PBCOM
PHILIPPINE BANK OF COMMUNICATIONS
菲律濱交通銀行
6795 Ayala Avenue corner V.A. Rufino Street, Makati City, Philippines
(02) 8777-2266 | 1-800-10-777-2266

29 April 2022

Ms. JANET A. ENCARNACION
Disclosure Department
PHILIPPINE STOCK EXCHANGE, INC.
6/F PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Ms. MARIE ROSE M. MAGALLEN-LIRIO
Head- Issuer Compliance and Disclosure Department
THE PHILIPPINE DEALING & EXCHANGE CORPORATION
29/F BDO Equitable Tower
8751 Paseo de Roxas, Makati City

Ladies and Gentlemen:

In compliance with the Philippine Dealing & Exchange Corporation Issuer Disclosures Operating Guidelines, we furnish you a copy of the Bank's 2021 Annual Report (SEC Form 17-A) as well as the press release for its financial performance.

For your information.

Truly yours,

PHILIPPINE BANK OF COMMUNICATIONS
By:

MICHAEL STEPHEN H. LAO
Corporate Secretary

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)

----------Do not fill below this line----------

_____ Cashier

_____ File Number

_____ Central Receiving Unit

_____ Document ID

_____ LCU

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, 2021 .

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 04, 2022	-	₱18.22
Aggregate market value of voting stock	-	₱ 3,743,985,916

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:

a. Reclassification of Bank's existing 120,000,000 preferred shares to common shares;
b. Reduction of the par value of all its common shares from ₱100 per share to ₱25 per share; and
c. 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 from the 10-years Financial Assistance Agreement with PDIC by settling the loan of ₱7.6 Billion which represents financial assistance by the latter to the Bank in 2004.

The subscription by PGH to the new shares of the Parent Company amounting to ₱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 on 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 at 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 20 January 2022, the Monetary Board of Bangko Sentral ng Pilipinas approved PBCOM's application to upgrade its license to a Universal Bank subject to completion of requisite regulatory requirements.

PBCOM's Board of Directors, in its Special Stockholder's Meeting held last 15 March 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.

Business of Registrant

PBCOM offers a wide range of products and services to clients. These includes basic commercial 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 dealership 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 2021, the contribution to Operating Income is broken down as follows: (1) 83.5% is derived from net interest income, this includes interest income from lending, investment securities and others receivables less interest expense and finance charges (2) 16.5% 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 2021, 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 70 off-site locations. In addition, the Bank has also deployed 67 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 2021, the Philippine commercial banking industry is composed of 46 Universal and Commercial Banks) of which 17 are Private Domestic cl 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 for PBCOM Online Platform and PBCOM Value Check.

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) 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 retirement of business of PISAI. PISAI, which has been inactive for the past 3-years have continuously remained inactive but continued to incur operating expenses. PBCOM does not see any need for the subsidiary and have

decided to retire the business operations. PBCOM has received clearances regarding PISAI's dissolution from the Insurance Commission and the Makati Local Government last May 26, 2021 and September 30, 2021; respectively, clearances from other regulatory agencies are currently being processed.

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, 2021 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

Bangko Sentral ng Pilipinas
The Bank fully complies with the required capitalization for commercial banks without expanded banking licenses (non-unibank) as prescribed by the BSP. The Bank's consolidated qualifying capital as of end-December 31, 2021 stood at ₱15.60 Billion while its capital to risk assets ratio under the BASEL III reporting standards covering credit, market and operational risks as reported to BSP remained well above the 10% prescribed cap at 18.18%.

Bureau of Internal Revenue
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 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 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 01, 2018, Republic Act No. 10963, known as the TRAIN Law, took effect. The law increased the rates of Documentary Stamp Tax (DST) by 100% except on the DST on debt instruments which increased by 50%. Among the other taxes which rates were increased are Fringe Benefit Tax from 32% to 35%; Excise Tax on Petroleum Products up to 8php per liter/kilo; and, Final Withholding Tax on interest income from deposit under the expanded foreign currency deposit system from 7.5% to 15%.

Corporate Recovery and Tax Incentives for Enterprises Act or "CREATE" 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. While the minimum corporate income tax shall be reduced to 1% of modified gross income, which shall be 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, 2021, the Parent Bank has 1,005 employees with 769 officers and 236 rank-and-file. All rank-and-file employees are covered by a 2-year collective bargaining agreement (CBA) signed last December 28, 2021, to cover the two-year period from January 1, 2021 to December 31, 2022. There had been neither dispute nor occurrence of employees' strike 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 to 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; there are, however, separate independent bodies 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 and real estate loan ceilings and limits on past due and non-performing ratios per product. 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 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 Division (ORMD) 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 and Compliance Management Group (CG) conduct regular in-house seminars and trainings, such as orientation for newly-hired employees, with presentations focusing on risk management and regulatory compliance. Both 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 also employs Computer-Based Training (CBT) to make training content more readily available and accessible.

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

PBCOM has built its Information Security Division (ISD) based on the provision of BSP Circular 982 – Enhanced Guidelines on Information Security Management, which imposes specific technical safeguards as well as governance, risk assessment, monitoring and testing, reporting and other requirements. PBCOM information security management systems, framework, practices, and standards have also been created and referenced their contents on globally renowned frameworks, standards and good practices such as ISO/IEC 27002 and 27001; NIST Special Publications regarding information and cyber security; and COBIT Framework for Information Security.

As we go into 2022, looking back at the plentiful year of 2021, as regards to security, PBCOM continues to face significant amount of security challenges but does not stop them from being dedicated to proactively protect its information, networks, and IT systems from risks, like fraud, unauthorized access, and cyber threats. PBCOM is committed to continually developing and honing overall security capabilities to protect/safeguard the Bank's information and assets. In valuing customers' trust and maintain a resilient business, the Bank is also investing heavily on its people, processes and technology to prevent, deter, detect and timely mitigate risks of security threats to Bank's information and information systems/resources.

Cybersecurity risk is an important, constant, and evolving focus of PBCOM. Having a proactive, defense-in-depth approach to cybersecurity allows the Bank to be more vigilant and adaptive to the new, emerging and evolving cyber-threat landscape. PBCOM Information Security Division (ISD) continues to develop and employ additional preventative measures to continually challenge the Bank's defenses and controls against cyber-attacks and ensure adequate protection of the Bank's information and information assets that matter to their customers. The Bank recognizes the need to institute a cybersecurity culture within PBCOM; thus, constantly promote security awareness to their people and customers.

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 2021, to update the inventory of the Banks processing systems and to ensure that organizational, technical and physical security measures are in place.

Security Breach Drill were also conducted with the assistance of CISO to ensure that 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 2022 will focus on activities contributing 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.

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 currently owns 50% of PBCOM Tower which was constructed under a Joint Development Agreement with Filinvest Asia Corporation. The Bank has a total of 91 branches and 4 branch-lites as of December 31, 2021. 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 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 Bank 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 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:

	2021		2020		2019	
	High	Low	High	Low	High	Low
First Quarter	23.45	20.10	20.80	17.00	23.95	18.02
Second Quarter	23.40	19.58	24.00	16.00	22.40	20.05
Third Quarter	19.98	17.70	18.00	16.70	22.90	20.40
Fourth Quarter	19.00	17.20	23.00	16.50	22.55	20.40

As of March 04, 2022, closing price of the Bank's common share was ₱18.22.

Holders
As of December 31, 2021, 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, 2021 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	73,619,038	15.32%
3	PCD Nominee Corporation:	Filipino	49,157,327	10.22%
		Non-Filipino	1,994,361	0.42%
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 are no dividends declared for the years ended December 31, 2021, 2020 and 2019.

The Bank strictly complies with the BSP regulatory requirements under Subsection X136.2 of the Manual of Regulations for Banks which states that before any declaration of dividends, banks shall comply 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. Prescribed EFCDU/FCDU cover;
e. Statutory and liquidity reserves requirement;
f. No past due loans or accommodations with the Bangko Sentral or with any institution;
g. No net losses from operations in any one (1) of the two (2) fiscal years immediately preceding the date of dividend declaration;
h. Has not committed any of the major violations enumerated in Subsection X136.2.h.

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: 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 P807.60 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.

Financial Condition & Results of Operations: 2019 (Consolidated)
The Bank registered a net income of ₱1.2 Billion for 2019. This is a ₱531 Million or 85% improvement from the 2018's net income of ₱626.2 Million. Total operating income increased by ₱971.5 Million or by 23.81% as the Bank sustains its business growth. Interest income from loans and receivables is higher by 20.01% from ₱3.7 Billion in 2018 to ₱4.5 Billion in 2019 as the Bank focused its efforts in expanding its corporate and consumer loan portfolios and increasing loan yields. Interest expense however grew by ₱432.8 Million or 26.54% compared to prior year period primarily from the rise in cost of funds and the impact of the increase in volume from the Bank's maiden issuance of Long Term Negotiable Certificates of Time Deposit (LTNCD). Low-cost deposit volume has improved as the Bank grew its demand and savings deposit base to ₱36.4 Billion from ₱28.1 Billion in the previous year. Time deposit and bills payable volume declined by ₱6.5 Billion and by ₱4.6 Billion, with balances of ₱36.6 Billion and ₱13.1 Billion, respectively by the end of current year. Trading results improved further year as the Bank recognized ₱408.4 Million in gains, a ₱385.1 Million or a 1,650.14% increase compared to last year. Higher profit from asset sold, rent income and service charges and fees also contributed to the growth to the Bank's bottom line. These were partially offset by the loss recognized from the sale of PBCOM Rural Bank, Inc. in July amounting to ₱171.2 Million. Total operating expenses slightly went up by 6.5% from last year primarily due to higher Provision for losses by ₱167.7 Million, Miscellaneous expense by ₱94.3 Million, and Taxes and licenses by ₱81.2 Million partially offset by the decline in Occupancy and other equipment-related costs by ₱113.7 Million and lower Compensation and benefits by ₱61.7 Million from lower headcount.

Total Assets of PBCOM Group stood at ₱102.7 Billion at the end of 2019, from ₱103.7 Billion as of December 2018 primarily from lower liquid assets by ₱1.6 Billion due to the decline in Due from BSP by 33% from lower reserve requirement notwithstanding the Group's increase in lending activities which resulted to a ₱1.1 Billion increase in loans and receivable. Total property and equipment declined by ₱ 295.6 Million mainly due to depreciation and amortization and write-off of leasehold improvements. Investment properties also decreased by 6.9% due to depreciation and amortization and sale of ROPA in 2019. Moreover, other assets increased by ₱210.3 Million mostly brought about by the recognition of ROU starting in 2019 in compliance with PFRS16.

The Group's non-performing loans (NPL) decreased by ₱296.43 Million. Consequently, the Group's gross NPL ratio decreased by *0.58*% from 4.40% in 2018 to 3.82% in 2019 as a result of improved collection efforts. 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.

Moreover, Total Liabilities amounted to ₱91.4 Billion with a slight decrease of 2.2% from the last year's end level of ₱93.4 Billion. This resulted mostly from lower bills payable by ₱4.6 Billion partially offset by the increase in deposits, particularly on demand and savings deposit, which showed an increase of 34.3% and 17.5%, respectively.

Total Capital, on the other hand, amounted to ₱11.4 Billion from ₱10.3 Billion in 2018. Improvement in capital by 10% was mainly contributed by the earnings of the Bank for the year. The Bank's Risk Based

Capital Adequacy Ratio of 16.47% under BASEL III reporting standards covering credit, market and operational risk as of report date is well above the 10% minimum requirement.

(2) Discussion of various key indicators:

A. Key Performance Indicators

Ratio	December 2021 (Consolidated)	December 2020 (Consolidated)	Remarks
Profit Margin *(Net income divided by Gross income)*	30.94%	19.84%	Increase in ratio by 11.10 % pts. primarily due to decline in operating expenses from lower provision for credit and impairment losses in 2021
Return on Average Asset *(Net income divided by Average assets)*	1.49%	1.15%	Higher by 35 bps due to increase in net income primarily due to lower provision for credit and impairment losses, offset by impact of higher average assets.
Return on Average Equity *Net income divided by Average equity)*	11.78%	9.79%	Return on average equity increased by 1.99 % pts from higher net income mainly driven by lower operating expenses
Capital Adequacy Ratio *Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)*	18.18%	18.87%	Decrease by 69bps due to increase in credit risk-weighted assets arising from higher loans and receivables in 2021
Basic Earnings per share *Net income divided by average no. of common shares)*	3.27	2.43	Increase in basic earnings per share by ₱0.84 from higher net income

B. Financial Soundness

Ratio	December 2021 (Consolidated)	December 2020 (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.*	28.96%	43.40%	Decreased by 14.44 % pts due to lower liquid assets from lower placement in ODFs
Debt Ratio (Total Liability to Total Asset) *Debt refers to the total liabilities while assets is the total assets*	87.02%	87.62%	Decline by 60 bps as the increase in total assets 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	7.71	8.08	Ratio is lower by 37 bps mainly as result of lower growth in assets in relation to the increase in equity
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	470%	231%	Increased by 239 % pts. primarily due to lower interest expense mainly from lower cost of funds and drop in ave. volume, mostly TDs
Net Interest Margin Net interest income over Average Earning assets	4.83%	4.64%	Ratio went up by 20 bps primarily from lower interest expense due to drop in cost of funds

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

(in thousands)	Increase/(Decrease)	Percentage Change	Explanation
Cash and Other Cash Items	336,242	13.63%	Higher cash on hand & mainly those in cash center and with service provider
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	1,351,4714	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	5,873,972	10.19%	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	(197,103)	-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.
Deficit	1,572,560	95.97%	Net income for the period
Unrealized gain on equity securities carried at fair value	(46,584)	-46.54%	Lower unrealized gain on FVOCI

through other comprehensive income			
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 Condition: December 2020 vs. December 2019 (consolidated)

(in thousands)	Increase/(Decrease)	Percentage Change	Explanation
Cash and Other Cash Items	(231,583)	-8.58%	Lower cash on hand mainly those with service provider
Due from Bangko Sentral ng Pilipinas	10,384,347	101.67%	Higher mostly from ODF
Due from Other Banks	1,137,525	317.78%	Higher funds with foreign banks
Interbank Loans Receivable	5,336,718	743.55%	Higher investment in GS Repo in 2020
Financial Assets at Fair Value through Profit or Loss	(949,533)	-56.93%	Lower investments in FVTPL
Financial Assets at Fair Value through Other Comprehensive Income	(2,956,546)	-36.53%	Sale of investments in FVOCI
Investment Securities at Amortized Cost	(10,586,144)	-82.39%	Lower due to sale of HTC in 2020
Loans and Receivables	(3,633,047)	-5.93%	Decline in outstanding loan primarily in corporate loans
Property and Equipment	(79,593)	-8.17%	Decline mainly due to depreciation recognized for the period
Investment Properties			
Office units for lease	(351)	-10.72%	Decline due to depreciation recognized for the period
Intangible Assets	(59,563)	-8.85%	Lower mostly due to amortization of software during the period, partially offset by acquisitions
Deposit Liabilities			
Demand	3,660,678	13.46%	Higher volume of demand deposits
Savings	484,672	5.28%	Higher volume of savings deposits
Time	3,773,285	10.31%	Higher volume of time deposits
Bills Payable	(10,881,980)	-83.29%	Lower primarily in BP-REPO
Outstanding Acceptances	405,958	441.96%	Due to higher bills of exchange accepted by the Bank
Manager's Checks	(254,711)	-57.52%	Lower un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses	90,357	12.68%	Higher expense accruals, partially offset by lower accrued interest
Income Tax Payable	123,425	526.53%	Lower deductible expense
Deferred Tax Liabilities - net	(782)	-100.00%	Recognized DTA for 2020
Other Liabilities	(66,603)	-5.71%	Lower lease liability and lower security deposit
Deficit	1,168,446	41.63%	Net income for the period and transfer to surplus reserves

Unrealized gain on equity securities carried at fair value through other comprehensive income	12,161	13.83%	Higher unrealized gain on FVOCI
Cumulative translation adjustment	20,200	8.72%	Higher CTA
Remeasurement gains (losses) on retirement liability	(26,796)	-34.21%	Higher cumulative amount of actuarial losses

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 ave. 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 ave. 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
Miscellaneous	(21,506)	-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

Statement of Income and Expenses: Jan-Dec 2020 vs Jan-Dec 2019 (consolidated)

(in thousands)	Increase (Decrease)	Percentage	Remarks
INTEREST INCOME			
Investment securities	(224,699)	-38.19%	Lower interest income mainly due to decrease in volume mainly in HTC as a result of the sale in 2020
Financial Assets at Fair Value through Profit or Loss	(79,290)	-49.77%	Decrease from lower yields
Interbank loans receivable and securities purchased under resale agreements	52,500	130.45%	Increase from higher volume
Deposits with other banks	120,427	1005.15%	Increase from higher volume of investments in BSP ODF
INTEREST AND FINANCE CHARGES			
Deposit liabilities	(580,128)	-38.63%	Decline from lower cost of funds, mainly in TDs
Bills payable, borrowings and others	(414,666)	-73.82%	Decrease in interest expense mainly due to lower cost of funds and lower volume
OTHER INCOME			
Rent income	(62,927)	-8.55%	Lower PAS 17 adj mainly due to reversals of PY accruals of contracts that pre-terminated and contracts with rate reductions in 2020.
Trading and securities gain (loss) - net	246,318	60.31%	Higher trading gains, mostly realized
Profit (loss) from assets sold	(90,960)	-93.06%	Lower gain on sale of ROPA
Foreign exchange gain - net	9,312	18.67%	Increase from higher gain from fx revaluation
Income from trust operations	4,594	21.78%	Higher trust fees during the comparative period due to diversification of products and services, coupled with appropriate pricing strategy to differentiate products/services according to complexity
Gain (loss) on assets exchange - net	8,693	73.36%	Lower loss on ROPA foreclosures
Miscellaneous	20,619	14.96%	Higher penalties from pre-termination of rental agreements, lower loss on derecognition of asset, and higher dividends from investments

OPERATING EXPENSE			
Depreciation and amortization	(65,326)	-14.65%	Lower depreciation mainly from fully amortized LRI of branches, fully depreciated furniture and fixture and office equipment in 2020 and lower AL ROPA depreciation due to sale in 2019
Provision for credit and impairment losses - net	1,040,615	275.58%	Higher provision requirement in 2020 mostly due to deterioration of credit scores as the impact of the pandemic
Insurance	13,991	10.01%	Higher PDIC insurance from higher volume of deposits
Occupancy and other equipment-related costs	(28,886)	-22.18%	Lower electricity and water costs due to limited operation of the branches in 2020
Management and professional fees	33,456	31.40%	Higher professional fees incurred in 2020
Security, clerical, messengerial and janitorial services	(14,328)	-14.66%	Lower security and janitor mainly due to limited operation of the branches in 2020
Entertainment, amusement and recreation	44,089	53.45%	Higher expenses incurred in 2020
Miscellaneous	(39,617)	-9.16%	Lower broker's commission, collection and credit investigation fees due to lower volume
Share In Net Income Of An Associate	(265)	-49.91%	Net loss from PISAI
Provision For Income Tax	27,732	13.70%	Lower deductible expense
Net Income (Loss) From Discontinued Operations	228,408	-100.00%	No discontinued operations for 2020

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 on 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 2021.
- 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 2021 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, 2021.

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
2021	₱4,721	
2020	₱3,943	
2019	3,787	

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 in 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 Jaime J. Bautista as members.

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

There were no changes and disagreement 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	58	Filipino	2011
Leonardo B. Dayao	Vice Chairman / Director	77	Filipino	2014
Lucio L. Co	Director/Chairman of the Executive Committee	67	Filipino	2014
Patricia May T. Siy	President & CEO / Director	61	Filipino	2015
Jaime J. Bautista	Director	64	Filipino	2020
Bunsit Carlos G. Chung	Director	71	Filipino	1997
Susan P. Co	Director	64	Filipino	2014
Levi B. Labra	Director	63	Filipino	2014/2017
Gregorio T. Yu	Director	63	Filipino	2011
Jack Ekian T. Huang	Director	67	Filipino	2019
Robert Y. Cokeng	Independent Director	70	Filipino	2021
Conrado A. Gloria, Jr.	Independent Director	62	Filipino	2019
Bienvenido E. Laguesma	Independent Director	71	Filipino	2019
Jesus S. Jalandoni, Jr.	Independent Director *(up to May 3, 2021)*	63	Filipino	2013
Emmanuel Y. Mendoza	Independent Director	57	Filipino	2014
Gilda E. Pico	Independent Director	75	Filipino	2017
John Howard D. Medina	Executive Vice President-COO	52	Filipino	2017
Alan E. Atienza	Executive Vice President-Treasurer	51	Filipino	2016
Victor O. Martinez	Executive Vice President – Corporate and Commercial Banking Group Head	56	Filipino	2020
Arlene M. Datu	Senior Vice President – Comptroller	63	Filipino	2013
Expedito G. Garcia	Senior Vice President – Transaction Banking	54	Filipino	2015
Erico C. Indita	Senior Vice President – Branch Banking Group	53	Filipino	2020
Jane Lim-Laragan	Senior Vice President – General Services Group	54	Filipino	2016
Jeruel N. Lobien	Senior Vice President – Chief Audit Executive	44	Filipino	2014
Mina F. Martinez	Senior Vice President – Human Resources Group Head	59	Filipino	2015

BOARD OF DIRECTORS

ERIC O. RECTO, *Chairman of the Board and Director*
Mr. Recto, Filipino, 58 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; Vice Chairman and President of Atok-Big Wedge Co., Inc.; President and Director of Q-Tech Alliance Holdings, Inc.; Independent Director of Aboitiz Power Corporation; Independent Director of PH Resorts Group Holdings, Inc.; Independent Director of Waterfront Cebu City Casino Hotel Inc.; Independent Director of Davao Insular Hotel Company Inc.; Independent Director of Manila Water Company, Inc.; Director of DITO CME Holdings Corp. (formerly ISM Communications Corporation); and Owner of Premium Wine Exchange Inc. Mr. Recto served as Undersecretary of Finance of the Republic of the Philippines from 2002 to 2005, in charge of handling both the International Finance Group and the Privatization Office. Before his stint with the government, he was Chief Finance Officer of Alaska Milk Corporation and Belle Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University.

LEONARDO B. DAYAO, *Vice Chairman and Director*
Mr. Dayao, Filipino, 77 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 Kareila Management 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 Untility 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, Karayan Hydropower Corporation and Puregold Realty Leasing & Management, Inc. He 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, 67 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 and President 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, NE Pacific Shopping Centers Corporation, P.G. Holdings, Inc., 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. He is also a Director of the following privately-owned companies: Catuiran Hydropower Corporation, Cleangreen Energy 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., Nation Realty, 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 and Chief Executive Officer, Director*
Ms. Siy, Filipino, 61 years old, was elected Director, President and Chief Executive Officer on June 1, 2015. 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 31 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.

JAIME J. BAUTISTA, *Director*
Mr. Bautista, 64 years old, was elected Director on July 14, 2020. He is currently a Director of Air Speed International Inc., Alphaland Corp., Belle Corp. Cosco Capital Inc., Gothong Southern Shipping, Inc., Nickel Asia Corp.and Premium Leisure Corp. At present, he is a member of the Board of Trustees of the University of the East, UE Ramon Magsaysay Medical Memorial Center and International School of Sustainable Tourism. Mr. Bautista started his career as Staff Auditor of SyCip, Gorres Velayo and Co. He joined the Lucio Tan Group (LTG) of Companies in 1980 occupying various management positions in the group which is involved in cigarette manufacturing, brewery, piggery, construction, electronics, real estate, property development, banking, distillery, chemical and alcohol manufacturing, education Import/export and other businesses. Mr. Bautista was appointed as Vice President- Comptroller and was promoted to Senior Vice President and Chief Finance Officer of Philippine Airlines (PAL) in 1994, Executive Vice President in 1998 and President in 2004 until his retirement in 2012. He was appointed again as President of PAL until his second retirement on June 30, 2019. He graduated Magna Cum Laude from Colegio de San Juan de Letran with a degree of Bachelor of Science in Commerce. Mr. Bautista is a Certified Public Accountant.

BUNSIT CARLOS G. CHUNG, *Director*
Mr. Chung, Filipino, 71 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, 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, 64 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 of Tower 6789 Corporation and Director of the following privately-owned companies: Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Kareila Management Corp., KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., NE Pacific Shopping Center Corporation, P.G. Holdings, Inc., Patagonia Holdings Corp., PPCI Subic Inc., Premier Wines and Spirits, Puregold Duty Free (Subic), Inc., Puregold Duty Free, 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. Mrs. Co received a Bachelor of Science Degree in Commerce from the University of Santo Tomas.

JACK EKIAN T. HUANG, *Director*
Mr. Huang, Filipino, 67 years old, was elected Director on June 4, 2019. He currently holds the positions of Director of Puregold Price Club Inc. and First Abacus Financial Holdings Corporation, Vice President of Abacus Capital and Investment Corporation, Director and Vice President of Abacus Securities Corporation and Director and Treasurer of Richmedia Network Inc. Mr. Huang is also a member of the Board of Trustees 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, 63 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, 63 years old, was elected Director on July 26, 2011 and is presently the Chairman of Auto Nation Group, Inc., Cats Automobile Corp and Nexus Technology Inc. He is also the Vice Chairman and Director of Sterling Bank of Asia. Mr. Yu is also a director of various private institutions, among which are CATS Asian Cars, Inc. and American Motorcycles, Inc. He is also a Director of Unistar Credit and Finance Corporation, Glyph Studios, Inc., Prople BPO Inc., WSI Corporation, and Jupiter Systems Corporation. Mr. Yu is also an Independent Director of Alphaland Corporation, Glacier Megafridge, EEI Corporation, DITO CME Holdings Corporation, APO Agua Infrastructura Inc., Philequity Management Inc., Vantage Financial Corporation (formerly E-business Services, Inc. and Vantage Equities In. He is also a Board Member of Ballet Philippines and 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.

ROBERT Y. COKENG, *Independent Director*
Mr. Cokeng, Filipino, 70 years old, was elected Independent Director on June 15, 2021. He is currently the Chairman and President of F&J Prince Holdings Corporation (PSE-listed), Magellan Capital Holdings Corporation, Magellan Utilities Development Corporation, Consolidated Tobacco Industries of the Philippines, Center Industrial and Investment Inc., Malabrigo Corp., and Pinamucan Power Corporation. He is also the Managing Director of Essential Holdings Ltd. and Chairman of Pointwest Technologies Corporation, Pointwest Innovations Corporation and Ipads Developers Corporation. Mr. Cokeng is the Chairman of the Executive Committee of Business Process Outsourcing International and an Independent Director of Cosco Capital, Inc., a publicly listed company. Mr. Cokeng started as Senior Investment Officer and Philippine Country Officer in International Finance Corp. (World Bank Group), Washington, D.C. from 1976 to 1986 and Planning Associate in Mobil Oil Philippines from 1971 to 1972. Mr. Cokeng graduated from the Ateneo University with a degree of Bachelor of Arts in Economics Honors Program in 1971, Magna Cum Laude. He obtained his Masters in Business Administration Degree from Harvard University in 1976 and completed it with High Distinction and was designated as a Baker Scholar.

CONRADO A. GLORIA, JR., *Independent Director*
Mr. Gloria, Filipino, 62 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. 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 Masters in Business Administration at the Asian Institute of Management.

BIENVENIDO E. LAGUESMA, *Independent Director*
Atty. Laguesma, 71 years old, was elected Independent Director on October 30, 2019. He is currently a Partner at Laguesma Magsalin Fernandez & Quirolgico Law Offices and an Independent Director of Cosco Capital, Inc., The Keepers Holdings, Inc. (formerly Da Vinci Capital Holdings, Inc.) and PAL Holdings, Inc. Atty. Laguesma also sits as Member of the Board of Trustees of Maritime Academy of Asia and the Pacific and Vice Chairman of Anda Power Corporation. In the past, Atty. Laguesma was a Director of First Metro Investment Corporation, Chairman of Charter Ping An Insurance Corporation, Director of DARE Philippines, Inc., and Member of the Board of Regents of the Pamantasan Ng Lungsod ng Maynila (PLM). He also served the government from 1976-2001 and 2011-2016 in various capacities, notably as, among others: 1) Commissioner and Ex-Officio Commissioner of the Social Security System; 2) Director of Land Bank of the Philippines; 3) Director of HMDF (Pag-ibig Fund); 4) Director of Aurora Pacific Economic Zone Authority; 5) Secretary and Undersecretary of the Department of Labor and Employment; and 6) Presidential Assistant of the Office of the President of the Republic of the Philippines. Atty. Laguesma obtained his AB Political Science degree at the Lyceum of the Philippines and his Bachelor of Laws at the Ateneo College of Law. He also attended a course in Public Service Administration at the Royal Institute of Public Administration in London, U.K. and Executive Service Development Program at the Development Academy of the Philippines.

EMMANUEL Y. MENDOZA, *Independent Director*
Mr. Mendoza, Filipino, 57 years old, was elected Independent Director on December 19, 2014. He is currently the Managing Partner of Mendoza Querido & Co., (a member firm of Moore Stephens International Limited) 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, 75 years old, was elected Independent Director on February 22, 2017. She is currently Chairman of the Board of Producers Savings Bank Corporation where she was formerly a Director /Consultant. 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, 38 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, 52 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, 51 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, 56 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, 63 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, 54 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, 53 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, 54 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, 44 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, 59 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 DITO CME Holdings Corp. (formerly ISM Communications Corporation), 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. Jaime J. Bautista is also a Director of Cosco Capital, Inc.
- Mr. Levi B. Labra is also a Director of Cosco Capital, Inc.
- Mr. Gregorio T. Yu is also a Director of DITO CME Holdings (formerly ISM Communications Corporation) and Vantage Equities, Inc.
- Mr. Jack Ekian T. Huang is also a Director of Puregold Price Club, Inc. and First Abacus Financial Holdings Corporation.
- Mr. Robert Y. Cokeng is also a Director of F & J Prince Holdings Corp. and an Independent Director of Cosco Capital, Inc.
- Mr. Bienvenido E. Laguesma is also an Independent Director of Cosco Capital, Inc. and Keepers Holdings, Inc. (formerly Da Vinci Capital Holdings, Inc.)

Shares of Atok-Big Wedge Co., Inc. (AB), DITO CME Holdings Corp. (DITO) (formerly ISM Communications Corporation), 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 Abacus Financial Holdings Corp.(FAF), F&J Prince Holdings Corp. (FJP) 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. 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 2019 to 2021 of the Bank's Chief Executive Officer and four other most highly compensated executive officers are as follows:

	2021	2020	2019
CEO and four most highly compensated Executive officers	Patricia May T. Siy President & CEO John Howard D. Medina Executive Vice President Alan E. Atienza Executive Vice President Victor O. Martinez Executive Vice President Arlene M. Datu Senior Vice President	Patricia May T. Siy President & CEO John Howard D. Medina Executive Vice President Alan E. Atienza Executive Vice President Victor O. Martinez Executive Vice President Arlene M. Datu Senior Vice President	Patricia May T. Siy President & CEO John Howard D. Medina Executive Vice President Alan E. Atienza Senior Vice President Arlene M. Datu Senior Vice President Expedito G. Garcia, Jr. Senior Vice President
Salary	₱60,175	₱50,719	₱48,960
Bonus	20,258	18,685	16,320
Other Annual Compensation			
TOTAL	₱ 80,433	₱69,404	₱65,280
All officers and directors as Group Unnamed			

Salary	₱ 624,600	₱621,114	₱620,420
Bonus	193,915	192,947	188,364
Other Annual Compensation	-	-	-
TOTAL	₱ 818,515	₱814,061	₱808,784

The following is the estimated annual compensation for year 2022:

	Salary	Bonus	Other Annual Compensation	Total
Total of CEO and Four most highly compensated Executive Officers	₱60,775	₱20,258	none	₱81,033
All officers as a group unnamed	626,772	196,542	none	823,314

The director's per diem amounted to ₱13.36 Million, ₱12.43 Million and ₱9.75 Million, as of December 31, 2021, 2020 and 2019, 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 employment contract between PBCOM and named Executive Officers or any other more compensatory plans or arrangement except those disclosed above.

There are no Outstanding Warrants or Options held by the Directors, Officers as of December 31, 2021.

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, 2021:

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	49,157,327 1,994,361 51,151,688	10.22% 0.42% 10.64%
Common	Eric O. Recto	Eric O. Recto – same as	Filipino	50,159,424**	10.43%

	5/F PBCOM Tower 6795 Ayala Ave. cor. V.A. Rufino St., Makati City Stockholder	record owner			
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, 2021:

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	Jaime J. Bautista	Direct	100	Filipino	0.00%
Common	Robert Y. Cokeng	Direct	200	Filipino	0.00%
Common	Conrado A. Gloria, Jr.	Direct	100	Filipino	0.00%
Common	Bienvenido E. Laguesma	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 with that of other parties.

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

Related Party	Transaction with the Bank
Post-retirement Plan	Investment made in retirement plan is approved by the Bank's Retirement Board. Trust fee income from such service and total deposits maintained

	with the Bank in 2021 amounted ₱2.65 Million and ₱42.50 Million, respectively while interest expenses paid by the Bank to the deposits was ₱ 0.14 Million.
Provident Fund	Outstanding deposit and interest paid by the Bank as of year-end was ₱ 42.0 Million and ₱0.12 Million, respectively while trust fees earned from such service amounted to ₱2.36 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 2021 amounted to ₱141.57 Million and ₱8.28 Million, respectively. Year-end balance of deposits and interest expenses paid by the Bank amounted to ₱37.62 Million and ₱0.02 Million respectively.
Affiliate	Year-end balance of deposits and interest expenses incurred by the Bank amounted ₱18.23 Million and ₱0.015 Million, respectively. Rental income earned for the year is ₱0.153 Million.
Subsidiaries	Year-end balance of deposits incurred by the Bank amounted ₱8.9 Million.
Significant Investors	Year-end balance of deposits and interest expenses incurred by the Bank amounted ₱5.68 Billion and ₱15.64 Million, respectively. Rental income during the year amounted to ₱2.04 Million and rent-related depreciation and interest expense were ₱24.37 Million and ₱4.2 Million, respectively. Loans and receivables outstanding balance is ₱2.9 Billion

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, 2021 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 7, 2021	The Bank disclosed the Upgrade of its Banking License from Commercial Bank to Universal Bank.
November 5, 2021	The Bank disclosed its Statement of Condition as of September 30, 2021.
October 27, 2021	The Bank disclosed the 2021 Amendments to its By-Laws.
August 4, 2021	The Bank disclosed its Reply to the Exchange's Query regarding Disclosure of Personal and Sensitive Information Relating to the Bank's 2021 General Information Sheet.
August 4, 2021	The Bank disclosed the Statement of Condition as of June 30, 2021.
July 28, 2021	The Bank disclosed the new composition of its Audit Committee:

<table>
<tr><td></td><td>
<table>
<tr><th>FROM</th><th>TO</th></tr>
<tr><td>Chairman: Emmanuel Y. Mendoza (ID)
Members: Gilda E. Pico (ID)
Levi B. Labra
Jaime J. Bautista</td><td>Chairman: Emmanuel Y. Mendoza (ID)
Members: Gilda E. Pico (ID)
Jaime J. Bautista</td></tr>
</table>
</td></tr>
<tr><td>June 30, 2021</td><td>The Bank disclosed the Change in Directors and/or Officers(resignation/Removal or Appointment/Election and/or Promotion- (Mr. Jeruel N. Lobien, SVP, Chief Audit Executive and Ms. Mina F. Martinez, SVP, HR Head).</td></tr>
<tr><td>June 15, 2021</td><td>The Bank disclosed the Amendments to its By-Laws (Annual Stockholders' Meeting).</td></tr>
<tr><td>June 15, 2021</td><td>The Bank disclosed the Result of Annual Meeting of Stockholders and Organizational Board Meeting:

Board of Directors for Year 2021-2022:
Eric O. Recto-Chairman
Leonardo B. Dayao-Vice Chairman
Lucio L. Co
Patricia May T. Siy
Susan P. Co
Bunsit Carlos G. Chung
Jack Ekian T. Huang
Levi B. Labra
Gregorio T. Yu
Jaime J. Bautista
Gilda E. Pico- Independent Director
Emmanuel Y. Mendoza- Independent Director
Conrado A. Gloria, Jr.- Independent Director
Bienvenido E. Laguesma- Independent Director
Robert Y. Cokeng- Independent Director

Corporate Officers of the Bank for Year 2021-2022:
<table>
<tr><td>President and CEO</td><td>Patricia May T. Siy</td></tr>
<tr><td>EVP & Chief Operations Officer:</td><td>John Howard D. Medina</td></tr>
<tr><td>EVP & Treasurer</td><td>Alan E. Atienza</td></tr>
<tr><td>EVP & Corporate and Commercial Banking Group Head</td><td>Victor O. Martinez</td></tr>
<tr><td>SVP & Comptroller</td><td>Arlene M. Datu</td></tr>
<tr><td>SVP & Transaction Banking Group Head</td><td>Expedito G. Garcia, Jr.</td></tr>
<tr><td>SVP & Branch Sales and Distribution Head</td><td>Erico C. Indita</td></tr>
<tr><td>SVP & General Services Group Head:</td><td>Jane Lim-Laragan</td></tr>
<tr><td>FVP & Chief Risk Officer:</td><td>Lorellei Paula B. Arjonillo</td></tr>
<tr><td>FVP & Chief Audit Executive:</td><td>Jeruel N. Lobien</td></tr>
<tr><td>FVP & Human Resources Group Head</td><td>Mina F. Martinez</td></tr>
<tr><td>FVP & Trust Officer</td><td>Dreda Teresa D. Mendoza</td></tr>
<tr><td>FVP & Chief Information Officer</td><td>Ariel A. Roda</td></tr>
<tr><td>FVP & Legal Services Group Head</td><td>Jo-anne R. Legaspi</td></tr>
<tr><td>SAVP & Chief Compliance Officer:</td><td>Angelita U. Egalin</td></tr>
<tr><td>Corporate Secretary:</td><td>Michael Stephen H. Lao</td></tr>
</table>

The Board of Directors likewise constituted the following committees and appointed the following members thereof:</td></tr>
</table>

	Executive Committee: a) Lucio L. Co (Chairperson) b) Eric O. Recto (Vice Chairperson) c) Leonardo B. Dayao (Vice Chairperson) d) Patricia May T. Siy e) Bunsit Carlos G. Chung f) Jaime J. Bautista. Audit Committee: a) Emmanuel Y. Mendoza (Chairperson/Independent Director) b) Gilda E. Pico (Independent Director) c) Levi B. Labra d) Jaime J. Bautista *Audit Committee members cannot concurrently serve as trust Committee membe Governance Committee: a) Gilda E. Pico (Chairperson/Independent Director) b) Conrado A. Gloria, Jr. (Independent Director) c) Bienvenido E. Laguesma (Independent Director) d) Eric O. Recto e) Leonardo B. Dayao *The Governance Committee also serves as the Bank's Nominations Committee, Compensation and Remuneration Committees, and Performance Evaluation Committee.* Related Party Transactions Committee a) Robert Y. Cokeng (Chairperson/ Independent Director) b) Conrado A. Gloria, Jr. (Independent Director) c) Gilda E. Pico (Independent Director) d) Levi B. Labra Risk Oversight Committee: a) Conrado A. Gloria, Jr. (Chairperson/Independent Director) b) Bienvenido E. Laguesma (Independent Director) c) Robert Y. Cokeng (Independent Director) d) Levi B. Labra e) Patricia May T. Siy Trust Committee a) Eric O. Recto (Chairperson) b) Robert Y. Cokeng (Independent Directors) c) Patricia May T. Siy d) Jack Ekian T. Huang e) Dreda Teresa D. Mendoza (Trust Officer) **Trust Committee members cannot be appointed as Audit Committee members*
May 26, 2021	The Bank disclosed the 2021 Amendments to its By-Laws.
May 12, 2021	The Bank disclosed the Change in Directors and/or Officers(resignation/Removal or Appointment/Election- (Demise of Independent Director, Mr. Jesus S. Jalandoni, Jr.

	on 4 May 2021).
May 7, 2021	The Bank disclosed its Statement of Condition as of March 31, 2021.
April 28, 2021	The Bank disclosed the Notice of 2021 Annual Meeting. Date and Time: 15 June 2021 (Tuesday) at 9:00 A.M. to 10:00 A.M. Venue: Virtual Stockholders' Meeting at the link to be provided in PBCOM's Website- https://www.pbcom.com.ph/ Record Date: 14 May 2021
February 3, 2021	The Bank disclosed its Reply to Exchange's Query regarding Consent to Publish Pers and Sensitive Personal Information of the Principal Officers of the Bank.
February 3, 2021	The Bank disclosed its Statement of Condition as of December 31, 2020.
January 27, 2021	The Bank disclosed the Change in Directors and/or Officers (resignation/Remova Appointment/Election and/or Promotion- (Appointment of Ms. Dreda Teresa D. Mend as FVP, Trust Officer and TWMG Head).
January 4, 2021	The Bank disclosed the Director's Attendance for the Year 2020.

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 11 2022, 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

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Page No. 34
Book No. XI
Series of 2022

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

PBCOM
PHILIPPINE BANK OF COMMUNICATIONS
菲律濱交通銀行

ANNEX A

PHILIPPINE BANK OF COMMUNICATIONS
BRANCHES' SITES - OWNED AND LEASED
AS OF DECEMBER 31, 2021

No.	BRANCH	ADDRESS	CONDITION OF PREMISES	OWNED / LEASED	LEASE TERMS		
					MONTHLY RENTAL (OFFICE + PARKING + OTHER CHARGES) AS OF DECEMBER 2020	EXPIRY DATE	RENEWAL OPTIONS
A. BANK-OWNED PROPERTIES UTILIZED AS BRANCHES							
1	BINONDO BANKING CENTER	7th Floor, PBCOM Bldg 214-216 Juan Luna St. Binondo Manila	good	owned	-		
		4th Floor, PBCOM Bldg 214-216 Juan Luna St. Binondo Manila	good	owned	-		
2	CAGAYAN DE ORO	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	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 CENTER	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 JULIA VARGAS)	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 MABINI)	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	101,311.23	15-Aug-2023	
2	ANNAPOLIS	Unit 101 Victoria Plaza Condominium 41 Annapolis St., Greenhills, San Juan	good	leased	267,484.18	15-Apr-2024	
3	AYALA-ALABANG	ALPAP II Building, Investment Drive cor. Trade St., Madrigal Busines Park, Ayala Alabang, Muntinlupa City	good	leased	266,306.90	31-Jan-2026	
4	BANAWE	G/F 2 Benby Building, Banawe Street, Quezon City	good	leased	113,448.72	22-Nov-2024	
5	BACOLOD	Units A-E, Ground Floor, Sorrento	good	leased	157,926.78	29-Feb-2024	
6	BAGUIO	Ground Floor Level, Unit Nos. 105, 106 & 106-B, Baguio Holiday Villas, No. 10 Legarda Road, Baguio City	good	leased	226,652.07	30-Nov-2022	
7	BATANGAS	Diego Silang St., Batangas City	good	leased	133,126.88	31-Jan-2022	
8	BMA	Web-Jet Building, Quezon Ave., Q.C.	good	leased	99,491.49	30-Nov-2023	
9	CABANATUAN	Ground Floor, SAM Building along Maharlika Highway, Cabanatuan City	good	leased	60,000.00	31-Jan-2024	
10	CAINTA	GF Unit RSJ-0106, RS City Square – Junction Ortigas Avenue Extension Brgy. Sto. Domingo, Cainta Rizal.	good	leased	76,496.56	17-Oct-2026	
11	CALAMBA	Ground Floor Walter Mart, National Highway corner Real Street, Calamba, Laguna	good	leased	101,963.05	31-Dec-2021	relocated.
12	CALOOCAN	298-C2 6th Avenue Ext. Caloocan City	good	leased	87,614.27	14-Sep-2022	
13	CAUAYAN	Mateo-Patricia Bldg., Rizal Avenue Extension, Cauayan, Isabela	good	leased	86,821.88	31-May-2023	
14	CEBU BUSINESS PARK	Latitude Corporate Center, Mindanao Avenue, Cebu Business Park, Cebu City	good	leased	265,643.35	21-Jun-2026	
15	CONGRESSIONAL	No. 8 Congressional Ave., Brgy. Bahay Toro, Quezon City	good	leased	108,007.84	30-Apr-2022	
16	CUBAO	2nd Floor SPARK Place, P. Tuazon cor. 10th Avenue, Quezon City	good	leased	205,078.17	31-Aug-2023	
17	DAGUPAN	Ground Floor, Balingit Building, Arellano Street, Dagupan City	good	leased	98,759.88	15-May-2024	
18	DASMARINAS	EVY Building Salawag-Paliparan Road Dasmariñas, Cavite	good	leased	101,516.80	31-Oct-2022	
19	DAVAO BUHANGIN (reloc site of Davao Bajada)	G/F Pacific Plaza, Lot 3, Block 18, Buhangin Road, Davao	good	leased	61,600.00	30-Apr-2026	
20	TACLOBAN (reloc site of Dumaguete)	Imelda Veteranos St. Brgy. 23, Tacloban City	good	leased	76,807.50	05-Mar-2025	
21	ELCANO	SHC Tower, Elcano St., San Nicolas, Manila	good	leased	173,978.00	28-Feb-2024	
22	F1 HOTEL, BGC	F1 Hotel Building, Lane Q corner Lane A Roads, Bonifacio Global City,	good	leased	846,201.27	15-Feb-2023	
23	GREENHILLS	Quadstar Building, 80 Ortigas Avenue, San Juan, Metro Manila	good	leased	247,087.18	31-Mar-2026	
24	ILIGAN	Roxas Avenue, Poblacion, Iligan City, Lanao del Norte.	good	leased	98,126.15	18-Jul-2024	

No.	BRANCH	ADDRESS			LEASE TERMS		
			CONDITION OF PREMISES	OWNED / LEASED	MONTHLY RENTAL (OFFICE + PARKING + OTHER CHARGES) AS OF DECEMBER 2020	EXPIRY DATE	RENEWAL OPTIONS
25	IMUS	Luis Gaerlan St., and Imus Boulevard, Imus, Cavite	good	leased	89,600.00	30-Jun-2026	
26	J.P. RIZAL	Ground Floor, Santini Corp. Building, 519 J.P. Rizal Ave., Brgy. Olympia, Makati City	good	leased	181,226.38	30-Apr-2022	
27	LA UNION	Quezon Avenue, San Fernando City, La Union	good	leased	101,494.44	31-Jan-2022	
28	LEGASPI VILLAGE	Unit 1-A, Vernida I 120 Amorsolo St., Legaspi Vill., Makati City	good	leased	85,911.21	31-Jul-2026	
29	LEGAZPI CITY	Ground Floor De Los Santos , Commercial Building, Landco , Business Park, Legazpi City	good	leased	163,691.61	09-Aug-2024	
30	LIPA	ATDRMAM Building Ayala Highway Mataas na Kahoy, Lipa	good	leased	112,313.31	31-Jan-2024	
31	LUCENA	VCCI Building Merchan cor. San Fernando, Lucena City	good	leased	102,618.51	15-Nov-2023	
32	M. DE SANTOS, DIVISORIA	553-561 M. De Santos St., Divisoria, Tondo, Manila	good	leased	278,739.89	31-Mar-2025	
33	MAKATI PLACE	Ground Floor Unit C-15, Alphaland Makati Place, Ayala Ave. cor. Malugay St. Makati City.	good	leased	174,929.13	30-Nov-2022	
34	MALABON	Building L, #34 Gov. Pascual Avenue corner Ibarra Street, Brgy Acacia, Malabon City.	good	leased	92,265.60	24-Jun-2024	
35	MALOLOS	Malolos Shopping Arcade Paseo Del Congreso, Malolos City	good	leased	73,376.24	15-Aug-2026	
36	MASANGKAY	1004-1006 Masangkay St. Binondo, Manila	good	leased	154,560.00	30-Sep-2024	
37	MEYCAUAYAN	Mancon Building McArthur Highway, Calvario, Meycauyan City	good	leased	92,726.56	15-Apr-2026	
38	NAGA	Ground Floor, Rodriguez Building, 956 Panganiban St., corner Balintawak St., Naga City	good	leased	93,804.67	28-Feb-2023	
39	OLONGAPO	Grd. Flr. YBC Centre Mall, Rizal , Avenue Extension, Olongapo City	good	leased	152,945.60	30-Sep-2022	
40	ONGPIN	Chinatown Center, 729 Ongpin Street, Sta. Cruz, Manila	good	leased	348,085.39	30-Sep-2022	
41	PADRE RADA	951 Juan Luna Street, Tondo, Manila	good	leased	149,300.75	14-Jul-2022	
42	PARANAQUE	Unit 3-4, Kingsland Building Dr. A. Santos Avenue, P'que. City	good	leased	160,583.13	31-May-2022	
43	PASAY	2492 Taft Avenue, Pasay City	good	leased	129,640.00	31-Oct-2023	
44	PIONEER	RFM Corporate Center Pioneer cor. Sheridan Sts., Mandaluyong City	good	leased	195,394.36	13-May-2026	
45	PUREGOLD SAN PEDRO	Puregold San Pedro, Old National Highway cor. Magsaysay St., San Pedro, Laguna	good	leased	55,932.69	31-Jan-2025	
46	QUEZON AVE	APC Building, 1186 Quezon Avenue, Quezon City	good	leased	272,249.60	30-Sep-2026	
47	SAN FERNANDO	McArthur Highway Dolores, San Fernando, Pampanga	good	leased	154,224.81	31-Mar-2024	
48	SAN MIGUEL AVE.	Unit G101OMM-CITRA Condominium, San Miguel Avenue, Ortigas Center, Pasig City	good	leased	175,975.02	31-Jul-2025	
49	SAN PABLO	Rizal Avenue, San Pablo City, Laguna	good	leased	55,594.90	30-Apr-2026	
50	SEN. GIL PUYAT	Unit 101-C, Oppen Building, 349 Sen. Gil Puyat Avenue, Makati City	good	leased	252,292.94	14-Jul-2023	
51	SHAW BLVD	146 Shaw Boulevard cor. San Roque St., Pasig City	good	leased	87,823.80	15-Nov-2022	
52	SOLER	No. 943 Soler St., of R & S Tower, Inc., Binondo, Manila	good	leased	129,670.40	31-May-2023	
53	SOUTH GATE MALL	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-2022	
54	STA. MESA	G. Araneta Avenue, Sta. Mesa, Q.C.	good	leased	141,737.16	31-Jul-2022	
55	STA. ROSA	Unit No. 2, Paseo 5, Phase 2, Paseo de Sta. Rosa	good	leased	220,034.15	31-Mar-2022	
56	STO. CRISTO	563 Sto. Cristo Street, Divisoria, Manila	good	leased	94,500.00	16-Sep-2023	
57	T. ALONZO	T. Alonzo Street, Sta. Cruz, Manila	good	leased	301,864.50	10-Sep-2024	
58	TAGBILARAN	Ground Floor, LTS Building, Carlos, P. Garcia Avenue, Tagbilaran City	good	leased	67,200.00	30-Jul-2025	
59	TIMOG	75 Timog Avenue, Quezon City	good	leased	162,954.37	15-Jul-2024	
60	S&R NEW Manila (reloc of Tomas Morato)	G/F S&R Membership Shopping New Manila E. Rodriguez Sr. Avenue, Brgy. Kalusugan, New Manila, Quezon City	good	leased	113,940.00	04-Feb-2025	
61	VALENZUELA	246 McArthur Highway, Karuhatan, Valenzuela	good	leased	178,500.00	18-May-2022	
62	ZAMBOANGA VALDEROSA	LKG Building, Valderosa Street, Zamboanga City	good	leased	136,399.10	30-Apr-2024	
63	ZAMBOANGA VETERANS	BSC Tower (formerly Zamsulu Bldg.) Ground Floor, Door 5-7, Veterans Ave., Zamboanga City	good	leased	117,928.42	30-Sep-2024	
64	LAPU-LAPU	Grd. Flr. Unit 11, Alpha Arcade Bldg., M.L. Quezon National Highway, Pajo, Lapu-Lapu City	good	leased	28,986.88	31-Jul-2025	
65	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	02-Jul-2026	
66	INOZA TOWER	Ground Floor Unit D, 40th St., Bonifacio Global City, Taguig City	good	leased	364,455.56	07-Oct-2022	
67	WILSON	Ground Floor Unit of ONE86 at Wilson, San Juan, Metro Manila	good	leased	82,654.43	14-Oct-2022	

No.	BRANCH	ADDRESS			LEASE TERMS		
			CONDITION OF PREMISES	OWNED / LEASED	MONTHLY RENTAL (OFFICE + PARKING + OTHER CHARGES) AS OF DECEMBER 2020	EXPIRY DATE	RENEWAL OPTIONS
68	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-2022	
69	S & R DAU	Ground Floor Unit 2 of S&R Membership Shopping Dau, NLEX Access Road, Barangay Dau, Mabalacat City, Pampanga	good	leased	103,458.60	15-Mar-2023	
70	LIBIS	of Ground Floor Commercial Spaces at Nuvo City - Aspire Tower, 150 E. Rodriguez Jr. Avenue cor. Calle Industria, Bagumbayan, Quezon City	good	leased	91,078.00	05-Sep-2025	
71	ORMOC	Unit 105, Ground Floor of L & R Building, Bonifacio Street, District 8, Ormoc City, Leyte	good	leased	20,276.73	12-Jun-2022	
BRANCHES OPENED IN 2019							
72	BALIUAG	NE Super Bodega, Dona Remedios Trinidad Highway, Baliuag, Bulacan	good	leased	42,444.00	22-Sep-2024	
LONG TERM BRANCH LEASE							
73	CORINTHIAN GARDENS	Sanso Street, Corinthian Gardens, Q.C.			Leasehold Rights of P12 Million	30-Sep-2031	
74	TUTUBAN	Prime Block Building, Tutuban Center, C.M. Recto Avenue, Manila			Leasehold Rights of P9.92 Million	22-Aug-2039	
BRANCHES OPENED IN 2021							
75	INTRAMUROS (using ECHAGUE LICENSE)	AVR Building, Beaterio Intramuros Manila	good	leased	95,200.00	01-Apr-2026	
76	LAS PINAS	2012 Marcos Alvarez, Brgy. Talon Singko, Las Pinas City	good	leased	57,086.40	27-Jan-2026	
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-2024	
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-2023	
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	35,870.00	19-Jun-2022	
4	NE Pacific Mall - Cabanatuan	2/F VFC MalG/F NE Pacific Mall, Km.11, Maharlika Hi-way, Cabanatuan Ci	good	leased	58,484.71	22-Jan-2023	

6795 Ayala Avenue corner V.A. Rufino Street, Makati City, Philippines
(02) 777-2266 | 1-800-10-777-2266

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, 2021, 2020 and 2019, 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

March 30, 2022

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

SUBSCRIBED AND SWORN TO before me this APR 12 2022 at MAKATI CITY, 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, 2022
IBP No. 05729/Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

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Page No. 44
Book No. XII
Series of 2022

SGV
Building a better working world

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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2021, 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.

Date APR 28 2022

MA. GRACIA AURORA L. CASTILLO

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, including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses for loans and receivables as of December 31, 2021 for the Group and the Parent Company amounted to ₱2.73 billion. Provision for credit losses of the Group and the Parent Company in 2021 amounted to ₱0.32 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, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's and the Parent Company's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, 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

APR 28 2022
MA. GRACIA AURORA

our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; 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

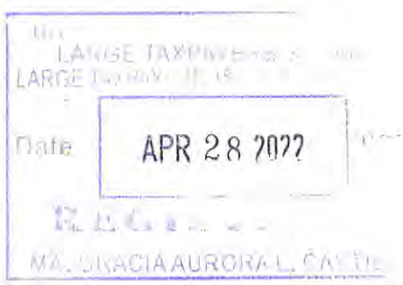
Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated and parent company financial 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, 2021 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 onthe 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.

LARGE TAXPAYERS SERVICE
Date APR 28 2022
REGISTRAR
MA. GRACIA AURORA L. CASTILLO

- 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.

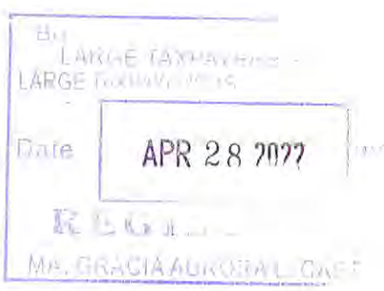
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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
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. 8853467, January 3, 2022, Makati City

April 27, 2022

LARGE TAXPAYERS
Date APR 28 2022
MA. GRACIA AURORA CASTRO

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31		December 31	
	2021	2020	**2021**	2020
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items	**₱2,803,341**	₱2,467,099	**₱2,803,341**	₱2,467,099
Due from Bangko Sentral ng Pilipinas (Notes 18 and 19)	**10,271,486**	20,597,868	**10,271,486**	20,597,868
Due from Other Banks	**658,593**	1,495,485	**658,593**	1,495,485
Interbank Loans Receivable and Securities Purchased under Resale Agreements (Note 8)	**4,195,846**	6,054,454	**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)	**6,489,287**	5,137,816	**6,489,287**	5,137,816
Investment Securities at Amortized Cost (Note 11)	**15,520,279**	2,263,356	**15,520,279**	2,263,356
Loans and Receivables (Note 12)	**63,497,965**	57,623,993	**63,500,798**	57,626,707
Investments in Subsidiary and an Associate (Note 7)	**14,401**	14,114	**20,475**	20,252
Property and Equipment (Note 13)	**882,217**	894,617	**882,217**	894,617
Investment Properties (Note 14)				
Condominium units for lease	**1,740,177**	1,788,559	**1,740,177**	1,788,559
Foreclosed properties	**834,303**	610,075	**834,303**	610,075
Office units for lease	**2,689**	2,923	**2,689**	2,923
Intangible Assets (Note 15)	**527,503**	613,526	**527,503**	613,526
Deferred Tax Assets - Net (Note 30)	**325,614**	170,608	**325,614**	170,608
Other Assets (Note 16)	**579,328**	777,431	**578,077**	776,034
TOTAL ASSETS	**₱109,229,320**	₱101,230,218	**₱109,236,976**	₱101,237,673
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 18 and 31)				
Demand	**₱41,166,107**	₱30,865,282	**₱41,175,066**	₱30,874,143
Savings	**11,359,112**	9,664,945	**11,359,112**	9,664,945
Time	**31,531,570**	40,367,517	**31,531,570**	40,367,517
Long-term negotiable certificates of deposits	**2,889,116**	2,883,668	**2,889,116**	2,883,668
	86,945,905	83,781,412	**86,954,864**	83,790,273
Bills Payable (Note 19)	**6,010,988**	2,182,844	**6,010,988**	2,182,844
Outstanding Acceptances	**71,609**	497,813	**71,609**	497,813
Manager's Checks	**172,247**	188,100	**172,247**	188,100
Accrued Interest, Taxes and Other Expenses (Note 20)	**680,734**	802,785	**680,648**	802,637
Income Tax Payable	**66,823**	146,866	**66,823**	146,866
Other Liabilities (Note 21)	**1,105,196**	1,100,720	**1,103,979**	1,099,462
TOTAL LIABILITIES	**95,053,502**	88,700,540	**95,061,158**	88,707,995

(Forward)

LARGE TAXPAYERS
Date APR 28 2022

	Consolidated		Parent Company	
	December 31		December 31	
	2021	2020	**2021**	2020
	(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
Additional paid-in capital	**2,262,246**	2,262,246	**2,262,246**	2,262,246
Surplus reserves (Note 23)	**106,922**	106,418	**106,922**	106,418
Deficit (Notes 2 and 23)	**(66,061)**	(1,638,621)	**(66,061)**	(1,638,621)
Unrealized gain on financial assets carried at fair value through other comprehensive income (Note 10)	**53,509**	100,093	**53,509**	100,093
Cumulative translation adjustment	**(237,668)**	(211,464)	**(237,668)**	(211,464)
Remeasurement gains (losses) on retirement liability (Note 27)	**40,741**	(105,123)	**40,741**	(105,123)
TOTAL EQUITY	**14,175,818**	12,529,678	**14,175,818**	12,529,678
TOTAL LIABILITIES AND EQUITY	**₱109,229,320**	₱101,230,218	**₱109,236,976**	₱101,237,673

See accompanying Notes to Financial Statements.

LARGE TAXPAYERS
Date APR 28 2022
MA. GRACIA AURORA L. CASTIL

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
	(Amounts in Thousands, Except Earnings per Share)					
INTEREST INCOME						
Loans and receivables (Note 12)	**₱4,109,882**	₱4,325,208	₱4,468,479	**₱4,109,882**	₱4,325,208	₱4,468,479
Investment securities (Note 26)	**472,796**	363,618	588,317	**472,796**	363,618	588,317
Interbank loans receivable and securities purchased under resale agreements (Note 8)	**60,069**	92,746	40,246	**60,069**	92,746	40,246
Deposits with other banks	**55,686**	132,408	11,981	**55,686**	132,408	11,981
Financial assets at fair value through profit or loss (Note 26)	**40,345**	80,007	159,297	**40,345**	80,007	159,297
	4,738,778	4,993,987	5,268,320	**4,738,778**	4,993,987	5,268,320
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 18 and 31)	**434,899**	921,459	1,501,587	**434,899**	921,459	1,501,587
Bills payable, borrowings and others (Notes 19 and 21)	**59,099**	147,034	561,700	**59,099**	147,034	561,700
	493,998	1,068,493	2,063,287	**493,998**	1,068,493	2,063,287
NET INTEREST INCOME	**4,244,780**	3,925,494	3,205,033	**4,244,780**	3,925,494	3,205,033
Rent income (Notes 14, 28 and 31)	**505,241**	673,414	736,341	**505,241**	673,414	736,341
Service charges, fees and commissions	**331,729**	389,096	407,507	**331,729**	389,096	407,507
Trading and securities gain (loss) – net (Note 26)	**(241,598)**	654,731	408,413	**(241,598)**	654,731	408,413
Foreign exchange gain - net	**56,831**	59,185	49,873	**56,831**	59,185	49,873
Income from trust operations (Note 25)	**29,231**	25,689	21,095	**29,231**	25,689	21,095
Profit from assets sold (Notes 13, 14 and 16)	**13,567**	6,779	97,739	**13,567**	6,779	97,739
Gain (loss) on assets exchange - net (Note 14)	**7,460**	(3,157)	(11,850)	**7,460**	(3,157)	(11,850)
Gain on sale of investment securities at amortized cost (Notes 3 and 11)	**–**	2,552	–	**–**	2,552	–
Miscellaneous (Note 29)	**137,346**	158,402	137,783	**137,346**	158,402	137,783
TOTAL OPERATING INCOME	**5,084,587**	5,892,185	5,051,934	**5,084,587**	5,892,185	5,051,934

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
	(Amounts in Thousands, Except Earnings per Share)					
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 14, 27 and 31)	**₱1,016,559**	₱1,009,118	₱978,869	**₱1,016,559**	₱1,009,118	₱978,153
Taxes and licenses (Notes 14 and 30)	**477,442**	640,060	624,122	**477,432**	640,053	624,115
Depreciation and amortization (Note 13)	**387,619**	380,653	445,979	**387,619**	380,653	445,979
Provision for credit and impairment losses - net (Notes 17)	**322,301**	1,418,228	377,613	**322,301**	1,418,228	377,613
Insurance	**162,820**	153,762	139,771	**162,820**	153,762	139,771
Entertainment, amusement and recreation	**120,375**	126,572	82,483	**120,375**	126,572	82,483
Occupancy and other equipment-related costs (Notes 14, 28 and 31)	**118,519**	101,334	130,220	**118,519**	101,334	130,169
Management and professional fees	**99,541**	139,999	106,543	**99,497**	139,944	106,443
Security, clerical, messengerial and janitorial services	**88,850**	83,426	97,754	**88,850**	83,426	97,747
Communications	**49,684**	47,487	48,661	**49,684**	47,487	48,661
Loss on sale of a subsidiary (Note 7)	**–**	–	–	**–**	–	171,173
Miscellaneous (Notes 14 and 29)	**411,474**	392,777	432,394	**411,464**	392,772	432,394
TOTAL OPERATING EXPENSES	**3,255,184**	4,493,416	3,464,409	**3,255,120**	4,493,349	3,634,701
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE	**1,829,403**	1,398,769	1,587,525	**1,829,467**	1,398,836	1,417,233
SHARE IN NET LOSS OF SUBSIDIARY (Note 7)	**–**	–	–	**(64)**	(67)	(58,116)
SHARE IN NET INCOME OF AN ASSOCIATE (Note 7)	**287**	266	531	**287**	266	531
INCOME BEFORE INCOME TAX	**1,829,690**	1,399,035	1,588,056	**1,829,690**	1,399,035	1,359,648
PROVISION FOR INCOME TAX (Note 30)	**256,626**	230,123	202,391	**256,626**	230,123	202,391
NET INCOME FROM CONTINUING OPERATIONS	**1,573,064**	1,168,912	1,385,665	**1,573,064**	1,168,912	1,157,257
NET LOSS FROM DISCONTINUED OPERATIONS (Note 7)	**–**	–	(228,408)	**–**	–	–
NET INCOME	**₱1,573,064**	₱1,168,912	₱1,157,257	**₱1,573,064**	₱1,168,912	₱1,157,257
Attributable to:						
Equity holders of the Parent Company	**₱1,573,064**	₱1,168,912	₱1,157,257			
Non-controlling interests	**–**	–	–			
	₱1,573,064	₱1,168,912	₱1,157,257			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	**₱3.27**	₱2.43	₱2.41			

See accompanying Notes to Financial Statements

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
	(Amounts in Thousands)					
NET INCOME FOR THE YEAR	**₱1,573,064**	₱1,168,912	₱1,157,257	**₱1,573,064**	₱1,168,912	₱1,157,257
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX						
Items that may be reclassified to profit or loss in subsequent periods:						
Net unrealized gain (loss) on debt securities at fair value through other comprehensive income (Note 10)	**(62,055)**	7,516	68,516	**(62,055)**	7,516	68,516
Net movement in cumulative translation adjustment	**(26,204)**	20,200	(54,605)	**(26,204)**	20,200	(54,605)
	(88,259)	27,716	13,911	**(88,259)**	27,716	13,911
Items that may not be reclassified to profit or loss in subsequent periods:						
Unrealized gain on equity securities carried at fair value through other comprehensive income (Note 10)	**15,471**	4,645	–	**15,471**	4,645	–
Change in remeasurement gains on retirement liability (Note 27)	**204,497**	(71,849)	(111,505)	**204,497**	(71,849)	(111,505)
Income tax relating to change in remeasurement gains on retirement liability	**(58,633)**	45,053	8,157	**(58,633)**	45,053	8,157
	161,335	(22,151)	(103,348)	**161,335**	(22,151)	(103,348)
	73,076	5,565	(89,437)	**73,076**	5,565	(89,437)
TOTAL OTHER COMPREHENSIVE INCOME	**₱1,646,140**	₱1,174,477	₱1,067,820	**₱1,646,140**	₱1,174,477	₱1,067,820
Attributable to:						
Equity holders of the Parent Company	**₱1,646,140**	₱1,174,477	₱1,067,820			
Non-controlling interests	–	–	–			
TOTAL COMPREHENSIVE INCOME	**₱1,646,140**	₱1,174,477	₱1,067,820			

See accompanying Notes to Financial Statements.

LARGE TAXPAYERS
LARGE
Date APR 28 2022
MA. GRACIA AURORAL. CAST

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF CHANGES IN EQUITY

	Consolidated										
	Years Ended December 31, 2021, 2020 and 2019										
	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)	Deficit (Notes 2 and 23)	Unrealized Gain (Loss) 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	Non-Controlling Interests	Total Equity
	(Amounts in Thousands)										
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
Balances at January 1, 2019	₱12,016,129	₱–	₱2,252,826	₱105,893	(₱3,964,265)	₱19,416	(₱177,059)	₱25,021	₱10,277,961	₱24	₱10,277,985
Derecognition of share of PRBI as a result of sale	–	–	9,420	–	–	–	–	–	9,420	(24)	9,396
Transfer to surplus reserves	–	–	–	59	(59)	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	1,157,257	68,516	(54,605)	(103,348)	1,067,820	–	1,067,820
Balances at December 31, 2019	₱12,016,129	₱–	₱2,262,246	₱105,952	(₱2,807,067)	₱87,932	(₱231,664)	(₱78,327)	₱11,355,201	₱–	₱11,355,201

APR 28 2022

Parent Company
Years Ended December 31, 2021, 2020 and 2019

	Common Stock (Note 23)	Subscribed Common Stock - net (Note 23)	Additional Paid-in Capital	Surplus Reserves (Note 23)	Deficit (Notes 2 and 23)	Unrealized Gain (Loss) 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
					(Amounts in Thousands)				
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
Balances at January 1, 2019	₱12,016,129	₱–	₱2,262,246	₱105,893	(₱3,964,265)	₱19,416	(₱177,059)	₱25,021	₱10,287,381
Derecognition of share of PRBI as a result of sale	–	–	–	–	–	–	–	–	–
Transfer to surplus reserves	–	–	–	59	(59)	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	1,157,257	68,516	(54,605)	(103,348)	1,067,820
Balances at December 31, 2019	₱12,016,129	₱–	₱2,262,246	₱105,952	(₱2,807,067)	₱87,932	(₱231,664)	(₱78,327)	₱11,355,201

See accompanying Notes to Financial Statements.

APR 28 2022

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱1,829,690**	₱1,399,035	₱1,588,056	**₱1,829,690**	₱1,399,035	₱1,359,648
Income before income tax from discontinued operations	–	–	(226,132)	–	–	–
Income before income tax	**1,829,690**	1,399,035	1,361,924	**1,829,690**	1,399,035	1,359,648
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:						
Depreciation and amortization (Note 13)	**387,619**	380,653	445,979	**387,619**	380,653	445,979
Provision for credit and impairment losses (Note 17)	**322,301**	1,418,228	377,613	**322,301**	1,418,228	377,613
Trading loss (gain) on financial assets at FVOCI (Note 26)	**285,542**	(277,277)	(309,176)	**285,542**	(277,278)	(309,177)
Profit from assets sold (Notes 13, 14 and 16)	**(13,567)**	(6,779)	(97,739)	**(13,567)**	(6,779)	(97,739)
Accretion of interest on unquoted debt securities (Note 12)	**(66,038)**	(77,216)	(88,233)	**(66,038)**	(77,216)	(88,233)
Accretion of interest on lease liability (Note 21)	**14,528**	17,603	18,711	**14,528**	17,603	18,711
Loss on sale of a subsidiary (Note 7)	–	–	–	–	–	171,173
Loss (gain) on assets exchange (Note 14)	**(7,460)**	3,157	11,850	**(7,460)**	3,157	11,850
Share in net income of subsidiary and an associate (Note 7)	**(287)**	(266)	(531)	**(223)**	(199)	57,585
Unrealized losses (gains) on financial assets at fair value through profit or loss	**9,794**	(478)	(1,495)	**9,794**	(478)	(1,495)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Loans and receivables (Note 33)	**(6,464,055)**	2,137,326	(3,678,579)	**(6,464,174)**	2,137,365	(3,675,826)
Financial assets at fair value through profit or loss	**(177,791)**	950,011	(773,116)	**(177,791)**	950,011	(773,116)
Other assets	**304,458**	59,546	(361,667)	**304,312**	59,556	(363,056)
Increase (decrease) in the amounts of:						
Deposit liabilities	**3,164,493**	7,923,791	3,546,513	**3,164,591**	7,923,676	3,555,488
Manager's checks	**(15,853)**	(254,711)	345,364	**(15,853)**	(254,711)	345,364
Accrued interest, taxes and other expenses	**(122,051)**	90,360	32,576	**(121,989)**	90,360	32,425
Other liabilities	**313,352**	(93,399)	421,668	**313,393**	(93,399)	421,677
Net cash provided by operations	**(235,325)**	13,669,584	1,251,662	**(235,325)**	13,669,584	1,488,871
Income taxes paid	**(551,454)**	(233,541)	(210,254)	**(551,454)**	(233,541)	(207,978)
Net cash provided by (used in) operating activities	**(786,779)**	13,436,043	1,041,408	**(786,779)**	13,436,043	1,280,893
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease (increase) in interbank loans receivable	**432,063**	(3,902,952)	13,121	**432,063**	(3,902,952)	13,121
Acquisitions of:						
Financial assets at FVTOCI	**(86,497,255)**	(78,016,514)	(68,324,130)	**(86,497,255)**	(78,016,514)	(68,324,130)
Investment securities at amortized cost	**(13,263,211)**	(191,880)	–	**(13,263,211)**	(191,880)	–
Property and equipment (Note 13)	**(195,531)**	(49,355)	(87,133)	**(195,531)**	(49,355)	(87,133)
Software costs (Note 15)	**(8,971)**	(15,069)	(39,172)	**(8,971)**	(15,069)	(39,172)

(Forward)

LARGE TAX
Date APR 28 2022
MA. GRACIA

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
	(Amounts in Thousands)					
Proceeds from disposals of:						
Financial assets at FVTOCI	**₱84,804,597**	₱81,263,005	₱67,695,250	**₱84,804,597**	₱81,263,005	₱67,695,250
Investment securities at amortized cost	–	10,498,994	–	–	10,498,994	–
Investment properties (Note 14)	**62,581**	20,441	314,655	**62,581**	20,441	314,655
Property and equipment (Note 13)	**3,475**	7,671	20,532	**3,475**	7,671	20,532
Chattel mortgage	**24,118**	18,097	91,812	**24,118**	18,097	91,812
Subsidiary	–	–	500,220	–	–	500,220
Proceeds from maturity of investment securities	**10,000**	250,168	200,000	**10,000**	250,168	200,000
Net cash provided by (used in) investing activities	**(14,628,134)**	9,882,606	385,155	**(14,628,134)**	9,882,606	385,155
CASH FLOWS FROM FINANCING ACTIVITIES						
Availments of:						
Bills payable	**111,742,108**	58,922,973	392,583,853	**111,742,108**	58,922,973	392,583,853
Outstanding acceptances	**595,094**	855,416	573,187	**595,094**	855,416	573,187
Marginal deposits	**32,857**	18,700	321,701	**32,857**	18,700	321,701
Settlements of:						
Bills payable	**(107,981,483)**	(69,802,907)	(397,121,016)	**(107,981,483)**	(69,802,907)	(397,121,016)
Outstanding acceptances	**(1,036,538)**	(438,206)	(522,775)	**(1,036,538)**	(438,206)	(522,775)
Marginal deposits	**(39,630)**	(46,275)	(287,657)	**(39,630)**	(46,275)	(287,657)
Lease liabilities (Note 21)	**(124,868)**	(124,495)	(119,169)	**(124,868)**	(124,495)	(119,169)
Net cash provided by (used in) financing activities	**3,187,540**	(10,614,794)	(4,571,876)	**3,187,540**	(10,614,794)	(4,571,876)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENT	**(26,204)**	20,200	(54,605)	**(26,204)**	20,200	(54,605)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(12,253,577)**	12,724,055	(3,199,918)	**(12,253,577)**	12,724,055	(2,960,433)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**2,467,099**	2,698,682	1,389,869	**2,467,099**	2,698,682	1,357,609
Due from Bangko Sentral ng Pilipinas	**20,597,868**	10,213,521	15,224,382	**20,597,868**	10,213,521	15,168,302
Due from other banks	**1,495,485**	357,960	379,723	**1,495,485**	357,960	228,578
Interbank loans receivable (Note 33)	**2,151,502**	717,736	193,843	**2,151,502**	717,736	193,843
	26,711,954	13,987,899	17,187,817	**26,711,954**	13,987,899	16,948,332
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**2,803,341**	2,467,099	2,698,682	**2,803,341**	2,467,099	2,698,682
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
	₱14,458,377	₱26,711,954	₱13,987,899	**₱14,458,377**	₱26,711,954	₱13,987,899

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
	(Amounts in Thousands)					
Interest paid	**₱525,620**	₱1,139,197	₱2,121,862	**₱525,620**	₱1,139,197	₱2,103,611
Interest received	**4,581,514**	4,979,867	5,547,387	**4,581,514**	4,979,867	5,592,985

See accompanying 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, 89 regular branches and 4 branch-lite units to serve its customers, as at December 31, 2021 and 2020, 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.

The BSP shall issue a Certificate of Authority to operate as a universal bank once all regulatory conditions are complied with.

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

	Effective Percentage of Ownership		Principal Place of Business and Country	
Entity	**2021**	**2020**	of Incorporation	Line of Business
Subsidiaries				
PBCom Rural Bank, Inc. (formerly Banco Dipolog, Inc. A Rural Bank (BDI)) (PRBI)	–	–	Philippines	Rural Bank
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

Sale of PRBI
On July 29, 2019, PBCOM sold its stake in PBCom Rural Bank, Inc. as it consolidates its efforts and resources at the parent company level. As of December 31, 2021 and 2020, the Parent Company and PISAI comprise the consolidated financial statements of the Group (Note 7).

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 3 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.

The Company has 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 currently being processed as of December 31, 2021.

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 (including goodwill) 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.

Non-controlling Interests
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, 2021. 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 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

- Amendment to PFRS 16, COVID-19-related Rent Concessions beyond 30 June 2021

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

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, 2021 and 2020, 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, 2021 and 2020, 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, crude oil prices, inflation rates, business confidence index, household final consumption expenditure index, unemployment rates, interest rates and BSP statistical indicators. 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.

Classification and Measurement of Financial Liabilities
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 contro 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 is initially recognized at cost. The carrying amount of the investments in subsidiary and an associate are adjusted to recognize changes in the Group's and 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'.

Intangible Assets
Intangible assets consist of goodwill, branch licenses and software costs.

Goodwill and branch licenses
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of branch licenses acquired in a business combination is its fair value at the date of acquisition.

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

Branch 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.

Impairment of Non-financial Assets
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.

Goodwill and branch licenses
Goodwill and branch 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 goodwill and branch licenses by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill and branch 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 goodwill and branch licenses have been allocated, an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. For branch 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.

Common Stock and Additional Paid-in Capital
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.

Subscribed Common Stock
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.

Subscription Receivable
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.

Revenue Recognition
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

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.

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. 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.

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 are 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.

Income Taxes
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 are 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 a 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 statement 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 (Note 11).

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 Inflation rates, Import growth rates, Interest rates, Gross Domestic Product (GDP) growth rates, business confidence index, household final consumption expenditure index, consumer confidence index, bank average lending rates, unemployment rates and BSP statistical indicators, and the effect on PDs;
- Selection of forward-looking macroeconomic scenario variables; and
- Calculation of expected recoveries from defaulted accounts.

In response to the ongoing 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 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 resulted to changes in account staging and additional 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 a strategic plan approved by management covering a 5-year period. 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 retirement asset (liability) as of December 31, 2021 and 2020 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				
	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**	**–**	**–**
Private bonds	**–**	**–**	**–**	**–**	**–**
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**	**–**	**–**
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**

	Consolidated and Parent Company				
	2020				
		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	₱718,294	₱718,294	₱718,294	₱–	₱–
Financial assets at FVTOCI:					
Debt securities:					
Government securities	5,027,547	5,027,547	5,027,547	–	–
Private bonds	–	–	–	–	–
Equity securities	110,269	110,269	–	71,650	38,619
Currency forwards (Note 24)	10,598	10,598	–	10,598	–
	5,866,708	5,866,708	5,745,841	82,248	38,619
Assets for which fair values are disclosed					
Investment securities at amortized cost:					
Government securities	2,263,356	2,418,758	2,418,758	–	–
Loans and receivables:					
Receivables from customers:					
Corporate loans	50,770,479	49,943,881	–	–	49,943,881
Auto loans	669,670	660,495	–	–	660,495
Home loans	4,233,699	3,042,175	–	–	3,042,175
Personal loans	293,817	250,986	–	–	250,986
Unquoted debt securities	851,669	1,183,439	–	–	1,183,439
	59,082,690	57,499,734	2,418,758	–	55,080,976
Investment properties:					
Condominium units for lease	1,788,559	6,940,697	–	–	6,940,697
Foreclosed properties	610,075	2,472,750	–	–	2,472,750
Office units for lease	2,923	45,900	–	–	45,900
	2,401,557	9,459,347	–	–	9,459,347
	67,350,955	72,825,789	8,164,599	82,248	64,578,942
Liabilities for which fair value is disclosed					
Financial liabilities at amortized cost:					
Time deposits	40,367,517	40,366,511	–	–	40,366,511
LTNCD	2,883,668	3,126,066	–	3,126,066	–
Bills payable	2,182,844	2,182,670	–	–	2,182,670
	₱45,434,029	₱45,675,247	₱–	₱3,126,066	₱42,549,181

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 2021 and 2020.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers out of Level 3 fair value measurements in 2021 and 2020.

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 is 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
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)**
2020	₱38,619	Guideline publicly-traded company method	Price to book ratio	0.77:1 - 1.01:1	+0.10	₱116
					-0.10	(116)
			Discount for lack of marketability	30%	+10%	103
					-10%	(103)

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 2020 to 2021.

Description of Significant Unobservable Input to Valuation
The significant unobservable input used in the fair value measurement 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 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 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
    iii. Equity price 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 ongoing COVID 19 pandemic. This resulted in increased loan provisions in anticipation of increased loan losses that may be brought about by 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 ongoing 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.

Credit Risk and Concentration of Assets and Liabilities and Off-Balance Sheet Items
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					
	2021			2020		
	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	**₱57,985,808**	**₱40,259,897**	**₱17,725,911**	₱50,770,479	₱35,809,872	₱14,960,607
Consumer loans	**4,031,471**	**1,400,749**	**2,630,722**	5,197,186	2,233,187	2,963,999
Credit exposure	**₱62,017,279**	**₱41,660,646**	**₱20,356,633**	₱55,967,665	₱38,043,059	₱17,924,606

** 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									
	2021					2020				
	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	**₱936**	**₱13,742**	**₱22,776**	**₱1**	**₱ 37,455**	₱980	₱24,500	₱8,020	₱1	₱ 33,501
Construction and real estate	**18,017**	**–**	**–**	**53**	**18,070**	16,528	–	–	421	16,949
Wholesale and retail trade	**16,916**	**–**	**–**	**1,046**	**17,962**	14,047	–	–	864	14,911
Manufacturing	**14,481**	**–**	**–**	**734**	**15,215**	13,140	–	–	691	13,831
Banks and financial institutions	**2,183**	**1,384**	**–**	**–**	**3,567**	1,964	3,648	–	–	5,612
Electricity, gas and water supply	**3,818**	**–**	**–**	**7**	**3,825**	3,518	–	–	7	3,525
Agriculture, hunting and forestry	**1,364**	**–**	**–**	**10**	**1,374**	1,172	–	–	1	1,173
Transportation, storage, communication	**1,994**	**–**	**–**	**5**	**1,999**	1,012	–	–	5	1,017
Mining and quarrying	**168**	**–**	**–**	**–**	**168**	127	–	–	–	127
Others	**6,353**	**–**	**–**	**30**	**6,383**	7,626	–	–	33	7,659
	66,230	**15,126**	**22,776**	**1,886**	**106,018**	60,114	28,148	8,020	2,023	98,305
Less allowance for ECL	**2,732**	**–**	**7**	**–**	**2,739**	2,490	–	11	–	2,501
	₱63,498	**₱15,126**	**₱22,769**	**₱1,886**	**₱103,279**	₱57,624	₱28,148	₱8,009	₱2,023	₱95,804

* *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									
	2021					2020				
	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	**₱936**	**₱13,742**	**₱22,776**	**₱1**	**₱37,455**	₱980	₱24,500	₱8,020	₱1	₱ 33,501
Construction and real estate	**17,854**	**–**	**–**	**53**	**17,907**	16,528	–	–	421	16,949
Wholesale and retail trade	**17,398**	**–**	**–**	**1,046**	**18,444**	14,047	–	–	864	14,911
Manufacturing	**14,121**	**–**	**–**	**734**	**14,855**	13,140	–	–	691	13,831
Banks and financial institutions	**2,028**	**1,384**	**–**	**–**	**3,412**	1,964	3,648	–	–	5,612
Electricity, gas and water supply	**3,812**	**–**	**–**	**7**	**3,819**	3,518	–	–	7	3,525
Agriculture, hunting and forestry	**1,126**	**–**	**–**	**10**	**1,136**	1,172	–	–	1	1,173
Transportation, storage, communication	**925**	**–**	**–**	**5**	**930**	1,012	–	–	5	1,017
Mining and quarrying	**161**	**–**	**–**	**–**	**161**	127	–	–	–	127
Others	**7,872**	**–**	**–**	**30**	**7,902**	7,629	–	–	33	7,662
	66,233	**15,126**	**22,776**	**1,886**	**106,021**	60,117	28,148	8,020	2,023	98,308
Less allowance for ECL	**2,732**	**–**	**7**	**–**	**2,739**	2,490	–	11	–	2,501
	₱63,501	**₱15,126**	**₱22,769**	**₱1,886**	**₱103,282**	₱57,627	₱28,148	₱8,009	₱ 2,023	₱ 95,807

* *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, 2021 and 2020 amounted to ₱347.78 million and ₱122.18 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. X178, 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 ICRRS 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, 2021, 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	**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**

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
High grade	₱ 23,933,062	₱–	₱–	₱23,933,062
Standard grade	17,192,044	8,800,097	–	25,992,141
Substandard grade	–	32,300	–	32,300
Past due but not impaired	–	25,835	–	25,835
Past due and impaired	–	–	2,729,677	2,729,677
	41,125,106	8,858,232	2,729,677	52,713,015
Consumer loans:				
Auto loans:				
High grade	477,026	–	–	477,026
Standard grade	37,898	38,961	–	76,859
Past due but not impaired	–	33,498	15,733	49,231
Past due and impaired	–	–	168,806	168,806
	514,924	72,459	184,539	771,922
Home loans:				
High grade	3,725,914	–	–	3,725,914
Standard grade	96,765	–	–	96,765
Past due but not impaired	–	119,337	15,051	134,388
Past due and impaired	–	–	511,482	511,482
	3,822,679	119,337	526,533	4,468,549
Personal loans:				
High grade	270,095	–	–	270,095
Standard grade	35,512	–	–	35,512
Past due but not impaired	–	18,647	2,268	20,915
Past due and impaired	–	–	113,591	113,591
	305,607	18,647	115,859	440,113
Total consumer loans:				
High grade	4,473,035	–	–	4,473,035
Standard grade	170,175	38,961	–	209,136
Past due but not impaired	–	171,482	33,052	204,534
Past due and impaired	–	–	793,879	793,879
	4,643,210	210,443	826,931	5,680,584
Total receivables from customers:				
High grade	28,406,097	–	–	28,406,097
Standard grade	17,362,219	8,839,058	–	26,201,277
Substandard grade	–	32,300	–	32,300
Past due but not impaired	–	197,317	33,052	230,369
Past due and impaired	–	–	3,523,556	3,523,556
	₱45,768,316	₱9,068,675	₱3,556,608	₱58,393,599

Movements during 2021 and 2020 for receivables from customers follows:

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**

(Forward)

Consolidated and Parent Company	**2021**			
	Stage 1	Stage 2	Stage 3	Total
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)**	–
Transfers to Stage 2	**(28,603)**	**28,603**	–	–
Transfers to Stage 3	**(61,520)**	**(2,709)**	**64,229**	–
Accounts written-off	–	–	–	–
Foreign exchange adjustments	–	–	–	–
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**

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
Balance at January 1, 2020	₱49,233,092	₱3,355,774	₱1,171,838	₱53,760,704
New assets originated or Purchased	34,365,091	–	–	34,365,091
Assets derecognized or repaid	(30,500,160)	(4,497,738)	(75,189)	(35,073,087)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(10,212,296)	10,212,296	–	–
Transfers to Stage 3	(1,720,838)	(162,645)	1,883,483	–
Accounts written-off	–	–	(248,734)	(248,734)
Foreign exchange adjustments	(39,783)	(49,455)	(1,721)	(90,959)
Balance at December 31, 2020	41,125,106	8,858,232	2,729,677	52,713,015

(Forward)

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Consumer loans:				
Auto loans:				
Balance at January 1, 2020	₱704,617	₱86,646	₱457,568	₱1,248,831
New assets originated or Purchased	179,159	–	–	179,159
Assets derecognized or repaid	(253,777)	(23,281)	(85,547)	(362,605)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(61,503)	61,503	–	–
Transfers to Stage 3	(53,572)	(52,409)	105,981	–
Accounts written-off	–	–	(293,463)	(293,463)
Balance at December 31, 2020	514,924	72,459	184,539	771,922
Home loans:				
Balance at January 1, 2020	4,458,480	109,941	271,893	4,840,314
New assets originated or purchased	167,766	–	–	167,766
Assets derecognized or repaid	(485,833)	(3,844)	(49,854)	(539,531)
Transfers to Stage 1	23,482	(21,238)	(2,244)	–
Transfers to Stage 2	(118,443)	118,443	–	–
Transfers to Stage 3	(222,773)	(83,965)	306,738	–
Balance at December 31, 2020	3,822,679	119,337	526,533	4,468,549
Personal loans:				
Balance at January 1, 2020	570,199	22,695	529,918	1,122,812
New assets originated or purchased	87,234	–	–	87,234
Assets derecognized or repaid	(210,768)	(7,543)	(34,236)	(252,547)
Transfers to Stage 1	1,800	(1,800)	–	–
Transfers to Stage 2	(26,191)	14,211	11,980	–
Transfers to Stage 3	(116,667)	(8,916)	125,583	–
Accounts written-off	–	–	(517,386)	(517,386)
Balance at December 31, 2020	305,607	18,647	115,859	440,113
Total consumer loans:				
Balance at January 1, 2020	5,733,296	219,282	1,259,379	7,211,957
New assets originated or purchased	434,159	–	–	434,159
Assets derecognized or repaid	(950,378)	(34,668)	(169,637)	(1,154,683)
Transfers to Stage 1	25,282	(23,038)	(2,244)	–
Transfers to Stage 2	(206,137)	194,157	11,980	–
Transfers to Stage 3	(393,012)	(145,290)	538,302	–
Accounts written-off	–	–	(810,849)	(810,849)
Balance at December 31, 2020	4,643,210	210,443	826,931	5,680,584
Total receivables from customers:				
Balance at January 1, 2020	54,966,388	3,575,056	2,431,217	60,972,661
New assets originated or purchased	34,799,250	–	–	34,799,250
Assets derecognized or repaid	(31,450,538)	(4,532,406)	(244,826)	(36,227,770)
Transfers to Stage 1	25,282	(23,038)	(2,244)	–
Transfers to Stage 2	(10,418,433)	10,406,453	11,980	–
Transfers to Stage 3	(2,113,850)	(307,935)	2,421,785	–
Accounts written-off	–	–	(1,059,583)	(1,059,583)
Foreign exchange adjustments	(39,783)	(49,455)	(1,721)	(90,959)
	₱45,768,316	₱9,068,675	₱3,556,608	₱58,393,599

As of December 31, 2021 and 2020, the credit quality of the Group's and the Parent Company's financial guarantees, letters of credit and loan commitments follows:

	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**

	2020			
	Stage 1	Stage 2	Stage 3	Total
High grade	₱1,316,906	₱–	₱–	₱1,316,906
Standard grade	410,820	261,085	–	671,905
	₱1,727,726	₱261,085	₱–	₱1,988,811

Movements during 2021 and 2020 for the Group's and the Parent Company's financial guarantees, letters of credit and loan commitments follows:

	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**
Transfers	**–**	**–**	**–**	**–**
Assets derecognized or repaid	**(1,061,745)**	**(261,085)**	**–**	**(1,322,830)**
Balance at December 31	**₱1,612,696**	**₱237,928**	**₱–**	**₱1,850,624**

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	₱2,235,290	₱–	₱–	₱2,235,290
New assets originated or purchased	1,096,182	–	–	1,096,182
Transfers	(261,085)	261,085		
Assets derecognized or repaid	(1,342,661)	–	–	(1,342,661)
Balance at December 31	₱1,727,726	₱261,085	₱–	₱1,988,811

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

Consolidated	**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	**186,900**	**–**	**–**	**186,900**
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**
	200,823	**35,119**	**29,844**	**265,786**
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	**1,300,508**	**–**	**–**	**1,300,508**
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**
	₱1,353,183	**₱144,311**	**₱51,774**	**₱1,549,268**

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	**186,900**	**–**	**–**	**186,900**
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**
	203,656	**35,119**	**29,844**	**268,619**
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	**1,300,508**	**–**	**–**	**1,300,508**
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**
	₱1,356,016	**₱144,311**	**₱51,774**	**₱1,552,101**

Consolidated	2020			
Unquoted debt securities:				
High grade	₱852,565	₱ –	₱ –	₱852,565
Accrued interest receivable:				
High grade	215,628	-	–	215,628
Standard grade	80,698	114,206	51	194,955
Substandard grade		48	–	48
Past due but not impaired	–	1,219	96	1,315
Past due and impaired	–	–	56,598	56,598
	296,326	115,473	56,745	468,544
Accounts receivable:				
High grade	225,401	–	–	225,401
Standard grade	66,280	–	–	66,280
Substandard grade	–	25,189	–	25,189
Past due but not impaired	–	5,238	–	5,238
Past due and impaired	–	–	11,192	11,192
	291,681	30,427	11,192	333,300
Sales contracts receivable:				
High grade	22,283	–	–	22,283
Standard grade	–	211	–	211
Past due but not impaired	–	8,337	–	8,337
Past due and impaired	–	–	35,121	35,121
	22,283	8,548	35,121	65,952
Total other receivables:				
High grade	1,315,877	–	–	1,315,877
Standard grade	146,978	114,417	51	261,446
Substandard grade	–	25,237	–	25,237
Past due but not impaired	–	14,794	96	14,890
Past due and impaired	–	–	102,911	102,911
	₱1,462,855	₱154,448	₱103,058	₱1,720,361

Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
High grade	₱852,565	₱–	₱–	₱852,565
Accrued interest receivable:				
High grade	215,628	-	–	215,628
Standard grade	80,698	114,206	51	194,955
Substandard grade		48	–	48
Past due but not impaired	–	1,219	96	1,315
Past due and impaired	–	–	56,598	56,598
	296,326	115,473	56,745	468,544
Accounts receivable:				
High grade	225,401	–	–	225,401
Standard grade	66,280	–	–	66,280
Substandard grade	–	25,189	–	25,189
Past due but not impaired	–	5,238	–	5,238
Past due and impaired	–	–	13,907	13,907
	291,681	30,427	13,907	336,015
Sales contracts receivable:				
High grade	22,283	–	–	22,283
Standard grade	–	211	–	211
Past due but not impaired	–	8,337	–	8,337
Past due and impaired	–	–	35,121	35,121
	22,283	8,548	35,121	65,952
Total other receivables:				
High grade	1,315,876	–	–	1,315,876
Standard grade	146,978	114,417	51	261,446
Substandard grade	–	25,237	–	25,237
Past due but not impaired	–	14,794	96	14,890
Past due and impaired	–	–	105,627	105,627
	₱1,462,854	₱154,448	₱105,774	₱1,723,076

Movements during 2021 and 2020 for other receivables follows:

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	**291,681**	**30,427**	**11,192**	**333,300**
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	**200,823**	**35,119**	**29,844**	**265,786**

(Forward)

Consolidated	2021			
	Stage 1	Stage 2	Stage 3	Total
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	**1,462,855**	**154,448**	**103,058**	**1,720,361**
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)**
	₱1,353,183	**₱144,311**	**₱51,774**	**₱1,549,268**

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**
Accounts receivable:				
Balance at January 1, 2021	**291,681**	**30,427**	**13,907**	**336,015**
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	**203,656**	**35,119**	**29,844**	**268,619**
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	**1,462,855**	**154,448**	**105,773**	**1,723,076**
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)**
	₱1,356,016	**₱144,311**	**₱51,774**	**₱1,552,101**

Consolidated	2020			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Balance at January 1, 2020	₱1,068,193	₱–	₱–	₱1,068,193
Assets derecognized or repaid	(215,628)	–	–	(215,628)
Balance at December 31, 2020	852,565	–	–	852,565
Accrued interest receivable:				
Balance at January 1, 2020	445,629	64,794	59,071	569,494
New assets originated or purchased	340,874	–	–	340,874
Assets derecognized or repaid	(343,133)	(47,511)	(7,110)	(397,754)
Transfers to Stage 1	230	(230)	–	–
Transfers to Stage 2	(101,743)	101,743	–	–
Transfers to Stage 3	(45,531)	(3,323)	48,854	–
Accounts written-off	–	–	(44,070)	(44,070)
Balance at December 31, 2020	296,326	115,473	56,745	468,544
Accounts receivable:				
Balance at January 1, 2020	688,467	9,692	7,085	705,244
New assets originated or purchased	4,121,822	–	–	4,121,822
Assets derecognized or repaid	(4,486,953)	(3,741)	(3,072)	(4,493,766)
Transfers to Stage 1	(31,655)	29,576	2,079	–
Transfers to Stage 2	–	(5,100)	5,100	–
Transfers to Stage 3	–	–	–	–
Accounts written-off	–	–	–	–
Balance at December 31, 2020	291,681	30,427	11,192	333,300
Sales contract receivable:				
Balance at January 1, 2020	41,640	37,804	22,764	102,208
New assets originated or purchased	9,152	–	–	9,152
Assets derecognized or repaid	(4,370)	(2,467)	(38,571)	(45,408)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(10,829)	10,829	–	–
Transfers to Stage 3	(13,310)	(37,618)	50,928	–
Balance at December 31, 2020	22,283	8,548	35,121	65,952
Total other receivables:				
Balance at January 1, 2020	2,243,929	112,290	88,920	2,445,139
New assets originated or purchased	4,471,848	–	–	4,471,848
Assets derecognized or repaid	(5,050,084)	(53,719)	(48,753)	(5,152,556)
Transfers to Stage 1	(31,425)	29,346	2,079	–
Transfers to Stage 2	(112,572)	107,472	5,100	–
Transfers to Stage 3	(58,841)	(40,941)	99,782	–
Accounts written-off	–	–	(44,070)	(44,070)
	₱1,462,855	₱154,448	₱103,058	₱1,720,361

Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Balance at January 1, 2020	₱1,068,193	₱–	₱–	₱1,068,193
Assets derecognized or repaid	(215,628)	–	–	(215,628)
Balance at December 31, 2020	852,565	–	–	852,565
Accrued interest receivable:				
Balance at January 1, 2020	445,629	64,794	59,071	569,494
New assets originated or Purchased	340,874	–	–	340,874
Assets derecognized or repaid	(343,133)	(47,511)	(7,110)	(397,754)
Transfers to Stage 1	230	(230)	–	–
Transfers to Stage 2	(101,743)	101,743	–	–
Transfers to Stage 3	(45,531)	(3,323)	48,854	–
Accounts written-off	–	–	(44,070)	(44,070)
Balance at December 31, 2020	296,326	115,473	56,745	468,544

(Forward)

Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Accounts receivable:				
Balance at January 1, 2020	₱691,221	₱9,692	₱7,085	₱707,998
New assets originated or Purchased	4,121,822	–	–	4,121,822
Assets derecognized or repaid	(4,489,707)	(3,741)	(357)	(4,493,805)
Transfers to Stage 1	(31,655)	29,576	2,079	–
Transfers to Stage 2	–	(5,100)	5,100	–
Transfers to Stage 3	–	–	–	–
Accounts written-off	–	–	–	–
Balance at December 31, 2020	291,681	30,427	13,907	336,015
Sales contract receivable:				
Balance at January 1, 2020	41,640	37,804	22,764	102,208
New assets originated or Purchased	9,152	–	–	9,152
Assets derecognized or repaid	(4,370)	(2,467)	(38,571)	(45,408)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(10,829)	10,829	–	–
Transfers to Stage 3	(13,310)	(37,618)	50,928	–
Balance at December 31, 2020	22,283	8,548	35,121	65,952
Total other receivables:				
Balance at January 1, 2020	2,246,683	112,290	88,920	2,447,893
New assets originated or purchased	4,471,848	–	–	4,471,848
Assets derecognized or repaid	(5,052,839)	(53,719)	(46,037)	(5,152,595)
Transfers to Stage 1	(31,425)	29,346	2,079	–
Transfers to Stage 2	(112,572)	107,472	5,100	–
Transfers to Stage 3	(58,841)	(40,941)	99,782	–
Accounts written-off	–	–	(44,070)	(44,070)
	₱1,462,854	₱154,448	₱105,774	₱1,723,076

As of December 31, 2021 and 2020, the credit quality of other financial assets (RCOCI and refundable security deposits) are as follows:

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**

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
High grade	₱33,387	₱–	₱–	₱33,387
Standard grade	1,273	–	–	1,273
	₱34,660	₱–	₱–	₱34,660

Movements during 2021 and 2020 for other financial assets follows:

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**

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	₱62,356	₱–	₱–	₱62,356
New assets originated or purchased	2,785	–	–	2,785
Assets derecognized or repaid	(30,481)	–	–	(30,481)
Balance at December 31	₱34,660	₱–	₱–	₱34,660

As of December 31, 2021 and 2020, restructured loans by the Group and the Parent Company which are neither past due nor impaired are as follow:

	2021	2020
Receivables from customers:		
Corporate	**₱102,674**	₱84,912
Consumer	**93,085**	50,931

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, 2021 and 2020, the credit quality of loans and advances to banks and investment securities, gross of allowance for ECL follows:

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	**55,4530**	**–**	**–**	**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**
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	**15,520,279**	**–**	**–**	**15,520,279**
Total debt investment securities				
High grade	**22,768,971**	**–**	**–**	**22,768,971**
Standard grade	**–**	**–**	**–**	**–**
	22,768,971	**–**	**–**	**22,768,971**

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Due from BSP:				
High grade	₱20,597,868	₱–	₱–	₱20,597,868
Due from other banks:				
High grade	1,106,389	–	–	1,106,389
Standard grade	387,427	–	–	387,427
Unrated	1,669	–	–	1,669
	1,495,485	–	–	1,495,485
Interbank loans receivable and SPURA:				
High grade	6,054,454	–	–	6,054,454
Total loans and advances to banks:				
High grade	27,758,711	–	–	27,758,711
Standard grade	387,427	–	–	387,427
Unrated	1,669	–	–	1,669
	₱28,147,807	₱–	₱–	₱28,147,807

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Debt securities at FVTPL				
High grade	₱718,294	₱–	₱–	₱718,294
Debt securities at FVTOCI:				
High grade	5,027,547	–	–	5,027,547
Investment securities at amortized cost:				
High grade	2,263,356	–	–	2,263,356
Total debt investment securities				
High grade	8,009,197	–	–	8,009,197
Standard grade	–	–	–	–
	₱8,009,197	₱–	₱–	₱8,009,197

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 BSP Circular No. 538 as reported to the BSP:

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)	**75,462**	**–**	**–**	**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**	**–**	**285**	**–**	**–**	**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**	**₱–**	**₱285**	**₱7,078**	**₱–**	**₱65,929**	**₱3,280**

(a) *Net of specific provisions*

Consolidated and Parent Company	2020						
	Net	Risk Weights[(b)]					
	Exposures[(a)]	0%	20%	50%	75%	100%	150%
On-balance sheet assets[(c)]	₱101,681	₱28,787	₱81	₱10,214	₱–	₱60,834	₱1,765
Credit risk weighted on-balance sheet assets (d = b x c)	68,605	–	16	5,107	–	60,834	2,648
Off-balance sheet assets[(e)]	1,368	–	256	–	–	1,112	
Credit risk weighted off-balance sheet assets (f = b x e)	14	–	–	–	–	14	–
Banking Book[(g)]	1,368	–	256	–	–	1,112	
Counter party risk-weighted assets in Banking Books (h = b x g)	14	–	–	–	–	14	–
Total Credit Risk Weighted Assets[(d + f + h)]	₱69,987	₱–	₱272	₱5,107	₱–	₱61,960	₱2,648

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 stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis.

This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding, if required. The Parent Company also measures its liquidity risk using the Maximum Cumulative Outflow 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 and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. The Parent Company also has committed lines of credit that it can access to meet liquidity needs. In addition, the Parent Company maintains a statutory deposit with the BSP equal to 12.00% of customer deposits in December 31, 2021 and 2020. The Bank also ensures that it complies with LCR and NSFR regulatory liquidity risk limits.

In managing intraday liquidity, the Parent Company utilizes its Intraday Liquidity Monitoring done in accordance with BSP Circular 1064. The report monitors the level and trend of intraday liquidity risk exposures of the bank and its ability to meet payment and settlement obligations on a timely basis. The Parent Company also utilizes internal Liquidity Ratios that allows the Bank to easily gauge its readily available liquidity, based on high quality liquid assets, against deposit liabilities. These ratios also aid in the management of substantial liability outflows and the demand of funds for new loans.

This will allow the Parent Company to readily support its new business strategies and direction and management of liquidity risk. The daily movement of Secondary Reserve serves as a primary indicator of liquidity condition of the Parent Company. In addition, the Parent Company monitors the liquidity characteristics of its portfolio of assets that will provide necessary liquidity support during periods of liquidity stress as required by BSP Circular No. 905.

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, 2021 and 2020, 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	**2021**					
	On Demand	**Less than 3 Months**	**12-Mar 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**

(Forward)

Consolidated and Parent Company	**2021**					
	On Demand	**Less than 3 Months**	**12-Mar Months**	**1-2 Years**	**Beyond 2 Years***	**Total**
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**
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**
	₱53,080	**₱30,260**	**₱5,333**	**₱1,157**	**₱5,150**	**₱94,980**

**Including non-performing loans and receivables*

Consolidated and Parent Company	2020					
	On Demand	Less than 3 Months	12-Mar Months	1-2 Years	Beyond 2 Years*	Total
Financial assets						
Financial assets at FVTPL	₱-	₱8	₱35	₱42	₱963	₱1,048
Financial assets at FVTOCI	–	122	229	351	6,567	7,269
Investment securities at amortized cost:						
Government securities	–	65	101	241	2,704	3,111
Loans and receivables:						
Due from BSP	20,681	–	–	–	–	20,681
Due from other banks	–	1,538	–	–	–	1,538
Interbank loans receivable	–	6,098	–	–	–	6,098
Receivables from customers:						
Corporate	1,676	26,355	5,648	5,406	18,769	57,854
Consumer	994	127	448	743	6,999	9,311
Unquoted debt securities	–	–	–	–	853	853
Accrued interest receivable	–	92	377	–	–	469
Accounts receivable	–	225	99	–	12	336
Sales contracts receivable	–	23	8	–	35	66
Refundable deposit	–	–	–	–	33	33
RCOCI	1,273	–	–	–	–	1,273
	₱24,624	₱34,653	₱6,945	₱6,783	₱36,935	₱109,940
Financial liabilities						
Deposit liabilities:						
Demand	₱30,865	₱–	₱–	₱–	₱–	₱30,865
Savings	9,665	–	–	–	–	9,665
Time	–	34,131	3,999	1,298	1,173	40,601
LTNCD	–	40	123	163	3,110	3,436
Bills payable:						-
Private firms and individuals	–	1,956	30	–	–	1,986
Banks and other financial institutions	–	198	–	–	–	198
Outstanding acceptances	498	–	–	–	–	498
Manager's checks	188	–	–	–	–	188

(Forward)

Consolidated and Parent Company	2020					
	On Demand	Less than 3 Months	12-Mar Months	1-2 Years	Beyond 2 Years*	Total
Accrued interest payable	₱–	₱105	₱–	₱–	₱–	₱105
Accrued other expenses	–	516	–	–	–	516
Other liabilities:						-
Accounts payable	205	–	–	–	–	205
Refundable security deposits	–	57	88	7	34	186
Due to the Treasurer of the Philippines	–	41	–	–	–	41
	₱41,421	₱37,044	₱4,240	₱1,468	₱4,317	₱88,490

**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, 2021 and 2020 (amounts in millions):

	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**

	2020				
	On Demand	Less than 3 Months	3 to 12 Months	Beyond 1 Year	Total
Unused Commercial LC:					
Standby LC	₱231	₱98	₱784	₱–	₱1,112
Sight LC outstanding	44	674	74	–	792
Usance LC outstanding	51	33	–	–	84
Outstanding shipping guarantees	–	–	404	–	404
Spot exchange:					
Sold	1,300	–	–	–	1,300
Bought	1,461	–	–	–	1,461
Currency forwards:					
Sold	–	337	–	–	337
Bought		4	–	–	4
	₱3,087	₱1,146	₱1,262	₱–	₱5,495

Liquidity Position and Leverage

Liquidity Coverage Ratio

Pursuant to BSP Circular No. 905 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 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, 2021 and 2020, LCR of the Parent Company is shown in the table below (amounts, except ratios, are expressed in millions):

	2021	2020
Total Stock of High-Quality Liquid Assets	**₱32,848**	₱34,554
Total Net Cash Outflows	**13,442**	12,147
LCR	**244.36%**	284.46%

Net Stable Funding Ratio
Pursuant to BSP Circular No. 1007, 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, 2021 and 2020, NSFR of the Parent Company is shown in the table below (amounts, except ratios, are expressed in millions):

	2021	2020
Available stable funding	**₱80,521**	₱78,143
Required stable funding	**55,093**	49,282
NSFR	**146.15%**	158.56%

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 2021 and 2020, Parent Company uses Historical VaR Model using 99% confidence level, and a 1-day defeasance period.

The Market Risk and Capital Oversight Division 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 2021 (in ₱ millions)	USD Bonds from January to December 2020 (in ₱ millions)
31 December	**51.10**	93.66
Average Daily	**56.19**	43.71
Highest	**132.73**	119.46
Lowest	**21.25**	5.43

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 2021 (in ₱ millions)	Peso Bonds 2020 (in ₱ millions)
31 December	**20.07**	19.71
Average Daily	**44.47**	15.31
Highest	**95.98**	135.36
Lowest	**2.30**	0.02

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.

To identify possible episodes of stress in the domestic financial market, the Parent Company employs the Citi Early Warning Signal Risk Index – Philippines that measures stress in economic and financial variables with a view of predicting weakness in local currencies. A reading above 0.5 means that

stress is above average and a reading below 0.5 means that stress is below average. The risk index level is part of the market risk assessment conducted quarterly and is reported to the ROC.

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, 2021 and 2020, 56.72% and 85.59%, 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 47.35% and 36.84%, respectively, of total deposits of the Parent Company as of December 31, 2021 and 2020, respectively, and pays a variable interest rate of 0.10% to 0.20% and 0.10% to 0.50%, respectively. Rates on savings accounts and time deposit accounts, which constituted 13.06% and 36.26%, respectively, of total deposits as of December 31, 2021 and 11.53% and 48.18%, respectively, of total deposits as of December 31, 2020, 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, 2021 and 2020:

	Consolidated and Parent Company					
	2021			2020		
	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	**0.33%**	–	–	0.10%	–	–
Interbank loans	–	–	–	0.03%	–	–
Loans and receivables	**7.78%**	**15.23%**	**11.36%**	9.25%	18.82%	17.14%
Peso-denominated liabilities						
Deposit liabilities	**0.16%**	**1.47%**	**2.63%**	0.16%	3.21%	3.21%
Bills payable	**1.07%**	**1.33%**		0.94%	0.50%	
Foreign currency-denominated assets						
Due from banks	**0.07%**	–	–	0.16%	–	–
Interbank loans	–	–	–	0.03%	–	–
Loans and receivables	**3.65%**	**5.77%**	**3.91%**	4.99%	5.06%	3.97%
Foreign currency-denominated liability						
Deposit liabilities	**0.33%**	**0.63%**	**0.90%**	0.42%	1.80%	1.48%
Bills payable	**-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, 2021 and 2020 (amounts in millions):

	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	**2,161**	**24,185**	**12,083**	**1,623**	**23,446**	**63,498**
	7,902	**24,185**	**12,083**	**1,623**	**45,328**	**91,121**
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	**(₱9,242)**	**₱10,477**	**₱8,421**	**₱716**	**₱40,317**	**₱50,689**

	Consolidated					
	2020					
	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	₱1,495	₱–	₱–	₱–	₱–	₱1,495
Interbank loans receivable	6,054	–	–	–	–	6,054
Financial assets at FVTPL	–	–	718	–	–	718
Financial assets at FVTOCI	–	–	–	–	5,028	5,028
Investment securities at amortized cost	–	–	–	75	2,199	2,274
Loans and receivables	1,799	25,195	6,312	4,461	19,857	57,624
	9,348	25,195	7,030	4,536	27,084	73,193
Liabilities						
Deposit liabilities	21,123	12,957	3,941	1,239	3,991	43,251
Bills payable	1,759	394	30	–	–	2,183
	22,882	13,351	3,971	1,239	3,991	45,434
Asset-liability gap	(₱13,534)	₱11,844	₱3,059	₱3,297	₱23,093	₱27,759

	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	**2,164**	**24,185**	**12,083**	**1,623**	**23,446**	**63,501**
	7,905	**24,185**	**12,083**	**1,623**	**45,328**	**91,124**
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	**(₱9,239)**	**₱10,477**	**₱8,421**	**₱716**	**₱40,317**	**₱50,692**

	Parent Company					
	2020					
	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	₱1,495	₱–	₱–	₱–	₱–	₱1,495
Interbank loans receivable	6,054	–	–	–	–	6,054
Financial assets at FVTPL	–	–	–	–	718	718
Financial assets at FVTOCI	–	–	–	–	5,028	5,028
Investment securities at amortized cost	–	–	–	75	2,199	2,274
Loans and receivables	1,802	25,195	6,312	4,461	19,857	57,627
	9,351	25,195	6,312	4,536	27,802	73,196

(Forward)

	Parent Company					
	2020					
	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
Liabilities						
Deposit liabilities	₱21,123	₱12,957	₱3,941	₱1,239	₱3,991	₱43,251
Bills payable	1,759	394	30	–	–	2,183
	22,882	13,351	3,971	1,239	3,991	45,434
Asset-liability gap	(₱13,531)	₱11,844	₱2,341	₱3,297	₱23,811	₱27,762

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):

	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)**

	2020			
	Changes in Interest Rates (in Basis Points)			
Changes in interest rates (in basis points)	+50	-50	+100	-100
Change in annualized net interest income	₱157.72	(₱157.72)	₱315.44	(₱315.13)

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 BSP Circular No. 538:

Type of Market Risk Exposure	**2021**	2020
Interest rate exposures	**₱443,323**	₱108,108
Foreign exchange exposures	**56,698**	74,345
	₱500,021	₱182,453

Foreign Currency Risk Management

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, 2021 and 2020. 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):

	2021			2020		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
Cash on hand	**₱1,806**	**₱168**	**₱1,974**	₱2,836	₱170	₱3,006
Due from other banks	**44,176**	**4,553**	**48,729**	14,727	3,189	17,916
Interbank loans receivable	**169,853**	**–**	**169,853**	94,556	–	94,556
Financial assets at amortized cost	**–**	**231,158**	**231,158**	–	234,740	234,740
Loans and receivables:						
Corporate loans	**133,519**	**-**	**133,519**	632,524	–	632,524
Accrued interest receivable	**141**	**3,423**	**3,564**	555	3,399	3,954
Other assets	**–**	**125**	**125**	–	127	127
	349,495	**239,427**	**588,922**	745,198	241,625	986,823
Liabilities						
Deposit liabilities	**–**	**37,833**	**37,833**	–	39,694	39,694
Bills payable	**–**	**221,509**	**221,509**	–	–	–
Outstanding acceptances	**71,609**	**–**	**71,609**	497,813	–	497,813
Other liabilities:						
Others	**87**	**1**	**88**	36	75	111
	71,696	**259,343**	**331,039**	497,849	39,769	537,618
Net exposure	**₱277,799**	**(₱19,916)**	**₱257,883**	₱247,349	₱201,856	₱449,205

**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.

	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)**

	2020			
	Changes in Foreign Exchange Rates			
Changes in foreign exchange rates	+3.00%	-3.00%	+4.00%	-4.00%
Change in annualized net income	₱2,230	(₱2,230)	₱2,974	(₱2,974)

Operational Risk

The Parent Company uses the Basic Indicator Approach in computing Operational Risk in accordance with BSP Circular No. 538 as reported to the BSP (amounts in millions):

	2021	2020
Average Gross Income (Previous 3 Years)	**₱4,680**	₱4,045
Capital Charge (Average Gross Income times 18.75%[(a)])	**877**	758
Risk Weighted Asset (Capital Charge times 10)	**₱8,774**	₱7,585

(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 2021, 2020 and 2019.

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, 2021, 2020 and 2019:

	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							
Third party	(₱299,081)	₱3,597,205	₱295,673	₱398,050	₱3,393	₱7,942	₱4,003,182
Intersegment	1,495,942	(1,278,380)	(362,503)	(74,865)	(3,244)	223,050	–
	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 (loss)	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

(Forwwrd)

	Consolidated						
	2021						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Depreciation and amortization	₱211,715	₱51,273	₱17,031	₱28,577	₱5,003	₱74,020	₱387,619
Provision for (reversal of) 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	₱1,196,861	₱2,318,825	₱174,768	₱323,185	₱150	₱230,991	₱4,244,780
Rent income	–	–	–	–	–	505,241	505,241
Trading and securities gain (loss) - net	–	–	(241,598)	–	–	–	(241,598)
Service charges, fees, and commissions	88,604	212,836	–	6,752	–	23,537	331,729
Profit (loss) from assets sold	–	–	–		–	13,567	13,567
Foreign exchange gain - net	9,009	7,314	40,508	–	–	–	56,831
Income from trust operations	2	–	–	–	29,229	–	29,231
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) from continuing operations	(288,068)	1,696,217	(392,591)	55,409	(7,764)	509,861	1,573,064
Net loss from discontinued operations	–	–	–	–	–	–	–
	(₱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
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
Provision for (reversal of) credit and impairment losses	-	982,336	-	447,412	-	(11,520)	1,418,228
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
Profit (loss) from assets sold	–	–	–		–	6,779	6,779
Foreign exchange gain - net	7,440	6,148	45,597	-	-	-	59,185
Income from trust operations	–	–	–	–	25,689	–	25,689
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
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
Provision for (reversal of) credit and impairment losses	-	982,336	–	447,412	-	(11,520)	1,418,228
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
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 (loss) from continuing operations	259,283	635,095	300,492	(437,295)	(13,693)	425,030	₱1,168,912
Net loss from discontinued operations	-	-	-	–	-	-	–
	₱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

	Consolidated						
	2019						
	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	(₱1,732,332)	₱3,500,897	₱1,037,762	₱794,190	₱2,176	₱10,753	₱3,613,446
Intersegment	3,299,719	(2,524,770)	(667,721)	(503,892)	(5,333)	401,997	–
	1,567,387	976,127	370,041	290,298	(3,157)	412,750	3,613,446
Other operating income	99,175	300,294	31,656	42,923	21,095	943,345	1,438,488
Total operating income	1,666,562	1,276,421	401,697	333,221	17,938	1,356,095	5,051,934
Compensation and fringe benefits	538,269	172,413	71,505	137,736	20,472	38,474	978,869
Taxes and licenses	233,965	175,035	80,663	34,033	3,212	97,214	624,122
Depreciation and amortization	288,787	47,510	11,763	30,856	3,997	63,066	445,979
Provision for (reversal of) credit and impairment losses	-	607,603	2,972	(6,421)	-	(226,541)	377,613
Occupancy and other equipment-related costs	87,336	18,551	6,156	14,889	2,051	1,237	130,220
Other operating expenses	503,023	139,909	117,438	93,820	10,618	42,798	907,606
Net operating income (loss) before income tax	15,182	115,400	111,200	28,308	(22,412)	1,339,847	1,587,525
Segment results							
Net interest income (loss)	₱1,567,387	₱976,126	(₱38,372)	₱290,298	(₱3,157)	₱412,751	₱3,205,033
Rent income	–	–	–	–	–	736,341	736,341
Trading and securities gain (loss) - net	–	–	408,413	–	–	–	408,413
Service charges, fees, and commissions	88,803	261,470	7	42,940	-	14,287	407,507
Profit (loss) from assets sold	–	–	–		–	97,739	97,739
Foreign exchange gain - net	10,077	8,407	31,389	-	-	-	49,873
Income from trust operations	–	–	–	–	21,095	–	21,095
Loss on assets exchange - net	–	–	–		–	(11,850)	(11,850)
Miscellaneous	295	30,418	261	(17)	–	106,826	137,783
Total operating income	1,666,562	1,276,421	401,698	333,221	17,938	1,356,094	5,051,934

(Forward)

	Consolidated						
	2019						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Compensation and fringe benefits	₱538,269	₱172,413	₱71,505	₱137,736	₱20,472	₱38,474	₱978,869
Taxes and licenses	233,965	175,035	80,663	34,033	3,212	97,214	624,122
Depreciation and amortization	288,787	47,510	11,763	30,856	3,997	63,066	445,979
Provision for (reversal of) credit and impairment losses	-	607,603	2,972	(6,421)	-	(226,541)	377,613
Occupancy and other equipment-related costs	87,336	18,551	6,156	14,889	2,051	1,237	130,220
Other operating expenses	503,023	139,909	117,438	93,820	10,618	42,798	907,606
Total operating expenses	1,651,380	1,161,021	290,497	304,913	40,350	16,248	3,464,409
Segment profit (loss)	15,182	115,400	111,201	28,308	(22,412)	1,339,846	1,587,525
Provision for income tax	(372)	(21,256)	(158,513)	(537)	-	(21,713)	(202,391)
Share in net income of associate	-	-	-	-	-	531	531
Net income (loss) from continuing operations	14,810	94,144	(47,312)	27,771	(22,412)	1,318,664	1,385,665
Net loss from discontinued operations	-	-	-	(228,408)	-	-	(228,408)
	₱14,810	₱94,144	(₱47,312)	(₱200,637)	(₱22,412)	₱1,318,664	₱1,157,257
Segment assets							
Property and equipment	₱256,010	₱–	₱–	₱–	₱–	₱718,200	₱974,210
Investment properties	–	–	–	–	–	2,428,666	2,428,666
Other allocated assets	12,221,371	52,971,841	24,901,964	6,393,682	72,075	2,752,477	99,313,410
Total segment assets	₱12,477,381	₱52,971,841	₱24,926,182	₱6,393,682	₱72,075	₱5,899,343	₱102,740,504
Total segment liabilities	₱82,248,910	₱227,974	₱7,412,992	₱936	₱–	₱1,494,491	₱91,385,303

7. Investments in Subsidiary and an Associate

This account consists of investments in:

	% of Ownership			Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Subsidiaries:									
Cost:									
PRBI	**–**	–		**₱–**	₱–	₱–	**₱–**	₱–	₱–
PISAI	**100.00**	100.00	100.00	**–**	–	–	**10,000**	10,000	10,000
				–	–	–	**10,000**	10,000	10,000
Accumulated share in net income									
Balance at January 1				**–**	–	–	**(3,863)**	(3,796)	71,097
Share in net income				**–**	–	–	**(64)**	(67)	(58,116)
Sale of subsidiary							–	–	(16,777)
Balance at December 31				**–**	–	–	**(3,927)**	(3,863)	(3,796)
Accumulated share in OCI									
Balance at January 1				**–**	–	–	–	–	2,582
Share in change in remeasurement losses on defined benefit liability, net of tax				**–**	–	–	–	–	(2,582)
Balance at December 31				**–**	–	–	**–**	–	–
Accumulated dividends received				**–**	–	–			
Balance at January 1				**–**	–	–	–	–	(25,067)
Sale of subsidiary				**–**	–	–	–	–	25,067
Balance at December 31				**–**	–	–	**–**	–	–
				–	–	–	**6,073**	6,138	6,204
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				**12,114**	11,848	11,317	**12,115**	11,849	11,317
Share in net income				**287**	266	531	**287**	266	531
Balance at December 31				**12,401**	12,114	11,848	**12,402**	12,15	11,848
				14,401	14,114	13,848	**14,402**	14,115	13,848
				₱14,401	₱14,114	₱13,848	**₱20,475**	₱20,252	₱20,053

PRBI

Cost of investment amounted to ₱918.30 million which includes the consideration for the acquisition in 2014 of ₱494.54 million, additional investment of ₱25.07 million in 2016 in the form of re-invested dividends, acquisition of non-controlling interests of ₱0.94 million in 2016 and reclassification in 2017 of investments in RBNI and RBKI aggregating to ₱397.74 million as a result of the merger of PRBI, RBNI and RBKI, with PRBI as the surviving entity in 2017.

On July 25, 2019, the BSP approved the sale of 100 percent voting shares of PRBI to Producers Savings Bank Corporation (PROSBI) for ₱555.68 million. Based on the deed of sale, 10% of the purchase price or ₱55.58 million shall be withheld by PROSBI and shall be paid to the Parent Company upon presentation of the Certificate of Authorizing Registration issued by the Bureau of Internal Revenue (BIR)while capital gains and any documentary stamp taxes arising from the sale of the shares shall be paid by the Parent Company. The amount withheld was collected on September 10, 2020.

The sale of PRBI was meant to consolidate the efforts and resources to the Parent Company which has set its strategy to focus on its core businesses and expand market to the ecosystem of its major shareholders. Loss on sale amounted to ₱171.17 million. The carrying amount of the investment in PRBI sold by the Parent Company excluded branch licenses amounting to ₱726.85 million. These branch licenses were granted to the Parent Company in 2014 as a result of its acquisition of RBNI (subsequently merged to PRBI) in 2017. In 2019, the branch licenses were reclassified from the investment account as a result of the Parent Company's divestment 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 (Note 15).

PISAI

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 for the past 3 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.

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, 2021.

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 ₱724.96 million ($14.22 million) and ₱2.15 billion ($44.180 million) as of December 31, 2021 and 2020, respectively, net of allowance for ECL (see Note 17).

As of December 31, 2021 and 2020, outstanding SPURA is ₱3.47 billion and ₱3.90 billion, respectively.

Interest income on the Group's and the Parent Company's interbank loans receivable and SPURA follows:

	2021	2020	2019
SPURA	**₱59,969**	₱88,043	₱22,974
Interbank loans receivable	**100**	4,703	17,272
	₱60,069	₱92,746	₱40,246

Interbank loans receivable bears nominal annual interest rates ranging from 0.07% to 0.25% in 2021, 1.81% to 3.94% in 2020, and 0.60% to 5.09% in 2019, while SPURA bears nominal annual interest rates of 2.00% in 2021 and ranging from 2.00% to 4.00% in 2020, and 4.00% to 4.75% in 2019.

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 ₱886.29 million and ₱718.29 million as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, financial assets at FVTPL include net unrealized gain (loss) amounting to (₱9.79 million) and ₱0.48 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, 2021 and 2020, the Group's and the Parent Company's financial assets at FVTOCI consist of the following:

	2021	2020
Debt securities:		
Government (Note 19)	**₱6,362,401**	₱5,027,547
Equity securities:		
Quoted	**91,600**	71,650
Unquoted	**35,286**	38,619
	126,886	110,269
	₱6,489,287	₱5,137,816

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 2021, 2020, and 2019.

The movements in net unrealized gain on debt and equity securities recognized in OCI follow:

	2021	2020
Balance at January 1	**₱100,093**	₱87,932
Items that may be reclassified to profit or loss in subsequent periods		
Fair value changes during the year on debt securities	**(357,686)**	284,757
Losses (gains) taken to profit or loss upon sale of FVTOCI debt securities (Note 26)	**285,542**	(277,278)
Provision for credit losses (Note 17)	**10,089**	37
Items that may not be reclassified to profit or loss in subsequent periods		
Fair value changes during the year on equity securities	**15,471**	4,645
Balance at December 31	**₱53,509**	₱100,093

Reclassification of Financial Assets
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 October 2020, certain 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, 2021 and 2020, the Group's and the Parent Company's investment securities at amortized cost consist of the following:

	2021	2020
Government securities (Note 19)	**₱15,527,190**	₱2,273,872
Less: Allowance for ECL (Note 17)	**(6,911)**	(10,516)
	₱15,520,279	₱2,263,356

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).

As of December 31, 2020, investment securities at amortized cost are comprised of the Parent Company's investment in peso-denominated securities amounting to ₱80.55 million and investment in foreign currency-denominated securities amounting to ₱2.19 billion ($40.78 million and €3.99 million).

Peso-denominated government bonds have effective interest rates ranging from 2.38% to 4.63%, 3.50% to 8.00%, and 3.63% to 8.13%, in 2021, 2020 and 2019, respectively. Foreign currency-denominated bonds have effective interest rates ranging from 1.38% to 10.63%, 2.63% to 10.63%, and 2.63% to 10.63%, in 2021, 2020 and 2019, respectively.

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.

12. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Receivables from customers:				
Corporate loans	**₱60,277,746**	₱52,764,271	**₱60,277,746**	₱52,764,271
Consumer loans:				
Home loans	**3,636,663**	4,473,549	**3,636,663**	4,473,549
Auto loans	**598,106**	771,922	**598,106**	771,922
Personal loans	**213,151**	435,113	**213,151**	435,113
	64,725,666	58,444,855	**64,725,666**	58,444,855
Unearned discounts and capitalized interest	**(44,756)**	(51,256)	**(44,756)**	(51,256)
	64,680,910	58,393,599	**64,680,910**	58,393,599
Unquoted debt securities	**678,557**	852,565	**678,557**	852,565
Accrued interest receivable	**559,770**	468,544	**559,770**	468,544
Accounts receivable	**265,786**	333,300	**268,619**	336,015
Sales contracts receivable	**45,155**	65,952	**45,155**	65,952
	66,230,178	60,113,960	**66,233,011**	60,116,675
Less Allowance for ECL (Note 17)	**(2,732,213)**	(2,489,967)	**(2,732,213)**	(2,489,967)
	₱63,497,965	₱57,623,993	**₱63,500,798**	₱57,626,707

Sale of Dealer Generated Auto Loans Portfolio

On February 27, 2019, the BOD approved the sale of the Parent Company's dealer generated auto-loan portfolio to a local bank. On June 18, 2019, the Philippine Competition Commission approved the request of the Parent Company to to sell its auto-loan portfolio. The selling price amounted to ₱3.55 billion which is the sum of the face value of all current outstanding loan principal balance as well as the related accrued interest and unamortized incentives of dealer generated auto loans. On June 27, 2019, the local bank has fully paid the Parent Company. No gain or loss on sale was recognized by the Parent Company on this transaction.

The Parent Company has no other plans of disposing its remaining branch referred auto loans or other loans.

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, 2021 and 2020, unquoted debt securities of the Group and the Parent Company consist of Metro Rail Transit (MRT) bonds with the gross amount of ₱678.56 million and ₱852.57 million in 2021 and 2020, respectively, and an allowance for credit losses amounting to ₱0.57 million and ₱0.89 million in 2021 and 2020, respectively.

The accretion of interest on unquoted debt securities amounted to ₱66.04 million, ₱77.22 million, and ₱88.23 million in 2021, 2020 and 2019, respectively, which is included under 'Interest income - Loans and receivables' in the statements of income.

Interest Income

Interest income on loans and receivables consists of interest income on:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Receivables from customers:						
Corporate	**₱3,555,476**	₱3,713,692	₱3,510,142	**₱3,555,476**	₱ 3,713,692	₱3,510,142
Consumer	**443,857**	473,247	795,194	**443,857**	473,247	795,194
Unquoted debt securities	**104,306**	126,794	154,002	**104,306**	126,794	154,002
Others	**6,243**	11,475	9,141	**6,243**	11,475	9,141
	₱4,109,882	₱4,325,208	₱4,468,479	**₱4,109,882**	4,325,208	4,468,479

Of the total receivables from customers of the Group as of December 31, 2021, 2020 and 2019, 56.72%, 85.59%, and 54.90%, 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 2021, 1.99% to 42.00% in 2020, and 1.50% to 42.00% in 2019 while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 3.00% to 7.25% in 2021, 4.00% to 9.13% in 2020 and 3.50% to 9.82% in 2019.

Unquoted debt securities have EIRs of 11.90% in 2021 and 2020, and from 6.52 % to 11.90% in 2019. Sales contracts receivable bears interest rates ranging from 7.00% to 12.00% in 2021 and 2020, and 7.00% to 14.00% in 2019.

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						
	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**

	Consolidated and Parent Company						
	2020						
	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	₱481,162	₱402,244	₱889,460	₱418,178	₱341,284	₱2,650,006
Additions	–	–	9,034	37,961	2,360	76,116	125,471
Disposals	–	–	–	(18,515)	(13,489)	(30,644)	(62,648)
Transfers (Notes 14 and 16)	–	18,436	(20,740)	11,508	15,026	–	24,230
Balance at December 31	117,678	499,598	390,538	920,414	422,075	386,756	2,737,059
Accumulated depreciation and amortization							
Balance at January 1	–	173,608	302,479	736,849	370,047	92,813	1,675,796
Depreciation	–	11,918	14,323	56,315	24,061	107,525	214,142
Disposal	–	–	–	(15,013)	(9,319)	(30,644)	(54,976)
Transfers (Note 16)	–	–	–	7,480	–	–	7,480
Balance at December 31	–	185,526	316,802	785,631	384,789	169,694	1,842,442
Net book value	₱117,678	₱314,072	₱73,736	₱134,783	₱37,286	₱217,062	₱894,617

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, (₱3.01 million), and ₱0.27 million, in 2021, 2020 and 2019, respectively.

Depreciation and Amortization

Details of this account are as follows:

	Consolidated and Parent Company		
	2021	**2020**	2019
Property and equipment	**₱87,188**	₱106,617	₱162,377
Investment properties (Note 14)	**90,811**	81,788	80,902
Software costs (Note 15)	**94,994**	74,632	68,666
Right-of-use assets	**99,444**	107,525	113,343
Chattel mortgage (Note 16)	**15,182**	10,091	20,691
	₱387,619	₱380,653	₱445,979

As of December 31, 2021 and 2020, the cost of fully depreciated furniture, fixtures and equipment still in use by the Group and Parent Company amounted to ₱691.42 million and ₱658.24 million, respectively.

14. Investment Properties

The composition of and movements in this account follow:

	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**	**–**	**–**
Transfer	**–**	**–**	**–**	**116**	**–**
Disposals	**(45,145)**	**(5,475)**	**(50,620)**	**–**	**–**
Balance at December 31	**610,512**	**500,842**	**1,111,354**	**39,390**	**2,644,075**
Accumulated depreciation and amortization					
Balance at January 1	**–**	**171,015**	**171,015**	**36,351**	**855,516**
Depreciation	**–**	**42,079**	**42,079**	**350**	**48,382**
Disposals	**–**	**(1,277)**	**(1,277)**	**–**	**–**
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**

	Consolidated and Parent Company				
	2020				
	Foreclosed Properties				
	Land	Building and Improvements	Total	Office Units for Lease	Condominium Units for Lease
Cost					
Balance at January 1	₱397,348	₱399,393	₱796,741	₱39,274	₱2,644,075
Additions	58,004	5,965	63,969	–	–
Disposals	(6,309)	(6,232)	(12,541)	–	–
Balance at December 31	449,043	399,126	848,169	39,274	2,644,075
Accumulated depreciation and amortization					
Balance at January 1	–	139,255	139,255	36,000	807,134
Depreciation	–	33,055	33,055	351	48,382
Disposals	–	(1,295)	(1,295)	–	–
Balance at December 31	–	171,015	171,015	36,351	855,516
Accumulated impairment losses					
Balance at January 1	32,801	36,234	69,035	–	–
Disposals	(1,703)	(253)	(1,956)	–	–
Balance at December 31	31,098	35,981	67,079	–	–
Net book value	₱417,945	₱192,130	₱610,075	₱2,923	₱1,788,559

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, 2021 and 2020, about 87.14% 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, 2021 and 2020, the aggregate fair value of investment properties amounted to ₱10.09 billion and ₱9.46 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 ₱484.93 million, ₱655.92 million, and ₱691.92 million in 2021, 2020 and 2019, respectively, on condominium properties leased out under operating leases. In 2021, 2020 and 2019, the Parent Company also recognized rental income from office units for lease amounting to ₱8.11 million, ₱4.57 million and ₱4.42 million, respectively.

The Group and Parent recorded gain (loss) from foreclosure of loan collaterals amounting to ₱7.46 million, (₱3.16 million) and (₱11.85 million) in 2021, 2020, and 2019, respectively. This is presented as 'Gain (loss) on assets exchange - net' in the statements of income.

The Group and Parent recorded gain (loss) on disposal of certain foreclosed properties amounting to ₱15.08 million, ₱12.21 million and ₱107.95 million in 2021, 2020, and 2019, 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 ₱111.41 million, ₱99.63 million and ₱92.06 million in 2021, 2020, and 2019, 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 ₱125.82 million, ₱68.82 million and ₱80.60 million in 2021, 2020, and 2019, respectively.

15. Intangible Assets

Intangible Assets

The Group and Parent Company's account consists of:

	2021	2020
Branch licenses	**₱364,700**	₱364,700
Software costs	**162,803**	248,826
	₱527,503	₱613,526

Branch licenses
Branch licenses of the Group arose from the acquisitions of Consumer Savings Bank (CSB) and PRBI. As of December 31, 2021 and 2020, 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 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 PROSBI (see Note 7). Accordingly, the branch licenses granted to the Parent Company's acquisition of RBNI were reclassified from the investment account to intangible assets in the Parent Company's separate financial statements. 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, 2021 and 2020, 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 2021, 2020 and 2019, the Parent Company's impairment assessment indicates no impairment.

Key assumptions used in the VIU calculations
As of December 31, 2021 and 2020, 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 2021 and 2020 as follows:

Significant Assumptions	**2021**	2020
Deposit growth rates	**5.60%**	6.00%
Discount rate	**14.21%**	13.34%
Terminal value growth rate	**5.12%**	4.81%

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	
	2021	2020
Balance at January 1	**₱248,826**	₱308,389
Additions	**8,971**	15,069
	257,797	323,458
Amortization (Note 13)	**(94,994)**	(74,632)
Balance at December 31	**₱162,803**	₱248,826

16. Other Assets

Other assets consist of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Prepaid expenses	**₱187,704**	144,104	**187,541**	143,938
Tax credits	**106,169**	443,671	**106,081**	442,473
Retirement asset (Note 27)	**95,493**	–	**95,493**	–
Chattel mortgage	**34,987**	45,004	**34,987**	45,004
Receivable from BIR	**5,528**	15,570	**5,528**	15,570
RCOCI	**62**	1,273	**62**	1,273
Miscellaneous	**151,958**	130,382	**150,958**	130,349
	581,901	780,004	**580,650**	778,607
Less allowance for impairment losses (Note 17)	**(2,573)**	(2,573)	**(2,573)**	(2,573)
	₱579,328	₱777,431	**₱578,077**	₱776,034

Receivable from BIR
This account includes creditable withholding tax and tax credit cases that are still pending SC decision. As of December 31, 2021 and 2020, there is no balance of allowance for impairment losses on receivable from BIR.

Chattel Mortgage
The movements in chattel mortgage of the Group and the Parent Company follow:

	2021	2020
Cost		
Balance at January 1	**₱54,937**	₱26,608
Additions	**33,970**	58,211
Disposals	**(32,731)**	(23,414)
Transfers (Note 13)	**(3,420)**	(6,468)
Balance at December 31	**52,756**	54,937
Accumulated depreciation and amortization		
Balance at January 1	**9,933**	3,963
Depreciation	**15,182**	10,091
Disposals	**(7,097)**	(2,900)
Transfers (Note 13)	**(249)**	(1,221)
Balance at December 31	**17,769**	9,933
Net book value	**₱34,987**	₱45,004

In 2021, 2020 and 2019, loss recognized by the Group and the Parent Company from the disposal of certain chattel mortgage amounted to ₱1.52 million, ₱2.42 million and ₱10.48 million, respectively. This is included under 'Profit (loss) from assets sold' in the statements of income.

Miscellaneous

As of December 31, 2021 and 2020, the Group's and the Parent Company's miscellaneous other assets consist of the following:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Documentary stamp taxes (DST)	**₱63,277**	₱29,172	**₱63,277**	₱29,172
Refundable security deposits	**35,471**	33,387	**35,471**	33,387
Advance rentals	**17,388**	17,730	**17,388**	17,730
Stationery and supplies	**10,055**	6,587	**10,055**	6,587
Others (Note 24)	**25,767**	43,506	**24,767**	43,473
	₱151,958	₱130,382	**₱150,958**	₱130,349

"Others" of the Group and the Parent Company include trust fee receivables, shortages, derivatives, interoffice floats and other investments.

17. Allowance for Credit and Impairment Losses

As of December 31, 2021 and 2020, the analyses of changes in the allowance for ECL follow:

Interbank loans receivable and SPURA

Allowance for credit losses of interbank loans receivable and SPURA amounted to nil for the Consolidated and Parent Company in 2021 and 2020.

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, 2020	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
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	–	–

(Forward)

Consolidated and Parent Company	2021			
	Stage 1	Stage 2	Stage 3	Total
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
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

(Forward)

Consolidated and Parent Company	**2021**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
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**

Investment securities at FVTOCI

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL, January 1, 2020	₱5,508	₱–	₱–	₱5,508
Newly originated assets that remained in Stage 1 as at December 31, 2020	37	–	–	37
Allowance for ECL, December 31, 2020	₱5,545	₱–	₱–	₱5,545

Investment securities at amortized cost

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL, January 1, 2020	₱10,565	₱–	₱–	₱10,565
Impact on ECL of exposures that did not transfer between stages	(49)	–	–	(49)
Allowance for ECL, December 31, 2020	₱10,516	₱–	₱–	₱10,516

Receivables from customers

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
Allowance for ECL, January 1, 2020	₱574,595	₱69,961	₱583,480	₱1,228,036
Newly originated assets that remained in Stage 1 as at December 31, 2020	342,271	–	–	342,271
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	1,124,179	–	–	1,124,179
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	(447,783)	(45,868)	(16,597)	(510,248)
Transfers to ROPA	–	–	(14,957)	(14,957)
Transfers to Stage 2	(133,072)	133,072	–	–
Transfers to Stage 3	(1,081,239)	–	1,081,239	–
Impact on ECL of exposures transferred between stages	(5)	–	21,770	21,765
Impact on ECL of exposures that did not transfer between stages	–	862	1,571	2,433
Accounts written-off	–	–	(248,510)	(248,510)
Foreign exchange adjustments	–	(862)	(1,571)	(2,433)
Allowance for ECL, December 31, 2020	378,946	157,165	1,406,425	1,942,536
Consumer loans:				
Auto loans				
Allowance for ECL, January 1, 2020	11,291	15,933	294,183	321,407
Newly originated assets that remained in Stage 1 as at December 31, 2020	68,566	–	–	68,566
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	26,162	–	–	26,162
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	(7,509)	(1,728)	(25,788)	(35,025)
Transfers to ROPA	(29)	(469)	–	(498)
Transfers to Stage 1	4,079	(3,927)	(152)	–
Transfers to Stage 2	(6,262)	6,262	–	–
Transfers to Stage 3	(83,499)	(14,300)	97,799	–
Impact on ECL of exposures transferred between stages	–	–	(1,843)	(1,843)
Impact on ECL of exposures that did not transfer between stages	–	7,062	5,923	12,985
Accounts written-off	–	–	(289,502)	(289,502)
Allowance for ECL, December 31, 2020	12,799	8,833	80,620	102,252
Home loans:				
Allowance for ECL, January 1, 2020	25,260	13,973	69,637	108,870
Newly originated assets that remained in Stage 1 as at December 31, 2020	56,895	–	–	56,895
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	15,517	–	–	15,517
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	(7,579)	(75)	(6,850)	(14,504)
Transfers to ROPA	–	–	(5,901)	(5,901)
Transfers to Stage 2	(14,462)	14,462	–	–
Transfers to Stage 3	(35,108)	(11,104)	46,212	–
Impact on ECL of exposures transferred between stages	96	–	64,125	64,221
Impact on ECL of exposures that did not transfer between stages	–	30	14,722	14,752
Allowance for ECL, December 31, 2020	40,619	17,286	181,945	239,850

(Forward)

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Personal loans:				
Allowance for ECL, January 1, 2020	₱27,866	₱9,936	₱408,053	₱445,855
Newly originated assets that remained in Stage 1 as at December 31, 2020	226,145	–	–	226,145
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	7,182	–	–	7,182
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	(12,825)	–	(7,067)	(19,892)
Transfers to Stage 1	688	(688)	–	–
Transfers to Stage 2	(8,162)	8,162	–	–
Transfers to Stage 3	(212,422)	(9,174)	221,597	–
Impact on ECL of exposures transferred between stages	–	–	3,526	3,526
Accounts written-off	–	–	(521,520)	(521,520)
Allowance for ECL, December 31, 2020	28,471	8,236	104,589	141,296
Total receivables from customers:				
Allowance for ECL, January 1, 2020	639,012	109,803	1,355,353	2,104,168
Newly originated assets that remained in Stage 1 as at December 31, 2020	693,877	–	–	693,877
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	1,173,040	–	–	1,173,040
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	(475,696)	(47,671)	(56,302)	(579,669)
Transfers to ROPA	(29)	(469)	(20,858)	(21,356)
Transfers to Stage 1	4,767	(4,615)	(152)	–
Transfers to Stage 2	(161,958)	161,958	–	–
Transfers to Stage 3	(1,412,269)	(34,578)	1,446,847	–
Impact on ECL of exposures transferred between stages	91	–	87,578	87,669
Impact on ECL of exposures that did not transfer between stages	–	7,954	22,216	30,170
Accounts written-off	–	–	(1,059,532)	(1,059,532)
Foreign exchange adjustments	–	(862)	(1,571)	(2,433)
Allowance for ECL, December 31, 2020	₱460,835	₱191,520	₱1,773,579	₱2,425,934

Other receivables

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Allowance for ECL, January 1, 2020	₱944	₱–	₱–	₱944
Impact on ECL of exposures that did not transfer between stages	(48)	–	–	(48)
Allowance for ECL, December 31, 2020	896	–	–	896
Accrued interest receivable:				
Allowance for ECL, January 1, 2020	193	2,133	31,903	34,229
Newly originated assets that remained in Stage 1 as at December 31, 2020	2,502	–	–	2,502
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	20,755	–	–	20,755
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	(193)	(1,723)	(1,731)	(3,647)
Transfers to Stage 1	2	–	(2)	–
Transfers to Stage 2	(2,588)	2,588	–	–
Transfers to Stage 3	(18,160)	(305)	18,465	–
Impact on ECL of exposures transferred between stages	(2)	115	–	113

(Forward)

Consolidated and Parent Company	2020			
	Stage 1	Stage 2	Stage 3	Total
Impact on ECL of exposures that did not transfer between stages	₱–	₱–	₱102	₱102
Accounts written-off	–	–	(29,201)	(29,201)
Allowance for ECL, December 31, 2020	2,509	2,808	19,536	24,853
Accounts receivable:				
Allowance for ECL, January 1, 2020	–	–	11,173	11,173
Impact on ECL of exposures that did not transfer between stages	–	–	17,020	17,020
Accounts written-off	–	–	(154)	(154)
Allowance for ECL, December 31, 2020	–	–	28,039	28,039
Sales contracts receivable				
Allowance for ECL, January 1, 2020	2,463	1,192	6,591	10,246
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	8	–	–	8
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	(1,392)	(465)	(3,323)	(5,180)
Transfers to Stage 1	788	(788)	–	–
Transfers to Stage 2	(1,213)	1,213	–	–
Transfers to Stage 3	(651)	(347)	998	–
Impact on ECL of exposures transferred between stages	–	25	3,089	3,114
Impact on ECL of exposures that did not transfer between stages	–	–	2,057	2,057
Allowance for ECL, December 31, 2020	3	830	9,412	10,245
Total other receivables				
Allowance for ECL, January 1, 2020	3,600	3,325	49,667	56,592
Newly originated assets that remained in Stage 1 as at December 31, 2020	2,502	–	–	2,502
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	20,763	–	–	20,763
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	(1,585)	(2,188)	(5,054)	(8,827)
Transfers to Stage 1	790	(788)	(2)	–
Transfers to Stage 2	(3,801)	3,801	–	–
Transfers to Stage 3	(18,811)	(652)	19,463	–
Impact on ECL of exposures transferred between stages	(2)	140	3,089	3,227
Impact on ECL of exposures that did not transfer between stages	(48)	–	19,179	19,131
Accounts written-off	–	–	(29,355)	(29,355)
Foreign exchange adjustments	–	–	–	–
Allowance for ECL, December 31, 2020	₱3,408	₱3,638	₱56,987	₱64,033

As of December 31, 2021 and 2020, changes in the allowance for credit and impairment losses of the Group and the Parent Company follow:

	Consolidated and Parent Company	
	2021	2020
Balances at January 1		
Loans and receivables (Note 12)	**₱2,489,967**	₱2,160,760
Investment securities at FVTOCI	**5,545**	5,508
Investment securities at amortized cost	**10,516**	10,565
Investment properties (Note 14)	**67,079**	69,035
Other assets (Note 16)	**2,573**	336,449
	2,575,680	2,582,317

(Forward)

	Consolidated and Parent Company	
	2021	2020
Provision for credit and impairment losses	**₱322,301**	₱1,418,228
Accounts written-off, revaluation, and others	**(75,416)**	(1,424,902)
	246,885	(6,674)
Balance at December 31:		
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

Below is the breakdown of provisions for (reversals of) credit and impairment losses:

	Consolidated and Parent Company		
	2021	2020	2019
Financial assets and other credit-related exposures:			
Loans and receivables	**₱317,662**	₱1,447,601	₱378,688
Investment securities at FVTOCI	**10,089**	–	(570)
Investment securities at amortized cost	**(3,605)**	–	3,109
Interbank loans receivable	**–**	–	(1)
	324,146	1,447,601	381,226
Non-financial assets:			
Investment properties	**(1,845)**	(1,956)	(3,613)
Other assets (Note 16)	**–**	(27,417)	–
	(1,845)	(29,373)	(3,613)
	₱322,301	₱1,418,228	₱377,613

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).

	2021	2020	2019
Provision for credit and impairment losses	**₱322,301**	₱1,418,228	₱377,613
Appropriation from current net income	**52,240**	–	–
Total	**₱374,541**	₱1,418,228	₱377,613

18. Deposit Liabilities

On December 5, 2019, BSP issued Circlar No. 1063 which decreased the reserve requirements on deposits and deposit substitutes to 14% effective December 6, 2019, meanwhile, reserve requirements on LTNCDs remained at 4%.

On March 23, 2020, BSP issued Circular No. 1082 reducing the reserve requirement against deposit and deposits substitute to 12% while LTNCDs remains to have 4% reserve requirement. Further, on April 16, 2020, BSP issued Circular No. 1083, which allows the bank to use MSME loans granted as of March 15, 2020 as allowable mode for alternative compliance on the reserve requirement. The said alternative compliance is valid from April 24, 2020 to December 30, 2021.

As of December 31, 2021 and 2020, Due from BSP amounting to ₱8.46 billion and ₱8.59 billion, respectively, were set aside as reserves for deposit liabilities. As of December 31, 2021 and 2020, 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 the Long-Term Negotiable Certificates of Deposits (LTNCD) 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		
	2021	2020	2019
Demand	**₱44,004**	₱64,029	₱59,077
Savings	**10,683**	10,103	8,742
Time	**211,486**	678,893	1,266,283
LTNCD	**168,726**	168,434	167,485
	₱434,899	₱921,459	₱1,501,587

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.10% to 3.00% in 2021, 0.10% to 3.50% in 2020, and 0.10% to 6.85% in 2019, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.09% to 1.50%, 0.10% to 2.00%, and 0.01% to 4.75% in 2021, 2020 and 2019, respectively.

19. Bills Payable

This account consists of the Group's and the Parent Company's borrowings from:

	2021	2020
Private firms and individuals	**₱5,203,348**	₱1,984,864
Banks and other financial institutions	**807,640**	197,980
	₱6,010,988	₱2,182,844

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:

	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**

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Borrowed funds	**₱40,211**	₱127,462	₱542,989	**₱40,211**	₱127,462	₱542,989
Lease liability (Note 21)	**14,528**	17,603	18,711	**14,528**	17,603	18,711
Net interest cost on retirement liability (Note 27)	**4,360**	1,969	–	**4,360**	1,969	–
	₱59,099	147,034	561,700	**₱59,099**	147,034	561,700

The net interest income on retirement liability of ₱5.65 million in 2019 is presented as part of miscellaneous income.

The Group has no dollar interbank borrowings as of December 31, 2021 and 2020.

The Parent Company did not avail of peso and dollar rediscounting facilities in 2021 and 2020.

Borrowings from private firms and individuals represent deposit substitutes with maturities of 1 to 181 days and 1 to 216 days in 2021 and 2020, respectively. Bear annual interest rates ranging from 0.25% to 1.13%, 0.37% to 3.88%, and 2.00% to 6.88%, in 2021, 2020 and 2019, respectively.

As of December 31, 2021 and 2020, Due from BSP amounting to ₱633.53 million and ₱262.4 million, respectively, were set aside as reserves for deposit substitutes.

20. Accrued Interest, Taxes and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Financial liabilities				
Accrued interest payable	**₱59,188**	₱105,338	**₱59,188**	₱105,338
Accrued other expenses	**557,368**	515,674	**557,282**	515,526
	616,556	621,012	**616,470**	620,864
Non-financial liabilities				
Retirement liability (Note 27)	**–**	109,004	**–**	109,004
Accrued taxes and licenses	**64,178**	72,769	**64,178**	72,769
	64,178	181,773	**64,178**	181,773
	₱680,734	₱802,785	**₱680,648**	₱802,637

21. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Financial liabilities				
Accounts payable	**₱310,957**	₱205,426	**₱310,949**	₱204,921
Refundable security deposits	**165,866**	186,517	**165,866**	186,517
Miscellaneous (Note 24)	**28,060**	34,848	**28,060**	34,848
	504,883	426,791	**504,875**	426,286
Non-financial liabilities				
Lease liability (Note 28)	**252,501**	239,734	**252,501**	239,734
Deferred credits	**206,412**	298,580	**206,412**	298,580
Withholding taxes payable	**20,229**	18,756	**20,229**	18,756
Due to the Treasurer of the Philippines	**44,575**	40,589	**44,575**	40,589
Miscellaneous	**76,596**	76,270	**75,387**	75,517
	600,313	673,929	**599,104**	673,176
	₱1,105,196	₱1,100,720	**₱1,103,979**	₱1,099,462

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:

	2021	2020
Balance at January 1	**₱239,734**	₱270,554
Additions	**123,107**	76,072
Lease payments	**(124,868)**	(124,495)
Interest expense (Note 19)	**14,528**	17,603
Balance at December 31	**₱252,501**	₱239,734

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					
	2021			2020		
	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	**₱2,803,341**	**₱–**	**₱2,803,341**	₱2,467,099	₱–	₱2,467,099
Due from BSP	**10,271,486**	**–**	**10,271,486**	20,597,868	–	20,597,868
Due from other banks	**658,593**	**–**	**658,593**	1,495,485	–	1,495,485
Interbank loans receivable and SPURA (Note 8)	**4,195,846**	**–**	**4,195,846**	6,054,454	–	6,054,454
Financial assets at FVTPL (Note 9)	**886,291**	**–**	**886,291**	718,294	–	718,294
Financial assets at FVTOCI (Note 10)	**–**	**6,504,921**	**6,504,921**	–	5,143,361	5,143,361
Investment securities at amortized cost (Note 11)	**–**	**15,527,190**	**15,527,190**	–	2,273,872	2,273,872

(Forward)

	Consolidated					
	2021			2020		
	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	**₱40,102,875**	**₱24,622,791**	**₱64,725,666**	₱34,892,624	₱23,552,231	₱58,444,855
Unquoted debt securities	**–**	**678,557**	**678,557**	–	852,565	852,565
Accrued interest receivable	**559,770**	**–**	**559,770**	468,544	–	468,544
Accounts receivable	**234,787**	**30,998**	**265,785**	322,118	11,182	333,300
Sales contracts receivable	**37,926**	**7,229**	**45,155**	30,831	35,121	65,952
Other assets (Note 16):						
Refundable security deposits	**–**	**35,471**	**35,471**	–	33,387	33,387
RCOCI	**62**	**–**	**62**	1,273	–	1,273
	59,750,977	**47,407,157**	**107,158,134**	67,048,590	31,901,719	98,950,309
Non-financial assets - at gross						
Investments in subsidiary and an associate (Note 7)	**–**	**14,401**	**14,401**	–	14,114	14,114
Property and equipment (Note 13)	**95,149**	**2,729,955**	**2,825,104**	90,658	2,646,401	2,737,059
Investment properties (Note 14):						
Condominium units for Lease	**–**	**2,644,075**	**2,644,075**	–	2,644,075	2,644,075
Foreclosed properties	**–**	**1,111,354**	**1,111,354**	–	848,169	848,169
Office units for lease	**–**	**39,390**	**39,390**	–	39,274	39,274
Intangible assets (Note 15)	**–**	**527,503**	**527,503**	–	613,526	613,526
Deferred tax assets (Note 30)	**–**	**325,614**	**325,614**	–	170,608	170,608
Other assets (Note 16)	**291,326**	**272,921**	**564,247**	206,473	548,803	755,276
	386,475	**7,665,213**	**8,051,688**	297,131	7,524,970	7,822,101
	₱60,137,452	**₱55,072,370**	**₱115,209,822**	₱67,345,721	₱39,426,689	₱106,772,410
Less:						
Unearned interest and discounts (Note 12)			**(44,756)**			(51,256)
Accumulated depreciation and amortization (Notes 13, 14 and 16)			**(3,113,072)**			(2,915,257)
Allowance for credit and impairment losses (Notes 12, 16 and 17)			**(2,822,674)**			(2,575,680)
Total			**109,229,320**			101,230,218
Financial liabilities						
Deposit liabilities:						
Demand	**41,166,107**	**–**	**41,166,107**	30,865,282	–	30,865,282
Savings	**11,359,112**	**–**	**11,359,112**	9,664,945	–	9,664,945
Time	**28,502,686**	**3,028,884**	**31,531,570**	38,021,768	2,345,749	40,367,517
LTNCD	**–**	**2,889,116**	**2,889,116**	–	2,883,668	2,883,668
Bills payable (Note 19)	**6,010,988**	**–**	**6,010,988**	2,182,844	–	2,182,844
Outstanding acceptances	**71,609**	**–**	**71,609**	497,813	–	497,813
Manager's checks	**172,247**	**–**	**172,247**	188,100	–	188,100
Accrued interest payable (Note 20)	**59,188**	**–**	**59,188**	105,338	–	105,338
Accrued other expenses (Note 20)	**557,368**	**–**	**557,368**	515,674	–	515,674
Other liabilities (Note 21):		**–**			–	
Accounts payable	**310,957**	**–**	**310,957**	205,426	–	205,426
Refundable security deposits	**45,686**	**120,180**	**165,866**	144,627	41,890	186,517
Miscellaneous	**28,060**	**–**	**28,060**	34,848	–	34,848
	88,284,008	**6,038,180**	**94,322,188**	82,426,665	5,271,307	87,697,972

(Forward)

	Consolidated					
	2021			2020		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Non-financial liabilities						
Deferred tax liabilities (Note 30)	**₱–**	**₱–**	**₱0**	₱–	₱–	₱0
Retirement liability (Notes 20 and 27)	**–**	**–**	**–**	–	109,004	109,004
Accrued taxes and licenses (Note 20)	**64,178**	**–**	**64,178**	72,769	–	72,769
Income tax payable	**66,823**	**–**	**66,823**	146,866	–	146,866
Other liabilities (Note 21):						
Deferred credits	**94,528**	**111,884**	**206,412**	240,530	58,050	298,580
Lease liability	**98,208**	**154,293**	**252,501**	96,412	143,322	239,734
Withholding taxes payable	**20,229**	**–**	**20,229**	18,756	–	18,756
Due to the Treasurer of the Philippines	**44,575**	**–**	**44,575**	40,589	–	40,589
Miscellaneous	**16,497**	**60,099**	**76,596**	18,728	57,542	76,270
	405,038	**326,276**	**731,314**	634,650	367,918	1,002,568
	₱88,689,046	**₱6,364,456**	**₱95,053,502**	₱83,061,315	₱5,639,225	₱88,700,540

	Parent Company					
	2021			2020		
	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	**₱2,803,341**	**₱–**	**₱2,803,341**	₱2,467,099	₱–	₱2,467,099
Due from BSP	**10,271,486**	**–**	**10,271,486**	20,597,868	–	20,597,868
Due from other banks	**658,593**	**–**	**658,593**	1,495,485	–	1,495,485
Interbank loans receivable and SPURA (Note 8)	**4,195,846**	**–**	**4,195,846**	6,054,454	–	6,054,454
Financial assets at FVTPL (Note 9)	**886,291**	**–**	**886,291**	718,294	–	718,294
Financial assets at FVTOCI (Note 10)	**–**	**6,504,921**	**6,504,921**		5,143,361	5,143,361
Investment securities at amortized cost (Note 11)		**15,527,190**	**15,527,190**		2,273,872	2,273,872
Loans and receivables (Note 12):						
Receivables from customers	**40,102,875**	**24,622,791**	**64,725,666**	34,892,624	23,552,231	58,444,855
Unquoted debt securities	**–**	**678,557**	**678,557**	–	852,565	852,565
Accrued interest receivable	**559,770**	**–**	**559,770**	468,544	–	468,544
Accounts receivable	**234,787**	**33,831**	**268,618**	322,118	13,897	336,015
Sales contracts receivable	**37,926**	**7,229**	**45,155**	30,831	35,121	65,952
Other assets (Note 16):						
Refundable security deposits	**–**	**35,471**	**35,471**	–	33,387	33,387
RCOCI	**62**	**–**	**62**	1,273	–	1,273
	59,750,977	**47,409,990**	**107,160,967**	67,048,590	31,904,434	98,953,024
Non-financial assets - at gross						
Investments in subsidiary and an associate (Note 7)	**–**	**20,475**	**20,475**	–	20,252	20,252
Property and equipment (Note 13)	**95,149**	**2,729,955**	**2,825,104**	90,658	2,646,401	2,737,059
Investment properties (Note 14):						
Condominium units for lease	**–**	**2,644,075**	**2,644,075**	–	2,644,075	2,644,075
Foreclosed assets	**–**	**1,111,354**	**1,111,354**	–	848,169	848,169
Office units for lease	**–**	**39,390**	**39,390**	–	39,274	39,274
Intangible assets (Note 15)	**–**	**527,503**	**527,503**	–	613,526	613,526
Deferred tax assets (Note 30)	**–**	**325,614**	**325,614**	–	170,608	170,608
Other assets (Note 16)	**291,163**	**271,723**	**562,886**	206,306	547,573	753,879
	386,312	**7,670,089**	**8,056,401**	296,964	7,529,878	7,826,842
	₱60,137,289	**₱55,080,079**	**₱115,217,368**	₱67,345,554	₱39,434,312	₱106,779,866

	Parent Company					
	2021			2020		
	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)			**(₱44,756)**			(₱51,256)
Accumulated depreciation and amortization (Notes 13, 14 and 16)			**(3,113,072)**			(2,915,257)
Allowance for credit and impairment losses (Notes 12, 14, 16 and 17)			**(2,822,564)**			(2,575,680)
Total			**₱109,236,976**			₱101,237,673
Financial liabilities						
Deposit liabilities:						
Demand	**₱41,175,066**	**₱–**	**₱41,175,066**	₱30,874,143	₱–	₱30,874,143
Savings	**11,359,112**	**–**	**11,359,112**	9,664,945	–	9,664,945
Time	**28,502,686**	**3,028,884**	**31,531,570**	38,021,768	2,345,749	40,367,517
LTNCD	**–**	**2,889,116**	**2,889,116**	–	2,883,668	2,883,668
Bills payable (Note 19)	**6,010,988**	**–**	**6,010,988**	2,182,844	–	2,182,844
Outstanding acceptances	**71,609**	**–**	**71,609**	497,813	–	497,813
Manager's checks	**172,247**	**–**	**172,247**	188,100	–	188,100
Accrued interest payable (Note 20)	**59,188**	**–**	**59,188**	105,338	–	105,338
Accrued other expenses (Note 20)	**557,282**	**–**	**557,282**	515,526	–	515,526
Other liabilities (Note 21):		**–**			–	
Accounts payable	**310,949**	**–**	**310,949**	204,921	–	204,921
Refundable security deposits	**45,686**	**120,180**	**165,866**	145,087	41,430	186,517
Miscellaneous	**28,060**	**–**	**28,060**	34,848	–	34,848
	88,292,873	**6,038,180**	**94,331,053**	82,435,333	5,270,847	87,706,180
Non-financial liabilities						
Deferred tax liabilities (Note 30)		**–**	**–**		–	–
Retirement liability (Notes 20 and 27)	–	–	–	–	109,004	109,004
Accrued taxes and licenses (Note 20)	**64,178**	**–**	**64,178**	72,769	–	72,769
Income tax payable	**66,823**	**–**	**66,823**	146,866	–	146,866
Other liabilities (Note 21):						
Deferred credits	**94,528**	**111,884**	**206,412**	240,530	58,050	298,580
Lease liability	**98,208**	**154,293**	**252,501**	96,412	143,322	239,734
Withholding taxes payable	**20,229**	**–**	**20,229**	18,756	–	18,756
Due to the Treasurer of the Philippines	**44,575**	**–**	**44,575**	40,589	–	40,589
Miscellaneous	**16,497**	**58,890**	**75,387**	17,478	58,039	75,517
	405,038	**325,067**	**730,105**	633,400	368,415	1,001,815
	₱88,697,911	**₱6,363,247**	**₱95,061,158**	₱83,068,733	₱5,639,262	₱88,707,995

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 and 399 as of December 31, 2021 and 2020, respectively.

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). The Bank appropriated ₱52 million out of 2021 net income 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.

In the consolidated financial statements, accumulated net earnings of the subsidiary and an associate amounting to ₱12.40 million and ₱14.11 million as of December 31, 2021 and 2020, respectively, that were closed out to '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, 2021 and 2020, the revaluation increment pertaining to PBCOM Tower amounted to ₱1.74 billion and ₱1.64 billion, respectively.

Regulatory Qualifying Capital
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 BSP Circular No. 538 dated August 4, 2006, issued the prescribed guidelines implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform to Basel II recommendations. The new BSP guidelines took effect on July 1, 2007.

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

Risk Weight	Exposure/Asset Type*
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

BSP Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular went into effect on January 1, 2014.

The Circular defines in greater detail, 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, intangible assets and goodwill 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.

As of December 31, 2021 and 2020, 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):

	2021	2020
CET-1 Capital	**₱13,919**	₱13,068
Less: Regulatory Adjustments to CET-1	**(543)**	(623)
	13,376	12,445
Additional Tier 1 Capital	**–**	–
Less: Regulatory Adjustments to AT-1	**–**	–
	–	–
Total Tier 1 Capital	**13,376**	12,445
Tier 2 Capital	**2,227**	2,226
Less: Regulatory Adjustments to Tier 2 Capital	**–**	–
Total Tier 2 Capital	**2,227**	2,226
Total Qualifying Capital	**₱15,603**	₱14,671

The Group's and the Parent Company's RBCAR as reported to the BSP as of December 31, 2021 and 2020 are shown in the table below (amounts in millions):

	2021	2020
CET-1 Capital:		
Paid-up common stock	**₱12,016**	₱12,016
Additional paid-in capital	**2,262**	2,262
Deficit	**(284)**	(1,217)
Net unrealized gains or losses on FVTOCI	**36**	97
Cumulative foreign currency translation	**2**	(12)
Cumulative actuarial losses	**(113)**	(78)
Minority interest in subsidiary banks	**–**	–
	13,919	13,068
Less: Regulatory Adjustments to CET-1		
Outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiary and affiliates	**–**	–
Goodwill	**–**	–
Other intangible assets	**523**	603
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings	**–**	–
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies	**6**	6
Significant minority investments	**14**	14
	543	623
Tier 1 Capital		
Additional Tier 1 Capital	**–**	–
Less: Regulatory Adjustments to AT-1	**–**	–
	–	–
Total Tier 1 Capital	**13,376**	12,445
Appraisal increment reserve	**1,737**	1,640
General loan loss provision	**490**	586
	2,227	2,226
Less: Regulatory Adjustments to Tier 2 Capital	**–**	–
Total Tier 2 Capital	**2,227**	2,226
Total Qualifying Capital	**₱15,603**	₱14,671
Credit risk-weighted assets	**₱76,572**	₱69,987
Market risk-weighted assets	**500**	182
Operational risk-weighted assets	**8,774**	7,585
Total Risk Weighted Assets	**₱85,846**	₱77,754
CET 1 Capital Ratio	**15.58%**	16.01%
Tier 1 Capital Ratio	**15.58%**	16.01%
Total Capital Ratio	**18.18%**	18.87%

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, 2021 and 2020, BLR of the Parent Company, as reported to the BSP, is shown in the table below (amounts, except ratios, are expressed in millions):

	2021	2020
Tier 1 capital	**₱13,376**	₱12,445
Total exposure measure	**116,271**	109,400
BLR	**11.50%**	11.38%

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 BSP Circular Nos. 538 and 639 (Pillar 1 and Pillar 2 Risks). The final ICAAP document shall be available in Q2 2022.
- 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 2022 to 2024.

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.

The allowance for credit losses on the loan commitments and financial guarantee contracts for the years ended December 31, 2021 and 2020 amounted to nil.

The following is a summary of contingencies and commitments of the Group and the Parent Company with the equivalent peso contractual amounts:

	2021	2020
Trust department accounts	**₱8,631,952**	₱7,973,683
Standby LC	**825,173**	1,112,021
Spot exchange:		
Bought	**101,998**	1,300,002
Sold	**362,093**	1,460,869
Usance LC outstanding	**135,023**	84,331
Outstanding shipping guarantees	**396,019**	403,601
Sight LC outstanding	**890,428**	792,459
Outward bills for collection	**13,293**	32,053
Currency forwards:		
Bought	**1,987**	3,811
Sold	**162,464**	337,400
Inward bills for collection	**106,075**	13,108
Items held for safekeeping	**19**	25
Items held as collateral	**7**	7
Other contingencies	**14,241**	12,700

Derivative Financial Instruments

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, 2021, derivative liability amounting to ₱6.04 million is presented under miscellaneous liability.

As of December 31, 2020, the Parent Company has outstanding buy US dollar currency forwards with aggregate notional amount of US$6.946 million, terms of 366 days, and weighted average forward rate of ₱49.55. As of December 31, 2020, derivative asset amounting to ₱10.60 million is presented under miscellaneous asset.

In 2021, 2020 and 2019, total gain (loss) on currency forwards included under 'Trading and securities gain (loss) - others' in the statements of income amounted to (₱16.64 million), ₱2.56 million, and ₱8.76 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 ₱8.63 billion and ₱7.97 billion as of December 31, 2021 and 2020, respectively (see Note 37).

As of December 31, 2021 and 2020, government securities (included under 'Investment securities at amortized cost') owned by the Parent Company with total face value of ₱90.00 million and ₱80.00 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 ₱29.23 million, ₱25.69 million, and ₱21.10 million in 2021, 2020 and 2019, respectively.

26. Income on Investment Securities

Interest income on investment securities follows:

	2021	2020	2019
Investment securities at amortized cost	**₱222,525**	₱150,348	₱497,929
Financial assets at FVOCI	**250,271**	213,270	90,388
Investment Securities	**472,796**	363,618	588,317
Financial assets at FVTPL	**40,345**	80,007	159,297
	₱513,141	₱443,625	₱747,614

The Parent Company's peso-denominated investment securities earned annual interest rates ranging from 2.38% to 6.25% in 2021, 2.63% to 8.00% in 2020 and 3.19% to 8.13% in 2019, while dollar-denominated investment securities earned annual interest rates ranging from 1.13% to 10.63%, 0.63% to 10.63%, and 2.63% to 10.63%, in 2021, 2020 and 2019, respectively.

The Group's and the Parent Company's trading and securities gain (loss) - net follows:

	2021	2020	2019
Financial assets at FVTPL	**₱60,585**	₱374,890	₱90,476
Financial assets at FVTOCI	**(285,542)**	277,278	309,176
Derivatives (Note 24)	**(16,641)**	2,563	8,761
	(₱241,598)	₱654,731	₱408,413

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.

Defined Benefit Plans

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, 2021.

The following table shows the actuarial valuation results for the Group and the Parent Company as of December 31, 2021 and 2020:

	2021		2020	
	Fair Value of Plan Assets	**Present Value of Obligation**	Fair Value of Plan Assets	Present Value of Obligation
Consolidated and Parent Company	**₱557,039**	**₱461,546**	₱500,642	₱609,646

The amounts relating to the defined benefit retirement plans of the Group and Parent Company are presented in the statements of financial position as follows:

	2021	2020
Retirement asset* (Note 16)	**₱95,493**	₱–
Retirement liability** (Note 20)	**–**	(109,004)
Net retirement asset (liability)	**₱95,493**	(₱109,004)

** Included in 'Other assets'*
*** Included in 'Accrued interest, taxes and other expenses'*

Changes in the present value of the defined benefit obligations of the Group and the Parent as of December 31, 2021 and 2020 are as follows:

	Consolidated	
	2021	2020
Balance at January 1	**₱609,646**	₱512,964
Sale of subsidiary (Note 7)	**–**	–
Current service cost	**72,798**	60,898
Interest cost	**24,386**	27,187
Remeasurement losses (gains):		
Actuarial gains arising from deviations of experience from assumptions	**(37,526)**	(35,203)
Actuarial losses (gains) arising from changes in financial assumptions	**(181,272)**	86,634
Benefits paid	**(26,486)**	(42,834)
Settlements	**–**	–
Balance at December 31	**₱461,546**	₱609,646

Changes in the fair value of the plan assets of the Group and Parent Company as of December 31, 2021 and 2020 are as follows:

	2021	2020
Balance at January 1	**₱500,642**	₱475,809
Sale of subsidiary (Note 7)	**–**	–
Contributions	**77,158**	62,867
Interest income	**20,026**	25,218
Return on plan assets (excluding interest income)	**(14,300)**	(20,418)
Benefits paid	**(26,487)**	(42,834)
Balance at December 31	**₱557,039**	₱500,642

The fair values of plan assets by class of the Group and Parent Company as of December 31, 2021 and 2020 are as follows:

	2021	2020
Cash and cash equivalents	**₱41,000**	₱139,193
Debt instruments:		
Philippine government	**204,143**	98,416
Industrial	**55,363**	56,251
Real estate	**90,739**	47,808
Financial intermediaries	**2,019**	28,161
Holding firms	**16,238**	24,977
Power, electricity and water distribution	**14,304**	14,386
Equity instruments:		
Real estate	**41,490**	27,198
Holding firms	**24,764**	26,273
Wholesale and retail trade	**9,858**	13,016
Transport, storage and communication	**15,576**	11,824
Financial intermediaries	**12,524**	9,398
Power, electricity and water distribution	**4,966**	2,476
Manufacturing	**2,412**	1,546
Others	**703**	470
Other assets and liabilities	**20,940**	(751)
	₱557,039	₱500,642

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 ₱42.96 million to the defined retirement benefit plans in 2021.

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	
	2021	2020
Discount rate:		
At January 1	**4.00%**	5.30%
At December 31	**5.10%**	4.00%
Salary increase rate	**5.00%**	7.00%
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, 2021 and 2020, 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	
	2021	2020
Increase in discount rate of 0.50%	**(₱139,271)**	(₱73,280)
Decrease in discount rate of 0.50%	**43,972**	148,157
Increase in salary increase rate of 0.50%	**47,563**	144,931
Decrease in salary increase rate of 0.50%	**(137,097)**	(75,783)

The amounts of defined benefit cost included in the statements of other comprehensive income as 'Remeasurement of retirement liability', gross of tax, follow:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Actuarial gain (loss) on benefit obligation	**₱218,798**	(₱51,431)	(₱114,109)	**₱218,798**	(₱51,431)	(₱114,109)
Return on plan assets (excluding interest income)	**(14,300)**	(20,418)	2,604	**(14,300)**	(20,418)	2,604
Remeasurement gains (loss) in OCI	**₱204,498**	(₱71,849)	(₱111,505)	**₱204,498**	(₱71,849)	(₱111,505)

The amounts of retirement cost included in the statements of income follow:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Current service cost*	**₱72,798**	₱60,898	₱42,968	**₱72,798**	₱60,898	₱42,968
Net interest expense (Note 19)	**4,360**	1,969	(5,651)	**4,360**	1,969	(5,651)
Retirement cost	**₱77,158**	₱62,867	₱37,317	**₱77,158**	₱62,867	₱37,317

**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, 2021 and 2020:

Plan Year	**2021**	2020
Less than five years	**₱169,982**	₱172,677
More than five to ten years	**309,796**	343,479
Ten years and above	**2,193,537**	3,383,230
	₱2,673,315	₱3,899,386

Collective Bargaining Agreement (CBA)

All of the Parent Company's rank and file employees are covered by a CBA, the most recent negotiation having been signed on December 28, 2021, with an effectivity period from January 1, 2021 until December 31, 2022. There had been neither dispute nor occurrence of employees' strike for the past years.

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 ₱103.84 million, ₱91.28 million, and ₱67.27 million in 2021, 2020 and 2019, respectively.

28. Long-term Leases

Group as a Lessee

As of December 31, 2021 and 2020, 84.04% and 81.72%, respectively 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 5.00% to10.00%. As of December 31, 2021 and 2020, the Group has no contingent rent payable.

As of December 31, 2021 and 2020, the carrying amount of lease liabilities (included in 'Other Liabilities' in Note 21) is ₱252.50 million and ₱239.74 million, respectively .

In 2021, 2020 and 2019, the Group and the Parent Company recognized interest expense on lease liabilities (included in 'Interest and Finance Charges' in the Statements of Income) amounting to ₱14.53 million, ₱17.60 million, and ₱18.71 million and rent expense from short-term leases and leases of low-value assets amounting to ₱41.58 million, ₱44.24 million, and ₱55.90 million, respectively.

The Group's and the Parent Company's future minimum rentals payable under noncancellable operating leases are as follows:

	2021	2020
Within one year	**₱148,654**	₱141,199
Beyond one year but not more than five years	**222,323**	249,260
	₱370,977	₱390,459

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 ₱484.93 million, ₱655.92 million, and ₱691.92 million, in 2021, 2020 and 2019, respectively.

The Group's and the Parent Company's future minimum rentals receivable under noncancellable operating leases follow:

	2021	2020
Within one year	**₱376,557**	₱678,275
Beyond one year but not more than five years	**489,398**	3,798,817
	₱865,955	₱4,477,092

29. Miscellaneous Income and Expenses

Miscellaneous income

Details of this account are as follows:

	Consolidated			**Parent Company**		
	2021	2020	2019	**2021**	2020	2019
Rental charges	**₱70,299**	₱112,721	₱108,171	**₱70,299**	₱112,721	₱108,171
Loan charges	**21,676**	24,116	30,459	**21,676**	24,116	30,459
Dividend income	**3,344**	9,585	3,335	**3,344**	9,585	3,335
Loss on sale/exchange of other non-financial assets	**–**	(3,014)	(8,515)	**–**	(3,014)	(8,515)
Others	**42,027**	14,994	4,333	**42,027**	14,994	4,333
	₱137,346	₱158,402	₱137,783	**₱137,346**	₱158,402	₱137,783

Miscellaneous expenses

Details of this account are as follows:

	Consolidated			**Parent Company**		
	2021	2020	2019	**2021**	2020	2019
Litigation and assets acquired - related expenses	**₱85,949**	₱36,926	₱32,043	**₱85,949**	₱36,926	₱32,043
Information technology	**77,757**	81,861	83,892	**77,757**	81,861	83,892
Fines, penalties and other charges	**48,748**	71,796	80,604	**48,748**	71,796	80,604
Transaction dues	**44,996**	44,634	43,673	**44,996**	44,634	43,673
Brokerage fees	**27,979**	38,191	37,760	**27,979**	38,191	37,760
Stationery and supplies	**18,153**	13,064	13,506	**18,153**	13,064	13,506
Fuel and lubricants	**11,199**	10,123	11,991	**11,199**	10,123	11,991
Travel	**10,093**	12,094	5,485	**10,093**	12,094	5,485
Freight	**9,767**	7,926	8,714	**9,767**	7,926	8,714
Advertising	**1,221**	4,668	13,763	**1,221**	4,668	13,763
Others	**75,612**	71,494	100,963	**75,602**	71,489	100,963
	₱411,474	392,777	432,394	**₱411,464**	392,772	432,394

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.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% gross income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units is subject to a 15.00%.. RA No. 9294, *An Act Restoring the Tax Exemption of Offshore Banking Units (OBUs) and FCDUs*, provides that the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

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.

- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.

- Income tax arbitrage rate reduced from 33% to 20% of interest income subject to final tax effective July 1, 2020

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 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

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%.

This resulted in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱190.70 million, or a reduction of ₱27.25 million. The reduced amount was reflected in the Group's 2020 annual income tax return but for financial reporting purposes, the changes is recognized in the 2021 financial statements.

Further, this resulted in lower deferred tax assets as of December 31, 2020 and provision for deferred tax for the year then ended by ₱30.08 million. These reductions are recognized in the 2021 financial statements.

Provision for income tax consists of:

	Consolidated and Parent Company		
	2021	2020	2019
Current:			
RCIT	**₱364,115**	₱217,947	₱70,626
Final	**107,296**	144,040	159,002
	471,411	361,987	229,628
Deferred	**(214,785)**	(131,864)	(27,237)
	₱256,626	₱230,123	₱202,391

The Group's and Parent Company's components of deferred tax assets and liabilities follow:

	2021	2020
Deferred tax assets:		
Allowance for ECL and impairment losses	**₱669,175**	₱635,159
Retirement liability	**–**	32,700
Accumulated Depreciation-ROPA	**50,088**	–
Lease liability	**63,126**	65,119
Advance rental	**51,603**	15,335
Unamortized past service cost	**9,667**	6,819
Excess of MCIT over RCIT	**–**	–
	₱843,659	₱755,132
Deferred tax liabilities:		
Revaluation increment credited to surplus free	**₱333,316**	₱399,979
Branch licenses acquired from business combinations	**65,650**	78,780
Right-of-use assets	**60,161**	65,119
Retirement asset	**23,874**	–
Unrealized gain on equity securities carried at FVTOCI	**11,016**	9,869
Gain on foreclosure of foreclosed of properties	**21,904**	25,438
Unrealized foreign exchange gain	**2,124**	5,339
	518,045	584,524
Net deferred tax assets	**₱325,614**	₱170,608

Provision for (benefit from) income tax directly charged to OCI by the Group and Parent Company in 2021, 2020 and 2019 amounted to ₱59.78 million, (₱45.05 million), and (₱8.16 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 not all of its deferred tax assets may be realized in the future. The Group and Parent Company did not set up deferred tax assets on allowance for ECL/credit and impairment losses amounting to ₱356.94 million in 2020.

A reconciliation between the statutory income tax and the effective income tax follows:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Statutory income tax	**₱457,422**	₱419,711	₱476,417	**₱457,422**	₱419,711	₱425,170
Tax effects of:						
Benefit from change of income tax rate	**(6,172)**	–	–	**(6,172)**	–	–
Nondeductible expenses and others	**48,251**	123,146	57,921	**48,251**	123,146	126,443
FCDU income before income tax	**(39,400)**	(93,512)	(142,199)	**(39,400)**	(93,512)	(142,199)
Interest income subjected to final tax	**(26,651)**	(36,579)	(31,265)	**(26,651)**	(36,579)	(31,265)
Nontaxable income	**(44,836)**	(67,280)	(15,818)	**(44,836)**	(67,280)	(33,093)
Changes in unrecognized deferred tax assets	**(131,988)**	(115,363)	(142,665)	**(131,988)**	(115,363)	(142,665)
Effective income tax	**₱256,626**	₱230,123	₱202,391	**₱256,626**	₱230,123	₱202,391

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 ₱4.98 million in 2021, ₱4.79 million in 2020, and ₱4.63 million in 2019. Total deposits maintained by the related party retirement plans with the Parent Company amounted to ₱84.6 million and ₱264.39 million as of December 31, 2021 and 2020, 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:

	2021	2020	2019
Short-term benefits	**₱141,574**	₱131,425	₱129,744
Post-employment benefits	**8,282**	6,681	4,445
	₱149,856	₱138,106	₱134,189

The remuneration of Parent's Board of Directors such as per diem and other fees amounted to ₱13.6 million, ₱12.43 million and ₱9.75 million, as of December 31, 2021, 2020 and 2019, respectively.

Details on significant related party transactions of the Parent Company follow:

	2021		
Category	**Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
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**		

(Forward)

	2020		
Category	Volume	Outstanding Balance	Nature, Terms and Conditions
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		
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		

	2019		
Category	Volume	Outstanding Balance	Nature, Terms and Conditions
Significant investors:			
Deposit liabilities	₱3,195,068	₱8,388,615	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 6.50%.
Interest expense	88,353	–	
Depreciation expense	20,365	–	Branch and office space leased for five years ending in various years, with 5.00% annual escalation.
Lease Liability	78,258	78,258	
Interest expense	4,774		
Rent income	3,946	–	5-year lease of branches, subject to pre-termination, with escalation rate of 5%.
Loans and receivables	41,943	79,789	Loans with annual interest rates ranging from 7.25% to 8.00%
Affiliate:			
Deposit liabilities	240	14,563	Demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 3.00%.
Interest expense	435	–	
Rent income	149	–	5-year lease expiring in July 2023 with 5.00% annual escalation.
(Forward)			
Subsidiaries:			
Deposit liabilities	(1,265)	14,545	Demand and savings deposit accounts with annual interest rates ranging of 0.10% to 0.13%.
Rent income	27	–	3-year lease expiring in May 2020 with 7.50% and 10.00% annual escalation on second and third year, respectively.

	2019		
Category	Volume	Outstanding Balance	Nature, Terms and Conditions
Key management personnel:			
Deposit liabilities	(9,883)	16,539	Savings and time deposit accounts with annual
Interest expense	453	–	interest rates ranging from 0.10% to 3.00%.
Provident fund:			
Deposit liabilities	(15,818)	5,209	Savings and time deposit accounts with annual
Interest expense	583	–	interest rates ranging from 0.10% to 1.25%.
Trust fee	₱2,267	₱–	A certain percentage of the monthly ending market value of the fund depending on agreement.
Retirement fund:			
Deposit liabilities	(29,435)	941	Savings and time deposit accounts with annual
Interest expense	580	–	interest rates ranging from 0.10%
Trust fee	2,364	–	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:

	2021	2020	2019
Net income attributable to equity holders of the Parent Company	**₱1,573,064**	₱1,168,912	₱1,157,257
Weighted average number of common shares outstanding	**480,645**	480,645	480,645
Basic/diluted earnings per share	**₱3.27**	₱2.43	₱2.41

As of December 31, 2021, 2020 and 2019, there are no outstanding dilutive potential 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, 2021, 2020 and 2019 follow:

	2021	2020	2019
Interbank loans receivable and SPURA shown under statements of cash flows	**₱724,957**	₱2,151,502	₱717,736
Interbank loans receivable and SPURA not considered as cash and cash equivalents	**3,470,889**	3,902,952	–
	₱4,195,846	₱6,054,454	₱717,736

The following is a summary of noncash activities:

	2021	2020	2019
Noncash operating activities:			
Additions to investment properties from settlement of loans (Note 14)	**₱313,805**	₱63,969	₱210,003
Additions to chattel mortgage from settlement of loans (Note 16)	**33,970**	58,211	112,024
Noncash investing activities:			
Transfer to property and equipment from investment properties (Notes 13 and 14)	–	–	(53,494)
Transfer to investment properties from property and equipment (Notes 13 and 14)	–	–	53,494
Transfer to property and equipment from other assets (Notes 13 and 16)	**3,171**	5,247	6,619
Transfer to other assets from property and equipment (Notes 13 and 16)	**(3,171)**	(5,247)	(6,619)
Unrealized gain (loss) on financial assets at FVOCI	**46,584**	(12,161)	68,516

The changes in liabilities arising from the financing activities of the Group and Parent Company in 2021, 2020 and 2019 are as follows:

	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'*

	January 1, 2019	Cash Flows	Derecognition of Subsidiary	Foreign Exchange Movement	December 31, 2019
Bills payable (Note 19)	₱17,659,043	(₱4,537,163)	(₱67,758)	₱10,702	₱13,064,824
Outstanding acceptances	46,344	50,412	–	(4,901)	91,855
Marginal deposits*	304	34,044	–	–	34,348
Total liabilities from financing activities	₱17,705,691	(₱4,452,707)	(₱67,758)	₱5,801	₱13,191,027

** Included in 'Other liabilities'*

34. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7 require the Group to disclose 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). None of the bills payable as of December 31, 2020 are secured by collateral.

	December 31, 2021					
				Effects of remaining rights of set−off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
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]	Financial instruments	Fair value of financial collateral	Net exposure [c−d]
	[a]	[b]	[c]	[d]		[e]
Financial liabilities						
Bills payable	**₱6,010,988**	**₱−**	**₱6,010,988**	**₱6,026,758**	**₱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. Approval for Release of the Financial Statements

The financial statements were authorized for issue by the BOD of the Parent Company on April 27, 2022.

36. **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, 2022

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

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

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

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *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*
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

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:

  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - 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. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

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 omparative figures required. Early application is permitted.

37. Report on the Supplementary Information Required Under BSP Circular No. 1074

On February 7, 2020, the BSP issued Circular No. 1074 which amends certain provisions of Section 174 of the Manual of Regulations for Banks relating to the audited financial statements. It also required banks 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		
	2021	2020	2019	**2021**	2020	2019
Return on average equity (a/b)	**11.78%**	9.79%	10.68%	**11.78%**	9.79%	10.67%
a) Net income	**1,573,064**	1,168,912	1,157,257	**1,573,064**	1,168,912	1,157,257
b) Average total equity	**13,352,748**	11,942,440	10,840,557	**13,352,748**	11,942,440	10,845,255
Return on average assets (a/c)	**1.49%**	1.15%	1.12%	**1.49%**	1.15%	1.13%
c) Average total assets	**105,229,769**	101,985,361	103,244,912	**105,237,325**	101,992,873	102,307,438
Net interest margin (d/e)	**4.83%**	4.64%	3.85%	**4.83%**	4.64%	3.90%
d) Net interest income	**4,244,780**	3,925,494	3,205,033	**4,244,780**	3,925,494	3,205,033
e) Average interest earning assets	**87,820,774**	84,668,912	83,216,561	**87,823,602**	84,671,645	82,213,352

Description of Capital Instruments Issued

As of December 31, 2021 and 2020, the Parent Company has outstanding capital stock shown below:

	Shares		Amount	
	2021	2020	**2021**	**2020**
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:

	2021		2020	
	Amount	**%**	Amount	%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**₱16,838,594**	**26.03**	₱15,351,359	26.29
Real estate activities	**14,509,091**	**22.43**	12,648,584	21.66
Manufacturing	**14,427,907**	**22.31**	12,478,425	21.37
Electric, gas, steam and air-conditioning supply	**3,784,547**	**5.85**	3,471,471	5.94
Construction	**3,373,605**	**5.22**	3,699,796	6.34
Accommodation and food service activities	**2,426,168**	**3.75**	2,701,351	4.63
Financial and insurance activities	**2,144,958**	**3.32**	1,998,754	3.42
Transportation and storage	**1,984,339**	**3.07**	1,375,109	2.35
Agriculture, forestry and fishing	**1,360,235**	**2.10**	1,420,167	2.43
Other service activities	**1,306,726**	**2.02**	479,441	0.82
Human health and social work activities	**1,260,617**	**1.95**	1,149,146	1.97
Loans to individuals Primarily for Personal Use purposes	**554,014**	**0.86**	933,090	1.60
Mining and quarrying	**167,562**	**0.26**	132,348	0.23
Activities of households as employers and undifferentiated goods and services-producing activities of households for own use	**161,709**	**0.25**	183,280	0.31
Education	**72,292**	**0.11**	87,338	0.15
Others	**308,546**	**0.48**	283,940	0.49
	₱64,680,910	**100.00**	₱58,393,599	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:

	2021		2020	
	Amount	**%**	Amount	%
Loans secured by:				
Real estate	**₱21,590,618**	**33.36**	₱17,751,671	30.37
Chattel	**930,246**	**1.44**	1,025,674	1.75
Deposit hold-out	**1,176,120**	**1.82**	932,830	1.60
Securities and others	**4,873,531**	**7.53**	4,844,451	8.29
Secured	**28,570,515**	**44.15**	24,554,626	42.01
Unsecured loans	**36,155,151**	**55.86**	33,890,229	57.99
	₱64,725,666	**100.00**	₱58,444,855	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.

	2021			2020		
	Performing	**NPL**	**Total**	Performing	NPL	Total
Corporate loans	**₱57,730,355**	**₱2,547,391**	**₱60,277,746**	₱50,036,262	₱2,728,009	₱ 52,764,271
Consumer loans						
Home	**3,077,456**	**559,207**	**3,636,663**	3,947,017	526,532	4,473,549
Auto	**470,747**	**127,359**	**598,106**	587,383	184,539	771,922
Personal	**114,985**	**98,166**	**213,151**	319,254	115,859	435,113
	₱61,393,543	**₱3,332,123**	**₱64,725,666**	₱54,889,916	₱3,554,939	₱58,444,855

The Parent Company has also applied for the following reliefs with BSP for prudential reporting:

- Temporary regulatory relief granted by the Bangko Sentral ng Pilipinas on the classification of Past Due Loans and Non-Performing Loans, as indicated under BSP memorandums M-2020-008 M-2020-032, and M-2020-087, due to the effects of the COVID-19 Pandemic on the loan portfolio of Banks. Subject to reporting to the BSP, eligible loans are those loans in affected areas that should have been reclassified as past due, including those loans becoming past due or nonperforming six (6) months thereafter. The exclusion shall be allowed from March 8, 2020 until December 31, 2020.

- Lenders were allowed to renegotiate terms of existing loan agreements via restructuring, extension of maturities, and moratorium on payments/amortizations among others on a case-to-case basis depending on financial status, cash flow, and security position.

In accordance with BSP Circular No. 941, *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, 2021 and 2020, based on the definition of NPLs under MORB Section X306.2, NPLs of ₱3.33 billion for 2021 and ₱3.55 billion for 2020, gross of specific allowance amounting to ₱1.90 billion and ₱1.78 billion, respectively. Gross and net NPL ratios (inclusive of RRP) of the Group are 4.89% and 2.10% for 2021, respectively, and 5.71% and 2.86% for 2020, 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.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to BSP Circular No. 423, and new DOSRI loans, other credit accommodations and guarantees granted under said Circular:

	DOSRI		Related Party	
	2021	2020	**2021**	2020
Total outstanding DOSRI/Related Party loans	**₱1,782**	₱2,492	**₱71,415**	₱95,124
Percent of DOSRI/Related Party loans to total loans	**0.00%**	0.00%	**0.10%**	0.15%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**45.91%**	56.18%	**98.65%**	88.87%
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.

BSP Circular No. 560 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, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi−bank. As of December 31, 2021 and 2020, the Parent Company is in compliance with these requirements.

Any violation of the provisions of BSP Circular No. 423 is subject to regulatory sanctions. However, loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines that are not considered DOSRI (non-DOSRI) accounts prior to the issuance of BSP Circular No. 423 are not covered by such sanctions for a transition period of two years from the effectivity of this Circular or until said loan, other credit accommodations and guarantees become past due, or are extended, renewed or restructured, whichever comes later.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty−five (25.00%) of the net worth of the lending bank/quasi−bank to loans of banks/quasi−banks to their subsidiaries and affiliates engaged in energy and power generation.

Aggregate Amount of Secured Liabilities and Assets Pledged as Security
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.

As of December 31, 2020, no bills payable are secured by pledge on financial assets of the Parent Company .

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:

	2021	2020
Trust department accounts	**₱8,631,952**	₱7,973,683
Standby LC	**825,173**	1,112,021
Spot exchange:		
Bought	**101,998**	1,300,002
Sold	**362,093**	1,460,869
Usance LC outstanding	**135,023**	84,331
Outstanding shipping guarantees	**396,019**	403,601
Sight LC outstanding	**890,428**	792,459
Outward bills for collection	**13,293**	32,053
Currency forwards:		
Bought	**1,987**	3,811
Sold	**162,464**	337,400
Inward bills for collection	**106,075**	13,108
Items held for safekeeping	**19**	25
Items held as collateral	**7**	7
Other contingencies	**14,241**	12,700

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 2021:

GRT	₱259,189
DST	169,361
Local taxes	30,718
Fringe benefit taxes	3,654
Others	14,520
	₱477,442

Withholding Taxes

Details of total remittances in 2021 and outstanding balance of withholding taxes as of December 31, 2021 follow:

	Total Remittances	Balance as of December 31
Final withholding taxes	₱68,840	₱10,119
Withholding taxes on compensation and benefits	121,522	8,038
Expanded withholding taxes	28,924	2,072
	₱219,286	₱20,229

Tax Assessments and Cases

As of December 31, 2021, the Parent Company has outstanding cases filed in courts for various claims for tax refund amounting to ₱5.53 million. The case is still pending in Supreme Court for final decision.

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Building a better working world

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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, 2021, included in this Form 17-A, and have issued our report thereon dated April 27, 2022. 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. 8853467, January 3, 2022, Makati City

April 27, 2022

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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, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and have issued our report thereon dated April 27, 2022. 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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
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April 27, 2022

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PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2021

ATTACHMENT		DESCRIPTION	PAGE NO.
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Schedules			
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	B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)	4
	C	Amounts Receivable from Related Parties which are eliminated during the consolidation of Financial Statements	5
	D	Intangible Assets - Other Assets	6
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Other Required Schedules/Information			
Map Showing the Relationship Between and Among Related Entities			
Financial Soundness Indicators			

PHILIPPINE BANK OF COMMUNICATIONS
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2021

-None to report-

PHILIPPINE BANK OF COMMUNICATIONS
SCHEDULE FOR LISTED COMPANIES WITH RECENT OFFERING OF SECURITIES TO THE PUBLIC
For the period ended December 31, 2021
(in thousand)

1	Gross and net proceeds 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, 2021

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 and received
(i)		(ii)	(iii)	
Financial assets at Fair Value through Profit or Loss				
Republic of the Philippines	886,291	886,291	886,291	40,345
	886,291	886,291	886,291	40,345
Investment Securities at Amortized Cost				
Republic of the Philippines	14,191,888	14,094,628	16,900,726	216,301
Indonesian Government	232,148	1,425,652	239,202	6,224
	14,424,036	15,520,279	17,139,928	222,525
Unquoted debt securities classified as loans				
MRT III	678,557	678,557	946,133	-
	678,557	678,557	946,133	-
Financial Assets at Fair Value Through Other Comprehensive Income				
Debt securities				
Republic of the Philippines	4,488,961	5,384,395	5,384,395	245,239
Indonesian Government	866,983	978,006	978,006	5,032
	5,355,944	6,362,401	6,362,401	250,271
Equity securities				
Philippine Central Depository, Inc.	21,126	3,502	3,502	-
Bancnet, Inc.	63,100	23,936	23,936	-
Philippine Clearing House Corp.	21,000	5,159	5,159	-
Philippine Dealing System Holding Corporation	12,500	2,688	2,688	-
Club Filipino	1	350	350	-
Valley Golf Club	2	3,000	3,000	-
WackWack Golf and Country Club	2	88,000	88,000	-
Metropolitan Club	1	250	250	-
Tower Club	1	-	-	-
		126,886	126,886	-

(i)	*Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a)securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by the others for which the amounts in the aggregate are not more than two percent of total assets.*
(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, 2021

	Name and Designation of Debtor	Ending Balance as of December 31, 2020	Additions	Amounts Collected	Amounts written off	Current	Not Current	Ending Balance as of December 31, 2021
	NONE TO REPORT							

(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 eliminated during the consolidation of Financial Statements
As of December 31, 2021

	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 Subsidiaries
SCHEDULE D. Intangible Assets - Others Assets
As of December 31, 2021

	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 License	364,700					364,700
	Software Cost	248,826	8,971	(94,994)			162,803
(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 Subsidiaries
SCHEDULE E. Long Term Debt
As of December 31, 2021

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	2,889,116	-	2,889,116	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 F. Indebtedness to Related Parties (Long-Term Loans from Related companies)
As of December 31, 2021

	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 G. Guarantees of Securities of Other Issuers
As of December 31, 2021

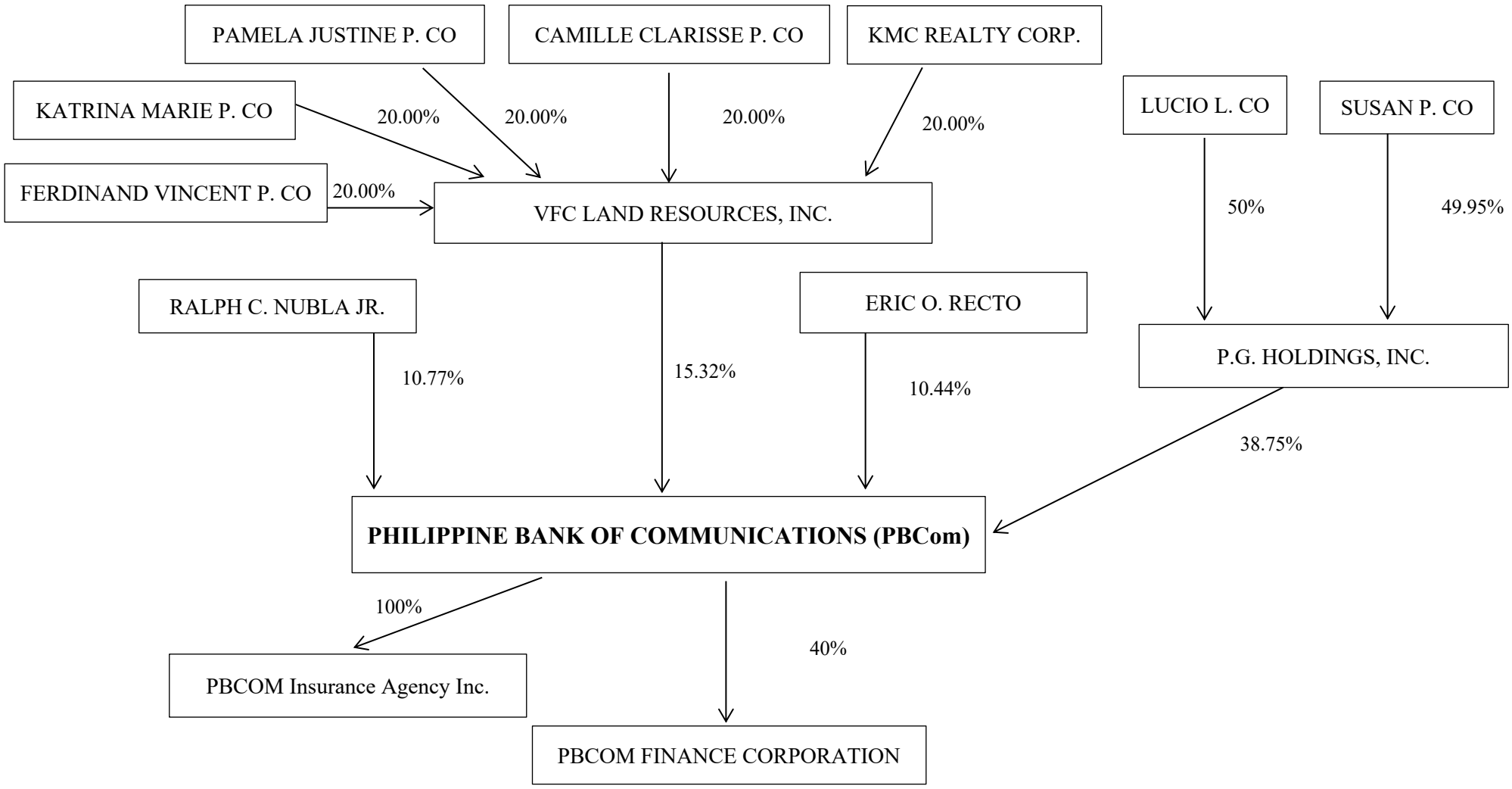
	Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
			(i)		(ii)
	NONE TO REPORT				
(i)	*Indicate 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 H. Capital Stock
As of December 31, 2021

	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			312,464,175	

(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, 2021



A. Key Performance Indicators

Ratios	Consolidated December 31 Balances			Parent December 31 Balances		
	2021	2020	2019	2021	2020	2019
Profit Margin	30.94%	19.84%	22.90%	30.94%	19.84%	22.90%
Net Income	1,573	1,169	1,157	1,573	1,169	1,157
Gross Income	5,085	5,892	5,052	5,085	5,892	5,052
Return on Average Asset	1.49%	1.15%	1.12%	1.49%	1.15%	1.13%
Net Income	1,573	1,169	1,157	1,573	1,169	1,157
Average Assets*	105,230	101,985	103,245	105,237	101,993	102,307
Return on Average Equity	11.78%	9.79%	10.67%	11.78%	9.79%	10.67%
Net Income	1,573	1,169	1,157	1,573	1,169	1,157
Average Equity**	13,353	11,942	10,841	13,353	11,942	10,845
Capital Adequacy Ratio	18.18%	18.87%	16.47%	18.18%	18.87%	16.47%
Qualifying capital	15,603	14,671	13,347	15,603	14,671	13,347
Total risk-weighted assets	85,846	77,754	81,047	85,846	77,754	81,047
Basic Earnings per Share	3.27	2.43	2.41			
Net income	1,573	1,169	1,157			
Average No. of common shares	481	481	481			
B. Financial Soundness						
Liquidity Ratio	28.96%	43.40%	31.16%	28.96%	43.40%	31.16%
Liquid Assets***	25,178	36,361	23,645	25,178	36,361	23,645
Total Deposits	86,946	83,781	75,882	86,955	83,790	75,891
Debt Ratio	87.02%	87.62%	88.95%	87.02%	87.62%	88.95%
Total Liabilities	95,054	88,701	91,385	95,061	88,708	91,393
Total Assets	109,229	101,230	102,741	109,237	101,238	102,748
Asset to Equity	7.71	8.08	9.05	7.71	8.08	9.05
Total Asset	109,229	101,230	102,741	109,237	101,238	102,748
Total Equity	14,176	12,530	11,355	14,176	12,530	11,355
Interest Rate Coverage Ratio	470%	231%	177%	470%	231%	166%
Earnings before interest & taxes	2,324	2,468	3,651	2,324	2,468	3,423
Interest Expense	494	1,068	2,063	494	1,068	2,063
Net Interest Margin	4.83%	4.64%	3.85%	4.83%	4.64%	3.90%
Net Interest Income	4,245	3,925	3,205	4,245	3,925	3,205
Average Earning Assets****	87,821	84,669	83,217	87,824	84,672	82,213

**(Current year asset + Prior year asset)/2*

***(Current year equity + Prior year equity)/2*

****Includes cash and other cash items, due from BSP, due from other banks, IBLR and SPURA, financial assets at FVTPL and debt securities at FVOCI*

*****Includes DFOB, IBLR and SPURA, financial assets at FVTPL, investments at FVOCI, investment securities at amortized cost, and loans and receivable*

SUSTAINability

PBCOM | 2021

2021 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, 2021
Responsible: Patricia May T. Siy, President & CEO

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SUSTAINABLE BUSINESS

As the country and the world continue to face the COVID-19 pandemic, the strength and resiliency of various business operations were put to test. At Philippine Bank of Communications (PBCOM), the situation has given the Bank a chance to re-think its efforts towards building a sustainable business. It became an opportunity to reinforce what PBCOM has always been advocating: sustainable operations through the sound and efficient management of its economic, environmental and social impacts.

ECONOMIC

This relates to 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.

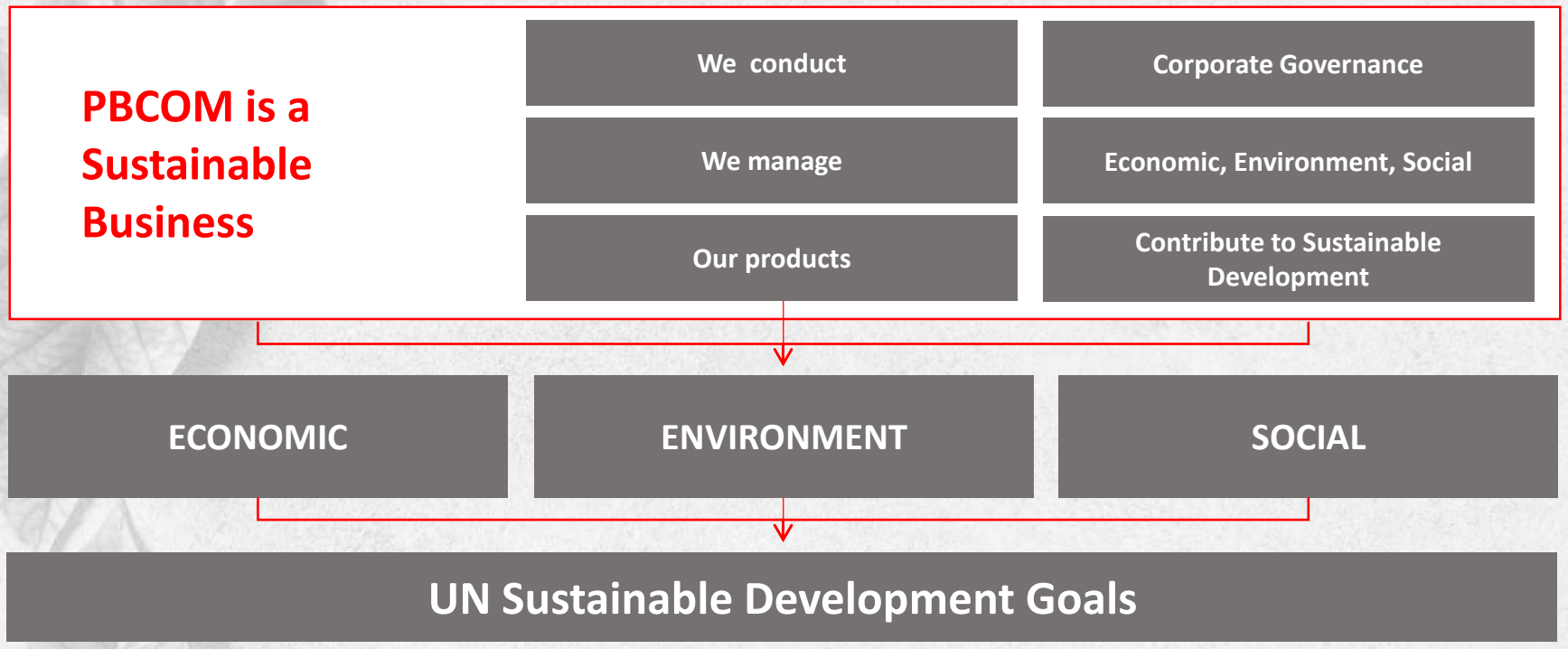
SOCIAL

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.

This report highlights some of the key changes and operational initiatives that the Bank has undertaken in contributing to PBCOM's sustainability goals and aspirations.

OUR FRAMEWORK

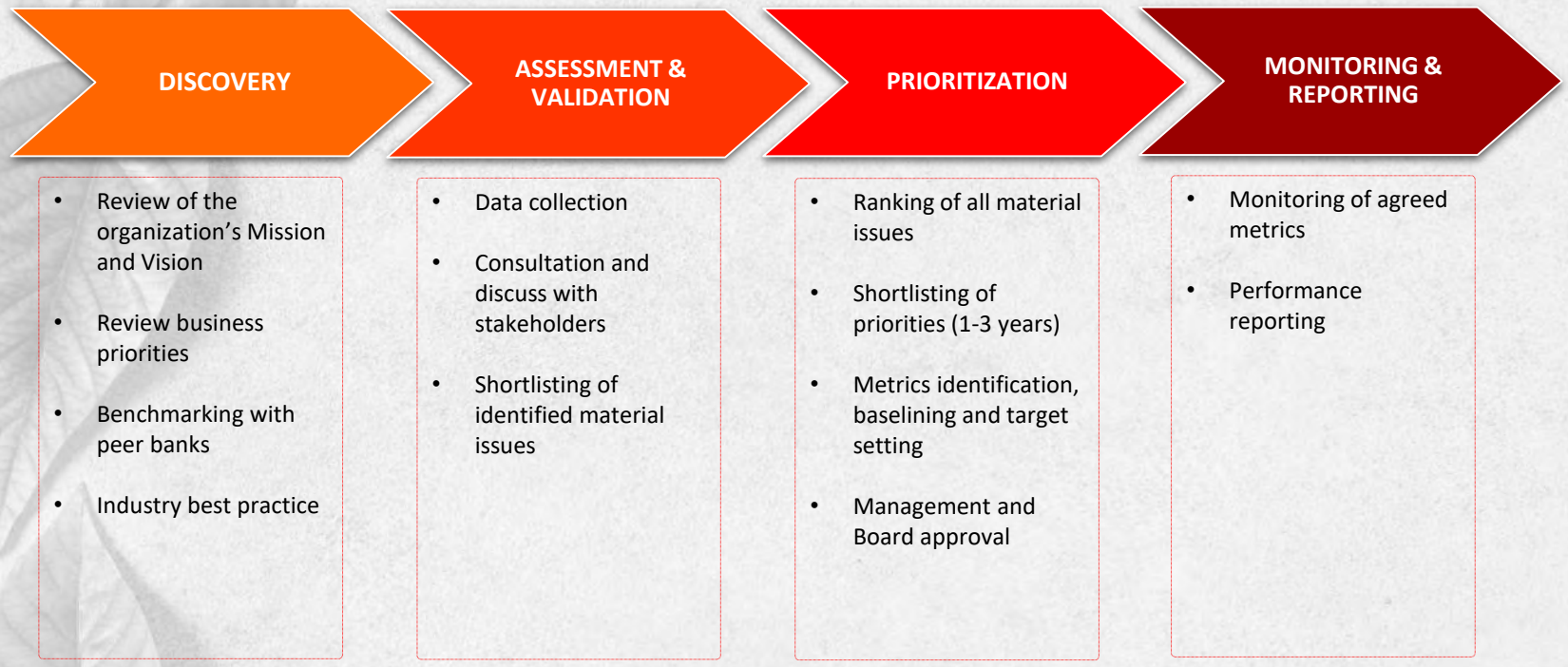
The over-all sustainability reporting framework of the Bank as Publicly-Listed Company follows below structure:



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 processes in identifying the material topics contained in this report:



economic

ECONOMIC PERFORMANCE

Disclosure (in Php '000)	Amount (Parent)
Direct economic value generated (revenue)	5,084,586
Direct economic value distributed:	
a) Operating costs	709,920
b) Employee wages and benefits	1,016,559
c) Payments to suppliers, other operating costs	1,011,573
d) Dividends given to stockholders and interest payments to loan providers	-
e) Taxes given to government	517,067
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 • Roll out of the financial inclusion program through branches • More inclusive lending strategy such as the Bank's Puhunan Plus (microlending) and credit extension to the SME partners of the LC Group of Companies, among others.
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. Cyber 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 • Cyber customer security awareness via the Bank's social media platform and website • Leadership development program • Succession planning and readiness assessment

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
• Financial inclusion	• Bank	• Financial inclusion program
• Digitalization	• Community	• Execution of the Bank's digital strategy which includes financial and operational activities leading to reduced paper and eventually moving towards paperless.
• Innovation	• Customers	• Incorporating innovation in providing services to our customers
• Partnership with foundations or charitable institutions	• Small business owners	• Identifying livelihood programs that can be supported by the Corporate Social Responsibility initiatives of the Bank (La Liga Mariquina and Green Antz)

environment

PBCOM GOES GREEN

In April of 2021, PBCOM has formally launched the “PBCOM goes GREEN campaign”. This is a long-term initiative of the Bank to be more environmentally conscious in its operations. Led by President and CEO, Ms. Patricia May Siy, along with the members of the Bank’s Senior Management Team, Leaders of the organization have planned year-long activities and programs in relation to the green campaign.

The main objective of this initiative is to educate employees on the environmental impact of their day-to-day activities, and in the end, reduce the amount of plastic garbage produced by PBCOM employees, reduce the amount of paper being consumed by the organization, and, actively advocate initiatives and projects to go green and cost-save.

First in the list of our programs is the “AYOKO NG PLASTIC” campaign. An initiative to control the volume of single-use plastic within bank premises. As a clear guideline, the bank discourages the use of plastic spoons and forks, disposable cups, single-use plastic bags and plastic straw.

PBCOM GOES GREEN

For unavoidable plastics, there is the “DONATE YOUR PLASTIC” drive where PBCOM encourages its employees to recycle. Recycling drop boxes were placed in several head office locations where the bank collects dry and clean plastics. The collected plastics are then transported to the ecohub of Green Antz builders, an organization that turns plastic wastes into eco bricks. From August up to November 2021, the bank was able to collect 80+ kilos of plastic which were turned into eco bricks.

PBCOM GOES GREEN

Further, PBCOM also launched the "WAG KANG MA-PAPEL" initiative. This is an inter-department competition on who can reduce their paper consumption the most.

July 2021 marked a milestone for PBCOM office support teams with the launch of the Procure-to-Pay (P2P) System. The first of its kind for the Bank. Purchase requests, orders, payments, including transfers of fixed Assets & inventories have all been digitized and turned paperless wherein approvals and status updates are now all made via the platform. This web-based system has been successfully rolled out nationwide and is accessed by all of the Bank's employees further contributing to the Bank's corporate environmental goals.

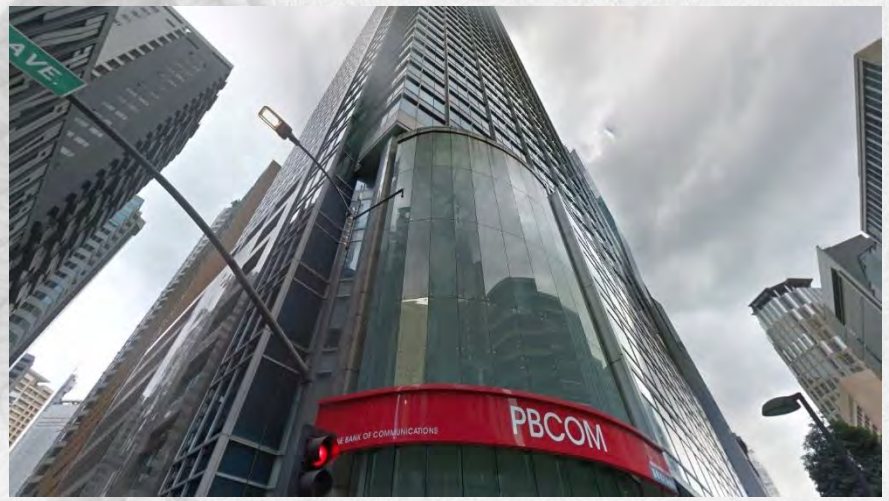
Through all the combined efforts, overall savings on 2021 vs. 2020 supplies went down 28% for papers while toners were down 20%. This is a result of the Bank's overall conscious work toward inclusive sustainability.

Along with these new projects are the ongoing initiatives of the bank on going paperless. PBCOM Human Resources group continues to reduce paper consumption by turning employees' pay slips, employee handbooks, performance appraisal forms and other HR internal forms into digital copies.

"With these newly launched initiatives 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 & CEO.

PBCOM TOWER CONTINUES TO ADVANCE



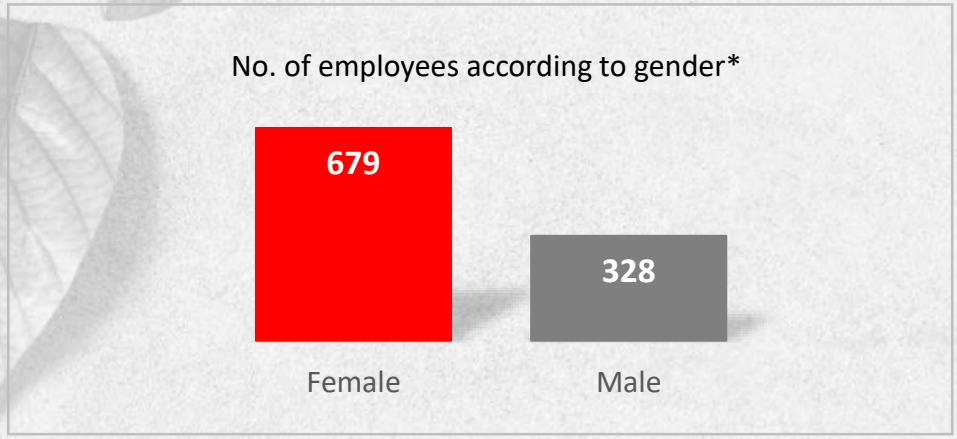
PBCOM Tower's overall commitment to continuously improve its facilities is still continuing with the year's major aims: to reduce electricity costs while improving efficiency and still ensuring the reliability of each equipment and the entire operability of the Tower.

With the partnership between with Philippine DCS Development Corporation (PDDC) – an Engie Philippines & Filinvest Land Inc. joint venture – coming into fruition, identified major equipment have been replaced with more advanced and efficient primary pumps, secondary pumps, chillers, cooling towers and condenser water pumps. These greatly contributed to an average of Php 1,400,000.00 per month of savings in electricity while maintaining a minimum efficiency of 0.782 kW/RT. With the new chillers now using ozone-friendly R-514A EcoWise refrigerants in compliance with the Department of Energy's guidelines and requirements, results of use are a high efficiency operation but low negative environmental impact and global warming potential.

Six (6) High-rise elevators servicing PBCOM Tower's 53 floors have completed its long-awaited modernization in October 2021 under KONE Philippines. Not only was the overall look and ride of the elevators upgraded but all major parts and equipment were replaced and rigorously tested for safety and durability. Average waiting time has been significantly improved due to faster door operation and mechanism. Electricity consumption was also reduced to a significant 30% due to the new high efficiency hoisting motors, among others.

social

EMPLOYEE MANAGEMENT



12.03%
Attrition Rate**

Ratio of lowest paid employee against minimum wage :
105% ABOVE MINIMUM
for lowest paid employee

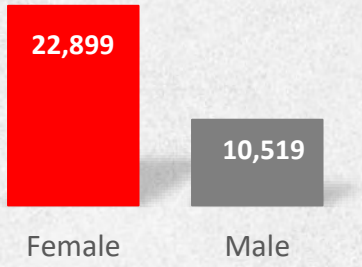
* Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
** Attrition are = no. of turnover/average total manpower x 100

EMPLOYEE MANAGEMENT

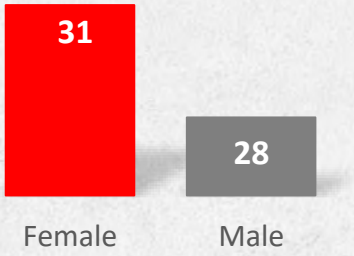
List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS			
• SSS	Y	3.53%	0.00%
• Sickness	Y	3.36%	2.76%
• Loan	Y	12.37%	9.20%
PhilHealth	Y	Data not available	Data not available
Pag-IBIG	Y	9.28%	3.68%
Parental leaves	Y	3.53%	0.92%
Vacation leaves	Y	100%	100%
Sick leaves	Y	75.85%	71.47%
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	6.00%	7.00%
Further education support	Y	0.88%	0.00%
Telecommuting	Y	100%	100%
Flexible-working Hours	Y	100%	100%
(Others)			
• Car loan	Y	0.74%	0.44%
• Emergency loan	Y	0.74%	0.15%
• Salary loan	Y	13.70%	3.98%
• Bereavement	Y	1.77%	1.23%

All employee benefits follow the labor standards if not exceeding them, particularly in the compensation area. Hence, there is no employee of the Bank that is paid below the government-mandated minimum wage rate.

EMPLOYEE TRAINING AND DEVELOPMENT



Total training hours provided to employees



Average training hours provided to employees (hours per employee)

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 Health and Fertility webinar and Yoga, the Power of Workplace wellness were introduced for female employees for their well-being.

In 2021, we continuously widen 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	22%
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.

DIVERSITY AND EQUAL OPPORTUNITY

Disclosure	Quantity
% of female workers in the workforce	67%
% of male workers in the workforce	33%
Number of employees from indigenous communities and/or vulnerable sector*	30

**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	
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 the 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.

"We fulfill our social responsibility in the communities we serve"

SCENT OF JOY

As we continue to face the uncertainties of the Global Pandemic, PBCOM and its employees also continue to help in little ways that they can. In December of 2021, PBCOM initiated an employee fundraising project called “Scent of Joy” where the bank sold hanging car diffuser scents to its employees. These diffuser scents are a product of La Liga Mariquina’s livelihood program made by the less privileged residents of the community.

LA LIGA MARIQUINA INC. (LM) is a Non-Stock, Non-Profit Civic Organization based in Marikina City, that advocates people empowerment. One of the primary programs of LM is their Livelihood Program where they conduct trainings and workshops for the less privileged members of the community, including those most affected by the Covid-19 Pandemic.
Proceeds of the fundraising project, amounting to Php 50,000 was turned over to La Liga Mariquina last December 28, 2021. Said donation will be used to fund the livelihood workshops to be implemented in 2022 by LM’s “Centro Ni Maria Quina” Program.

May Siy, PBCOM President and CEO shares: “PBCOM continues to support La Liga Mariquina’s vision in building a sustainable and holistic approach to alleviating the plight of our less privileged brothers and sisters. As La Liga Mariquina extends their livelihood program to more than just local Marikina barangays and communities, PBCOM and its employees are able to empower and help more and more members of the communities that we serve”.

CUSTOMER MANAGEMENT

Customer Satisfaction

87%
Customer Satisfaction for Digital Platforms

CSAT conducted internally by PBCOM Customer Care

Customer Complaints

No substantiated complaints reported on Customer Privacy

No substantiated complaints reported on Marketing and Labeling

No substantiated complaints reported on Products & Services 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 onboarded via our digital platforms and Transactions for POP and PBCOMOBILE	28,052
Accounts endorsed to authorized 3rd party collection agency of Consumer Finance Group	6,147
Clients offered with Bale product by Transaction Banking Group	48

SUSTAINABILITY IN CUSTOMER SERVICE

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.

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 2021, 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:

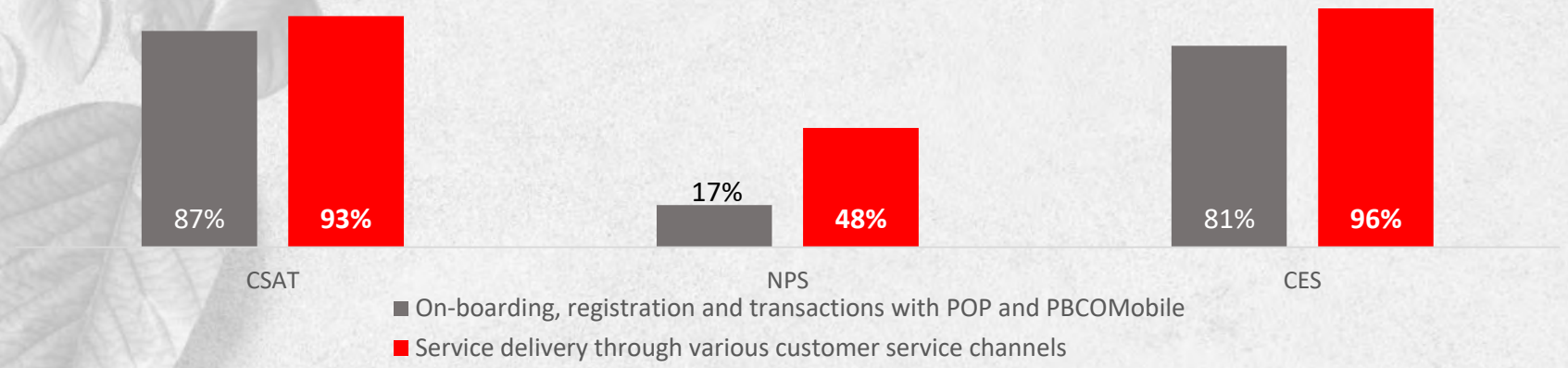
- Customer Satisfaction (CSAT) – measures how satisfied our clients are with the product and/or service that they received. This is used by the various units of the bank to determine which processes and service standard need improvement.

- 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)



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.

COMPLAINTS HANDLING METRICS	2021	2020	2019
SLA Achievement – complaints addressed within SLA	96.00%	99.04%	99.76%

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

Looking back at the plentiful year of 2021, regards to information and cybersecurity, PBCOM continues to face significant amount of security challenges but it does not stop them from being dedicated to proactively protect its information, networks, and IT systems from risks, like fraud, unauthorized access, and cyber threats. Having a proactive, defense-in-depth approach to cybersecurity allows PBCOM to be more vigilant and adaptive to the new, emerging and evolving threat landscape. In valuing customers' trust and maintain a resilient business, the Bank invested heavily on its people, processes and technology to prevent, deter, detect and timely mitigate risks of security threats to Bank's information and information systems/resources.

PBCOM is committed to continually developing and honing overall security capabilities to protect/safeguard the Bank's information and information assets. Putting the security and safety of the Bank's and customers' information / data, 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
Money Talk (Oplan Ipon)	**UN SDG (1) : NO POVERTY** Assist low-wage earners and the unbanked establish savings habit through basic financial wellness program that includes sharing of knowledge and ideas on the proper ways of saving money.	Lack of understanding of the unbanked segment may lead to product offerings that may not match the need of the customer.	Program modules are developed according to the profile of the target segment. The modules are reviewed, and if necessary amended; on an annual basis.
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	**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.
Puhunan Plus (Microfinance Loan)	**UN SDG (10) : REDUCED INEQUALITIES** Credit extension to Micro-Business owners of up to P150.0k 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.

UN SUSTAINABLE DEVELOPMENT GOALS

Key Products and Services	Societal Value/ Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Basic Deposit Account	**UN SDG (10) : REDUCED INEQUALITIES** • A savings account that requires no more than P100.0 in account opening balance but with allowed maximum balance of P50.0k. 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 P50.0k, 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.
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 brink and mortar channel.
Lending for Capacity Development	**UN SDG (17) : PARTNERSHIP FOR THE GOALS** Supporting funding requirements of partners in the areas of Agriculture and Infrastructure development (Build-Build-Build programs).	Absence of mechanism to monitor bankable projects.	Close coordination with government agencies and private firms to enable effective monitoring of projects that may require funding.

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