 2021 and 2020 are as follows:

	January 1, 2022	Cash Flows	Foreign Exchange Movement	December 31, 2022
Bills payable (Note 19)	**₱6,010,988**	**₱1,310,178**	**₱272,853**	**₱7,594,019**
Outstanding acceptances	**71,609**	**(36,057)**	**14,666**	**50,218**
Total liabilities from financing activities	**₱6,082,597**	**₱1,274,121**	**₱287,519**	**₱7,644,237**

	January 1, 2021	Cash Flows	Foreign Exchange Movement	December 31, 2021
Bills payable (Note 19)	₱2,182,844	₱3,760,625	₱67,519	₱6,010,988
Outstanding acceptances	497,813	(441,444)	15,240	71,609
Marginal deposits*	6,773	(6,773)	–	–
Total liabilities from financing activities	₱2,687,430	₱3,312,408	₱82,759	₱6,082,597

** Included in 'Other liabilities'*

	January 1, 2020	Cash Flows	Foreign Exchange Movement	December 31, 2020
Bills payable (Note 19)	₱13,064,824	(₱10,879,934)	(₱2,046)	₱2,182,844
Outstanding acceptances	91,855	417,210	(11,252)	497,813
Marginal deposits*	34,348	(27,575)	–	6,773
Total liabilities from financing activities	₱13,191,027	(₱10,490,299)	(₱13,298)	₱2,687,430

** Included in 'Other liabilities'*

34. Offsetting of Financial Assets and Liabilities

The Group discloses information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding table (amounts in thousands).

December 31, 2022

Financial instruments recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a−b]**	**Effects of remaining rights of set−off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial instruments**	**Effects of remaining rights of set−off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of other financial collateral**	**Net exposure [c−d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Financial liabilities						
Bills payable	**₱7,594,019**	**₱–**	**₱7,594,019**	**₱7,680,925**	**₱–**	**₱–**

December 31, 2021

Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a−b]	Effects of remaining rights of set−off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial instruments	Effects of remaining rights of set−off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of other financial collateral	Net exposure [c−d]
	[a]	[b]	[c]	[d]		[e]
Financial liabilities						
Bills payable	₱6,010,988	₱–	₱6,010,988	₱6,051,439	₱–	₱–

The amounts disclosed in column (d) include those rights to set – off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. These include amounts related to financial collateral both received and pledged, whether cash or non – cash collateral, excluding the extent of over - collateralization.

35. Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. The adoption of these pronouncements is not expected to have a significant impact on the Group's financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising 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 judgement (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).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior-period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts.* This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures, Sale or contribution of assets between an investor and its associate or JV*

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

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

36. Approval for Release of the Financial Statements

The financial statements were authorized for issue by the BOD of the Parent Company on April 14, 2023.

37. Report on the Supplementary Information Required Under BSP Circular No. 1074

Under Section 174 of the MORB, banks are required to disclose the following supplementary information in the financial statements:

Basic quantitative indicators of financial performance
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			**Parent Company**		
	2022	2021	2020	**2022**	2021	2020
Return on average equity (a/b)	**10.97%**	11.78%	9.79%	**10.97%**	11.78%	9.79%
a) Net income	**₱1,631,687**	₱1,573,064	₱1,168,912	**₱1,631,687**	₱1,573,064	₱1,168,912
b) Average total equity	**14,870,932**	13,352,748	11,942,440	**14,870,932**	13,352,748	11,942,440
Return on average assets (a/c)	**1.39%**	1.49%	1.15%	**1.39%**	1.49%	1.15%
c) Average total assets	**117,053,909**	105,229,769	101,985,361	**117,061,537**	105,237,325	101,992,873
Net interest margin (d/e)	**4.80%**	4.83%	4.64%	**4.80%**	4.83%	4.64%
d) Net interest income	**4,810,496**	4,244,780	3,925,494	**4,810,496**	4,244,780	3,925,494
e) Average interest earning assets	**100,159,878**	87,820,774	84,668,912	**100,162,711**	87,823,602	84,671,645

Description of Capital Instruments Issued

As of December 31, 2022 and 2021, the Parent Company has outstanding capital stock shown below:

	Shares		Amount	
	2022	2021	**2022**	2021
Common - ₱25 par value				
Authorized	**760,000**	760,000		
Issued and outstanding	**480,645**	480,645	**₱12,016,129**	₱12,016,129

Significant Credit Exposures as to Industry Sector

The information of the Group and Parent Company on the concentration of credit as to industry before taking into account the allowance for ECL follows:

	2022		2021	
	Amount	**%**	Amount	%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**₱19,654,028**	**25.38**	₱16,838,594	26.03
Real estate activities	**17,365,606**	**22.42**	14,509,091	22.43
Manufacturing	**14,300,797**	**18.47**	14,427,907	22.31
Construction	**4,989,487**	**6.44**	3,373,605	5.22
Accommodation and food service activities	**4,431,192**	**5.72**	2,426,168	3.75
Electric, gas, steam and air-conditioning supply	**4,182,143**	**5.40**	3,784,547	5.85
Transportation and storage	**3,104,517**	**4.01**	1,984,339	3.07
Financial and insurance activities	**2,995,333**	**3.87**	2,144,958	3.32
Other service activities	**2,691,754**	**3.48**	1,306,726	2.02
Agriculture, forestry and fishing	**1,372,749**	**1.77**	1,360,235	2.10
Human health and social work activities	**1,246,041**	**1.61**	1,260,617	1.95
Loans to individuals Primarily for Personal Use purposes	**430,888**	**0.56**	554,014	0.86
Activities of households as employers and undifferentiated goods and services-producing activities of households for own use	**197,100**	**0.25**	161,709	0.25
Mining and quarrying	**119,897**	**0.15**	167,562	0.26
Education	**54,558**	**0.07**	72,292	0.11
Others	**307,576**	**0.40**	308,546	0.48
	₱77,443,666	**100.00**	₱64,680,910	100.00

Breakdown of Total Loans as to Security
The information (gross of unearned discounts and capitalized interest) of the Group and Parent Company relating to receivables from customers as to secured and unsecured and as to collateral follows:

	2022		2021	
	Amount	**%**	Amount	%
Loans secured by:				
Real estate	**₱30,026,966**	**38.75**	₱21,590,618	33.36
Chattel	**1,334,263**	**1.72**	930,246	1.44
Deposit hold-out	**1,785,051**	**2.30**	1,176,120	1.82
Securities and others	**496,461**	**0.64**	4,873,531	7.53
Secured	**33,642,741**	**43.41**	28,570,515	44.15
Unsecured loans	**43,855,103**	**56.59**	36,155,151	55.86
	₱77,497,844	**100.00**	₱64,725,666	100.00

Breakdown of Total Loans as to Status
The table below shows the status of the Group and the Parent Company's loans (gross of unearned discounts and capitalized interest) as to performing and non-performing loans (NPL) per product line as adjusted.

		2022			2021	
	Performing	**NPL**	**Total**	Performing	NPL	Total
Corporate loans	**₱71,621,444**	**₱2,104,149**	**₱73,725,593**	₱57,730,355	₱2,547,391	₱60,277,746
Consumer loans						
Home	**2,852,467**	**391,965**	**3,244,432**	3,077,456	559,207	3,636,663
Auto	**397,891**	**62,526**	**460,417**	470,747	127,359	598,106
Personal	**41,196**	**26,206**	**67,402**	114,985	98,166	213,151
	₱74,912,998	**₱2,584,846**	**₱77,497,844**	₱61,393,543	₱3,332,123	₱64,725,666

In accordance with MORB Section 304, *Amendments to the Regulations on Past Due and Non-Performing Loans*, loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, if it satisfies the following conditions:
a. It is considered impaired under existing accounting standards;
b. It is classified as doubtful or loss;
c. It is under litigation; and
d. There is evidence that full repayment of principal and 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.

Non-performing loans, investments, receivables, or any financial asset (and/or any replacement loan) shall remain classified as such until:
a. There is sufficient evidence to support that full collection of principal and interests is probable and at least six consecutive payments of the required amortization of principal and/or interest are received; or
b. Written-off.

As of December 31, 2022 and 2021, based on the definition of NPLs under MORB Section X304, NPLs amounted to ₱2.59 billion and ₱3.33 billion as of December 31, 2022 and 2021, respectively, which are gross of specific allowance amounting to ₱1.74 billion and ₱1.90 billion for the same reporting period. Gross and net NPL ratios (inclusive of RRP) of the Group are 3.23% and 1.06% for 2022, respectively, and 4.89% and 2.10% for 2021, respectively.

Information on Related Party Loans

As required by the BSP, the Parent Company discloses loan transactions with its associates, affiliates and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Parent Company. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under Section 342 of MORB:

	DOSRI		**Related Party**	
	2022	2021	**2022**	2021
Total outstanding DOSRI/Related Party loans	**₱6,193**	₱1,782	**₱464,526**	₱71,415
Percent of DOSRI/Related Party loans to total loans	**0.01%**	0.00%	**0.60%**	0.10%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**86.58%**	45.91%	**99.82%**	98.65%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	0.00%	**0.00%**	0.00%
Percent of nonperforming DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	0.00%	**0.00%**	0.00%

The amounts of loans and receivables disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel. As of December 31, 2022 and 2021, the DOSRI amount pertains to loans under BSP-approved fringed benefit program.

MORB Section 342 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank’s/quasi–bank’s subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi–bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi–bank; and the subsidiaries and affiliates of the lending bank/quasi–bank are not related interest of any director, officer and/or stockholder of the lending institution. As of December 31, 2022 and 2021, the Parent Company is in compliance with these requirements.

Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2022, ‘Bills payable’ amounting to ₱7.58 billion, are secured by a pledge of certain ‘Investment securities at amortized cost’ amounting to ₱7.95 billion.

As of December 31, 2021, 'Bills payable' amounting to ₱5.91 billion, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱163.27 million, and 'Investment securities at amortized cost' amounting to ₱5.86 billion.

Commitments and contingencies

The following is a summary of contingencies and commitments of the Group and the Parent Company with the equivalent peso contractual amounts:

	2022	2021
Trust department accounts	**₱10,814,414**	₱8,631,952
Standby LC	**970,552**	825,173
Spot exchange:		
Bought	**251,584**	101,998
Sold	**561,113**	362,093
Usance LC outstanding	**596,009**	135,023
Outstanding shipping guarantees	**1,684,193**	396,019
Sight LC outstanding	**347,188**	890,428
Outward bills for collection	**61,043**	13,293
(Forward)		
Currency forwards:		
Bought	**808**	1,987
Sold	**75,420**	162,464
Inward bills for collection	**196,173**	106,075
Items held for safekeeping	**16**	19
Items held as collateral	**7**	7
Other contingencies	**13,223**	14,241

38. Supplementary Information Under Revenue Regulations No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the details of percentage and other taxes paid or accrued by the Parent Company in 2022:

GRT	₱299,771
DST	154,687
Local taxes	9,806
Fringe benefit taxes	3,311
Others	31,839
	₱499,414

Withholding Taxes

Details of total remittances in 2022 and outstanding balance of withholding taxes as of December 31, 2022 follow:

	Total Remittances	Balance as of December 31
Final withholding taxes	₱101,020	₱23,069
Withholding taxes on compensation and benefits	135,897	8,990
Expanded withholding taxes	30,550	2,454
	₱267,467	₱34,513

Tax Assessments and Cases
As of December 31, 2022, the Group only has outstanding cases filed in courts for various claims for tax refund amounting to ₱5.53 million reported under 'Other assets' in the statement of financial position.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Bank of Communications
PBCom Tower, 6795 Ayala Avenue
Corner V. A. Rufino Street, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine Bank of Communications and Subsidiary (the Group) and the financial statements of Philippine Bank of Communications (the Parent Bank) as at December 31, 2022, included in this Form 17-A, and have issued our report thereon dated April 14, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
Tax Identification No. 216-950-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 108795-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9369775, January 3, 2023, Makati City

April 14, 2023

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Philippine Bank of Communications
PBCom Tower, 6795 Ayala Avenue
Corner V. A. Rufino Street, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine Bank of Communications and Subsidiary (the Group) and the financial statements of Philippine Bank of Communications (the Parent Bank) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 and have issued our report thereon dated April 14, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
Tax Identification No. 216-950-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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PTR No. 9369775, January 3, 2023, Makati City

April 14, 2023

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022

PHILIPPINE BANK OF COMMUNICATIONS
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2022

Unappropriated Retained Earnings, beginning		(2,241,499)
Adjustments:		
Net income during the period closed to Retained earnings	1,631,687	
Less: Non-actual/unrealized income, net of tax		
Equity in net income of subsidiaries and associates	313	
Unrealized foreign exchange gain/loss , net (except those attributable to Cash and Cash Equivalents),	(41,487)	
Gain on foreclasure, net of tax	-	
Unrealized actuarial gain	-	
Fair value adjustment (M2) gains)	-	
Fair value adustment of investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustmetns to the retained earnings	(66,103)	
Sub total	(107,277)	
Add: Non-actual losses		
Depreciation on PFRS 16 (after tax)	77,173	
Other expenses related to PFRS 16	9,192	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Loss on foreclasure, net of tax	-	
Sub total	86,365	
Add: Net income actually earning during the period		1,825,329
Add (Less):		
Dividend declarations during the period	-	
Appropriations of Retained Earnings during the period	(193)	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
TOTAL RETAINED EARNINGS, END		(193)
AVAILABLE FOR DIVIDEND		**(416,364)**

PHILIPPINE BANK OF COMMUNICATIONS

SCHEDULE FOR LISTED COMPANIES WITH RECENT OFFERING OF SECURITIES TO THE PUBLIC

For the period ended December 31, 2022

(in thousand)

1	Gross and net procceds as disclosed in the final prospectus			
2	Actual gross and net proceeds			
	Gross			
	Net	none to report		
3	Each expenditure item where the proceeds were used			
	Reserves			
	Loan			
4	Balance of the proceeds as of the end of reporting period			

Philippine Bank of Communications and Subsidiaries
SCHEDULE A. Financial Assets
As of December 31, 2022

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income accrued
(i)		(ii)	(iii)	
Financial assets at Fair Value through Profit or Loss				
none to report	-	-	-	-
	-	-	-	-
Investment Securities at Amortized Cost				
Republic of the Phlippines	20,761,070	21,424,865	19,647,983	271,404
Indonesian Government	237,873	236,959	234,763	3,439
	20,998,943	**21,661,824**	**19,882,746**	**274,843**
Unquoted debt securities classified as loans				
MRT III	642,616	649,371	642,616	-
	642,616	**649,371**	**642,616**	**-**
Financial Assets at Fair Value Through Other Comprehensive Income				
Debt securities				
First Pacific Company	202,502	189,398	189,398	2,707
JGS Summit Holdings	139,387	122,400	122,400	3,512
Republic of the Phlippines	3,601,425	4,161,400	4,161,400	78,509
Indonesian Government	390,285	385,203	385,203	7,424
	4,333,600	**4,858,402**	**4,858,402**	**92,151**
Equity securities				
Philippine Central Depository, Inc.	21,126	3,502	3,502	-
Bancnet, Inc.	63,100	15,302	15,302	-
Philippine Clearing House Corp.	21,000	5,556	5,556	-
Philippine Dealing System Holding Corporatior	12,500	2,688	2,688	-
Club Filipino	1	288	288	-
Valley Golf Club	2	6,075	6,075	-
WackWack Golf and Country Club	2	116,500	116,500	-
Metropolitant Club	1	283	283	-
Tower Club	1	0	0	-
		150,194	**150,194**	**0**

(i)	*Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a)securities*
(ii)	*State the basis of determining the amounts shown in the column. This column shall be totalled to correspond to the respective balance sheet caption or captions.*
iii)	*This column may be omitted if all amounts that would be shown are the same as those in the immediately preceding column.*

Philippine Bank of Communications and Subsidiaries

SCHEDULE B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

As of December 31, 2022

	Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
	Key Management Personnel	1,782	5,423	(1,011)	-	6,193	-	6,193

(i)	*Show separately accounts receivables and notes receivable. In case of notes receivable, indicate pertinent information such as the due date, interest rate, terms of repayment and collateral, if any.*
(ii)	*If collection was other than in cash, explain.*
(iii)	*Give reasons for write off.*

Philippine Bank of Communications and Subsidiaries

SCHEDULE C. Amounts Receivable from Related Parties which are elimated during the consolidation of Financial Statements

As of December 31, 2022

	Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
				(i)	(ii)			
	PBCom Insurance Agency, Inc.	-	-	-	-	-		-
(i)	*If collection was other than in cash, explain.*							
(ii)	*Give reasons for write off.*							

Philippine Bank of Communications and Subsidairies
SCHEDULE D. Intangible Assets - Others Assets
As of December 31, 2022

	Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
	(i)		(ii)	(ii)		(iii)	
	Branch/ Bank License	364,700	25,000				389,700
	Software Cost	162,803	55,152	(82,050)			135,905
(i)	*The information required shall be grouped into (a) intangibles shown under the caption in intangible assets and (b) deferrals shown under the caption Other Assets in the related balance sheet. Show by major classifications.*						
(ii)	*For each change representing anything other than an acquisition, clearly state the nature of the change and other accounts affected. Describe cost of additions representing other than cash expenditures.*						
(iii)	*If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.*						

** Provision for impairment*

Philippine Bank of Communications and Subsiadiaries
SCHEDULE E. Long Term Debt
As of December 31, 2022

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related balance sheet	Amount shown under caption "Long Term Debt" in related balance sheet	Interest Rate	Maturity Date
(i)		(ii)	(iii)		
LTNCD	2,893,897	-	2,893,897	5.63%	8-Apr-24
(i) Include in this column each type of obligation authorized.					
(ii) This column is to be totaled to correspond to the related balance sheet caption.					
(iii) Include in this column details as to interest rates, amounts or number of periodic installments, and maturity dates.					
(iii) Include in this column details as to interest rates, amounts or number of periodic installments, and maturity dates.					

Philippine Bank of Communications and Subsidiaries
SCHEDULE G. Guarantees of Securities of Other Issuers
As of December 31, 2022

	Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
			(i)		(ii)
	NONE TO REPORT				
(i)	*Indicate in a note any sinificant changes since the date of the last balance sheet filed. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.*				
(ii)	*There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", Guarantee of interest", or Guarantee of dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.*				

Philippine Bank of Communications and Subsidiaries

SCHEDULE F. Indebtedness to Related Parties (Long-Term Loans from Related companies)

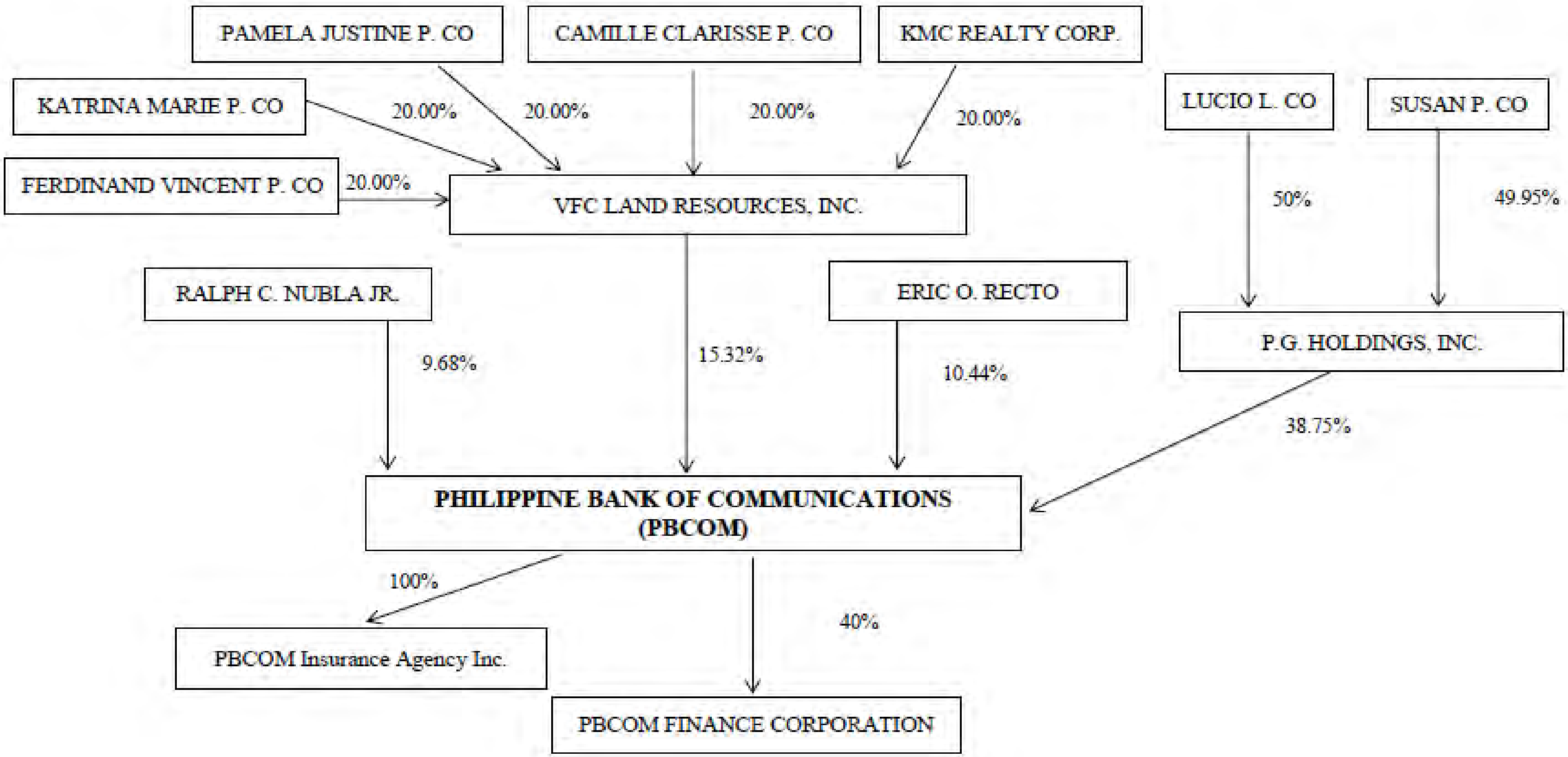
As of December 31, 2022

	Name of related party	Balance at beginning of period	Balance at end of period
	(i)		(ii)
	NONE TO REPORT		
(i)	*The related parties named shall be grouped as in Schedule D. The information called for shall be stated separately for any persons whose investments were shown separately in such related schedule.*		
(ii)	*For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.*		

Philippine Bank of Communications and Subsidiaries
SCHEDULE H. Capital Stock
As of December 31, 2022

	Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
	(i)				(ii)		(iii)
	COMMON	760,000,000	480,645,163		73,712,758	238,751,417	
(i)	*Include in this column each type of issue authorized.*						
(ii)	*Related parties referred to include persons for which separate financial statements are filed and those included in consolidated financial statements, other than the issuer of the particular security.*						
(iii)	*Indicate in a note any significant changes since the date of the last balance sheet filed.*						

PHILIPPINE BANK OF COMMUNICATIONS
CONGLOMERATE MAP/ORGANIZATIONAL STRUCTURE
AS OF DECEMBER 31, 2022



A. Key Performance Indicators

Ratios	Consolidated December 31 Balances			Parent December 31 Balances		
	2022	2021	2020	2022	2021	2020
Profit Margin	**29.33%**	**30.94%**	**19.84%**	**29.33%**	**30.94%**	**19.84%**
Net Income	1,632	1,573	1,169	1,632	1,573	1,169
Gross Income	5,562	5,085	5,892	5,562	5,085	5,892
Return on Average Asset	**1.39%**	**1.49%**	**1.15%**	**1.39%**	**1.49%**	**1.15%**
Net Income	1,632	1,573	1,169	1,632	1,573	1,169
Average Assets	117,054	105,230	101,985	117,062	105,237	101,993
Return on Average Equity	**10.97%**	**11.78%**	**9.79%**	**10.97%**	**11.78%**	**9.79%**
Net Income	1,632	1,573	1,169	1,632	1,573	1,169
Average Equity	14,871	13,353	11,942	14,871	13,353	11,942
Capital Adequacy Ratio	**17.07%**	**18.18%**	**18.87%**	**17.07%**	**18.18%**	**18.87%**
Qualifying capital	16,857	15,603	14,671	16,857	15,603	14,671
Total risk-weighted assets	98,779	85,846	77,754	98,779	85,846	77,754
Basic Earnings per Share	**3.39**	**3.27**	**2.43**			
Net income	1,632	1,573	1,169			
Average No. of common shares	481	481	481			

B. Financial Soundness

Ratios	2022	2021	2020	2022	2021	2020
Liquidity Ratio	**21.41%**	**28.96%**	**43.40%**	**21.41%**	**28.96%**	**43.39%**
Liquid Assets	21,289	25,178	36,361	21,289	25,178	36,361
Total Deposits	99,444	86,946	83,781	99,453	86,955	83,790
Debt Ratio	**87.54%**	**87.02%**	**87.62%**	**87.54%**	**87.02%**	**87.62%**
Total Liabilities	109,312	95,054	88,701	109,320	95,061	88,708
Total Assets	124,878	109,229	101,230	124,886	109,237	101,238
Asset to Equity	**8.02**	**7.71**	**8.08**	**8.02**	**7.71**	**8.08**
Total Asset	124,878	109,229	101,230	124,886	109,237	101,238
Total Equity	15,566	14,176	12,530	15,566	14,176	12,530
Interest Rate Coverage Ratio	**374%**	**470%**	**231%**	**374%**	**470%**	**231%**
Earnings before interest & taxes	2,946	2,324	2,468	2,945	2,324	2,468
Interest Expense	788	494	1,068	788	494	1,068
Net Interest Margin	**4.80%**	**4.83%**	**4.64%**	**4.80%**	**4.83%**	**4.64%**
Net Interest Income	4,810	4,245	3,925	4,810	4,245	3,925
Average Earning Assets	100,160	87,821	84,669	100,163	87,824	84,672

PBCOM

UNIVERSAL

SUSTAINABLE BANKING 2022

PBCOM

UNIVERSAL

SUSTAINABLE BANKING 2022

2022 SUSTAINABILITY REPORT
PHILIPPINE BANK OF COMMUNICATIONS

PBCOM Tower, 6795 Ayala Avenue corner
V.A. Rufino St., Makati City, Philippines

Scope: Philippine Bank of Communications (Parent Bank) only
Period: January 1 to December 31, 2022
Responsible: Patricia May T. Siy, President & CEO

CONTENT

OUR FRAMEWORK

While the lingering effects of the COVID-19 pandemic continues to be felt by many, Philippine bank of Communications (PBCOM) continue to seize the opportunity to reinforce its advocacy: sustainable operations through the sound and efficient management of its economic, environmental and social impacts.

ECONOMIC

This relates on how the bank directly increases the pool of economic resources that flows into the local and national economy. The bank ensures that it does not just create economic value for itself but also that this value flows back to its stakeholders such as stockholders, suppliers, employees, government, and the community.

ENVIRONMENT

This relates on how the bank manages the natural resources it needs for its business, as well on how it minimizes its negative impacts to the environment. The bank monitors how efficiently it uses natural resources, which has implications on reduction of environmental impacts from extraction and processing of these resources.

SOCIAL

This relates on how the bank manages its relationship with its stakeholders such as employees, customers, suppliers, communities, the public, and the government. The bank ensures that it contributes to the overall growth of those invested in it, directly or indirectly.

The over-all sustainability reporting framework of the Bank as a Publicly-Listed Company follows below structure:

PBCOM is a Sustainable Business

We conduct	Corporate Governance
We manage	Economic, Environment, Social
Our products	Contribution to Sustainable Development

ECONOMIC | **ENVIRONMENT** | **SOCIAL**

UN Sustainable Development Goals

Disclosures should reflect the bank's significant economic, environmental, and social impacts and should consider the reasonable expectations and interests of key stakeholders.

MATERIALITY PROCESS

The bank has applied the following process in identifying the material topics contained in this report:

DISCOVERY

- Review of the organization's Mission and Vision
- Review business priorities
- Benchmarking with peer brand
- Industry best practice

ASSESSMENT & VALIDATION

- Data collection
- Consultation and discuss with stakeholder
- Shortlisting of identified material issues

PRIORITIZATION

- Ranking of all material issues
- Shortlisting of priorities (1-3 years)
- Metrics identification, baselining and target setting
- Management and Board approval

MONITORING & REPORTING

- Monitoring of agreed metrics
- Performance reporting

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ECONOMIC

PBCOM 2022 SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE

Disclosure (in Php '000)	Amount (Parent)
Direct economic value generated (revenue)	5,562,332
Direct economic value distributed:	
a) Operating costs	674,212
b) Employee wages and benefits	1,115,468
c) Payments to suppliers, other operating costs	1,105, 603
d) Dividends given to stockholders and interest payments to loan providers	-
e) Taxes given to government	510,029
f) Investments to community (e.g. donations, CSR)	-

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Improved Return on Capital means increased lending opportunity • Higher investment in Human Capital (learning and development) • More local community involvement • PBCOM as an engine of growth in nation building	Board of Directors and officers, employees, customers, suppliers and community • Employees • Employees and community • Board of Directors and officers, employees, customers, suppliers and community	Value focus in terms of the Bank's financial standing • Alignment of training and development with overall strategic direction of the Bank • Establishment of the bank's Sustainable Finance framework • More inclusive lending strategy such as the bank's Puhunan Plus (micro-lending) and credit extension to the SME partners of the LC Group of Companies, among others.

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What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
A. The risk of non-compliance to regulators' requirement • The risk of not being able to protect customer's deposit and investments • The risk of negative return to shareholders. B. Data Privacy and Information Security C. The risk of long-term talent shortage	Board of Directors, officers and employees Board of Directors and officers, employees, customers, suppliers and community Board of Directors and officers, employees, customers, suppliers and community Board of Directors and officers, employees, customers, suppliers and community	• Proactive role of the Board of Directors and officers in corporate governance • Adherence to AMLA and KYC regulations • Prudent assessment of borrowers' credit worthiness • Weekly awareness campaign on fraud and counterfeit crimes and how customers can protect themselves against such crimes. PBCOM also has regular simulated drills to educate staffs on how to detect suspicious emails • Leadership development program • Succession planning and readiness assessment
• Financial inclusion • Digitalization • Conservation and upcycling initiatives	• Bank • Community • Customers • Small business owners	• Delivery of financial education through the bank's digital and social channels. • Execution of the Bank's digital transformation strategy such as payment and document management systems to efficiently manage external and internal processes and improve customer experience. • Incorporating innovation in providing services to our customers. • Partnership with companies in the circular economy like Green Antz to upcycle commonly used materials such as single-used plastics for processing into eco-bricks. • Incorporate environmental conservation activities such as tree planting, in the bank's employee engagement program.

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ENVIRONMENT

PBCOM 2022 SUSTAINABILITY REPORT

PBCOM CONTINUES TO GO GREEN

2022 has been a great year for PBCOM eco warriors as the Bank continues to strengthen its efforts, in its simple ways, to help make our Mother Earth a better place to live in.

We continue to help raise awareness among PBCOM employees on the importance of recycling, upcycling, and general waste management. Through our "Ayaw Ko Ng Plastic" campaign, PBCOM has regularly been sending digital messages to all employees through email and facebook on how important it is to reduce the use of plastic for our environment. Also, PBCOM continues to actively remind the employees that the use of single use plastics is discouraged within bank premises.

PBCOM's thrust to help alleviate the problem on plastic pollution does not stop in online reminders and releases. The Bank has set-up plastic drop off points in its head offices in PBCOM Tower, The Peak, GF & Partners Building, and Binondo Banking Center. These drop off points are accessible to all employees where they can surrender their used plastics. Instead of simply disposing them, these plastics are cleaned, dried, and are turned over to GreenAntz for processing. These plastic wastes are turned into eco casts and bricks used for construction.

In June of 2022, PBCOM has turned over more than 100 kilos of plastic wastes for processing. As an estimate, after processing, this amount of collected plastic translates to about 750 eco casts or bricks which are used as an alternative to hollow blocks during construction of buildings and pavements.

PBCOM CONTINUES TO GO GREEN

Apart from the "Ayaw Ko Ng Plastic" campaign, PBCOM also actively participates in environmental projects like tree planting and clean up drives. The management of PBCOM strongly encourages all branches to participate in their local government initiatives for the environment. This has been warmly received by the branches nationally, and they have reported a number of activities they have participated in.

Institutionally, the Bank has partnered with an NGO, La Liga Mariquina in their various socio-economic and environmental programs. As part of this partnership, the Bank joined the Tree Planting & Clean-up Program for the Marikina River Ecosystem called "Luntiang Marikina" initiated by La Liga Mariquina, co-sponsored by the city Government of Marikina and the Department of Environment and Natural Resources National Capital Region Office (DENR-NCRO).

Led by our President & CEO Ms. Patricia May Siy, more than 100 eco-warriors, employees, and their families joined in the planting of 40 assorted fruit bearing trees such as Avocado, Balitbitan, Palawan Cherry, Cashew, and Langka; and cleaning up a few kilometer stretch of the riverbank.

"With this, and several other initiatives of PBCOM to GO GREEN, we, as an institution, hope to help lessen the worldwide problem on waste management, and in our little way contribute in making this world a better place to live in" – Patricia May T. Siy, PBCOM President and CEO.

HIGHLY SUSTAINABLE AND ENVIRONMENTALLY IMPACTFUL PBCOM

Within PBCOM Tower lies a sophisticated Reverse Osmosis (RO) System that harvests and processes the basement's natural spring water turning it into high quality drinking water. This in turn supplies around 90% of PBCOM Tower's water requirement for both its occupants and chilled water system.

Not only does the building's tap produce potable water, but it is more cost-efficient and friendlier on equipment maintenance compared to hard water from commercial suppliers, with the added benefit of savings on rates per cubic meter enjoyed by the tenants.

Further, the Philippines' latest building code requires extensive structural retrofitting works for most buildings to conform with higher standards in preventing devastating earthquake damage. PBCOM Tower immediately conducted structural integrity tests and assessments with our structural consultant.

Beginning July 2022, an 8-month long retrofitting project of the building's beams and columns began through the application of carbon fiber sheets for reinforcement. These were installed through solvent-free epoxy, which is harmless to the human body and the environment.

And to top off the year, Filinvest Development Corporation RES (FDCRES) has been awarded to supply PBCOM Tower's electricity needs through their various resources, wherein 50% of which come from renewable energy through geothermal natural gases.

All of the year's developments have been continuously driven toward a highly-sustainable and environmentally-impactful PBCOM Tower.

PBCOM has adopted the policy of deploying smaller scale branches as compared to the traditional wide and spacious premises. This makes for a more environmentally sustainable branch as these consume less energy from lighting and cooling.

Further, the Branches try to operate as environmentally conscious as possible. Marketing and advertising materials are published digitally instead of the traditional hard copies. Flyers and take ones have been replaced by eBrochures, and physical posters and merchandising materials are now being deployed thru display screens.

Opening of payroll accounts which used to consume a lot of paper forms are now being diverted digitally thru PBCOMobile. Thru this banking app, payroll customers need not fill-up physical forms, but rather, open a bank account with just their mobile phones.

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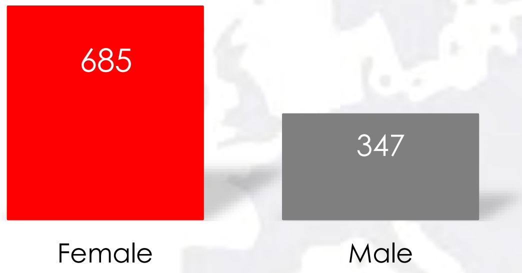
SOCIAL

PBCOM 2022 SUSTAINABILITY REPORT

EMPLOYEE MANAGEMENT

No. of employees according to gender*



17.82%
Attrition Rate**

Ratio of lowest paid employee against minimum wage :
105% ABOVE MINIMUM
for lowest paid employee

* Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary) | ** Attrition are = no. of turnover/average total manpower x 100

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS			
• SSS	Y	4.67%	0.00%
• Sickness	Y	1.75%	1.44%
• Loan	Y	14.91%	6.91%
PhilHealth	Y	12.28%	5.18%
Pag-IBIG Loan	Y	8.04%	5.47%
Parental leaves	Y	2.92%	0.00%
Vacation leaves	Y	89.33%	88.76%
Sick leaves	Y	69.15%	63.98%
Medical benefits (aside from PhilHealth))	Y	100%	100%
Housing assistance (aside from Pag-ibig)	Y	0.00%	0.00%
Retirement fund (aside from SSS)	Y	5.99%	4.32%
Further education support	Y	0.09%	0.06%
Telecommuting	Y	100%	100%
Flexible-working Hours	Y	100%	100%
(Others)			
• Car loan	Y	0.73%	1.15%
• Emergency loan	Y	0.87%	0.57%
• Salary loan	Y	18.27%	9.22%
• Bereavement	Y	1.02%	1.44%

PBCOM UNIVERSAL SUSTAINABLE BANKING 2022

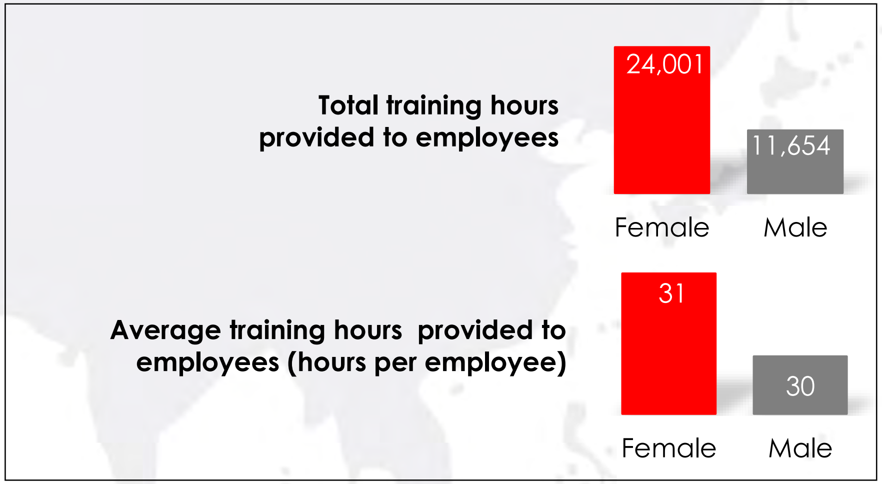
EMPLOYEE TRAINING AND DEVELOPMENT

The Bank recognizes the need to enhance employees' competencies and development at work creating a learning culture that will bring out employees' full potentials and peak performance.

Training and Employee Engagement Division implements programs that are based on suggestions of Group Heads during the Training Needs Analysis activity. The output of the said activity is the training plan for the year which is divided into various development categories (Regulatory/ Mandatory, Technical/ Functional/ Job Specific, Professional, Leadership, Culture).

Several programs like Bank Anniversary and Service Awards and health and wellness webinars like Ergonomic Exercises At Work, Children's Health, Women's Health, Sustainable and Healthy Lifestyle were introduced for employees.

In 2022, we continuously widened the scope of the trainings using technology for the employees based outside of Metro Manila to join the sessions.



LABOR-MANAGEMENT RELATIONS

Disclosure	Quantity
% of employees covered with Collective Bargaining Agreements	19.67%
Number of consultations conducted with employees concerning employee-related policies	1

The Bank honors its commitment made in the CBA with the union, thus maintaining industrial peace. Aside from the CBA negotiations, it also conducts grievance meetings with the union officers to discuss issues relating to policies which affect the working conditions of rank and file employees as needed.

PBCOM UNIVERSAL SUSTAINABLE BANKING 2022

DIVERSITY AND EQUAL OPPORTUNITY

Disclosure	Quantity
% of female workers in the workforce	66.38%
% of male workers in the workforce	33.62%
Number of employees from indigenous communities and/or vulnerable sector*	22

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

The Bank is an equal opportunity employer and recognizes, in particular, that those beyond retirement age are still productive. It looks up to them for experience and wisdom especially for the highly technical and more senior roles in the Bank.

WORKPLACE CONDITIONS, LABOR STANDARDS, AND HUMAN RIGHTS: OCCUPATIONAL HEALTH AND SAFETY

Disclosure	Quantity
Safe Man-Hours	1,992
No. of work-related injuries	0
No. of work-related fatalities	0
No. of work related ill-health	191 COVID-19 positive
No. of safety drills	2 earthquake drills

The Bank gives priority to the health and safety of its employees by ensuring that employees and one nominated dependent each are covered by company HMO in addition to maintaining a clinic with a company doctor and a nurse within its premises despite having a nearby hospital from its head office. We have also certified first aiders in the head office and branches in accordance with DOLE directives.

The Bank participated in annual fire and earthquake drills mandated by the local governments in every city or town where offices and branches are located.

LABOR LAWS AND HUMAN RIGHTS

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

The Bank strictly adheres to the provisions of the Labor Code and its Implementing Rules and Regulations, as well as directives of the Department of Labor and Employment. The Bank's Code of Conduct explicitly states that all laws, including Labor Laws and Sexual Anti-Harassment among others, must be strictly followed under pain of penalty for its violations.

SIGNIFICANT IMPACT ON LOCAL COMMUNITIES

As stated in PBCOM's new Vision Mission and Values, the Bank "fulfills its social responsibilities in the communities it serves". As an institution, PBCOM is very much involved and concerned with the welfare of the communities in which the bank has presence.

PBCOM Board of Directors, Senior Management Team, and the rest of the employees have been supporting the initiatives and activities of local government and non-government units which has significant impact on the environment and social welfare at the barangay and municipal levels. These activities include various fund raising projects to help victims of calamities and conflicts, protect the environment, and uplift the lives of the less fortunate.

PBCOM CONTINUES TO SUPPORT LA LIGA MARIQUINA'S LIVELIHOOD PROGRAMS

As part of PBCOM's commitment to be actively involved in the communities it serves, the Bank continues to support La Liga Mariquina, a non-stock, non-profit civic organization based in Marikina City, that advocates people empowerment. They conduct trainings and workshops for the less privileged members of the community.

In 2022, PBCOM launched a fundraising project dubbed "Tote for Joy". PBCOM tote bags were made available to employees for purchase, proceeds of which were donated to La Liga Mariquina. With the generosity of its employees, PBCOM was able to donate a total of Fifty Thousand Pesos which will be used to continue funding the various livelihood trainings of said NGO.

This is the second year that PBCOM has been supporting La Liga Mariquina's activities. In December of 2021, the Bank has also donated the same amount from its fund raising activity "Scent of Joy", and this has helped fund seven livelihood trainings throughout 2022. Activities include soap and candle making, flower arrangement, basic baking and dimsum making, among others.

"The ultimate goal is to expand La Liga Mariquina's already effective social programs by helping them gather the much needed resources. With PBCOM and its employees doing our part, we are excited to see these plans come into fruition, and be able to help the less privileged members of our society." – Ms. Patricia May T. Siy, PBCOM President and CEO

POWDER AND DISHWASHING SOAP MAKING | APRIL 9
Attended by Antipolo residents

DIMSUM MAKING | MAY 7
Attended by Marikina housewives and family members

BASIC BAKING | MAY 21
Attended by Marikina housewives

FLOWER ARRANGEMENT | JUNE 4
Attended by Marikina housewives

DISHWASHING SOAP MAKING | JULY 2
Attended by Marikina housewives

CANDLE MAKING | AUGUST 6
Special class for youth leaders who will be deployed to teach in communities

CANDLE MAKING | AUGUST 13
Attended by Barangay Health Workers (BHW) of Marikina

PBCOM UNIVERSAL SUSTAINABLE BANKING 2022

CUSTOMER MANAGEMENT

Customer Satisfaction

91% Customer Satisfaction

CSAT conducted internally by PBCOM Customer Experience Management Division

Customer Complaints

No substantiated complaints reported on Customer Privacy

No substantiated complaints reported on Marketing and Labeling

Received 1 complaint on product or service health and safety

CLIENT INFORMATION USED FOR SECONDARY PURPOSES

No. of customers, users and account holders whose information is used for secondary purposes

Voice of Customer campaign recipients of Customer Experience Division to measure the satisfaction of New to Bank clients and onboarded via our digital platforms for POP and PBCOMOBILE,	30,247
Accounts endorsed to authorized 3rd party collection agency of Consumer Finance Group	5,448

CLIENT INFORMATION USED FOR SECONDARY PURPOSES

As we enter an era of instant communication and feedback, many of today's customers have become extremely demanding, if not just more aware of how they should receive service from businesses. Along with this fast pace of information circulation is the availability of various channels to make the voice of each customer heard.

While many businesses struggle to keep up, we at PBCOM, whose foundation on customer service standards have been laid out, have learned to adapt. Our desire to provide excellent customer experience, long term, has been evident on the various programs and initiatives that we implement. The Covid-19 Pandemic has further spurred us on towards this objective. Re-thinking the ways with which we deliver our service, PBCOM has been able to adjust well to the needs of the times, aiming to create a sustainable customer service performance post COVID-19.

Overall, the approach of the Bank is to create meaningful relationships with our internal and external stakeholders through communication. We encourage our employees to solicit feedback, complaints and commendations, as often as possible, and in all available channels. These shall serve as basis for policy and product innovation with the ultimate aim of improving service delivery. We want our customers happy, and the best way to do this is by soliciting actual feedbacks from them.

The channels that the bank uses have all shifted to digital. With "being paperless" as one of the main advocacies of the bank, Interactions via digital platforms are now the new norm.

Clickable links via SMS were replaced by QR codes via registered emails and posted in all our branches to capture our customers feedback which is a secure way of collecting information and in adherence with BSP regulations.

CUSTOMER SERVICE IMPROVEMENT PROGRAM

We at PBCOM believe that Customer Service is not just for front-liners. We believe that every single member of the organization must be accountable and therefore, responsible for the way they deliver service to their customer, whether internal or external. This is the primary reason why service delivery is constantly being measured in each employee's performance appraisal.

The bank equips the team with regular trainings on customer service. This also include trainings on soft skills like empathy and concern.

Standards for grooming, service delivery and inner spaces are also a part of the monitoring program. For our front line associates, Service Level Agreement for complaints resolution and feedback is also being monitored to ensure compliance.

EMPLOYEE BUY-IN

In PBCOM, we believe that our front liners play a very important role in making or breaking a business. Since they are the face of the company, it is imperative that they act and breathe "customer service". Our mentoring culture plays a big part in honing our employees' service delivery skills. Service delivery directives are rolled out not just for employees to comply, rather, the Bank ensures that our employees understand why they need to follow such directives. This way, meeting the new standards that we installed are less likely to fail because they are not being forced to follow, they are involved in the process of service improvement.

Employees' involvement on the achievement of excellent service delivery are also recognized and rewarded. We recognize employees who demonstrate exceptional service evidenced by being service champions in their respective groups, receiving commendations, and exceling in customer service programs.

VOICE OF CUSTOMER (VOC)

We deploy several customer feedback platforms to know if changes are needed, and which service or products needs improvements. This include several survey methods like website forms, SMS, email, call-outs and branch feedback mechanisms. As part of the plan, we would also do focus group discussions, in-app feedback, and one on one feedback to further get our customers' sentiments about the Bank's product and service features.

We also monitor and measure customer effort. This is important for the Bank to know what processes needs improvement to make our customers' banking transactions easier and more convenient.

In 2022, the VOC focus were on our digital platforms as we continuously increase our presence in this space. We had to listen carefully not only to our external customers but to our internal customers as well, so that we can stay abreast of the changing behavior in the digital norm.

The primary metrics we use to measure effectivity and performance are:

- ❖ Customer Satisfaction (CSAT) – measures how satisfied our clients are with the product and/or service that they received. This is used by the various units of the bank to determine which processes and service standard need improvement.
- ❖ Net Promoter Score (NPS) – measures how likely our customers will recommend PBCOM to their peers. The Net Promoter Score (NPS) results are used as reference for our loyalty and referral programs. This aids our retail business groups in customer retention and promoting increase in usage. These also serve as basis for the improvement of product features for our digital platforms.
- ❖ Customer Effort Survey (CES) – measures how easy and how fast our customers are able to get the assistance that they need from the bank. This serves as the basis for our customer care's service delivery standards.

VOICE OF CUSTOMER METRICS

CSAT (Customer Satisfaction); NPS (Net Promoter Score); CES (Customer Effort Score)

VOC	CSAT (Delighted)	CES	NPS
2022 YTD	**91%**	**75%**	**31%**
2021 YTD	87%	81%	17%
2020 YTD	94%	89%	35%

COMPLAINTS HANDLING METRICS	2022	2021	2020
SLA Achievement – complaints addressed within SLA	98%	96.00%	99.04%

Complaints received are also considered as feedback and basis for improvement. The Bank sets a Service Level of Agreement (SLA) in complaint resolutions. Year on year, we monitor improvement on complaints resolution. Complaints received are categorized according to nature, and whether or not they are controllable. This gives our operations and products team tangible and actionable items that ensures improvement on processes and service delivery.

CUSTOMER PRIVACY

Protection of customer privacy is recognized as an essential factor for the Banks' service standards. There is close coordination among our Data Privacy Officer, Chief Information Security Officer, Chief Information Officer, Chief Risk Officer and our Legal Team. PBCOM strictly monitors privacy protection for all our customers, employees, and stakeholders in accordance with the Data Privacy Act and its Implementing Rules and Regulations. Due to the vigilant monitoring and security measures that we put in place, there are no customer complaints received concerning breach or protection of personal information. Constant collaboration among the different units of the Bank is done on a regular basis to further strengthen our organizational, technical and physical security measures. We see this as essential to excellent customer service. We always put our customers at the center of all banking relationships and business decisions; this is to ensure that in PBCOM, we protect any personal information that we collect, process and store.

DATA SECURITY

PBCOM recognizes the importance of information security as a key element of maintaining a resilient business. As the Bank continues to expand its business and respond to the evolving threat landscape, PBCOM has adopted a risk-centric approach to information security and is committed to continuously enhance its efforts through:

CONTINUING PEOPLES' EDUCATION AND AWARENESS

Our people is our human firewall and act as the first line of defense to maintain good security posture. PBCOM is committed to delivering continuous education and awareness training to its people designed to help protect the confidentiality, availability, and integrity of the Bank's information and information systems.

The Bank also recognizes the need to institute a cybersecurity culture within PBCOM; thus, constantly promote expanded security awareness to PBCOM customers.

SECURITY GOVERNANCE AND COMPLIANCE

We have our established framework, policies, procedures, guidelines and standards, which are the solid foundation of the Bank. Information security programs, initiatives and activities are aligned with the Bank's business objectives and is overseen from the top of the organization and built into business as usual.

Furthermore, validation of PBCOM's security posture is periodically conducted by independent internal and external organizations to assess the effectiveness of our control environment. Issues are prioritized based on PBCOM's established risk criteria and tracked to remediation.

PROACTIVE SECURITY PRACTICES

PBCOM uses multiple layers (defense-in-depth) of security measures and controls to protect Bank's information assets and resources. This improves our visibility and establishing further transparency into cyber threats through maturing security monitoring capabilities and existing toolsets.

The Bank consistently monitors, develops and improves its information technology networks and security infrastructure to prevent, deter, detect and timely mitigate risks of security threats to Bank's information and information systems.

At the same time, PBCOM continually secure and maintain a cyber resilient environment where it deliver an on-going structured protection to information and system resources. Putting the Bank's and customers' information protection first, we have adopted the four main components to cyber readiness and resiliency, as shown in figure below.

FOUR MAIN COMPONENT OF CYBER READINESS AND RESILIENCY

Respond and Recover
The ability of the Bank to mitigate attacks, eject intruders, analyze attacker actions, operate even if hit by a cyber attack, and get back to business as usual as quickly and efficiently as possible.

Manage and Protect
The ability of the Bank to identify, assess, manage risks, and protect information and systems from cyber attacks, system failures and unauthorized access, including those across supply chain.

Identify and Detect
The ability of the Bank to timely identify and detect anomalies and potential cyber security incidents before they can cause any significant damage, including continuous monitoring.

Govern and Assure
Information security programs, initiatives and activities aligned with the Bank's business objectives and is overseen from the top of the organization and built into business as usual.

UN SUSTAINABLE DEVELOPMENT GOALS

Key Products and Services	Societal Value/Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
PBCOM2Go	**UN SDG (9) : INDUSTRIES, INNOVATION & INFRASTRUCTURE** A bank-booking service which allows PBCOM customers to arrange for pick-up of banking transactions such as cash or check deposits.	Security and public safety	Agents and transactions are covered by insurance.
PBCOMobile and PBCOM POP (Business and Personal)	**UN SDG (9) : INDUSTRIES, INNOVATION & INFRASTRUCTURE** Digital-only bank which allows for account opening, maintenance and transactions to be done digitally thus providing financial accessibility and a more environmentally-friendly means of doing financial transactions.	1. Lack of personal relationships; and 2. Increase fraud	1. Digital banking to be complemented by the Bank's brink and mortar channel; 2. Strengthen vigilance and frequent review of the effectivity of existing controls.

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SUSTAINABLE BANKING 2022

UN SUSTAINABLE DEVELOPMENT GOALS

Key Products and Services	Societal Value/Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Loans to micro and Ssmall businesses	**UN SDG (10) : REDUCED INEQUALITIES** Credit extension to micro-business owners of up to Php 150,000 in loans which aides in business expansion, generate employment opportunities and help local economic growth.	1. Could potentially lead to borrower being over-leverage; 2. Loan proceeds may potentially be used to fund personal consumption thus limiting long-term economic growth.	Lending will focus on micro-business owners with historical purchases in the retail institution partners of the bank. Purchases will be used in establishing credit limit of the borrower.
Basic Deposit Account	**UN SDG (10) : REDUCED INEQUALITIES** • A savings account that requires no more than Php 100 in account opening balance but with allowed maximum balance of Php 50,000. • Account is not subject to minimum maintaining balance. • Follows simplified Know- Your-Customer (KYC) as customers are deemed to be low risk.	Product may be subject to abuse given the KYC procedure is not as stringent as a regular account.	Institute monitoring and control of accounts exceeding balances of Php 50,000, with accounts exceeding the threshold amount converted to a regular deposit account.
Sustainable Finance	**UN SDG (11) : SUSTAINABLE CITIES AND COMMUNITIES** Help drive environmental sustainability through funding of projects with focus on sustainable solutions.	Lack of expertise in identifying projects that are consistent with the principles of sustainable development.	Talent development to include training in future industries such as green energy.
Sustainable Finance	**UN SDG (17) : PARTNERSHIP FOR THE GOALS** Board and Stakeholder commitment to the Bank's Sustainable Finance Principles	Sustainability standards to add compliance cost thus limiting access to finance.	Work with the regulators in ensuring local conditions are incorporated in the sustainability standards to be followed by financial institutions.
Cash 360 & Check Image Clearing System (CICS)	**UN SDG (12): RESPONSIBLE CONSUMPTION & PRODUCTION** Provides an alternative means of depositing cash & checks without having to step out of the place of business. This also reduces the carbon footprint of the customer and of the bank.	Lack of personal relationships	To be complemented by the bank's brick and mortar channel

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SUSTAINABLE BANKING 2022

2022 SUSTAINABILITY REPORT

PHILIPPINE BANK OF COMMUNICATIONS

PBCOM Tower, 6795 Ayala Avenue corner
V.A. Rufino St., Makati City, Philippines

Scope: Philippine Bank of Communications (Parent Bank) only
Period: January 1 to December 31, 2022
Responsible: Patricia May T. Siy, President & CEO