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BANK OF COMMERCE
(a banking corporation organized and existing under Philippine laws)

₱50,000,000,000.00
Peso Bond Programme

Bank of Commerce ("**BankCom**", the "**Bank**", the "**Issuer**" or, to the extent it performs the functions of a selling agent in connection with an offering and issuance of the Bonds, a "**Selling Agent**") established a Bond Programme ("**Programme**") with an aggregate principal amount of up to Twenty Billion Pesos (₱20,000,000,000.00) or such other increased amount as may be authorized (the "**Programme Limit**"), subject to the terms and conditions of the Programme Agreement dated 24 June 2022 (the "**Programme Agreement**") among BankCom and the Joint Lead Arrangers and Joint Bookrunners (including the Terms and Conditions of the Bonds annexed to the Programme Agreement), the Registry and Paying Agency Agreement dated 24 June 2022 between BankCom and Philippine Depository and Trust Corporation ("**PDTC**" or the "**Registrar**" or "**Paying Agent**"), the Trust Agreement dated 24 June 2022 between BankCom and Rizal Commercial Banking Corporation - Trust and Investments Group (the "**Trustee**"), the Bond Certificate issued for each tranche of the Bonds (each such tranche, a "**Tranche**"), and the Accession Agreement dated 5 December 2024 among BankCom and the Joint Lead Arrangers and Joint Bookrunners.

In accordance with the Programme Agreement, the Issuer has increased the Programme Limit from Twenty Billion Pesos (₱20,000,000,000.00) to Fifty Billion Pesos (₱50,000,000,000.00). All bonds issued or to be issued by BankCom under the Programme (the "**Bonds**") have complied (or, as applicable, and will comply) in accordance with Section X236 of the Manual of Regulations for Banks, as amended by Circular Nos. 1010 and 1062 issued by the Bangko Sentral ng Pilipinas ("**BSP**"), the General Banking Law of 2000 (Republic Act No.8791), and other applicable laws and regulations.

THE SECURITIES BEING OFFERED OR SOLD UNDER THIS OFFERING CIRCULAR ARE EXEMPT FROM REGISTRATION UNDER SECTION 9.1(e) OF THE SECURITIES REGULATION CODE (REPUBLIC ACT NO. 8799) AND CONSEQUENTLY, HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC").

Upon their issuance, the Bonds shall be listed as securities that may be traded on the Philippine Dealing & Exchange Corp. ("**PDEx**") in accordance with the procedures and requirements set out in this Offering Circular and the relevant PDEx rules, operating framework, and trading conventions. The Bonds shall be issued in scripless form. Legal title to the Bonds shall be shown in the Registry Book to be maintained by the designated registrar of the Bonds. A Bond Certificate representing the Bonds shall be issued to and registered in the name of the Trustee, on behalf of the bondholders.

The Bonds shall constitute the direct, unconditional, and unsecured obligations of the Bank and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of the Bank, other than obligations preferred by law. The Bonds shall effectively be subordinated in right of payment to, among others, all of the Bank's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14)(a) of the Civil Code of the Philippines without a waiver of preference or priority.

The specific terms of the Bonds for each Tranche will be determined by the Bank considering prevailing market conditions and shall be provided in a supplement to be circulated at the time of the offer of the relevant tranche (each a "**Pricing Supplement**").

The Bank has an Issuer Credit Rating of PRS Aa plus (corp.), with a Stable Outlook, dated 05 September 2023 by Philippine Rating Services Corporation ("**PhilRatings**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

See "Investment Considerations" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Joint Lead Arrangers and Joint Bookrunners

ING PCCI Capital SECURITY BANK CAPITAL A Subsidiary of Security Bank standard chartered

Selling Agents

Bank of Commerce An affiliate of San Miguel Corporation

ING PCCI Capital SECURITY BANK CAPITAL A Subsidiary of Security Bank standard chartered

For inquiries or complaints, you may contact the Bank at +632 8632 2265 or at customerservice@bankcom.com.ph or the BSP Financial Consumer Protection Department at telephone no. +632 8708-7087.

The date of this Offering Circular is 06 December 2024

The Bank accepts responsibility for the information contained in this Offering Circular. The Bank, having made all reasonable inquiries, confirms that: (a) this Offering Circular contains or incorporates all information which is material in the context of the Programme and the Bonds, (b) the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, (c) the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, (d) there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading, and (e) all reasonable enquiries have been made by the Bank to verify the accuracy of the information in this Offering Circular. The Bank confirms that it accepts full and sole responsibility for the accuracy of the information contained in this Offering Circular, notwithstanding any disclaimers made in this Offering Circular by or on behalf of the Selling Agents (which term may include the Bank, to the extent the Bank performs the functions of a selling agent in connection with the offering and issuance of the Bonds). Unless otherwise indicated, all information in this Offering Circular is as of the date of this Offering Circular.

None of the Joint Lead Arrangers and Joint Bookrunners or Selling Agents has verified the information contained or incorporated by reference in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Joint Lead Arrangers and Bookrunners or any of the Selling Agents (other than the Bank) as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided in connection with the Programme or the Bonds. To the fullest extent permitted by law, none of the Joint Lead Arrangers and Joint Bookrunners or Selling Agents (other than the Bank) accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Lead Arrangers and Joint Bookrunners or the Selling Agents or on their respective behalf in connection with the Bank, the Programme, or the issue and offering of the Bonds. Accordingly, each of the Joint Lead Arrangers and Joint Bookrunners and the Selling Agents (except the Bank) disclaims any and all liability whether arising in tort, contract, or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. No person has been authorized to give any information or to make any representation concerning the Bank or the Bonds other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Bank or the Joint Lead Arrangers and Joint Bookrunners.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Bonds shall under any circumstances imply that the information contained or referred to in this Offering Circular is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Arrangers and Bookrunners and the Selling Agents do not undertake to review the financial condition or affairs of the Bank during the term of the Programme or to advise any investor in the Bonds of any information coming to their attention after the date of this Offering Circular. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Bank since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Bonds.

Neither the Bank, nor the Joint Lead Arrangers, nor the Joint Bookrunners, nor the Selling Agents (other than the Bank) nor any of their respective affiliates or representatives is making any representation to any purchaser of Bonds regarding the legality of an investment by such purchaser under applicable laws. In addition, the contents of this Offering Circular are not to be considered as legal, business, or tax advice. You should be aware that you may be required to bear the financial risks of an investment in the Bonds for an indefinite period. You should consult with your own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Bonds.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Bonds (i) is intended to provide the basis of any credit or other evaluation, or (ii) should be considered as a recommendation by the Joint Lead Arrangers and Joint Bookrunners or the Selling Agents (other than the Bank) that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Bonds should purchase any of the Bonds. In making an investment decision, investors must rely on their own examination of the Bank and the terms of the Bonds, including the merits and material risks involved. Investors are not entitled to rely on the Joint Lead Arrangers, Joint Bookrunners, or on the Selling Agents (other than the Bank) or on any person affiliated with the Joint Lead Arrangers, Joint Bookrunners, or the Selling Agents (other than the Bank) in connection with his/her/its investigation of the accuracy of any information in this Offering Circular or his/her/its investment decision to purchase the Bonds.

Each of the Joint Lead Arrangers and Joint Bookrunners, the Selling Agents (other than the Bank), the Trustee, and the Registrar and Paying Agent is a third-party in relation to the Issuer, and none of the foregoing entities is (i) a subsidiary or affiliate of the Issuer or (ii) related in any manner to the Issuer as would undermine its independence and ability to perform its obligations in relation to the issuance of the Bonds.

The Bank's reviewed condensed interim statements of financial position as at 30 September 2024 and condensed interim statements of income, comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2024 and 2023 and audited financial statements as of and for the years ended 31 December 2023, 2022, and 2021 which will be considered an integral part hereof, have been prepared in compliance with Philippine Financial Reporting Standards ("**PFRS**"). The Bank's financial statements as of and for the years ended 31 December 2023, 2022, and 2021 were audited by R.G. Manabat & Co.

CONVENTIONS WHICH APPLY TO THIS OFFERING CIRCULAR

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "Philippines" are references to the Republic of the Philippines. All references to the "Government", "Philippine Government" or the "National Government" herein are references to the Government of the Philippines. All references to "United States" or "U.S." herein are to the United States of America. All references to "Peso", "Php", "PHP" or "₱" herein are to the lawful currency of the Philippines and all references to "U.S. dollars" or "US$" herein are to the lawful currency of the United States.

Figures in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. The Bank has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. The words "believes", "can", "may", "will", "would", "estimates", "continues", "anticipates", "intends", "expects" and similar words are intended to identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Bank's financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to the Bank's products and services, are forward-looking statements. In light of these known and unknown risks, uncertainties, and other factors associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Offering Circular might not occur, and the Bank's actual results performance or achievements may be materially different from the future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Bank's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the actual growth in demand for banking and other financial products and services;
- future levels of non-performing assets;
- the Bank's growth strategy and expansion plans;
- the adequacy of the Bank's allowance for credit losses;
- the adequacy of the Bank's allowance for investment losses;
- technological change;
- the Bank's ability to market new products and services;
- the Bank's ability to successfully implement its business strategy;
- the outcome of any legal or regulatory proceedings to which the Bank is or may become a party;
- the future impact of new accounting standards;
- the impact on the Bank of Philippine banking regulations (and of other government regulations where the Bank may operate);
- the Bank's ability to access low-cost funding;
- increased competition from other banks;
- the Bank's exposure to market risks;
- risks related to the Bank;
- risks relating to the Philippines;
- risks associated with the Bonds; and
- risks relating to certain statistical information in this Offering Circular.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic and political conditions in the Philippines and the other countries which have an impact on the Bank's business activities or investments; the monetary and interest rate policies of the Government; inflation, volatility in interest rates, foreign exchange rates, equity prices or other rates or prices; the performance of the financial markets in the Philippines and globally; changes in Philippine and foreign laws and regulations, including tax, accounting and banking regulations; changes in competition in the Philippines; and changes in asset valuations. For further discussion of the factors that could cause actual results to differ, see "Investment Considerations".

Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. The Bank, the Joint Lead Arrangers, the Joint Bookrunners, and the Selling Agents assume no obligation to update any of the forward- looking statements after the date of this Offering Circular or to confirm these statements to actual results, subject to compliance with all applicable laws. The Bank, the Joint Lead Arrangers, the Joint Bookrunners, and the Selling Agents assume no obligation to update any information contained in this Offering Circular or to publicly release any revisions to any forward-looking statements to reflect events or circumstances; or to reflect that the Issuer became aware of any such events or circumstances that occur after the date of this Offering Circular.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, market data and certain industry forecasts used throughout this Offering Circular were obtained from internal surveys, market research, information compiled and made available by the BSP, or other publicly available sources and industry publications. None of the Bank or the Joint Lead Arrangers and Joint Bookrunners or Selling Agents have verified such information with independent sources nor make any representation as to the accuracy or completeness of such information. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed.

Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Bank nor the Joint Lead Arrangers and Joint Bookrunners and Selling Agents make any representation as to the accuracy and completeness of such information.

PRICING SUPPLEMENT

For each issuance of a Tranche of the Bonds under the Programme, the Bank shall distribute the relevant Pricing Supplement applicable to such Tranche which shall be disclosed to the public through filing with the PDEx and made available for download from the website of the Bank, specifically, www.bankcom.com.ph.

In addition to the name of the Issuer and description of the Programme, the Pricing Supplement shall contain the following information in respect of the Tranche to be issued:

(a) offer size;
(b) applicable interest rate;
(c) tenor;
(d) offer price;
(e) manner of distribution;
(f) form and denomination;
(g) provisions relating to redemption;
(h) other terms and conditions applicable to the specific Tranche; and
(i) parties to the distribution.

The Pricing Supplement shall also contain amendments or updates to this Offering Circular, if any.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with:

(a) all amendments and supplements to this Offering Circular prepared from time to time by the Bank;
(b) the most recently published audited non-consolidated and (if produced) consolidated annual financial statements and, if published later, the most recently published unaudited interim non-consolidated and (if produced) consolidated financial results of the Bank, in each case together with any audit or review reports prepared in connection therewith (where relevant); and
(c) disclosures on any material development on the Issuer and/or its business made through the Issuer's website (https://www.bankcom.com.ph/about-us/disclosures/), the Philippine Stock Exchange, or Philippine Dealing and Exchange Corp.

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Any published unaudited interim financial statements of the Bank which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited by the auditors of the Bank. Accordingly, there can be no assurance that, had an audit been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance upon them.

The Bank will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Bank at its office set out at the end of this Offering Circular.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Programme, a new offering circular will be prepared.

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SECTION 1. OFFERING CIRCULAR SUMMARY

*This summary highlights information contained elsewhere in this Offering Circular. The following summary is qualified in its entirety by, and must be read in conjunction with, the more detailed information and financial statements, including notes thereto, appearing elsewhere in this Offering Circular. Investors are recommended to read this entire Offering Circular carefully, including the Bank's financial statements and related notes (the "***Financial Statements***") and "Investment Considerations".*

1.1 DESCRIPTION OF THE BANK

Bank of Commerce (the "**Bank**" or "**BankCom**") is one of the country's fast-growing commercial banks and is licensed by the *Bangko Sentral ng Pilipinas* ("**BSP**"). The Bank has been operating since 1963. In 2008, San Miguel Corporation ("**SMC**") bought into the Bank and became a majority stakeholder through the combined voting stake of San Miguel Corporation Retirement Fund and San Miguel Properties, Inc. in the Bank.

The refreshed capital and management resulted in strengthened banking operations, systems and services, and reinforced the Bank's stability. The Bank provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, transaction banking, corporate banking, treasury, asset management, trust and investments. In terms of service reach, the Bank has retail and corporate internet banking facilities, 140 branches and 267 automated teller machines ("**ATMs**") strategically located nationwide as of 30 September 2024.

1.2 RECENT DEVELOPMENTS

1.2.1 Primary Offer of Common Shares by Way of an Initial Public Offering ("IPO")

On 31 March 2022, the Bank issued 280,602,800 new common shares (the "**Offer Shares**") on the Philippine Stock Exchange ("**PSE**") at a price of ₱12.00 per share raising a total amount of ₱3,367.2 million from its initial public offering. The Bank used the net proceeds from the sale of the Offer Shares to fund its lending activities, acquisition of investment securities, and financial capital expenditure requirements in connection with the upgrading of its automated teller machine (ATM) fleet and the ongoing upgrade of its core banking system.

The IPO is part of the Bank's Universal Banking license application. With a universal banking license, the Bank will have more opportunities to generate and warehouse interest bearing assets like marketable securities, generate more fee-based income, and manage risk of securities underwritten and held for trading. This will also enable the bank to enhance its marketing relationship with existing and prospective clients in the large corporate and middle market segments as it will be carrying a broader range of products, from traditional working capital lines and term loans to project finance, initial public offerings, mergers and acquisitions, financial advisory, etc. The latter services are essential to large businesses in planning their expansion programs as a response to the increasing demand brought about by the robust economy.

1.2.2 Highlights for the Nine (9)-Month Period Ended 30 September 2024 and Fiscal Year Ended 31 December 2023

The Bank's nine-month unaudited net income posted ₱2.2 billion, up 10% year-on-year mainly due to higher revenues. This translated to a return on equity (ROE) and return on asset (ROA) of 9.27% and 1.26%, respectively.

Total Revenues which amounted to ₱8.0 billion was 10.2% higher, driven by growth in core business areas, primarily net interest income, and an increase in fee income due to higher loans and financial assets. Meanwhile, corporate loans grew on account of program lending and loans to both SMC and non-SMC ecosystems.

Net interest income increased to ₱6.8 billion, 11.2% higher versus the ₱6.1 billion recorded in 3Q 2023. The upward trajectory was due to the expansion in earning assets, primarily from corporate and consumer loans as well as financial assets at fair value. The faster growth in revenues from earning assets than interest bearing liabilities translated to an improvement in net interest margin (NIM) at 4.48%.
Non-interest income grew by 5.0% to ₱1.3 billion, on the back of a 12.1% increase in service charges, fees, and commissions. The increase is attributable to a 59.4% surge in underwriting fees amounting to ₱143.3 million,

representing 11.2% of total other income. The Bank also saw increases in trust, credit card, and trade finance fees. Moreover, trading gains posted a recovery totalling ₱134.8 million from last year's loss amounting to ₱0.5 million.

Total expenses, including provisions for credit and impairment losses, surged by 13.3% to ₱5.2 billion. Growth in operating expenses was mainly due to the Bank's continued investment in human capital as well as higher volume of transactions.

Total assets were recorded at ₱235.1 billion, a 1.5% growth from end 2023 level mainly due to the growth in all lending segments and financial assets at fair value. This translated to a return on assets (ROA) of 1.26%.

The Bank's capital funds remained strong at ₱32.76 billion as of 30 September 2024, up 6.2% from the ₱30.85 billion at end-2023, despite the payment of dividends on July 15, 2024, amounting to ₱0.2512 per common share or ₱352.4 million. The increase in capital was driven by higher retained earnings and net unrealized gains for the period.

1.2.3 Development of New Loan Programs

Alongside the need to reduce the Bank's exposure to affiliates, it has developed new loan programs intended to leverage off the SMC ecosystem composed of SMC's network of customers, trade partners, suppliers, vendors, distributors, contractors, and employees, among others. Loans to be generated from these lending programs are envisioned to gradually replace borrowings of the SMC Group. Moreover, as bulk of the potential customers from this segment operate within the middle market, clients tapped for these programs are anticipated to be a source of higher net interest margins as well as diversified, and stickier deposit base.

1.2.4 Payment of Dividends to Stockholders at Record

In 1H2024 the Bank declared its first dividends in more than 20 years as committed during the Bank's IPO. The Bank set aside ₱0.726 per preferred share for cumulative dividends since 2021 and ₱0.2512 per common share amounting to 23.37% of its 2023 profits.

On July 15, 2024, the Bank paid ₱0.2512 per common share amounting to ₱352.44 million. Despite the payment of dividends, the Bank's capital funds remain strong at ₱32.76 billion, reflecting a 6.19% increase from the ₱30.85 billion in 2023 and a stable capital adequacy ratio (CAR) of 18.30%, well above the minimum regulatory requirement of 10.0%.

1.2.5 Bond Issuances under the Programme

On 16 May 2024, the Bank issued its Series B Bonds and raised ₱6.57 billion at 6.5635% per annum with a tenor of 1.5 years. The issuance was 1.3x oversubscribed.

Prior to this, on 29 July 2022, BankCom successfully listed its maiden issuance of ₱7.5 billion 5.0263% 2-year Series A Bonds on the Philippine Dealing & Exchange Corp. (PDEx), with aggregate orderbook exceeding the original target issue size by more than three times. The strong demand prompted BankCom to increase its issue size from the original ₱3 billion to ₱7.5 billion and end the offer period on 12 July 2022, ten days ahead of the original closing date. The Series A Bonds matured on 29 July 2024 and are no longer outstanding.

1.3 BANK INFORMATION

Bank of Commerce was incorporated under the laws of the Philippines in 1963. The Bank's head office and principal place of business is located at the San Miguel Properties Center, No. 7 St. Francis Street, Mandaluyong City, Philippines. The Bank's telephone number at this location is (632) 8982 6000. The Bank's primary website is www.bankcom.com.ph.

SECTION 2. SUMMARY OF FINANCIAL INFORMATION

The following tables present the Bank's selected financial information and should be read in conjunction with the Bank's audited financial statements and notes thereto contained in this Offering Circular and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Business" in this Offering Circular. The selected financial information presented below were derived from (i) reviewed condensed interim statements of financial position as at 30 September 2024 and condensed interim statements of income, comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2024 and 2023; and (ii) audited financial statements of the Bank as of and for the years ended 31 December 2023, 2022, and 2021 prepared in accordance with PFRS and audited by R.G. Manabat & Co. in accordance with Philippine Standards on Auditing and are qualified in their entirety by reference to those financial statements and the related notes thereto. The selected financial information set out below does not purport to project the results of operations or financial condition for any future period or date.

2.1 CONDENSED STATEMENTS OF FINANCIAL POSITION

	Periods Ended 30 September		**Years Ended December 31**		
	2024	**2023**	**2023**	**2022**	**2021**
ASSETS					
Cash and Other Cash Items	₱3,973,329,786	₱3,119,381,878	₱3,500,645,345	₱2,735,170,691	₱2,747,780,890
Due from the BSP	26,676,326,079	17,578,466,284	24,271,918,477	23,675,469,821	45,367,142,605
Due from Other Banks	2,666,376,473	1,584,749,012	1,055,354,600	1,044,255,360	1,039,456,479
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	5,596,129,927	19,844,866,733	20,111,780,623	18,378,744,387	19,133,505,219
Financial Assets at Fair Value through Profit or Loss	4,219,655,256	550,087,907	398,792,440	381,001,468	994,612,772
Financial Assets at Fair Value through Other Comprehensive Income	17,495,166,028	13,998,427,878	11,043,804,828	5,805,050,520	5,055,116,576
Investment Securities at Amortized Cost	38,170,323,618	47,366,642,146	52,471,103,294	52,208,769,061	42,909,057,404
Loans and Receivables	125,950,864,171	111,581,380,387	109,566,176,319	105,091,228,764	74,374,125,167
Investment in an Associate	34,605,383	35,684,649	35,533,764	39,522,627	39,661,589
Property, Equipment and Right-of-Use Assets	1,971,034,198	1,582,167,153	1,791,195,950	1,425,418,610	1,472,398,367
Investment Properties	3,886,101,663	3,569,670,599	3,676,126,498	3,399,986,749	3,448,314,535
Deferred Tax Assets	448,630,139	570,407,606	475,332,923	612,090,088	743,505,416
Other Assets	3,962,561,660	2,931,923,990	3,270,214,009	2,721,190,526	2,387,937,153
Total Assets	**₱235,051,104,381**	**₱224,313,856,222**	**₱231,667,979,070**	**₱217,517,898,672**	**₱199,712,614,172**

LIABILITIES AND EQUITY					
Deposit Liabilities					
Demand	₱60,857,759,104	53,438,372,124	₱54,569,494,343	₱51,792,969,578	₱48,702,339,755
Savings	103,533,858,691	102,138,110,404	109,667,913,265	101,651,552,858	108,874,919,612
Time	19,139,436,067	16,057,547,927	16,638,541,473	17,793,297,530	9,107,143,873

	Periods Ended 30 September		Years Ended December 31		
	2024	2023	2023	2022	2021
Long-Term Negotiable Certificates	5,029,420,000	5,029,420,000	5,029,420,000	5,029,420,000	5,029,420,000
	188,560,473,862	176,663,450,455	185,905,369,081	176,267,239,966	171,713,823,240
Financial Liabilities at Fair Value through Profit or Loss	1,539,339	9,069,481	6,201,649	283,329	-
Bills Payable	-	912,115,822	-	-	-
Bonds Payable	6,524,762,922	7,469,073,854	7,478,265,064	7,442,251,269	-
Manager's Checks	1,425,126,765	1,768,728,200	1,846,499,855	661,453,914	951,460,497
Accrued Interest, Taxes and Other Expenses	1,187,241,099	1,213,808,768	1,387,189,325	1,165,765,820	1,021,625,802
Other Liabilities	4,591,186,977	6,478,329,738	4,193,181,203	3,950,329,366	2,662,971,101
Total Liabilities	**202,290,330,964**	**194,514,576,318**	**200,816,706,177**	**189,487,323,664**	**176,349,880,640**
Equity					
Capital stock	18,196,805,900	18,196,805,900	18,196,805,900	₱18,196,805,900	₱15,390,777,900
Paid-in surplus	7,229,275,360	7,229,275,360	7,229,275,360	7,229,275,360	6,776,694,869
Surplus reserves	1,083,413,376	898,518,609	1,095,004,461	983,407,496	755,806,267
Retained Earnings	6,698,798,295	4,529,111,738	5,123,378,774	2,425,229,109	852,471,738
Remeasurement losses on retirement liability	(410,325,733)	(294,931,536)	(365,718,897)	(77,723,200)	(262,547,387)
Net unrealized losses on financial assets at fair value through other comprehensive income	(26,973,978)	(759,257,873)	(421,192,531)	(730,966,925)	(156,154,761)
Cumulative translation adjustment	(5,181,489)	4,293,892	(1,742,206)	5,878,953	7,010,814
Share in other comprehensive loss of an associate	(5,038,314)	(4,536,186)	(4,537,968)	(1,331,685)	(1,325,908)
Total Equity	**32,760,773,417**	**29,799,279,904**	**30,851,272,893**	**28,030,575,008**	**23,362,733,532**
Total Liabilities and Equity	**₱235,051,104,381**	**₱224,313,856,222**	**₱231,667,979,070**	**₱217,517,898,672**	**₱199,712,614,172**

2.2 STATEMENTS OF INCOME

	Periods Ended 30 September		Years Ended December 31		
	2024	2023	2023	2022	2021
INTEREST INCOME					
Interest income calculated using the effective interest method:					
Loans and receivables	₱6,985,878,305	₱6,036,509,206	₱8,244,672,503	₱5,465,228,886	₱4,284,455,772
Investment securities at fair value through other comprehensive income and at amortized cost	2,040,318,344	1,603,335,689	2,247,720,169	1,681,784,534	1,251,563,739
Interbank loans receivable and securities purchased under resale agreements	426,891,900	624,546,190	875,706,076	539,158,895	316,281,375
Due from the BSP and other banks	296,009,532	204,582,950	372,909,945	274,855,345	228,434,625
Other interest income:					
Financial assets at fair value through profit or loss	71,768,535	19,508,647	21,561,207	4,603,469	14,420,446
	9,820,866,616	8,488,482,682	11,762,569,900	7,965,631,129	6,095,155,957

	Periods Ended 30 September		Years Ended December 31		
	2024	2023	2023	2022	2021
INTEREST EXPENSE					
Deposit liabilities	2,610,402,141	2,049,403,517	2,971,181,154	1,034,350,259	645,260,590
Bonds payable	415,447,705	309,551,968	412,986,306	173,783,546	-
Lease liabilities	28,278,696	23,643,140	32,817,258	28,177,821	35,033,342
Bills payable and other borrowings	4,435,713	25,682,691	49,098,268	47,041,557	16,691,365
	3,058,564,255	2,408,281,316	3,466,082,986	1,283,353,183	696,985,197
NET INTEREST INCOME	6,762,302,361	6,080,201,366	8,296,486,914	6,682,277,946	5,398,170,760
Service charges, fees and commissions	717,626,929	640,248,391	886,379,485	857,631,877	531,127,752
Gains on foreclosure and sale of property and equipment and foreclosed assets net	257,977,839	346,141,790	495,400,228	340,449,070	274,985,810
Foreign exchange gains net	91,288,846	115,009,917	141,121,355	150,319,774	48,367,204
Trading and investment securities gains (losses) net	134,748,979	(467,800)	10,598,350	(29,216,561)	(78,709,145)
Miscellaneous	77,859,974	117,167,073	145,276,382	115,179,381	50,565,323
TOTAL OPERATING INCOME	8,041,804,928	7,298,300,737	9,975,262,714	8,116,641,487	6,224,507,704
Compensation and fringe benefits	1,931,461,723	1,608,784,821	2,258,396,096	1,904,811,525	1,820,969,091
Taxes and licenses	828,914,360	741,490,394	1,063,031,768	947,182,470	802,193,452
Provision for (Reversal of) credit and impairment losses	199,503,177	222,432,716	78,844,599	166,210,318	(634,819,513)
Rent and utilities	495,477,415	479,021,373	647,697,989	631,549,967	532,283,906
Depreciation and amortization	455,665,898	342,195,986	489,379,046	431,663,464	462,532,885
Insurance	275,767,586	252,353,760	345,083,471	348,354,755	334,825,533
Service fees and commissions	297,709,484	246,975,874	417,924,021	293,329,555	229,706,473
Subscription fees	150,470,262	132,926,530	188,452,835	122,534,992	107,646,170
Entertainment and recreation	12,256,618	16,406,979	12,142,020	76,226,795	97,393,528
Management and professional fees	76,816,038	101,756,117	140,883,712	108,572,826	85,022,359
Amortization of software costs	62,799,986	55,819,560	76,741,228	73,068,105	53,595,136
Miscellaneous	367,774,313	348,368,156	519,792,983	546,579,681	501,811,576
TOTAL OPERATING EXPENSES	5,154,616,860	4,548,532,266	6,238,369,768	5,650,084,453	4,393,160,596
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE	2,887,188,068	2,749,768,471	3,736,892,946	2,466,557,034	1,831,347,108
SHARE IN NET LOSS OF AN ASSOCIATE	428,035	633,477	782,580	133,185	1,039,285
INCOME BEFORE INCOME TAX EXPENSE	2,886,760,033	2,749,134,994	3,736,110,366	2,466,423,849	1,830,307,823
INCOME TAX EXPENSE	674,897,498	737,981,246	933,891,191	666,355,249	623,688,658
NET INCOME	**₱2,211,862,535**	**₱2,011,153,748**	**₱2,802,219,175**	**₱1,800,068,600**	**₱1,206,619,165**

2.3 STATEMENTS OF COMPREHENSIVE INCOME

	Periods Ended 30 September		Years Ended December 31		
	2024	2023	2023	2022	2021
NET INCOME	₱2,211,862,535	₱2,011,153,748	₱2,802,219,175	₱1,800,068,600	₱1,206,619,165
OTHER COMPREHENSIVE INCOME (LOSS)					

	Periods Ended 30 September		Years Ended December 31		
	2024	2023	2023	2022	2021
Items that may not be reclassified to profit or loss					
Net change in remeasurement losses on retirement liability	(44,606,836)	(217,208,336)	(287,995,697)	184,824,187	186,540,613
Net change in fair value of equity securities at fair value through other comprehensive income	15,104,000	1,915,000	15,857,461	4,413,992	31,555,000
	(29,502,836)	(215,293,336)	(272,138,236)	189,238,179	218,095,613
Items that may be reclassified to profit or loss					
Net change in fair value of debt securities at FVOCI	386,017,553	(15,401,593)	308,408,749	(578,936,156)	(320,194,577)
Net change in fair value of debt securities at FVOCI take to profit or loss	-	(6,964,361)	(6,964,361)	-	68,883,753
Net movement in cumulative translation adjustment	(3,439,283)	(1,585,061)	(7,621,159)	(1,131,861)	22,414,831
Share in other comprehensive income (loss) of an associate	(500,346)	(3,204,501)	(3,206,283)	(5,777)	13,468
	382,077,924	(27,155,516)	290,616,946	(580,073,794)	(228,882,525)
	352,575,088	(242,448,852)	18,478,710	(390,835,615)	(10,786,912)
TOTAL COMPREHENSIVE INCOME	**₱2,564,437,623**	**₱1,768,704,896**	**₱2,820,697,885**	**₱1,409,232,985**	**₱1,195,832,253**

2.4 STATEMENTS OF CASH FLOWS

	Periods Ended 30 September		Years Ended December 31		
	2024	2023	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax	₱2,886,760,033	₱2,749,134,994	₱3,736,110,366	₱2,466,423,849	₱1,830,307,823
Adjustments for:					
Gain on foreclosure and sale of property and equipment and foreclosed assets net	(257,977,839)	(346,141,790)	(495,400,228)	(340,449,070)	(274,985,810)
Provision for (reversal of) credit and impairment losses	199,503,177	222,432,716	78,844,599	166,210,318	(634,819,513)
Depreciation and amortization	455,665,898	342,195,986	489,379,046	431,663,464	462,532,885
Interest expense on bonds payable	415,447,705	309,551,968	412,986,306	173,783,546	-
Interest expense on lease liabilities	28,278,696	23,643,140	32,817,258	28,177,821	35,033,242
(Gain) loss on sale of financial assets at fair value through other comprehensive income	-	(6,964,361)	(6,964,361)	-	68,883,753
Unrealized (gains) losses on financial assets at fair value through profit or loss	(125,533,661)	(11,096,343)	(22,810,265)	(3,032,696)	4,189,634
Amortization of software costs	62,799,986	55,819,560	76,741,228	73,068,105	53,595,136
Miscellaneous income	(128,563)	-	-	-	-
Share in net loss of associate	428,035	633,477	782,580	133,185	1,039,285
Changes in operating assets and liabilities:					
Decrease (increase) in:					

	Periods Ended 30 September		Years Ended December 31		
	2024	2023	2023	2022	2021
Interbank loans receivables	(134,204,406)	-	-	-	106,515,133
Financial assets at fair value through profit or loss	(3,699,991,465)	(149,203,944)	10,937,613	616,927,329	266,617,062
Loans and receivables	(16,801,938,861)	(6,772,296,111)	(4,762,183,490)	(31,013,170,773)	(2,049,407,264)
Other assets	(633,232,733)	(318,656,489)	(478,780,746)	(147,949,840)	(254,234,814)
Increase (decrease) in:					
Deposit liabilities	2,655,104,781	396,210,489	9,638,129,115	4,553,416,726	22,608,212,154
Manager's checks	(421,373,090)	1,107,274,286	1,185,045,941	(290,006,583)	81,380,889
Accrued interest, taxes and other expenses	(212,479,207)	34,763,497	217,489,398	130,239,910	90,609,895
Other liabilities	369,051,411	2,461,728,616	(64,244,233)	1,483,681,802	(386,245,709)
Net cash generated from (absorbed by) operations	(15,213,820,103)	99,029,691	10,048,880,127	(21,670,882,907)	22,009,223,781
Income taxes paid	(632,438,839)	(682,695,451)	(793,239,655)	(573,609,991)	(366,872,337)
Net cash provided by (used in) operating activities	**(15,846,258,942)**	**(583,665,760)**	**9,255,640,472**	**(22,244,492,898)**	**21,642,351,444**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale or maturities of:					
Investment securities at amortized cost	₱86,360,000,000	₱55,265,553,811	₱84,500,327,600	₱59,895,050,000	₱15,166,197,000
Financial assets at fair value through other comprehensive income	-	963,068,067	5,963,068,067	578,775,000	17,433,761,770
Investment properties	139,505,328	140,356,000	238,440,930	299,555,213	308,006,196
Property and equipment	34,779,192	33,474,012	49,279,179	52,892,081	45,240,223
Additions to:					
Investment securities at amortized cost	(72,057,430,190)	(50,422,918,689)	(84,762,807,309)	(69,194,981,330)	(48,933,469,733)
Financial assets at fair value through other comprehensive income	(6,041,736,876)	(9,170,907,589)	(10,877,648,681)	(1,903,195,601)	(7,358,521,216)
Property and equipment	(395,477,382)	(230,011,371)	(466,379,345)	(182,356,128)	(156,995,689)
Software costs	(132,937,764)	(133,131,463)	(149,908,692)	(100,896,635)	(48,972,849)
Investment properties	(5,305,544)	(20,175,601)	(21,025,497)	(4,932,730)	(1,098,889)
Net cash provided by (used in) investing activities	**7,901,396,764**	**(3,574,692,823)**	**(5,526,653,748)**	**(10,560,090,130)**	**(23,545,853,187)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Settlement of bonds payable	(7,500,000,000)	-	-	-	-
Issuance of bonds payable	6,510,558,574	-	-	7,427,633,892	-
Cash dividends paid	(654,937,099)	-	-	-	-
Payment of lease liability	(182,441,275)	(176,184,185)	(238,014,973)	(231,255,989)	(223,485,330)
Payment of interest on bonds	(388,035,054)	(282,729,383)	(376,972,511)	(106,595,991)	-
Issuance of common stock	-	-	-	3,258,608,491	-
Issuance of preferred stock	-	-	-	-	5,452,543,902
Proceeds from bills payable	-	912,115,822	-	-	-
Settlement of bills payable	-	-	-	-	(18,675)

	Periods Ended 30 September		Years Ended December 31		
	2024	2023	2023	2022	2021
Net cash provided by (used in) financing activities	**(2,214,854,854)**	**453,202,254**	**(614,987,484)**	**10,348,390,403**	**5,229,039,897**
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	(3,441,876)	(1,573,432)	(7,624,444)	(1,082,325)	22,456,631
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(10,163,158,908)**	**(3,706,729,761)**	**3,106,374,796**	**(22,457,274,950)**	**3,347,994,785**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
Cash and other cash items	3,500,645,345	2,735,170,691	2,735,170,691	2,747,780,890	2,420,504,742
Due from the BSP	24,275,195,629	23,678,666,441	23,678,666,441	45,373,267,996	39,552,550,316
Due from other banks	1,055,497,093	1,044,396,366	1,044,396,366	1,039,596,824	1,023,393,720
Interbank loans receivable and securities purchased under resale agreements	20,114,496,080	18,381,225,853	18,381,225,853	19,136,088,591	21,952,290,738
	48,945,834,147	45,839,459,351	45,839,459,351	68,296,734,301	64,948,739,516
CASH AND CASH EQUIVALENTS AT END OF YEAR					
Cash and other cash items	₱3,973,329,786	₱3,119,381,878	₱3,500,645,345	₱2,735,170,691	₱2,747,780,890
Due from the BSP	26,679,927,869	17,580,839,804	24,275,195,629	23,678,666,441	45,373,267,996
Due from other banks	2,666,736,483	1,584,961,756	1,055,497,093	1,044,396,366	1,039,596,824
Interbank loans receivable and securities purchased under resale agreements	5,462,681,101	19,847,546,152	20,114,496,080	18,381,225,853	19,126,088,591
	₱38,782,675,239	**₱42,132,729,590**	**₱48,945,834,147**	**₱45,839,459,351**	**₱68,286,734,301**
CASH FLOWS FROM INTEREST AND DIVIDENDS					
Operating Activities					
Interest received	₱7,831,826,576	₱6,975,388,352	₱9,505,491,715	₱6,152,214,757	₱5,013,594,767
Interest paid	2,702,630,317	2,030,488,191	2,883,397,684	978,496,764	659,753,395
Investing Activities					
Interest Received	₱2,013,490,546	₱1,583,572,767	₱2,189,348,496	₱1,614,378,153	₱988,560,088
Dividends received	2,616,371	1,612,352	5,604,161	1,612,352	5,709,161
Financing Activities					
Interest paid	₱416,313,749	₱306,372,523	₱409,789,769	₱135,099,012	₱35,396,571
Dividends paid	654,937,099	-	-	-	-

2.5 KEY PERFORMANCE INDICATORS AND RATIOS

(in percent, %)	Periods Ended 30 September		Years Ended December 31		
	2024 (Annualized)	2023 (Annualized)	2023 (Audited)	2022 (Audited)	2021 (Audited)
Return on Average Assets	1.26	1.21	1.25	0.86	0.65
Return on Average Equity	9.27	9.27	9.52	7.01	6.01
Net Interest Margin on Average Earning Assets	4.48	4.24	4.28	3.73	3.42
Tier 1 Capital Ratio	17.56	18.34	19.09	17.22	20.66
Total Capital Adequacy Ratio	18.30	19.18	19.88	17.97	21.57

SECTION 3. TERMS AND CONDITIONS OF THE BONDS

The summary of the terms and conditions of the Bonds set out below is not a comprehensive enumeration of all the rights and obligations of the Issuer, the Bondholders and other parties to the offering. The parties' respective rights, obligations and privileges are set out in the Terms and Conditions annexed to the Programme Agreements, which prevail in the event of any conflict between those terms and conditions and the summary set out below.

Issuer	Bank of Commerce ("BankCom")
Issuer Rating	PRS Aa plus (corp.) with a Stable Outlook from Philippine Rating Services Corporation ("PhilRatings")
Issue	PHP-denominated Senior Fixed-Rate Bonds (the "Bonds") constituting direct, unconditional, unsecured and unsubordinated obligations of BankCom which shall form part of the Issuer's aggregate proposed ₱50.0 billion Bond Programme.
Use of Proceeds	[(1) management of the Bank's net interest margin - matching of long-term assets with long-term funding to reduce the Bank's interest rate risk; (2) diversification of funding sources – more stable funding source for the banks; and (3) general corporate purposes.]
Manner of Distribution	Public offering in the domestic market
Issue Price	[Par or 100% of face value.]
Issue Date	[●] or such other date as may be agreed by the Issuer and the Joint Lead Arrangers and Bookrunners may agree upon.
Maturity Date	[●] or [●] (●) years after Issue Date
Form and Denomination	The Bonds shall be issued in scripless form and traded [●] in the secondary market. The denominations of each Tranche of the Bonds shall be set out in the relevant Pricing Supplement.
Interest Rate	The Bonds shall earn interest at a fixed interest rate (to be determined by a Benchmark Rate of plus a Spread)), as set out in the relevant Pricing Supplement.
Interest Payment Computation	Interest on the Bonds shall be calculated on a 30/360-day count basis regardless of the actual number of days in a month. Interest shall be paid quarterly in arrears.
Joint Lead Arrangers and Joint Bookrunners	ING Bank N.V., Manila Branch ("**ING**") Philippine Commercial Capital, Inc. ("**PCCI Capital**") Security Bank Capital Investment Corporation ("**Security Bank Capital**") Standard Chartered Bank ("**SCB**")
Selling Agents	ING, PCCI Capital, Security Bank Capital, and SCB and other institutions as may be agreed upon. BankCom may also sell and distribute the Bonds through its branches on its own behalf.
Trustee	[●]
Market Maker	[●]
Registrar and Paying Agent	Philippine Depository & Trust Corp. ("**PDTC**")

Redemption Option	If as a result of a change in law, rule or regulation (or in the interpretation of any of the foregoing) either: (i) payments under any tranche of the Bonds become subject to additional or increased taxes other than those applicable as of the relevant Issue Date; (ii) the Issuer becomes subject to increased reserve requirements against obligations that include such tranche of the Bonds, and such additional or increased taxes or increased reserve requirements cannot be avoided by the use of reasonable measures available to the Issuer; or (iii) if any of the transaction documents (or any provision thereof) becomes invalid, illegal, or unenforceable to the extent that it becomes unlawful for the Issuer enforce its rights or comply with its obligations thereunder, or the Issuer is prevented or restrained from performing its obligations under the transaction documents, then subject to the applicable regulations, the Issuer may, at its option, redeem all (but not less than all) of the tranche of the Bonds affected by any of the foregoing events on any Interest Payment Date.
Final Redemption	The Bonds will be redeemed [at par or 100% face value upon their maturity].
Covenants; Representations and Warranties	Customary covenants and warranties such as but not limited to a negative pledge, compliance with applicable law and regulations, completeness and accuracy of due diligence information provided.
Events of Default	Customary events of default such as but not limited to non-payment, cross-default, breach of covenants or warranties.
Purchase and Cancellation	The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.
Status and Ranking of the Bonds	The Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Bank and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by the law.
Prohibited Bondholders	Persons and entities which are prohibited from purchasing and/or holding any Bonds of the Issuer pursuant to the Governing Regulations, including: (1) the Issuer (but excluding for this purpose the Issuer's trust department, which may purchase and/or hold Bonds in the name of and for the account of its clients who are not Prohibited Bondholders); (2) any other person or entity that is classifiable as a related party of the Issuer. For purposes of this definition, a "related party" means, in addition to the Issuer's subsidiaries and affiliates, any person or entity that is in possession or has access to material and non-public information which affects the pricing and marketability of the Bonds or which would substantially impact an investor's decision to buy or sell the Bonds if disseminated among the public; *provided*, that without limiting the generality of the foregoing, the following persons shall be deemed "related parties" of the Issuer: (i) With respect to any issuance of the Bonds: 1) Any member of the Issuer's board of directors including the Board Advisers, Corporate Secretary, Assistant Corporate Secretary and officers/staff of the Office of the Corporate Secretary and their relatives within the first degree of consanguinity or affinity, or by legal adoption;

2) All members of the Bank's Senior Executive Team (SET) (President & CEO; Chief Finance Officer; Heads of Treasury Group, Trust Services Group, Corporate Banking Group I, Corporate Banking Group II, Branch Banking Group, Transaction Banking Group, Credit Card Group, Consumer Group, Executive Support Group, Operations Group, Credit Group, Heads of Human Resources Management and Development Division, Legal Services Division, Corporate Communication and Consumer Protection Division, Information Technology Division, Risk Management Division, Internal Audit Division, Compliance Division); the SET consultants; SET secretariat; the Executive Assistant of the President; the Assistant to the President; and their relatives within the first degree of consanguinity or affinity, or by legal adoption;

3) All members of the Asset and Liability Committee (ALCO) including the ALCO secretariat and their relatives within the first degree of consanguinity or affinity, or by legal adoption;

4) Any of the Issuer's personnel in the following Group, Division or Department, including their relatives within the first degree of consanguinity or affinity, or by legal adoption:

(A) Treasury Management Group;
(B) Trust Services Group;
(C) Compliance Division;
(D) Office of the Corporate Secretary;
(E) Finance and Controllership Group;
(F) Corporate Planning Division;
(G) Legal Services Division;
(H) Corporate Communication and Consumer Protection Division; and
(I) Market and Liquidity Risk Department;

5) The Bank's stockholders, substantial stockholders, subsidiaries, affiliates and other related parties, as defined in Section 131 of the Manual of Regulations for Banks (as the same may be amended, supplemented or replaced at the time of any offering of a Tranche of the Bonds). Stockholders shall refer to any stockholder of record of the Bank, whose stockholdings, amount to one percent (1%) or more of the total subscribed capital stock of the Bank, individual and/or collectively with the stockholdings of:

a) his spouse and/or relative within the first degree by consanguinity or affinity or legal adoption;
b) a partnership in which the stockholder and/or the spouse and/or any of the aforementioned relatives is a general partner; and
c) association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty percent (50%) of the total subscribed capital stock of such corporation, association or firm.

	(ii) With respect to any Tranche of the Bonds, the following persons, but only to the extent such persons have performed the services or functions described below in respect of such Tranche: 1) The partners and associates of external legal counsel to the Issuer, the Joint Lead Arrangers and Joint Bookrunners; and 2) The officers and staff of (x) the Issuer's external auditors, and (y) auditors providing comfort letters in respect of such Tranche; *Provided, further*, that a party participating in an Offer as an underwriter or Joint Lead Arranger and Joint Bookrunner of the Bonds may hold such Bonds even if such underwriter or Joint Lead Arranger and Joint Bookrunner is a related party of the Issuer, to the extent that such party is authorized to hold Bonds pursuant to the relevant underwriting or arrangement agreement and otherwise is in compliance with the provisions of the Governing Regulations applicable to such investment. (b) persons defined as U.S. Persons under the Foreign Account Tax Compliance Act of the United States, as such statute may be amended from time to time ("FATCA"), including, but not limited to, (1) a U.S. citizen (including a dual citizen who may have another citizenship besides having U.S. citizenship), (2) a U.S. resident alien for tax purposes, which includes a person who has substantial presence in the U.S. ("substantial presence" is defined as more than 31 days in the current calendar year or a total of 183 days over the previous three years from the current tax year), (3) a U.S. partnership, U.S. corporation, or U.S. entity, (4) a U.S. estate, (5) a U.S. trust if a court within the United States is able to exercise primary supervision over the administration of the trust, or one or more U.S. persons who have the authority to control all substantial decisions of the trust, (6) a passive non-financial foreign entity with U.S. controlling persons, or (7) any other person that is not a non-U.S. person under the FATCA; and (c) any Restricted Party.
Taxation	If any payments of principal and/or interest on the Bonds shall be subject to deductions or withholding for or on account of any present taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") that may be levied, collected, withheld or assessed by or within the Philippines or any authority therein or thereof having the power to tax, including but not limited to documentary stamp, income, value-added or similar taxes, then all such Taxes (including, for the avoidance of doubt, any Taxes that may be imposed due to a change in applicable law or in the interpretation thereof after the Issue Date) shall be for the account of the Bondholder concerned; and if the Issuer shall be required by law or regulation to deduct or withhold such Taxes, then the Issuer shall make the necessary withholding or deduction for the account of the Bondholder concerned; *provided*, that all sums payable by the Issuer to tax-exempt persons shall be paid in full without deductions for Taxes or other duties, assessments or government charges, subject to the submission by the relevant Bondholder claiming the exemption of the documents required in Clause 2(b)(iii) above and such other evidence as may be acceptable to the Issuer; and *provided, further*, that documentary stamp tax for the primary issue of the Bonds, if any, shall be for the Issuer's account.
Registration Requirement	The Bonds are classifiable as exempt securities under Section 9.1(e) of the Securities Regulation Code (Republic Act No. 8799) and do not need to be registered with the Securities and Exchange Commission.
Listing	The Issuer shall list the Bonds in PDEx on the Issue Date.

Transfer of the Bonds	Trading of the Bonds will be coursed through a PDTC Participant under the Scripless Book-entry System of the PDTC. Trading, transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar. Upon any assignment, title to the Bonds will pass by recording of the transfer from the transferor to the transferee in the electronic register of bondholders to be maintained by the Registrar.
Governing Law	Philippine Law

SECTION 4. FORM OF PRICING SUPPLEMENT

[BankCom logo]

BANK OF COMMERCE
(A corporation duly organized and existing under Philippine laws)

PRICING SUPPLEMENT
dated [●]

Offer of up to [₱●] Tranche [●] Bonds under its
₱50,000,000,000.00 Bond Programme

[●]% p.a. Tranche [●] Bonds due [●]
At an Offer Price of [100%] of Face Value

to be listed and traded through
the Philippine Dealing and Exchange Corporation

Joint Lead Arrangers and Joint Bookrunners

[●]

Selling Agents

[●]

OFFER OF TRANCHE [●] BONDS
BY BANK OF COMMERCE
UNDER ITS ₱50,000,000,000 BOND PROGRAMME

This document constitutes the Pricing Supplement relating to the Tranche [●] Bonds being offered and described herein (the "Offer"). Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "Terms and Conditions") set forth in the Offering Circular dated [●]. This Pricing Supplement contains the final terms of this Offer and the Tranche [●] Bonds and must be read in conjunction with the Offering Circular. Full information on BankCom and the Offer is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. All information contained in the Offering Circular are deemed incorporated by reference in this Pricing Supplement.

Issuer	Bank of Commerce ("**BankCom**")
Issuer Rating	PRS Aa plus with a Stable Outlook
Issue	PHP-denominated [●] Bonds (the "Bonds")
Issue Amount	[●]
Manner of Distribution	Public offering
Use of Proceeds	[●]
Issue Price	[●]
Offer Period	The offer of the Bonds shall commence at [●] on [●] and end at [●] on [●], or any other period as may be determined by the Issuer and the Arrangers and Bookrunners
Issue Date	[●] or such other date as may be agreed by the Issuer and the Joint Lead Arrangers and Joint Bookrunners.
Maturity Date	[●] or [●] Years after Issue Date
Maturity Value	[●]
Form and Denomination	The Bonds shall be issued in scripless form in denominations of [●] each, as a minimum, and in multiples of [●] thereafter, and traded in denominations of [●] in the secondary market.
Ranking	The Bonds constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank, enforceable according to the Terms and Conditions, and shall at all times rank pari passu and without any preference or priority among themselves and at least pari passu with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws
Interest Rate	[●]% per annum payable on the Interest Payment Dates set out below [*to be adjusted if parties agree on floating rate*]
Interest Period	[●]

Interest Payment Dates	[●]
Day Count Fraction	30/360 day count basis
Governing Law	Philippine Law
Payment Account Name	
Listing	
Other Terms and Conditions applicable to the Tranche [●] Bonds	[●]

PARTIES TO THE TRANSACTION

Joint Lead Arrangers and Joint Bookrunners	ING Bank N.V. Manila Branch ("**ING**") Philippine Commercial Capital, Inc. ("**PCCI Capital**") Security Bank Capital Investment Corporation ("**Security Bank Capital**") Standard Chartered Bank ("**SCB**")
Selling Agents	BankCom ING PCCI Capital Security Bank Capital SCB
Trustee	[●]
Market Maker	[●]

ADDITIONAL INFORMATION

Amendment or Supplement to the Offering Circular

[*Changes or updates necessary to make the statements in the Offering Circular true and correct should be reflected here*.]

RESPONSIBILITY

The Bank accepts responsibility for the information contained in this Pricing Supplement.

Bank of Commerce
(BankCom)

By:

____

[●]
[●]

SECTION 5. USE OF PROCEEDS

The purpose of the issuance is: (1) management of the Bank's net interest margin - matching of long-term assets with long-term funding to reduce the Bank's interest rate risk; (2) diversification of funding sources – more stable funding source for the banks; and (3) general corporate purposes.

SECTION 6. INVESTMENT CONSIDERATIONS

An investment in the Bonds issued under the Programme involves a number of investment considerations. Prospective investors should carefully consider all the information contained in this Offering Circular, including the investment considerations described below, before any decision is made to invest in the Bonds. The Bank's business, cash flows, financial condition, results of operations and prospects could be materially adversely affected by any of these investment considerations. The market price of the Bonds could decline due to any one of these risks, and all or part of an investment in the Bonds could be lost.

In making an investment decision, each investor must rely on its own examination of the Bank and the terms of the offering of any Bonds issued under the Programme. The following discussion is not intended to be a comprehensive description of the risks and other factors and is not in any way meant to be exhaustive as the risks which the Bank faces relate to events and depend on circumstances that may or may not occur in the future. In addition, some risks may be unknown to the Bank and other risks, currently believed to be immaterial, could turn out to be material. Prospective investors are encouraged to make their own independent legal, tax, financial, and business examination of the Bank, the Bonds, and the market. Neither the Bank nor the Joint Lead Arrangers and Joint Bookrunners and Selling Agents make any warranty or representation on the marketability or price on any investment in the Bonds.

6.1 CONSIDERATIONS RELATING TO THE PHILIPPINES

6.1.1 Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Bank's businesses.

The value of the Peso against the U.S. dollar and other currencies may be adversely affected by certain events and circumstances such as strengthening of the U.S. economy, rise of interest rates in the U.S., escalation of trade war between the U.S. and China, global uncertainties caused by the Russo-Ukrainian Conflict, Ongoing unrest in the Middle East, rising tensions in the South China Sea, COVID-19 pandemic, and other events affecting the global markets or the Philippines, causing investors to move out their investment portfolios/ funds/ capital from the Philippines. Such fund outflow from the Philippines may result in volatility in the value of the Peso against foreign currencies.

As of the year ended 2022, 2023, and 30 September 2024, the Philippine Peso registered exchange rates of ₱56.12, ₱55.567, and ₱55.892 per US$1, respectively as reported by BSP.

6.1.2 Substantially all of the Bank's operations and assets are based in the Philippines and, therefore, a slowdown in economic growth in the Philippines could materially and adversely affect the Bank's business, financial position and results of operations.

Substantially all of the Bank's business activities and assets are based in the Philippines, which exposes the Bank to risks associated with the country. As a result, the Bank's income, results of operations and the quality and growth of its assets depend, to a large extent, on the performance of the Philippine economy. Historically, the Bank has derived substantially all of its revenues and operating profits from the Philippines and, as such, their businesses are highly dependent on the state of the Philippine economy. Demand for banking services, residential real estate, automotives, electricity and insurance are all directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines as well as the amount of remittances received from OFWs and overseas Filipinos. Factors that may adversely affect the Philippine economy include:

- Decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- Scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- Exchange rate fluctuations and foreign exchange controls;
- Rising inflation or increases in interest rates;
- Levels of employment, consumer confidence and income;
- Changes in the Government's fiscal and regulatory policies;
- Government budget deficits
- Adverse trends in the current accounts and balance of payments of the Philippine economy;

- re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-CoV), SARS, avian
- Influenza (commonly known as bird flu), or H1N1, Polio, or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia;
- Natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- Political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- Other regulatory, social, political or economic developments in or affecting the Philippines.

There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Any future deterioration in economic conditions in the Philippines could materially and adversely affect the Bank's financial position and results of operations, including the Bank's ability to grow its asset portfolio, the quality of the Bank's assets and its ability to implement the Bank's business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Bank's business, financial condition and results of operations.

6.1.3 *Political instability in the Philippines could destabilize the country and may have a negative effect on the Bank's businesses.*

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. In the last decade, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of the Bank.

The national and local elections took place on 9 May 2022. On 25 May 2022, Ferdinand "Bongbong" Marcos, Jr. was officially declared by the Congress as the 17th President of the Republic of the Philippines. There can be no assurance that the prevailing administration will continue to implement social and economic policies favored by the outgoing administration. A major deviation from the policies of the outgoing administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. Political or social instability in the Philippines could negatively affect the general economic conditions and business environment in the Philippines, which could have a material adverse effect on the business, operations, and financial position of the Bank.

6.1.4 *Acts of terrorism could destabilize the country and could have a material adverse effect on the Bank's businesses, financial condition and results of operation.*

The Philippines has been subject to a number of terrorist attacks since 2000. In recent years, the Philippine army has also been in conflict with the Abu Sayyaf organization, which has ties to the al-Qaeda terrorist network, and has been identified as being responsible for certain kidnapping incidents and other terrorist activities particularly in the southern part of the Philippines. In September 2015, Canadians John Ridsdel and Robert Hall, Norwegian Kjartan Sekkingstad and Filipina Marites Flor were kidnapped from a tourist resort on Samal Island in southern Philippines by the Abu Sayyaf which demanded ransom for the hostages' release. Hall and Ridsdel were later beheaded on separate occasions in April and June 2016, respectively, after the ransom demands were not allegedly met. The fate of Sekkingstad and Flor is still unknown. After almost a year in captivity, Sekkingstad and Flor were finally released. In September 2016, the Abu Sayaff abducted Jurgen Gustav Kantner and killed his wife while the couple were sailing off the waters of the southern Philippines. Recently, Kantner was beheaded in February 2017, after ransom demands were not allegedly met. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy.

Moreover, there were isolated bombings in the Philippines in recent years, mainly in regions in the southern part of the Philippines, such as the province of Maguindanao. Although no one has claimed responsibility for these attacks, it is believed that the attacks are the work of various separatist groups, possibly including the Abu Sayyaf organization. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines and adversely affect the country's economy.

The Government of the Philippines and the Armed Forces of the Philippines have clashed with members of several separatist groups seeking greater autonomy, including the MILF, the Moro National Liberation Front and the New People's Army.

In January 2015, a clash took place in Mamasapano in Maguindanao province between the SAF of the Philippine National Police and the Bangsamoro Islamic Freedom Fighters ("**BIFF**") and the MILF, which led to the deaths of 44 members of SAF, 18 from the MILF, five from the BIFF, and several civilians, including Zulkifli Abdhir, a Malaysian national included in the US Federal Bureau of Investigation's most wanted terrorists.

On 2 September 2016, a bombing that killed 15 and injured 71 took place in Davao City, Mindanao. It is believed that the Abu Sayyaf organization and/or their allies are responsible for the bombing.

In May 2017, members of the "Maute Group", a local terrorist group with alleged allegiances to the Islamic State of Iraq and Syria, captured parts of Marawi City in Lanao del Sur to allegedly establish an Islamic State caliphate in Mindanao. In response, President Duterte issued Proclamation No. 216 declaring martial law and suspended the writ of habeas corpus over the whole island of Mindanao, allowing arrests for those connected with the crisis. The Congress has granted the request of President Duterte to extend martial law in Mindanao until 31 December 2019. On 17 October 2017, President Duterte declared the liberation of Marawi City from terrorists and the beginning of the rehabilitation of Marawi City. As of 30 October 2017, more than 1,000 people including at least 165 soldiers, 919 Maute group fighters, and 47 civilians have been killed since fighting broke out. Currently, several fundraising activities are being held by local government units to help rebuild Marawi City as well as aid families of the soldiers and policemen who were killed in the campaign to retake Marawi City from terrorists.

Similar attacks or conflicts between the Government and armed or terrorist groups could lead to further injuries or deaths of civilians and police or military personnel, which could destabilize parts of the country and adversely affect the country's economy. Any such destabilization could cause interruption to parts of the Bank's businesses and materially and adversely affect its financial conditions, results of operations and prospects.

6.1.5 Public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Bank's business, financial condition and results of operations.

In April 2009, an outbreak of the H1N1 virus, commonly referred to as "swine flu," occurred in Mexico and spread to other countries, including the Philippines. In August 2014, the World Health Organization ("WHO") declared the Ebola outbreak that originated in West Africa as an international health emergency in view of the rising death toll due to the disease. That month, a Filipino seaman in Togo was quarantined for exhibiting symptoms of Ebola virus infection but was later released after testing negative for the disease. While still Ebola-free, the Philippines, however, remains vulnerable to exposure and spread of the disease for the following reasons: a) the considerable number of OFWs in the Ebola-hit West African countries; b) the impact of international travel which raises the probability of transmission; and c) lack of the necessary infrastructure to contain the spread of the disease. In March 2016, the Director-General of WHO terminated the Public Health Emergency of International Concern in regards to the Ebola Virus Disease outbreak.

In February 2015, a Filipina nurse who arrived from Saudi Arabia tested positive for the MERS-CoV (i.e., the Middle East Respiratory Syndrome-Corona virus). She was quarantined, received medical treatment and later discharged and cleared of the disease by the Department of Health ("DOH"). All known contacts of the said nurse, including some passengers in the same flight that arrived from Saudi Arabia, were also cleared of the infection, putting the country once again free of an active case of the disease.

In March 2016, reports of an American woman who stayed in the Philippines for four weeks in January 2016, tested positive for the Zika virus upon returning home, indicating the local transmission of the disease through the Aedes aegypti mosquito. In May 2016, a South Korean national was reported to have acquired the infection while visiting the Philippines, following earlier reports of two other confirmed cases of the viral infection in the country. All of the patients had recovered, indicating that the Zika viral infection acquired in the country was self-limiting.

In August 2017, an outbreak of bird flu from a poultry farm in Central Luzon was confirmed, and the avian influenza strain was later found to be transmissible to humans. In response to the outbreak, restrictions on the transport and sale of birds and poultry products outside a seven-kilometer radius control area surrounding the affected site were imposed. The Philippines has since been cleared of any human infection of the avian influenza virus.

If the outbreak of the Ebola virus, MERS-CoV, Zika virus, bird flu, Novel Coronavirus or any public health epidemic becomes widespread in the Philippines or increases in severity, it could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Bank's business, financial condition and results of operations.

In September 2019 the DOH confirmed the re-emergence of polio in the Philippines and declared a national polio outbreak. This is after a confirmation of a Vaccine Derived Poliovirus Type 2 (VPDV2) case in a 3-year old child Mindanao. After which another case was reported in Laguna this time from a 5-year old boy. The reemergence of the disease comes 20-years after the country was declared polio free in 2000. The DOH has started to mobilize and conducted a synchronized polio vaccination in October of 2019.

In early 2020, there was an outbreak of the Novel Coronavirus (2019-nCoV), a severe flu-like coronavirus, which originated in Wuhan, China and spread to the rest of the world. As of 31 December 2020, the Philippines reported 474,064 cases of infection and 9,244 deaths.

Based on latest available data dated 08 January 2024 from the Department of Health, the Philippines reported 4,140,383 cases of infection and 66,864 deaths. Various countries (the Philippines included) are monitoring developments with regard the new variants of SARS-CoV-2, the virus that causes COVID-19, in view of their increased transmissibility that could trigger a rapid rise in the number of cases. Philippine health authorities have detected the presence of Alpha, Beta, Gamma, Delta, and Theta variants— all considered variants of concern (VOC) in the Philippines. The B.1.1.7 variant, now known as the Alpha variant, was first detected in the United Kingdom in September 2020. The B.1.351 or the Beta variant was first found in Nelson Mandela Bay, South Africa in October 2020. The P.1 or the Gamma variant was first reported by the National Institute of Infectious Diseases (NIID) in Japan. The B.1.617.2 or the Delta variant was first found in India last year. The Theta or the P.3 variant was first detected in the Philippines. Based on the epidemic curve, the country is experiencing another peak of virus cases, which can be considered a "second wave," The DOH said that in light of the continuous rise of cases, cities in virus epicenter Metro Manila are now at "high to critical risk." The unprecedented and extraordinary public health emergency brought about by the COVID-19 pandemic substantially contracted the country's gross domestic product by 9.6% in 2020 – the first (1st) annual contraction since 1998 – a year after the Asian Financial Crisis erupted, according to the Philippine Statistics Authority.

In the Philippines, the imposition of community quarantine measures from 2020 to 2022 resulted in the temporary closure of many establishments and a huge number of displaced workers.

6.1.6 An increase in interest rates could decrease the value of the Bank's securities portfolio and raise the Bank's funding costs.

An increase in interest rates could lead to a decline in the value of securities in the Bank's portfolio and the Bank's ability to earn excess trading gains as revenue. A sustained increase in interest rates will also raise the Bank's funding costs without a proportionate increase in loan demand (if at all). Rising interest rates will therefore require the Bank to re-balance its assets and liabilities in order to minimize the risk of potential mismatches and maintain its profitability.

In addition, rising interest rate levels may adversely affect the economy in the Philippines and the financial position and repayment ability of its corporate and retail borrowers, including holders of credit cards, which in turn may lead to a deterioration of the Bank's credit portfolio in addition to lower levels of liquidity in the system which may lead to an increase in the cost of funding.

Moreover, the Bank realizes income from the margin between income earned on its interest-earning assets and interest paid on its interest-bearing liabilities. As some of its assets and liabilities are re-priced at different times, the Bank is vulnerable to fluctuations in market interest rates and any changes in the liquidity position of the Philippine market. As a result, volatility in interest rates could have a material adverse effect on the Bank's financial position, liquidity, and results of operations.

Domestic interest rates in the Philippines have remained manageable since 2009, reflecting a monetary policy aimed at stimulating economic growth. In response to the 2008 Financial Crisis, central banks worldwide, including the Bangko Sentral ng Pilipinas (BSP), initiated an easing cycle. As of October 2024, the BSP maintained its key policy rates as follows: the overnight reverse repurchase (RRP) facility at 6.25%, the overnight deposit facility at 5.75%, and the overnight lending facility at 6.75%. Since the onset of the COVID-19 pandemic, the BSP implemented a cumulative rate cut of 200 basis points throughout 2020, followed by a cumulative increase of 350 basis points from May 2022 to October 2024 to combat rising inflation.

In September 2024, BSP reduced the reserve requirement ratio by 2.5 percentage points, bringing it down to 7% for universal and commercial banks as well as non-bank financial institutions with quasi-banking functions. However, with economic activity rebounding and inflationary pressures building, interest rates may face upward pressure moving forward.

Recent forecasts from the Bangko Sentral ng Pilipinas (BSP) indicate that while inflation has moderated, it remains a key concern for the Philippine economy. Based on latest available Monetary Policy Report (condensed version and dated as of August 2024), estimates of inflation within 2024 up to 2026 will likely settle within the government's target range of 2.0% to 4.0%.

With the reopening of the economy since the end of community quarantine and external factors such as the ongoing Russo-Ukrainian Conflict, (and its effects primarily on commodities such as crude oil and wheat), Unrest in the Middle East, and rising tensions in the West Philippine Sea, inflationary pressures become apparent. Such metric is a key consideration of the BSP for adjusting its key policy rates.

6.1.7 Natural or other catastrophes, including severe weather conditions, may adversely affect the Bank's business materially disrupt the Bank's operations and result in losses not covered by its insurance.

The Philippines is subject to frequent natural catastrophes over the years, including typhoons, droughts, floods, volcanic eruptions, and earthquakes. From year 2015 to 30 September 2024, there were fourteen (14) large known earthquakes in the Philippines, with magnitudes ranging from 5.5 to 7.6. On September 21, 2024, a 7.6-magnitude earthquake struck off the coast of Mindanao, triggering tsunami warnings and causing widespread damage across several provinces. Buildings, infrastructure, and roads were affected, and power outages were reported. Emergency services were deployed for rescue operations, and authorities are monitoring for aftershocks and tsunami risks. The full extent of casualties and damage is still being assessed.

Approximately twenty (20) tropical cyclones enter the Philippine Area of Responsibility yearly, an area which incorporates parts of the Pacific Ocean, West Philippines Sea and the Philippine Archipelago (with the exception of Tawi-Tawi province). Among these cyclones, ten (10) will be typhoons, with five (5) having the potential to be destructive ones. The Philippines is "the most exposed country in the world to tropical storms" according to Time Magazine.

In September 2024, Typhoon Julian made landfall in the Philippines, impacting several regions, including Luzon and the Visayas. The storm brought heavy rains and powerful winds, leading to widespread flooding and landslides. Coastal communities faced storm surges that damaged homes and infrastructure. Thousands of residents were evacuated as a precaution, with many seeking shelter in government facilities and community centers.

The Philippines also experiences occasional volcanic eruptions. Last 12 January 2020, the Taal Volcano erupted again after 42 years. The Philippine Institute of Volcanology and Seismology raised the Alert Level up to Level 4. The volcano spewed ashes across Calabarzon and even reached Metro Manila resulting in suspension of classes, work, and flights. On 14 February 2020, Alert Level was downgraded to level 2, followed by another downgrade to level 1 on 19 March 2020. However, on 9 March 2021, the Alert level was raised, once again, to level 2, followed by another increase to level 3 on 1 July 2021, and reverted to level 2 on 23 July 2021.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Bank's operations. These factors, which are not within the Bank's control, could potentially have significant effects on the Bank's branches and operations. While the Bank carries insurance for certain catastrophic events, of types, in amounts and with deductibles that the Bank believes are in line with general industry practices in the Philippines, there are losses for which the Bank cannot obtain insurance at a reasonable cost or at all. The Bank also does not carry any business interruption insurance. Should an uninsured loss or a loss in excess of insured limits occur, the Bank could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Bank's business, financial condition and results of operations.

6.1.8 Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. As a result, public shareholders of the Bank may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Bank complies with the requirements of the SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Securities Regulation Code of the Philippines (Republic Act No. 8799) (the "SRC") requires the relevant entities to have at least two independent directors or such number of independent directors as is equal to 20.0% of the Board, whichever is the lower number. The Bank currently has five (5) independent directors. Many other jurisdictions may require more independent directors.

Moreover, corporate governance standards may be different for public companies listed on the Philippine securities markets than for securities markets in developed countries. Rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well-defined and enforced in the Philippines than elsewhere, putting shareholders at a potential disadvantage. Because of this, the directors of Philippine companies may be more likely to have interests that conflict with the interests of shareholders generally, which may result in them taking actions that are contrary to the interests of shareholders.

6.1.9 Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea ("**UNCLOS**"). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China. Since March 2021, however, increasing tension in the West Philippine Sea has been triggered by the continued presence of Chinese vessels in the Philippines' exclusive economic zone. The Philippines has filed and continues to file diplomatic protests against China and has called on China to recall its ships in Philippine waters. The Philippine Navy has also deployed additional naval vessels to augment Philippine Coast Guard vessels protect the maritime territories of the Philippines.

In early August 2023, a Chinese coast guard ship used a water cannon against Philippine supply boats to prevent it from approaching Second Thomas Shoal in the Spratly Islands, where Filipino military personnel are stationed. The move, which was caught on video, outraged President Marcos, Jr. and prompted the Department of Foreign Affairs in Manila to summon the Chinese ambassador to convey a strongly worded protest. On September 2023, the Philippine coastguard removed a floating barrier at a disputed reef that was deployed by China to block Filipinos from the traditional fishing ground within the exclusive economic zone of the Philippines. In November 2023, a Chinese ship fired water cannons at M/L Kalayaan while the latter was on a resupply mission to troops stationed at BRP Sierra Madre in the Second Thomas Shoal. The Philippines also claimed that ships belonging to a Chinese maritime militia were involved in the harassment and that inflatable boats belonging to the Chinese coast guard were similarly involved. BRP Sierra Madre, a former US Navy ship, has been grounded in the contested Second Thomas Shoal (Ayugin Shoal to the Philippines and Ren'ai Reef to China) since 1999. The Philippine Embassy in Beijing has protested to the Chinese Foreign Ministry over the latest incident.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Philippine peso or increase in interest rate, may adversely affect consumer sentiment and lead to a reduction in consumer spending generally. This, in turn, could materially and adversely affect the Bank's financial condition and results of operations, and its ability to implement its business strategy and expansion plans.

6.2 CONSIDERATIONS RELATING TO THE PHILIPPINE BANKING INDUSTRY

6.2.1 The Philippine banking industry is highly competitive and increasing competition may result in declining margins in the Bank's principal businesses.

The Bank is subject to significant levels of competition from many other Philippine banks and branches of international banks, including competitors which in some instances have greater financial and other capital resources, a greater market share and greater brand name recognition than the Bank.

The recent mergers and consolidations in the banking industry, as well as the liberalization of foreign ownership regulations in banks, have allowed the emergence of foreign and bigger local banks in the market. For example, there has been increased foreign bank participation in the Philippines following the Monetary Board's lifting of the ban on granting of new licenses, as well as the amendment of banking laws with respect to the limit on the number of foreign banks. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank and United Overseas Bank being granted new licenses, and also equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. In addition, the establishment of the ASEAN Economic Community in 2015 may enhance cross-border flows of financial services (in addition to goods, capital, and manpower) among member nations. This is expected to increase the level of competition both from Philippine banks and branches of international banks. This may impact the Philippine banks' operating margins, but this would also enhance the industry's overall efficiency, business opportunities and service delivery. As of 21 October 2024, according to data from the BSP, there are a total of 44 universal and commercial banks consisting of both domestic and foreign banks operating in the Philippines.
In the future, the Bank may face increased competition from financial institutions offering a wider range of commercial banking services and products, larger lending limits, greater financial resources and stronger balance sheets than the Bank. Increased competition may arise from:

- Other large Philippine banks and financial institutions with significant presence in Metro Manila and large country-wide branch networks;
- Full entry of foreign banks in the country through any of the following modes allowed under Republic Act No. 10641 or An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for
- the Purpose Republic Act No. 7721 ("RA 10641") (approved on 15 July 2014): (a) the acquisition, purchase

or ownership of up to 100% of the voting stock of an existing bank; (b) investment of up to 100% of the voting stock in a new banking subsidiary incorporated under Philippine law; or (c) establishment of branches with full banking authority;

- Foreign banks, due to, among other things, relaxed standards which permitted large foreign banks to open branch offices;
- Domestic banks entering into strategic alliances with foreign banks with significant financial and management resources, and in some cases resulting in excess capital that can be leverages for asset growth and market share gains; and
- Continued consolidation and increased mergers and acquisitions in the banking sector involving domestic and foreign banks, driven in part by the gradual removal of foreign ownership restrictions.

There can be no assurance that the Bank will be able to compete effectively in the face of such increased competition. Increased competition may make it difficult for the Bank to continue to increase its loan portfolio and deposit base, as well as cause increased pricing competition, which could have a material adverse effect on its growth plans, margins, results of operations and financial condition.

6.2.2 *The Philippine banking sector may face another downturn, which could materially and adversely affect the Bank.*

The Philippine banking industry has demonstrated resilience and recovery from the global economic crisis, as evidenced by the steady decline in average non-performing loan (NPL) ratios—including interbank loans—from 3.6% at the end of 2010 to 3.58% in December 2019. Year after year, the Philippine banking sector has shown robust performance, with net interest income rising from ₱754.65 billion in 2022 to ₱915.55 billion in 2023, reflecting a year-on-year increase of approximately 21.32%. As of June 30, 2024, net interest income was reported at ₱505.8 billion. A significant contributor to this trend has been the reduction in provisions for credit losses on loans and other financial assets.

The Philippine banking industry may face significant financial and operating challenges. These challenges may include, among other things, a sharp increase in the level of NPLs, variations of asset and credit quality, significant compression in bank net interest margins, low loan growth and potential or actual undercapitalization of the banking system. Fresh disruptions in the Philippine financial sector, or general economic conditions in the Philippines, may cause the Philippine banking sector in general, and the Bank in particular, to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges.

6.2.3 *The Bank has to comply with strict regulations and guidelines issued by banking regulatory authorities and other authorities in the Philippines, such as the BSP, the Anti-Money Laundering Council ("AMLC"), the Philippine Deposit Insurance Corporation ("PDIC"), the Securities and Exchange Commission ("SEC"), and the BIR, and international bodies, including the Financial Action Task Force ("FATF").*

On 25 June 2021, the FATF released its grey list of countries that will be subjected to increased monitoring to prove their progress as they address strategic deficiencies in their regimes against money laundering, terrorist financing, and proliferation financing. With its inclusion in the grey list, the Philippines needs to implement the eighteen (18) action items required within the prescribed timelines to ensure the country's removal from such list. Progress reports must likewise be submitted to the FATF thrice a year. The AMLC emphasized, however, that the Philippines will not yet be subjected to countermeasures. It is only when a country fails to meet the deadlines that the FATF will call on countries to impose countermeasures against it.

The Bank's banking activities are regulated and supervised principally by, and have reporting obligations to, the BSP. The Bank is also subject to the banking, corporate, taxation and other regulations and laws in effect in the Philippines, administered by agencies such as the BIR, the SEC, the AMLC as well as international bodies such as the FATF.

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and added transparency in the Philippine banking sector. These rules include new guidelines on the monitoring and reporting of suspected money laundering activities as well as regulations governing the capital adequacy of banks in the Philippines. Institutions that are subject to Republic Act No. 9160 or the Anti-Money Laundering Act of 2001, as amended (the "AMLA"), are required to establish and record the identities of their clients based on official documents and identification of ultimate beneficial owners (UBOs) of corporate vehicles. In addition, all records of transactions are required to be maintained and stored for a minimum of ten years from the date of a transaction. Records of closed accounts must also be kept for five (5) years after their closure.

The BSP has also ordered universal, commercial and thrift banks to conduct Real Estate Stress Tests to determine whether their capital is sufficient to absorb a severe shock. The Real Estate Stress Test Limit ("REST Limit") combines a macroprudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response. Should a bank fail to comply with the prescribed REST Limits, it shall be directed to explain why its exposures do not warrant immediate remedial action. Should the same be found insufficient, the bank shall be required to submit an action plan to meet the REST Limits within a reasonable time frame. The latest regulation on the REST Limit, BSP Circular No. 1093, Series of 2020, provides that total real estate loans of universal banks and commercial banks shall not exceed 25% of the total loan portfolio of a bank, net of bank loans, excluding certain items listed in the relevant BSP regulations and the Manual. This percentage is an increase from the previous 20%.

In June 2016, the BSP implemented the Interest Rate Corridor ("IRC") which effectively narrowed the band among the BSP's key policy rates. The pricing benchmark, which used to be the Special Deposit Account ("SDA") prior to the IRC, is now replaced by the Overnight Deposit Facility ("ODF") whose rate at 1.5%, and forms the lower bound of the IRC. Meanwhile, the rate for the Overnight Lending Facility ("OLF") has replaced the Repurchase Facility ("RP"). The rate for the OLF, which forms the upper bound of the IRC, is now 2.5% under the RP. The BSP likewise introduced the Term Deposit Facility ("TDF") to serve as the main tool for absorbing liquidity through weekly TDF auctions, the frequency for which may be changed depending on the BSP's liquidity forecasts. According to the BSP, the changes from IRC are purely operational in nature to allow it to conduct monetary policy effectively.

The BIR has also promulgated rules on the submission of an Alphabetical List ("**Alphalist**") of portfolio investors receiving income payments and dividends. The BIR requires all withholding agents to submit an Alphalist of payees on income payments subject to creditable and withholding taxes and prohibit the lumping into a single amount and account of various income payments and taxes withheld. The Supreme Court, however, issued a temporary restraining order against the said BIR rule on 9 September 2014 with regard to the lumping into a single amount.

On 3 March 2021, the AMLC issued the 2021 Sanction Guidelines incorporating amendments brought about by the enactment of Republic Act No. 11479 or the Anti-Terrorism Act of 2020 and Republic Act No. 11521 or An Act Further Strengthening the Anti-Money Laundering Law, amending for the Purpose Republic Act 9160, otherwise known as the Anti-Money Laundering Act of 2001, as amended. The guidelines now cover targeted financial sanctions related to terrorism, terrorism financing, and proliferation financing, including remedies and relevant links to the appropriate United Nations Security Council Sanctions Committee.

Further, there is no assurance that the BSP or other Philippine regulators will not issue stricter or tighten regulations as a result of events affecting financial institutions in the Philippines, including the cyber heist of the Bangladesh Bank in 2016. In the event of any changes to the existing guidelines or rules, or introduction of additional regulations, the Bank, as far as applicable, will have to comply with the same and may incur substantial compliance and monitoring costs. The Bank's failure to comply with current or future regulations and guidelines issued by regulatory authorities in the Philippines and in other relevant jurisdictions could have a material adverse effect on the Bank's business, financial condition and results of operations.

6.2.4 The Bank may experience difficulties due to the implementation of Basel III in the Philippines.

On 15 January 2009, the BSP issued Circular No. 639 covering the Internal Capital Adequacy Assessment Process ("**ICAAP**") which supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. The BSP requires banks to have in place an ICAAP that (i) takes into account not just the credit, market and operational risks but also all other material risks to which a bank is exposed (such as interest rate risk in the banking book, liquidity risk, compliance risk, strategic/business risk and reputation risk); (ii) covers more precise assessments and quantification of certain risks (i.e., credit concentration risk); and (iii) evaluates the quality of capital. In 2011, the BSP issued BSP Circular 709, which aligns with the Basel Committee on Banking Supervision ("BCBS") on the eligibility criteria on Additional Group Concern Capital and Tier 2 Capital to determine eligibility of capital instruments to be issued by Philippine banks/quasi-banks as Hybrid Tier 1 Capital and Lower Tier 2 Capital. Further, in January 2013, the BSP issued Circular No. 781 as the Basel III Implementing Guidelines on Minimum Capital Requirements, which took effect in January 2014, highlights of which include:

- adopting a new categorization of the capital base;
- adopting eligibility criteria for each capital category that is not yet included in Circular 709;
- as applicable, allowing the BSP to adopt regulatory deductions in Basel III;
- keeping minimum CAR at 10%, and prescribing:
- a minimum Common Equity Tier 1 ("**CET1**") ratio of 6.0%;
- a minimum Tier 1 CAR ratio of 7.5%;
- an additional capital conservation buffer ("**CCB**") of 2.5%;
- revaluation of certain AFS securities and the impairments that could arise from trading losses;
- if the Bank is classified as "systemically important", it may be required to hold additional capital reserves;
- by 1 January 2014, rendering ineligible existing capital instruments as of 31 December 2010 that do not meet eligibility criteria for capital instruments under the revised capital framework;
- by 1 January 2016, rendering ineligible regulatory capital instruments issued under Circulars No. 709 and 716 before the revised capital framework became effective; and
- by subjecting covered banks and quasi-banks to the enhanced disclosure requirements pertaining to regulatory capital.

On 29 October 2014, the BSP issued Circular No. 856, or the "Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks ("**D-SIBs**") under Basel III" to address systemic risk and interconnectedness by identifying banks which are deemed systemically important within the domestic banking industry. Banks that will be identified as D-SIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and CCB. Identified D-SIBs will need to put up an additional 1.5 — 3.5% common equity Tier 1 depending on their classification. Compliance with this requirement was phased-in starting 1 January 2017, with full compliance required by 1 January 2019. Under Circular No. 1024 issued in January 2019, the BSP adopted the Basel III countercyclical capital buffer that required UBs and KBs to maintain a countercyclical capital buffer (CCyB) of zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant, with respect to the minimum Common Equity Tier (CET) 1 requirement. Furthermore, banks face new liquidity requirements under Basel III's new liquidity framework (which was recently amended by BSP Circular Nos. 1034 and 1035), namely, the Liquidity Coverage Ratio ("**LCR**") and the Net Stable Funding Ratio ("**NSFR**"). On 10 March 2016, the BSP issued Circular No. 905, or the "Implementation of Basel III Framework on Liquidity Standards — Liquidity Coverage Ratio and Disclosure Standards". The amendments introduced by BSP Circular No. 1035 provide enhancements to the LCR and Minimum Liquidity Ratio ("**MLR**") guidelines. In the LCR framework, the previous treatment of reporting expected cash flows for each derivative contract in gross amounts has been revised. Under the new policy, cash inflows and outflows from each derivatives contract shall now be recognized on a net basis consistent with valuation methodologies for derivatives contracts and the Basel III LCR framework. Likewise, the method for computing the MLR for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks was revised. The revised MLR computation converges with the LCR framework as interbank placements are now counted as eligible liquid assets. The LCR requires banks to hold sufficient level of high-quality liquid assets to enable them to withstand a 30 day-liquidity stress scenario, while the NSFR measures the ability of a bank to fund its liquidity needs over one year. Beginning 1 January 2018, the LCR threshold that banks will be required to meet will be 90% which will then be increased to 100% beginning 1 January 2019. During the observation period prior to 1 January 2018, banks are required to submit quarterly LCR reports for monitoring purposes. The observation period for LCR requirement for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1035 (Amendments to the Basel III Framework on Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework), during which the LCR floor of 70% will be applied. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. The observation period for NSFR for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1034 (Amendments to the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio), during which the NSFR floor of 70% will be applied. Compliance with these ratios may also further increase competition among banks for deposits as well as high quality liquid assets.

These may result in an increase in the capital adequacy requirement of the Bank. Unless the Bank is able to access the necessary amount of additional capital, any incremental increase in the capital requirement due to the implementation of ICAAP and Basel III, may impact the Bank's ability to grow its business and may even require the Bank to withdraw from or to curtail some of its current business operations, which could materially and adversely affect the Bank's business, financial condition and results of operations. There can also be no assurance that the Bank will be able to raise adequate additional capital in the future at all or on terms favorable to it. In addition, the implementation of Basel III may require the Bank to divest itself of certain non-allied undertakings. If the Bank is forced to sell all or a portion of certain subsidiaries or associates, its business, financial condition or results of operations could be adversely affected. There can be no assurance that the Bank will be able to meet the requirements of Basel III as implemented by the BSP. In addition, the limitations or restrictions imposed by the BSP's implementation of Basel III could materially and adversely affect the Bank's business, financial condition and results of operations.

Whenever the capital accounts of a bank are deficient with respect to the prescribed risk-based CAR of 10%, the Monetary Board, may impose monetary and non-monetary sanctions. The Monetary Board will also prohibit opening of new branches whenever a bank's CAR falls below 12% on a non-consolidated and consolidated basis. Likewise, it will also prohibit the distribution of dividends whenever a bank's CET1 ratio and CAR falls below 8.5% and 10% respectively.

Based on latest available data dated 30 June 2024 from the BSP and under the Revised Basel III standards (Memorandum No. M-2013-056), the Philippine universal and commercial banking industry's capital adequacy ratio (CAR) was 16.58% on a consolidated basis and 15.89% on a solo basis. As a comparison, the Bank's Tier 1 capital ratio and CAR were at 17.56% and 18.30%, respectively as of 30 September 2024.

On 04 May 2020, BSP issued Memorandum No. M-2020-039 which provides for the utilization of Basel III capital and liquidity buffers in light of the COVID-19 situation. A covered bank or QB which has built up its CCB and LCR buffer is allowed to utilize the same during the state of COVID-19 health emergency but is expected to integrate regulatory flexibilities into its internal policies and processes to ensure that these buffers are efficiently utilized. First, in relation to the CCB, the covered bank/QB which draws down 2.5% minimum.

CCB will not be considered in breach of the Basel III risk-based capital adequacy framework. When the CCB is utilized, the covered bank/QB is restricted from making distributions in the form of dividends, profit remittance in the case of a foreign bank branch, share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff. Second, for the LCR, the covered bank/QB may draw on its stock of liquid assets to meet liquidity demands even if this may cause the bank to maintain an LCR below the 100% minimum requirement. However, a bank which has recorded a shortfall in the stock of its High-Quality Liquid Assets for three banking days within any two-week rolling calendar period, thereby causing the LCR to fall below 100%, must notify the BSP of such breach on the banking day immediately following the occurrence of the third liquidity shortfall. After the COVID-19 crisis, covered banks/QB are to be given a reasonable time period to restore their Basel III CCB and LCR. The Memorandum also provides that the noncompliance by a covered bank/QB with the minimum risk-based capital adequacy ratios and the minimum 100% NSFR as a result of the COVID-19 situation will be handled on a case-by-case basis by the BSP.

In addition, the BSP issued BSP Circular No. 855 (Series of 2014) regarding guidelines on sound credit risk management practices, including the amendment on loan loss provisions on loans secured by real estate mortgages. Under the new regulations, loans may be considered secured by collateral to the extent the estimated value of net proceeds at disposition of such collateral can be used without legal impediment to settle the principal and accrued interest of such loan, provided that such collateral has an established market and a sound valuation methodology. Under the new rules, the maximum collateral value for real estate collateral shall be 60% of the value of such collateral, as appraised by an appraiser acceptable to the BSP. While this maintains existing regulations already applicable to universal and commercial banks, the collateral value cap will be particularly relevant in securing directors, officers, stockholders and related interests ("**DOSRI**") transactions and in potentially accelerating the setting up of allowable loan for losses in case a loan account gets distressed.

The BSP also clarified that the collateral cap on real estate mortgages is not the same as a loan-to-value ("**LTV**") ratio limit. Even under the new rules, the minimum borrower equity requirement remains a bank-determined policy (which, according to the BSP, averages 20% under current industry practice). Under the enhanced guidelines of the BSP however, the bank's internal policy as to minimum borrower equity will be subject to closer regulatory scrutiny as to whether the borrower equity requirement of a bank is prudent given the risk profile of its target market.

Stricter lending and prudential regulations may reduce the lending appetite of the Bank or cause the Bank to alter its credit risk management systems, which may adversely affect the Bank's business, financial condition and results of operations.

On 13 December 2018, the Monetary Board approved the adoption of the Countercyclical Capital Buffer ("**CCyB**") intended for universal and commercial banks as well as their subsidiary banks and quasi-banks. The CCyB will be complied with by the banks using their Common Equity Tier 1 ("CET1") capital. During periods of stress, the Monetary Board can lower the CCyB requirement, effectively providing the affected banks with more risk capital to deploy. During periods of continuing expansion, the CCyB may be raised which has the effect of setting aside capital which can be used if difficult times ensue. The CCyB is set initially at a buffer of zero percent, which is line with global practice. The buffer, however, will be continuously reviewed by the BSP. Banks will be given a lead time of twelve (12) months in the event that the CCyB buffer is raised. However, when the buffer is reduced, it takes effect immediately.

Although intended to strengthen banks' capital positions and thwart potential asset bubbles, the new BSP and Monetary Board regulations will add pressure to local banks to meet these additional capital adequacy requirements, which may effectively create greater competition among local banks for deposits and temper bank lending in the commercial property and home mortgage loan sectors given that banks' ability to lend to these sectors depends on their exposure to the sector and the capital levels they maintain. This may also lead banks in the Philippines to conduct capital raising exercises. Through its compliance with these regulations, the Bank's business, financial position and results of operations may be adversely affected.

On 9 March 2020, the BSP issued Circular No. 1078, approving the adoption of guidelines on correspondent banking relationships. Banks that engage in correspondent banking, which is the provision of banking services by one bank to another bank, whose relationship can either be foreign or domestic, are required to adopt policies and procedures to prevent correspondent banking activities from being used in money laundering or terrorism financing activities and must designate an officer responsible for ensuring compliance with these regulations and the bank's policies and procedures. These required policies and procedures include risk assessment of the correspondent banking relationship and due diligence on the respondent bank. The BSP may deploy enforcement actions to promote adherence to these guidelines and bring about timely corrective action.

6.2.5 The Bank's provisioning policies in respect of classified loans require significant subjective determinations, which may increase the variation of application of such policies.

BSP regulations require that Philippine banks, including the Bank, classify NPLs based on four different categories corresponding to levels of risk: Loans Especially Mentioned, Substandard, Doubtful and Loss. Generally, classification depends on a combination of a number of qualitative as well as quantitative factors such as the number of months payment is in arrears, the type of loan, the terms of the loan and the level of collateral coverage. These requirements have in the past, and may in the future, be subject to change by the BSP. Periodic examination by the BSP of these classifications may also result in changes being made by the Bank to such classifications and to the factors relevant thereto. In addition, these requirements in certain circumstances may be less stringent than those applicable to banks in other countries and may result in particular loans being classified as non-performing later than would be required in such countries or being classified in a category reflecting a lower degree of risk.

The level of provisions currently recognized by the Bank in respect of their loan portfolios depends largely on the quality of the portfolio and estimated value of the collateral coverage for the portfolio. Although the Bank has a policy to test their loan portfolios for impairment on a quarterly basis in order to ensure adequacy of provisions as needed and in line with changing market conditions, the level of the Bank's provisions may not be adequate to cover increases in the amount of their NPLs, or any deterioration in the overall credit quality of the Bank's loan portfolios, including the value of the underlying collateral. In particular, the amount of the Bank's reported loan losses may be influenced by factors beyond their control. For instance, certain accounting standards have been adopted in the Philippines based on

International Accounting Standards, which currently require the Bank's loan loss provisions to reflect the net present value of the cash flows of the loan and underlying collateral.

For the year ended 31 December 2023, the Bank booked provision for credit losses of ₱78.8 million with an increase in provision for credit losses ₱199.5 million recorded for the period ended 30 September 2024. Net NPL ratio was adjusted to 0.48% as of 30 September 2024 from 0.44% from 31 December 2023. Net NPL ratio is the result of (total non-performing loans (NPLs) less specific loan loss reserves for NPLs) divided by (total loans inclusive of interbank loans receivables).

Based on data from the BSP and as of 30 June 2024, the Philippine banking system had an outstanding loan, net of BSP Reverse Repurchase Arrangements (RRP), amounting to about ₱12.76 trillion which increased by 10.5% from approximately ₱11.54 trillion as of 31 December 2023. In terms of the banking sector's provision for credit losses on loans and other financial assets, it increased by 28.4% to ₱51.38 billion for the 3-month period ended June 2024 from ₱40.00 billion for the same period in the previous year. Bad debt written off reached ₱1.45 billion for the 3-month period ended 30 June 2024 from ₱0.29 billion for the same period in the previous year. The Philippine banking industry had a higher net income at ₱190.26 billion for the quarter ended 30 June 2024, an increase of 26.30% from ₱182.76 billion the same period in the previous year.

On 3 August 2020, Memorandum No. M-2020-061 was signed. This memorandum enjoined banks to adhere to the guidelines on credit risk management, besides being guided in the treatment of relief measures for the purposes of determining ECL, and treatment of relief measures granted by the BSP. The BSP said banks should have the same prudence in assessing the financial capacity of borrowers and in making credit decisions, under the credit risk management rules. Banks should be able to distinguish borrowers who are only facing temporary cash flow pressures from those with serious issues with their capacity to repay the loan. BSFIs are also expected to review the assumptions in their ECL models in view of the impact of the pandemic. BSFIs should use reasonable and supportable information about past events, current conditions, and the forecast of future conditions/and or outlook, without undue cost or effort. BSFIs should exercise prudent judgment in determining the qualitative and quantitative factors that should be considered in measuring ECL as well as in applying overlays or adjustments to the model.

Furthermore, the introduction of new accounting standards may result in the Bank recognizing significantly higher provisions for loan loss in the future. While the Bank believes its current level of provisions and collateral position are more than adequate to cover its NPL exposure, an unexpected or significant increase in NPL levels may result in the need for higher levels of provisions in the future.

6.2.6 Any future changes in PFRS may affect the financial reporting of the Bank's business.

PFRS continues to evolve as standards and interpretations promulgated effective 1 January 2018 and onwards come into effect.

Effective 1 January 2018, PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option ("**FVO**") is not invoked, be subsequently measured at: (a) amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal; or (b) at fair value through other comprehensive income ("**FVOCI**") if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income ("**OCI**") or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the criteria for using the FVO.

PFRS 9 also introduced a new expected loss impairment model that will require more timely recognition of expected credit losses. Under the impairment approach in PFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

PFRS 9 also replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship. The Bank adopted PFRS 9 on 1 January 2018 and, as allowed in the transition provisions of the standard, did not restate comparative information. Differences in the carrying amounts of financial assets resulting from the adoption of PFRS 9 are recognized in Retained Earnings and other comprehensive income as at 1 January 2018. Accordingly, the information presented in 2017 does not reflect the requirements of PFRS 9 and therefore is not comparable to the information presented in 2018 under PFRS 9. Additionally, as a result of the adoption of PFRS 9, the Bank adopted consequential amendments to PAS 1, Presentation of Financial Statements, which require separate presentation in the statements of income and statements of comprehensive income of interest income calculated using the effective interest method as against other interest income. This includes interest income earned from financial assets at amortized cost and debt securities at FVOCI which were both presented separately from financial assets at FVPL.

For information on the impact of adopting PFRS 9, see Note 3 to the Bank's financial statements for the year ended 31 March 2022.

PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Bank adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application on 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Bank elected to apply the standard to all contracts as at 1 January 2018.

From the sources of revenue of the Bank, recognition and measurement of these revenue streams are within the scope of PFRS 15 and, based on the identified performance obligations and delivery of such services, recognition is still aligned with the previous treatment under PAS 18.

PFRS 16 introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

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identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

The Bank adopted PFRS 16 on 1 January 2019 using the modified retrospective approach with certain transition reliefs. The Bank elected to use the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying the old standards at the date of initial application. The Bank also elected to use the recognition exemptions for short-term leases and lease contracts which the underlying asset is of low value ('low-value assets'). Upon adoption of PFRS 16, the Bank applied a single recognition and measurement approach for all leases (as lessee) except for short-term leases and leases of low-value assets. The Bank recognized lease liabilities representing lease payments and right-of-use (ROU) assets representing the right to use the underlying assets. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. ROU assets were recognized based on the amount equal to the lease liabilities adjusted for any related prepaid and accrued lease payments previously recognized.

On 28 May 2020, the International Accounting Standards Board issued Amendments to PFRS 16, COVID-19-Related Rent Concessions, which provide relief to lessees from applying PFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendments provide 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: (a) the rent concession is a direct consequence of COVID-19; (b) 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; (c) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (d) 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 amendments are effective for annual reporting periods beginning on or after 1 June 2020.

The Monetary Board, in its Resolution No. 967 dated 30 July 2020 approved the Supervisory Expectations on the Measurement of Expected Credit Losses (ECL) and the Treatment of Regulatory Relief Measures Granted amid the COVID-19 Pandemic. All BSP Supervised Financial Institutions ("BSFI") shall be guided by the supervisory expectations on the measurement of ECL under the PFRS 9 considering the uncertainties brought about by the COVID-19 pandemic. The supervisory expectations likewise set out the prudential treatment of the implementation of the mandatory grace period under Section 4(aa) of Bayanihan Act as well as the relief measures granted by the BSP under Memorandum No. M-2020-08, as amended by Memorandum No. M-2020-032 dated 27 April 2020. The supervisory expectations provide that BSFIs that will avail of the regulatory relief measures to exclude eligible loans from past due and non- performing classifications and to stagger the booking of allowance for credit losses shall continue to report actual past due and non-performing loans and allowance for credit losses in the Financial Reporting Package (FRP) and the Capital Adequacy Ratio (CAR) reports. This is to facilitate the generation of industry statistics and provide the BSP with information on the true health of the banking system.

The Bank believes that other amendments and improvement to PFRS issued effective 1 January 2019 and onwards will not have material impact on the Bank's future financial statements.

6.2.7 The sovereign credit ratings of the Philippines may adversely affect the Bank's business.

The sovereign credit ratings of the Philippines directly affect companies that are resident and domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. In 2013, the Philippines earned investment grade status from all three major credit ratings agencies — Fitch (BBB-), Standard and Poor's (BBB-) and Moody's (Baa3). In 2014, S&P and Moody's upgraded their ratings to "BBB" and "Baa2" in May and December, respectively, with both agencies affirming these ratings in 2017. Fitch also upgraded the Philippines' long-term foreign currency issuer default rating from "BBB-" to "BBB" in December 2017, while S&P raised its outlook to Positive from Stable last April 2018. S&P further upgraded the country's rating by a notch from "BBB" to "BBB+" in April 2019 brought about by the country's solid economic fundamentals. Furthermore, the three (3) credit rating agencies affirmed their respective credit ratings of the country, S&P affirmed their "BBB+" ratings on after noting the economy's recovery in 2021, and expects it to accelerate in 2022. Moody's affirmed their "Baa2" rating with a stable outlook for the Philippines in 2020, saying the country's strong fiscal position in recent years will help shield it from the impact of the coronavirus crisis. Fitch affirmed their "BBB" credit rating in 2022, and recently reaffirmed this rating in June 2024, maintaining a stable outlook. This decision reflects the Philippines' robust medium-term growth prospects, resilient banking sector, and manageable government debt levels, balanced against structural challenges such as low government revenue generation and high public debt relative to its peers.

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are resident in the Philippines, such as the Bank. There is no assurance that Fitch, Moody's, S&P or other international credit rating agencies will not downgrade the credit rating of the Philippines in the future. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including the Bank, to raise additional financing, and will increase borrowing and other costs.

6.2.8 The Philippine banking industry is generally exposed to higher credit risks and greater market volatility than that of more developed countries.

Philippine banks are subject to the credit risk that Philippine borrowers may not make timely payment of principal and interest on loans and, in particular that, upon such failure to pay, Philippine banks may not be able to enforce the security interest they may have. The credit risk of Philippine borrowers is, in many instances, higher than that of borrowers in developed countries due to:

- The greater uncertainty associated with the Philippine regulatory, political, legal and economic environment;
- The vulnerability of the Philippine economy in general to a severe global downturn as it impacts on its export sector, employment in export-oriented industries, and OFW remittances
- The large foreign debt of the Government and the corporate sector, relative to the gross domestic product ("**GDP**") of the Philippines; and
- Volatility of interest rates and U.S. Dollar/Peso exchange rates.

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Philippine banks, including the Bank, to more potential losses and higher risks than banks in more developed countries. In addition, higher credit risk generally increases the cost of capital for Philippine banks compared to their international counterparts. Such losses and higher capital costs arising from this higher credit risk may have a material adverse effect on the Bank's financial condition, liquidity and results of operations.

According to data from the BSP, the average gross NPL ratio exclusive of interbank loans for the Philippine universal and commercial banks as of the periods ended 30 September 2024, 31 December 2023, and 31 December 2022 was 3.26%, 3.03%, and 2.94% respectively.

6.2.9 Philippine banks' ability to assess, monitor and manage risks inherent in its business differs from the standards of its counterparts in more developed countries.

Philippine banks are exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk and operational risk. The effectiveness of their risk management is limited by the quality and timeliness of available data in the Philippines in relation to factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions. In addition, the information generated by different groups within each bank, including the Bank, may be incomplete or obsolete. The Bank may have developed credit screening standards in response to such inadequacies in quality of credit information that are different from, or inferior to, the standards used by its international competitors. As a result, the Bank's ability to assess, monitor and manage risks inherent in its business would not meet the standards of its counterparts in more developed countries. If the Bank is unable to acquire or develop in the future the technology, skills set and systems available to meet such standards, it could have a material adverse effect on the Bank's ability to manage these risks and on the Bank's financial condition, liquidity and results of operations.

However, BSP's early adoption of Basel III on 1 January 2014 a year ahead of the Basel Committee on Banking

Supervision's recommended implementation timeline as well as the imposition of higher limits and stricter minimum requirements for regulatory capital relative to international standards, with no transition period, are seen as efforts to boost the Philippine banking industry's resiliency and enhance its ability to absorb risks. In addition, the BSP has been prudent and conservative in setting the minimum reserve requirement compared to other regulators in the region, with a minimum reserve requirement for Peso deposit balances of 17% to be held with the BSP by 31 May 2019, 16.5% by 28 June 2019, 16% by 26 July 2019, 15% by 1 November 2019, 14% by 6 December 2019, and 12% by 28 February 2021 (compared to, for example, Indonesia, where the minimum local currency reserve requirement is 6.5% of local currency deposit balances).

6.2.10 Philippine banks' ability to assess, monitor and manage risks inherent in its business differs from the standards of its counterparts in more developed countries.

Global markets have experienced, and may continue to experience, significant dislocation and turbulence due to economic and political instability in several areas of the world. These ongoing global economic conditions have led to significant volatility in capital markets around the world, including Asia, and further volatility could significantly impact investor risk appetite and capital flows into emerging markets including the Philippines.

During the 2008 global financial crisis, global GDP bottomed. After concerted monetary easing by central banks, global growth has picked up and is now on its 10th year of expansion. Many major developed markets and China's growth are now showing signs of weakness.

Exacerbating the situation is the US/China trade war. The US have accused China of unfair trade practices and US President Trump imposed several rounds of additional tariffs on Chinese goods. This prompted China to retaliate with tariffs of their own. Both countries agreed to sit down and finalize "Phase 1" of their trade agreement, which reportedly state that China will purchase US$40-50 billion in US agricultural products annually, strengthen intellectual property provisions and issue new guidelines on how to manage their currency.

The broad ramifications of "Brexit" for the United Kingdom, the European Union and the global economy have yet to be seen, casting uncertainty on global prospects and possible volatility in financial markets.

There can be no assurance that the uncertainties affecting global markets will not negatively impact credit markets in Asia, including in the Philippines. The success of the Bank's banking business is highly dependent upon its ability to maintain certain minimum liquidity levels, and any rise in market interest rates could materially and adversely affect the Bank's liquidity levels and force it to reduce or cease its offering of certain banking and other financial services. These developments may adversely affect trade volumes with potentially negative effects on the Philippines.

6.3 CONSIDERATIONS RELATING TO THE BANK

6.3.1 Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition, and results of operations.

Ongoing global economic and political instability may cause continued market dislocation and turbulence. This volatility affects capital markets globally, including Asia, potentially impacting investor risk appetite and capital flows into emerging markets like the Philippines, as well as the price of the Bank's common shares.

Russia's invasion of Ukraine on February 24, 2022 triggered significant humanitarian issues and destruction of infrastructure. In response, major global players, including European nations, the US, Australia, and some Asian countries, imposed substantial economic and financial sanctions on Russia to disrupt funding for the war. These actions have led to trade disruptions and tensions among member nations, particularly in Europe and the US, due to dependency on Russian oil and gas exports. The conflict has also raised global oil and gas prices, impacting economies worldwide. Additionally, trade disruptions with Ukraine, a major exporter of wheat and sunflower oil, have exacerbated hunger and inflation concerns in certain regions. The banning of some Russian banks from the SWIFT system further complicated international business transactions. The long-term economic consequences of the war remain uncertain.

In March 2023, UBS Group AG ("UBS") acquired Credit Suisse Group AG ("Credit Suisse") for 3 billion Swiss francs (approximately U.S. $3.3 billion) to avert Credit Suisse's potential collapse amid a series of scandals, key personnel departures, and recent financial losses. This acquisition has elevated UBS's total assets to approximately 200% of Switzerland's GDP, posing significant systemic risk to the Swiss economy in the event of UBS's failure. Given their designation as Global Systemically Important Banks ("G-SIBs"), the collapse of either UBS or Credit Suisse could have far-reaching consequences for the global economy, potentially precipitating a global financial crisis.

In October 2023, Hamas conducted significant military operations within Israeli territory, resulting in casualties and property damage. In response, the Israeli government initiated a series of counter-attacks aimed at Gaza with the objective of implementing a complete siege of the region. Various foreign governments, including the United States, have voiced their support for Israel and committed to providing military assistance. Conversely, Arabic nations have denounced Israel's actions against Palestinians and are actively organizing anti-Israel protests. Hostilities between Iran and Israel also gradually re-escalated in 2024, with April seeing the launch by Iran of a barrage of more than 300 drones and missiles at Israel, although nearly all the weapons were shot down by Israel and its allies. Israel retaliated with a strike on a military air base in central Iran.

There is no guarantee that the prevailing uncertainties in global markets will not adversely impact credit markets in Asia, including the Philippines. The Bank's banking business success hinges greatly on its ability to uphold specified minimum liquidity thresholds. Any escalation in market interest rates could substantially affect the Bank's liquidity levels, potentially necessitating a reduction or cessation of specific banking and financial services. These shifts may also impact trade volumes, potentially posing adverse effects on the Philippines.

6.3.2 Interest rate volatility could significantly affect the Bank’s financial condition and results of operations.

A considerable portion of the Bank's assets and revenue stream is derived from monetary assets. While the Bank's trading activities are limited, primarily involving fixed income and derivative instruments to support customer banking services, these assets are exposed to typical investment risks. Factors such as market price changes, interest rates, volatility, and liquidity can lead to potential losses in specific positions or portfolios.

In the Philippines and in October 2024, the Bangko Sentral ng Pilipinas (“BSP”) cut key interest rates by another 25 basis points with (i) the target reverse repurchase rate to be at 6.0% and (ii) overnight deposit and lending facilities to be adjusted to 5.5% and 6.5% respectively.

However, the possibility of future interest rate hikes and potential interest rate cuts remains uncertain, driven by factors like inflationary pressures from robust economic growth, geopolitical tensions, and global developments. Any unexpected shifts in commodity prices may prompt the BSP to adjust policy rates to maintain price stability.

An uptick in interest rates could lead to diminished values of securities in the Bank's portfolio and reduced revenue from trading gains. Persistent rate increases may elevate the Bank's funding costs without corresponding growth in loan demand. Consequently, the Bank would need to adjust its asset and liability mix to mitigate potential mismatches and sustain profitability. Additionally, higher interest rates could negatively impact the Philippine economy and the financial health of corporate and retail borrowers, including credit card holders, potentially resulting in a deterioration of the Bank's credit portfolio and reduced liquidity levels in the system. Decreased liquidity may prompt banks to raise deposit interest rates as they compete for funds, further increasing funding costs.

6.3.3 The Bank's business is highly regulated and government policies could adversely affect the Bank’s operations and profitability.

The Bank is regulated principally by, and has reporting obligations to, the BSP. The Bank is also subject to banking, corporate and other laws in effect in the Philippines from time to time. The regulatory and legal framework governing it differs in certain material respects from that in effect in other jurisdictions and may continue to change as the Philippine economy and commercial and financial markets evolve. For example, the BSP generally prohibits any bank from maintaining financial exposure to any single person or group of connected persons in excess of 25.0% of its qualifying capital, except with respect to certain exemptions per BSP which includes those exposures to Government-related entities and transactions that are guaranteed by the Government. The Government has also imposed an agrarian reform and agriculture lending policy requiring Philippine banks to extend certain loan amounts to agrarian beneficiaries and the agricultural sectors of the country. Failure to meet the specified level of loans may result in fines being assessed against a non-compliant bank. There can be no assurance that these fines will not be substantially increased, which may have an adverse impact on its results of operations.

Also, during the normal course of operations, the Bank may be subject to routine or special audits by regulators such as the Bureau of Internal Revenue ("**BIR**"), the Anti-Money Laundering Council ("**AMLC**"), Securities Exchange Commission ("**SEC**") and international bodies, such as the Financial Action Task Force (the "**FATF**"). Any adverse findings resulting therefrom may lead to an assessment of additional liabilities and administrative proceedings, where warranted, or result in fines and penalties, or may materially impact the financial position of the Bank.

There can be no assurance that the outcome or results of these proceedings will not materially impact the Bank. In addition, there can be no assurance that the provisions made for the potential losses relating to these proceedings will be sufficient to cover any potential liabilities, the amounts of which can only be determined upon completion of due process.

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in the Philippine banking sector. These rules include new guidelines on the monitoring and reporting of suspected money laundering activities as well as regulations governing the capital adequacy of banks in the Philippines. The BSP also regulates banks' open foreign exchange position (either overbought or oversold), which refers to the extent that bank's foreign exchange assets do not match their foreign exchange liabilities. The legal limit with respect to such positions shall be the lower of 20% of a bank's unimpaired capital or US$50 million. As of 30 September 2024, the Bank's consolidated net open FX position was US$4,649,196.18. If additional rules or regulations are introduced, the Bank may incur substantial compliance and monitoring costs. If it is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties, face disruptions to its operations and face reputational damage, which could materially and adversely affect its business, financial condition and results of operations.

The BSP issued Memorandum No. M-2021-026 last 26 April 2021 as additional operational relief measures and increased the SBL from 25% to 30% effective until 31 December 2021. Based on the Bank's monitoring of the Single Borrower's Limit (SBL) set by the BSP, there is no breach in the 30% threshold as of 30 September 2024.

The Bank believes, to the best of its knowledge, that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and has established a strong compliance culture to ensure that all requirements, permits, and approvals are obtained in a timely manner.

6.3.4 The Bank is subject to credit, market, operational and liquidity risk which may have an adverse effect on its credit ratings and its cost of funds.

The Bank uses various strategies to manage its exposure to credit, market, operational and liquidity risk. In an event where these strategies are not effective, it may not be able to mitigate effectively its risk exposures, in particular to market environments or against particular types of risk. Its balance sheet growth will be dependent upon economic conditions, as well as upon its determination to securitize, sell, purchase or syndicate particular loans or loan portfolios. Its trading revenues and interest rate risk exposure are dependent upon its ability to properly identify and mark to market the changes in the value of financial instruments caused by changes in market prices or rates. Its earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for credit losses. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, it could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. A failure by the Bank to effectively manage its credit, market, operational and liquidity risk could have a negative effect on its business, financial condition and results of operations.

The Bank believes this risk can be managed through the Bank's strengths and strategies, including prudent balance sheet management, to manage credit, market, operational and liquidity risk of the business.

6.3.5 The Bank may not be successful in implementing its growth strategies.

The Bank's business strategy includes growth through organic expansion and through potential acquisitions. It plans to increase its geographic footprint in select growth areas, while expanding the range of its products and services targeting the mid-sized corporate and retail segments. Expanding its reach and increasing the number of financial products and services that it offers expose it to a number of risks and challenges including, among others, the following:

- The Bank investments in technology may not achieve the same growth in customers as opening new branches;
- New and expanded business activities may require greater marketing and compliance costs than its traditional services;
- New and expanded business activities may have less growth or profit potential than it anticipates and there can be no assurance that new business activities will become profitable at the level it desires or at all;
- The Bank may fail to identify and offer attractive new services in a timely fashion, putting it at a disadvantage to competitors;
- The Bank's competitors may have substantially greater experience and resources for the new and expanded business activities and thus it may not be able to attract customers from its competitors;
- The Bank may need to further enhance the capability of its information technology systems to support a broader range of activities;
- Economic conditions, such as rising interest rates or inflation, could hinder its expansion, particularly in the consumer loan industry; and

The Bank also intends to grow its interest-earning assets, which by nature are risky, to improve its return on assets and capital. Failure by the Bank to expand its earning asset base could have a material adverse effect on its financial performance.

In addition, new business endeavors require knowledge and expertise which differ from those used in the current business operations of the Bank, including different management skills, risk management procedures, guidelines and systems, credit appraisal, monitoring and recovery systems. The Bank may not be successful in developing such knowledge and expertise. Furthermore, managing such growth and expansion requires significant managerial, financial and operational resources, which the Bank may not be able to procure on a timely basis or at all. Its inability to successfully implement its growth strategies could have a material adverse effect on its business, financial condition, and results of operations.

The Bank believes this risk can be managed through the Bank’s strengths and strategies. For a more detailed discussion please refer to the Bank’s Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.6 An inability to manage the Bank’s growth could disrupt its business and reduce its profitability.

The Bank has experienced high growth in recent years and expects its business to grow significantly as a result of its expansion plans. It expects this growth to place significant demands on its resources, operations and management, and require it to continuously evolve and improve its operational, financial and internal controls across the organization. In particular, continued expansion increases the exposure to certain additional risks, including:

- Difficulties raising capital for expansion in light of financial market disruptions, which might increase leverage if equity funds are not available when needed;
- Difficulties arising from operating a significantly larger and more complex organization and expanding into new geographic areas and territories;
- Difficulties in the assimilation and seamless integration of the assets and operations of the expanded operations with the existing business;
- The diversion of management’s attention;
- The failure to realize expected profitability or growth in new ventures;
- The failure to realize expected synergies and cost savings;
- Difficulties arising from coordinating and consolidating corporate and administrative functions, including integration of internal controls and procedures;
- Changes in technology;

- Unforeseen legal, regulatory, contractual, labor or other issues;
- An inability to attract new talent due to limited resources in the market; and
- Increased pressure on operating expenses in the near term.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.7 An inability to manage its growth may have an adverse effect on the Bank's business and results of operations.

The business of lending carries the risk of default by borrowers and the Bank may face increasing levels of NPLs and provisions for impairment and credit losses on loans.Any lending activity is exposed to credit risk arising from the risk of default by borrowers. The Bank's results of operations may be negatively affected by the level of its NPLs. The Bank's total NPLs were ₱2.82 billion, ₱2.51 billion, ₱1.96 billion and ₱2.14 billion as of 31 December 2021, 2022, 2023, and for the 9-month period ended 30 September 2024, respectively. A number of factors affect the Bank's ability to control and reduce its NPLs, such as volatile economic conditions in the Philippines, which may adversely affect many of the Bank's customers, and may cause uncertainty regarding their ability to fulfill their loan obligations, and in effect increase its exposure to credit risk. In addition, the Bank is seeking to grow its business, particularly its earnings asset base, which would likely entail extending more loans to customers. The Bank also focuses its lending business on the mid-market corporate and retail consumer segment, which may have a higher risk of default than other segments. While it believes that it has more than adequate loan provisions, these and other factors could result in an increased number of NPLs in the future and may require it to book additional provisions for impairment and credit losses on loans. While it regularly monitors its NPL levels and has strict credit processes in place, there can be no assurance that it will be successful in reducing its NPL levels or that the percentage of NPLs that it will be able to recover will be similar to its historical recovery rates or that the overall quality of its loan portfolio will not deteriorate in the future. If it is not able to control and reduce its NPLs or recover expected amounts from NPLs, if the quality of collateral is lower than estimated or if there is a significant increase in its provisions for loan losses, the Bank's operating costs, business, financial condition, results of operations and capital adequacy could be adversely affected.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.8 Increased exposure to consumer debt could result in increased delinquencies in the Bank's loan portfolios.

The Bank has expanded its consumer loan operations, including unsecured salary loans and credit cards, and plans to continue to expand its consumer loan business in the near future. Such expansions increase its exposure to consumer debt and changes in general economic conditions affecting Philippine consumers. Accordingly, economic difficulties in the Philippines that have a significant adverse effect on Philippine consumers could result in reduced growth and deterioration in the credit quality of its personal loan portfolios. For example, a rise in unemployment or an increase in interest rates could have an adverse impact on the ability of borrowers to make payments and increase the likelihood of potential defaults, while reducing demand for consumer loans. In addition, the number of loan accounts may be negatively affected by declines in household income, public concerns about unemployment or other negative macroeconomic factors. Moreover, because it sometimes offers consumer loan products to OFWs, the consumer loan portfolio maybe affected by changes in the economic conditions of the host countries of OFW customers, which could result in delays or defaults in monthly payments. The Bank's growth strategy results in significant increases in exposures to consumer loans, the effects of adverse changes in the economic environment on its financial condition and results of operations could be exacerbated, resulting in significant losses.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.9 The Bank's allowance for impairment and credit losses may be insufficient to cover future losses and to the extent the Bank increases such allowances, its financial performance will be adversely affected.

The Bank uses the expected credit loss model provisioning as the basis for allowance for impairment. Its actual loan losses could prove to be materially different from its estimates and could materially exceed its recorded allowance for impairment and credit losses. If the Bank's actual loan losses are higher than it currently expects, its current allowance for impairment and credit losses would be insufficient. If general economic conditions in the Philippines deteriorate, causing it to change some of its assumptions and estimates, or if it is adversely affected by other factors to an extent worse than anticipated, it may have to provide an additional allowance for impairment and credit losses. If it must make additional provisions for losses it could adversely affect its business, financial condition and results of operations.

The Bank's provisioning policies in respect of classified loans require significant subjective determinations which may increase the variation of application of such policies and affect its financial condition and results of operations. Such policies may also be less stringent than those in other countries.

Regulations of the BSP require that Philippine banks classify loans that have a greater-than-normal risk into four (4) different categories corresponding to various levels of credit risk as follows: loans especially mentioned, substandard, doubtful and loss. In addition, the BSP requires banks to have in place a formal internal credit risk rating system for the underwriting and ongoing administration of corporate credit risk exposures. A bank's internal credit risk rating system must have a minimum of six (6) rating grades for unclassified accounts. Generally, the classification of loans depends on a combination of a number of qualitative and quantitative factors, such as the number of months that payment is in arrears, the type of loan, the terms of the loan and the level of collateral coverage. In compliance with these requirements, the Bank adopted its Internal Credit Risk Rating System in 2005 and continues to apply said rating system in granting all commercial loans. However, the BSP requirements regarding internal credit risk rating systems may change. Periodic examination by the BSP of these classifications in the future may also result in changes being made by the Bank to such classifications and to the factors relevant thereto.

With the implementation of PFRS 9 starting January 2018, banks are required to have an Expected Credit Loss ("**ECL**") model as the basis for allowance for impairment. The development of an ECL model may vary from bank to bank depending on a bank's portfolio mix and geographic footprint. Furthermore, considering early stages of implementation, models may change as banks are required to monitor and validate these models on a regular basis.

To mitigate this risk the Bank ensures close coordination with its external auditors and full compliance with PFRS.

6.3.10 The Bank's trading activities are subject to volatility and the Bank is diversifying away from the business.

The Bank engages in trading activities, primarily maintaining proprietary trading positions in Philippine and foreign government securities and some corporate debt securities. In the past, its gains from treasury operations have contributed significantly to its operating income and the contribution has been decreasing in recent years. Trading and securities gain/(loss) and foreign exchange gain/(loss) contributed (₱30.34) million, ₱121.10 million, ₱151.72 million, and ₱226.04 million of total operating income for the years ended 31 December 2021, 2022, 2023, and period ended 30 September 2024, respectively. Its trading gains are inherently volatile as trading securities and currencies are subject to economic, political and other conditions that may fluctuate from time to time. There can be no assurance that, in the future, the Bank will be able to realize an amount of trading gains that is similar to the gains it realized historically, that it will not incur a loss from such trading or that it will not hold on to its trading and investment securities to realize interest income, any or all of which could have a material adverse effect on the Bank's future net income. As a result of this volatility, the Bank has been proactively decreasing its dependence on trading activities while remaining to be opportunistic. With an increased number of branches and growth of the loan portfolio, the Bank's trading income is likely to become a smaller part of the Bank's operating income in the future. Risks arising both from its trading and investment strategy and general market volatility, which are beyond its control, could expose the Bank to potential losses and may materially and adversely affect its business, financial condition and results of operations.

6.3.11 The Bank may be unable to recover the assessed value of its collateral when its borrowers default on their obligations, which may expose it to significant losses.

As of 30 September 2024, the Bank's secured loans receivable represented 31.52% of its gross loans (receivables from customers), and 17.12% of the collateral on these secured loans consisted of real estate properties This portfolio of secured real estate properties gives the Bank's significant exposure to the Philippine property market and provides it with holdings in repossessed and other properties acquired ("**ROPA**"). The recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount it is likely to recover from a sale of collateral, less expenses of such sale. The Bank periodically disposes of its ROPA and other collateral in public auctions and through negotiated sales at prevailing market prices, which are largely determined by purchasers. The Philippine property market is highly cyclical, and property prices in general have been volatile. There can be no assurance that the realized value of the collateral would be adequate to cover the Bank's loans. An economic downturn, in particular, a downturn in the real estate market, could result in a fall in relevant collateral values for the Bank. Some of the valuations in respect of its collateral may also be out of date or may not accurately reflect the value of the collateral. There are no assurances that the Bank will be able to easily liquidate these ROPA in the future or any liquidation of ROPA will result in gains rather than losses. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by it, would mean that its provisions for impairment and credit losses may be inadequate and it may need to increase such provisions. There can be no assurance that the collateral securing any particular loan will protect it from suffering a partial or complete loss if the loan becomes non-performing. Any increase in the Bank's provisions for impairment and credit losses would adversely affect its business, its financial condition, results of operations and capital adequacy ratio.

In addition, the Bank may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays involved in enforcing such obligations through the Philippine legal system. To foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law. These procedures are subject to administrative and bankruptcy law requirements which may be more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to the deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, the Bank to legal liability while in possession of the collateral. These factors may also significantly reduce its ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it grants. Furthermore, it may incur expenses to maintain such properties and prevent their deterioration. In realizing cash value for such properties, it may incur further expenses such as legal fees and taxes.

PAS 16, Property, Plant and Equipment, allows the use of revaluation model or cost model in accounting for property, plant and equipment. PAS 40, Investment Property, allows the use of either fair value model or cost model in accounting for investment property. However, the BSP requires the use of cost model for statutory and prudential reporting purposes. In a May 2019 letter, the BSP commented on the Bank's use of the fair value model in its 2018 Audited Financial Statements (AFS). The Bank explained that it believed the fair value model presented the most reliable and relevant information for its investors. The Bank also mentioned that it had been using the model since 2014 as disclosed to the BSP in its annual reports and examinations since that year. After separate meetings of BSP with management, on 10 June 2019, the BSP reiterated its position that the Bank should use the "cost model" for both its AFS and prudential reports. Furthermore, BSP Circular 494 stated that buildings and non-financial assets shall be depreciated over a period not exceeding ten (10) years and three (3) years, respectively.

Accordingly, on October 1, 2019, the Bank retrospectively changed its accounting policy on property and equipment and investment properties and applied to these financial statements for the annual period ending December 31, 2019. It is important to note, however, that the deficit amounts mentioned above did not result from the Bank's operating activities but are substantially attributable to the full recognition of impairment losses for Trader's Royal Bank (TRB) assets in 2014. For statutory and prudential reporting, such impairment losses relating to the TRB assets purchased by the Bank on 9 November 2001were being recognized on a staggered basis as allowed by Monetary Board Resolution No. 619. But in 2014, to align with PFRS and sound financial management, the Bank had chosen to fully recognize the ₱2.46 billion remaining impairment losses as at 31 December 2014. On January 26,2021, the BOD approved the plan for equity restructuring to wipe out the deficit through the use of the Bank's Paid-in Surplus.

6.3.12 The Bank has significant credit exposure to certain borrowers and industries. Deterioration in the performance of any of these industry sectors or the non-performance of a substantial portion of these loans could adversely impact the asset quality of its loan portfolio and business.

The Bank has credit exposure to various industry sectors. As of 31 December 2023 and 30 September 2024, its total exposure to borrowers (or outstanding loans and receivables) was ₱109.45 billion and ₱126.12 billion, respectively. The ten largest performing borrowers in aggregate accounted for 44.08% and 39.65% of its gross loan and receivables portfolio as of 31 December 2023 and 30 September 2024, respectively. The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group, excluding Government-related entities, of connected persons in excess of 30% of its qualifying capital. As of 30 September 2024, its single borrower limit was ₱7.80 billion. As of 31 December 2023, its single borrower limit was ₱7.44 billion. In determining whether it meets the single borrower limit of the BSP, it includes exposures to related accounts (including accounts of subsidiaries and parent companies of the borrower). Its largest corporate borrower as of 30 September 2024 accounted for 5.08% of its gross loan portfolio. Credit losses on these large single borrower and group exposures could adversely affect the business, financial position and results of operation of the Bank.

As at 30 September 2024, its five (5) largest industry exposures were to (1) Electricity, gas, steam and air-conditioning supply at 30.69% (this includes Non-Renewable Energy at 17.30% (2) Renewable Energy at 13.17%), (2) Construction at 11.36%, (3) Real Estate at 16.45%, (4) Manufacturing at 8.80%, and (5) Wholesale and retail trade, repair of motor vehicles and motorcycles at 5.79%, which together comprised an aggregate of ₱92.19 billion and constituted 73.10% of its gross loans. The global and domestic trends in these industries will therefore affect its financial position. Any significant deterioration in the performance of a particular sector, driven by events outside its control, such as regulatory action or policy announcements by the Government or the general condition of the domestic and global economies, would adversely impact the ability of borrowers in that industry to service their debt obligations to the Bank, and in turn would adversely affect its business and results of operations.

6.3.13 The Bank relies principally on short-term deposits for its funding needs.

The Bank's funding needs are principally satisfied from demand, savings and time deposits, and to a smaller extent, borrowings from other banks and unsecured unsubordinated debt. As of 30 September 2024, ₱188.56 billion of the Bank's funding needs were sourced from deposits and the remaining ₱13.73 billion from bonds payable, other liabilities, manager's checks, financial liabilities at FVPL, and accrued Expenses.

Although its deposits have historically been a stable source of funding for the Group, no assurance can be given that this will continue to be the case in the future. In the event a substantial number of its depositors withdraw, or do not roll over their deposits, or if other banks do not lend short term funds to the Bank as they have in the past, its liquidity position could be adversely affected, which could result in its inability to fund its loan portfolio and may require the Bank to seek alternative sources of funding. It can provide no assurance as to the availability or terms of such funding. To the extent it is unable to obtain sufficient funding on acceptable terms or at all, the Bank's liquidity and financial condition and results of operations will be adversely affected.

6.3.14 The Bank's dependency on SMC ecosystem

As of 30 September 2024, loans to the SMC ecosystem account less than 17% of the Bank's loan portfolio. The Bank's exposure to the SMC ecosystem is monitored on a regular basis. On top of this, performance of stress testing is done to assess the Bank's capacity to absorb potential negative impact from these exposures. Stress test results show that a significant deterioration of the SMC ecosystem accounts can be absorbed by the Bank while still meeting its capital adequacy requirements. Exposures coming from each entity included in the SMC ecosystem are also evaluated to ensure that risks are managed appropriately.

6.3.15 The Bank may not be able to match the technology of its competitors.

The Bank is heavily reliant on technology in certain business operations and uses technology to differentiate its products and services from those of its competitors. While the Bank aims to remain at the forefront of technology banking in the Philippines, there are no significant barriers that prevent its competitors from adopting a similar strategy for their products and services. Accordingly, there can be no assurance that it will be able to maintain its technological advantage over its competitors. Furthermore, it may need to incur a significant amount of research and development and/or capital expenditures to maintain its technological advantage. Failure to maintain its technological advantage or its brand image may have a material adverse impact on its fee-based revenue and its ability to attract new deposits from affluent retail and corporate customers, which in turn may lead to an increase in costs of funding and a loss of business and result in a material adverse effect on its business, financial condition and results of operations.

Moreover, the banks compete with expanding financial technology (fintech) solutions covering (i) mobile payment or e-wallet applications such as but not limited to GCash and PayMaya and (ii) peer-to-peer lending platforms, among others. The trend of increasing usage of these digital solutions has been accelerated by the lockdowns and movement restrictions brought about by the COVID-19 pandemic. In addition, with the objective of achieving an efficient, inclusive, safe, and secure digital payments ecosystem, the BSP launched its Digital Payments Transformation Roadmap for 2020 to 2023 which led to the setup of a digital banking framework recognizing digital banks as a separate category and indicating the requirements for establishing a digital bank.

Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branches. Just like traditional banks, they are allowed to grant loans, accept deposits, invest in securities, issue credit cards, and buy and sell foreign exchange currencies, among others.

As of 30 September 2024, the BSP has granted six (6) digital bank licenses: (i) Overseas Filipino Bank, (ii) Tonik Digital Bank, Inc., (iii) UNObank, (iv) UnionDigital Bank, (v) GoTyme Bank, and (vi) Maya Bank. These are in addition to banks offering no-branch banking services through their respective mobile apps such as CIMB Bank Philippines which both provide all-online retail banking services despite having existing commercial and universal banking licenses respectively. Beginning 01 January 2025, the BSP will open applications for up to four (4) new digital bank licenses, allowing for a maximum of ten (10) digital banks to operate in the country at any given time.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.16 The Bank may fail to upgrade or effectively operate its information technology systems.

The Bank's businesses are heavily dependent on the ability to timely and accurately collect and process a large amount of financial and other information across numerous and diverse markets and products at its various branches, at a time when transaction processes have become increasingly complex with increasing volume. The proper functioning of its financial control, risk management, accounting or other data collection and processing systems, together with the communication networks connecting its various branches and offices is critical to its business and its ability to compete effectively. It has centralized the database in respect of its domestic business through the adoption of a core banking system that provides the capability of online real-time transaction processing and accessible in various electronic channels, including ATMs, internet banking, and mobile banking. Any failure in the Bank's systems or to implement new systems, particularly for retail products and banking transactions could have a negative effect on its business, financial condition and results of operations.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.17 The Bank's failure to manage risks associated with its information and technology systems could adversely affect its business.

The Bank is subject to risks relating to its information and technology systems and processes. The hardware and software used by the Bank in its information technology are vulnerable to damage or interruption by human error, misconduct, malfunction, natural disasters, power loss, sabotage, computer viruses or the interruption or loss of support services from third parties such as internet service providers, ATM operators and telephone companies. Any disruption, outage, delay or other difficulties experienced by any of these information and technology systems could result in delays, disruptions, losses or errors that may result in loss of income and decreased consumer confidence in the Bank. These may, in turn, adversely affect its business, financial condition and results of operations.

The Bank also seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by its increased use of the internet. For example, in connection with the installation, maintenance and upgrading of new technology systems, the Bank grants third party access to its systems and there can be no assurance that such access will not result in security breaches or other disruptive problems. Computer break-ins and security breaches would affect the security of information stored in and transmitted through these computer systems and network infrastructure. The Bank employs security systems and maintains operational procedures to prevent break-ins, damage and failures. The potential for fraud and securities problems is likely to persist and there can be no assurance that these security measures will be adequate or successful. The costs of maintaining such security measures may also increase substantially. Failure in security measures could have a material adverse effect on its business, financial condition and results of operations. To mitigate this risk, the Bank has a Managed Security Operations Center (MSOC), a centralized outsourced function employing people, process, and technology to continuously monitor and improve the Bank's security posture while preventing, detecting, analyzing, and responding to cybersecurity incidents.

The Bank also performs regular vulnerability assessment and penetration testing to assess the security measures, identify all risks to the security information, evaluate the safeguards and controls of the Bank to deter advanced persistent threats, and identify the risk level the Bank is currently exposed to so that an appropriate set of response to and mitigation of those weaknesses can be deployed. A constant "Information Security Training and Awareness" system is also in place designed to help the Bank's employees understand the role they play in helping to combat information security breaches. The training program includes an orientation for all newly hired employees, refresher training, annual examinations, simulated phishing exercises and monthly risk advisories.

The Bank follows the NIST Cybersecurity Framework, a set of guidelines and best practices that helps the Bank continuously build and improve its cybersecurity posture. The framework puts forth sets of recommendations and standards that enables the Bank to be better prepared in identifying and detecting cyberattacks, and provides guidelines on how to respond, prevent, and recover from cyber incidents.

Even with all these controls in place, the Bank still encounters occasional issues such as third parties using phishing techniques to get login data from customers. There have also been hacking attempts to retrieve and use credit card information. Fraud amounts have been within the Bank's risk appetite and there have been no mass incidents of fraud affecting more than a handful of its customers.

6.3.18 The Bank is subject to interest rate risk.

The Bank realizes income from the margin between interest-earning assets (due from BSP, due from other banks, interbank loans receivable and securities purchased under resale agreement with BSP, trading and investment securities and loans and receivables), and interest paid on interest-bearing liabilities (deposit liabilities, bills payable and subordinated debt, and other forms of borrowings). The business of the Bank is subject to fluctuations in market interest rates as a result of mismatches in the re-pricing of assets and liabilities. These interest rate fluctuations are neither predictable nor controllable and may have a material adverse impact on the operations and financial condition of the Bank by affecting its interest income, cost of funding and general performance of its existing loan portfolio and other assets. In a rising interest rate environment, if it is not able to pass along higher interest costs to its customers, it may negatively affect its profitability. If such increased costs are passed along to customers, such increased rates may make loans less attractive to potential customers and result in a reduction in customer volume and hence operating revenues. Increased interest rates on the Bank's customers' floating rate loans can also potentially negatively affect the Bank's business by increasing default rates among the Bank's borrowers, which could in turn lead to increases in the Bank's NPL portfolio and its real and other properties acquired. Likewise, rising interest rates may impact the value of the Bank's investment securities resulting in unrealized marked to market losses in its trading and FVOCI investment portfolios. Furthermore, the Bank may suffer trading losses as a result of the decline in value of these securities. Finally, continued increases in market interest rates could adversely affect the liquidity levels of the Bank and the Philippine banking industry in general, which have in recent years been supported by the relatively low-interest rate environment in the Philippines. In a decreasing interest rate environment, potential competitors may find it easier to enter the markets in which it operates and to benefit from wider spreads. As a result, fluctuations in interest rates could have an adverse effect on its margins and volumes and in turn adversely affect its business, financial condition and results of operations.

To measure interest rate risk, the Bank's Risk Management Division uses internally developed models such as Value-at-Risk (VAR) and Earnings-at-Risk (EAR). These models are subject to independent model validation in addition to yearly audit. Interest rate risk is managed by comparing exposures against Board Risk Oversight Committee (BROC) approved limits such as stop loss, position, delta sensitivity, VAR, repricing gap and EAR limits. Compliance with these limits is regularly reported to the Asset Liability Committee and the BROC.

For pre-termination and prepayment risk in particular, like all banks, the Bank is subject to time deposit pretermination and loan pre-payment. The Bank incorporates these two risks in our EAR model using behavioral assumptions using historical customer behavior. The Bank sets limits for EAR for guidance to manage such risk.

Given the rising interest rate environment, pre-payment/pre-termination risk is seen to be minimal as customers have preferred to stay with their existing lower rates.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.19 The Bank is subject to foreign exchange risk.

As a financial organization, the Bank is exposed to foreign exchange risk. Movements in foreign exchange rates could adversely affect its business, financial condition and results of operations. The foreign exchange transactions of Philippine banks are subject to stringent BSP regulation. Under BSP guidelines, the Bank is required to provide 100.0% foreign asset cover for all foreign currency liabilities in its Foreign Currency Deposit Unit ("**FCDU**") books. As of 30 September 2024, the Bank had ₱26,964,991,976 of assets and ₱26,805,124,371 of liabilities in FCDU books, primarily in U.S. dollars. The decline in the value of the peso against foreign currencies, in particular, the U.S. dollar may affect the ability of the Bank's customers or the Government to service debt obligations denominated in foreign currencies and, consequently, increase NPLs. Conversely, increases in the value of the peso can depress the export market which can negatively affect the ability of the Bank's customers to repay their debt obligations or may reduce credit quality or demand. There can be no assurance that the peso will not fluctuate further against other currencies and that such fluctuations will not ultimately have an adverse effect on the Bank.

6.3.20 The Bank's business, reputation and prospects may be adversely affected if the Bank is not able to detect and prevent fraud or other misconduct committed by the Bank's employees or outsiders on a timely basis.

The Bank is exposed to the risk that fraud and other misconduct committed by employees or outsiders could occur. Such incidences may adversely affect banks and financial institutions more significantly than companies in other industries due to the large amounts of cash that flow through their systems. Any occurrence of such fraudulent events may damage the reputation of the Bank and may adversely affect its business, financial condition, results of operations and prospects. In addition, failure on the part of the Bank to prevent such fraudulent actions may result in administrative or other regulatory sanctions by the BSP or other Government agencies, which may be in the form of suspension or other limitations placed on the Bank's banking and other business activities. The Bank believes it has in place certain internal control procedures to prevent and detect fraudulent activities. However, these may be insufficient to prevent such occurrences from transpiring. There can be no assurance that it will be able to avoid incidents of fraud in the course of its business.

6.3.21 The Bank's ability to assess, monitor and manage risks inherent in its business differs from the standards of its counterparts in more developed countries as well as larger banks in the Philippines.

The Bank is exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk and operational risk. The effectiveness of its risk management is limited by the quality and timeliness of available data in the Philippines in relation to factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions. In addition, the information generated by different groups within the Bank may be incomplete or obsolete. It may also have developed credit screening standards in response to such inadequacies in quality of credit information that may be different from, or inferior to, the standards used by its international competitors as well as larger banks with greater resources in the Philippines. The Bank's ability to assess, monitor and manage risks inherent in its business may not meet the standards of larger, more established Philippine banks or its counterparts in more developed countries. If the Bank is unable to acquire or develop in the future the technology, skill sets and systems necessary to attain such standards, or if its standards are not as rigorous as international standards or comparable to larger more established Philippine banks that have greater resources than the Bank, it could have a material adverse effect on its ability to manage these risks, ability to grow and on its business, financial condition and results of operations.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.22 The Bank relies on certain key management and senior executives and the loss of any such key individuals or the inability to attract and retain other highly capable individuals may negatively affect its business.

The Bank's success depends upon, among other factors, the retention of its key management and senior executives and upon its ability to attract and retain other highly capable officers. The loss of some of its key management, senior executives or an inability to attract or retain other key individuals could materially and adversely affect its business, financial position and results of operations.

In addition, the Bank's successful implementation of its branch network growth strategy will rely on its ability to identify and attract qualified management and other personnel. In the past, it has faced challenges in hiring and retaining such personnel, and a failure to do so in the future could adversely affect the expansion of the Bank's network and achieving related strategic objectives such as expanding the Bank's deposit and customer base.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.23 The Bank's growth is dependent on its ability to attract and retain employees.

A substantial portion of the Bank's business is conducted and obtained through its branch network. The Bank, as well as several other Philippine banks, intends to significantly increase the size and scope of its branch network. As a result, competition for branch employees is intense. If the Bank is unable to attract new employees, its growth and expansion plans could be adversely affected. In addition, if the Bank is unable to retain its current group of well-trained employees, its business could be materially and adversely affected. Although there is significant competition for bank employees from other financial institutions in the Philippines, the Bank may be unable to increase the compensation of, or provide additional incentives to, its current or potential employees. Increased compensation rates paid to its employees will also increase its operating costs and reduce profitability. There can be no assurance that it will succeed in attracting and retaining employees in the future.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on Section 8.5 and Strategies on Section 8.6 of the Offering Circular. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

6.3.24 If the Bank were not to comply with FATCA, this may cause material and adverse impact on the Bank's business, financial conditions and results of operations.

FATCA is the Foreign Account Tax Compliance Act enacted into law in the U.S. on 18 March 2010 as part of the Hiring Incentives to Restore Employment Act. It is a new regime for finding income overseas as a response to a landmark court case in which a large international bank agreed to pay $780 million in fines for their role in assisting U.S. citizens in evading income taxes.

FATCA impacts a number of organizations and individuals. It first affects U.S. persons with income abroad. Secondly, foreign financial institutions ("**FFIs**") that invest in U.S. markets will be impacted as well as U.S. financial institutions that do business with FFIs. Additionally, local government and taxing authorities in each country will see the effects of the act as well. It also brought forth an expansion of tax reporting for non-resident aliens.

An FFI will have to set up a process to identify U.S. accounts as part of its on boarding procedures. Once that is in place, it will also have to identify any current accounts with U.S. indicia. Additionally, there is a need to set up a process to monitor account changes for indicia of U.S. status.

After the identification of impacted accounts, an FFI will have to collect documentation on each of these accounts to prove whether or not they are a U.S. person. If they are not a U.S. person and the FFI has the appropriate documentation, the FFI's obligations have been fulfilled. If they are a U.S. person, the FFI's next move will depend on the country that has jurisdiction over the FF. By default, the Participating Foreign Financial Institutions ("**PFFIs**") in countries without an intergovernmental agreement will directly report to the US Internal Revenue Service ("**IRS**").

There is a requirement for PFFIs to withhold 30% of income from recalcitrant account holders in order to comply with FATCA. A recalcitrant account holder is one who fails to comply with reasonable requests pursuant to IRS mandated verification and due diligence procedures to identify U.S. accounts, to provide a name, address and TIN or fails to provide a bank secrecy waiver upon request.

Specific to the Bank's compliance with FATCA, the Bank and its subsidiaries registered on 30 June 2014 as an Expanded Affiliate Group i.e., the Bank (lead financial institution) and subsidiaries. The Bank subsequently updated its FATCA status and registered as a Reporting Financial Institution under a Model 1 Intergovernmental Agreement ("**IGA**"). The Bank's FATCA ID and Global Intermediary Identification Number is TGJ QCS.99999.SL.608.

Under the IGA, the Secretary of Finance or Commissioner of Internal Revenue is the competent authority to receive FATCA information for reporting to the U.S. Internal Revenue Service. FATCA reporting will not take place until the PH-US FATCA IGA has been concurred by the Philippine Senate and has entered into force.

6.3.25 Changes to regulations and guidelines issued by regulatory authorities in the Philippines, including the Bureau of Internal Revenue may have an adverse impact on the Bank.

Philippine banks also face the threat of being assessed for documentary stamp tax upon their issue of passbooks for higher interest rate deposits. The Court of Tax Appeals has, in several cases against other Philippine banks, affirmed the BIR's position that passbooks for higher interest rate deposits having the essential features of a certificate of deposit are subject to the documentary stamp tax imposed on certificates of deposit. These proceedings are currently on appeal and if the BIR's position is upheld it could result in the Bank's taxation charge being increased.

In addition, new taxation regulations issued by the BIR may have an adverse effect on the Bank. If the Bank is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties and its business reputation may suffer, which could have a material adverse effect on its business, financial position and results of operations.

6.3.26 The Bank is subject to credit, market, operational and liquidity risk which may have an adverse effect on its credit ratings and its cost of funds.

The Bank uses various strategies to manage its exposure to credit, market, operational, and liquidity risk. In an event where these strategies are not effective, it may not be able to mitigate effectively its risk exposures, in particular to market environments or against particular types of risk. Its balance sheet growth will be dependent upon economic conditions, as well as upon its determination to securitize, sell, purchase, or syndicate particular loans or loan portfolios. Its trading revenues and interest rate risk exposure are dependent upon its ability to properly identify and mark to market the changes in the value of financial instruments caused by changes in market prices or rates. Its earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for credit losses. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, it could suffer higher than anticipated losses. The successful management of credit, market, and operational risk is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. A failure by the Bank to effectively manage its credit, market, operational, and liquidity risk could have a negative effect on its business, financial condition, and results of operations.

6.4 CONSIDERATIONS RELATING TO THE BONDS

6.4.1 The Bonds have no preference under Article 2244(14) of the Civil Code.

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14)(a) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorised to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument.

No other loan or other debt facility currently or to be entered into by the Bank shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or holder hereinafter have a preference or priority over the Bonds as a result of notarization, then the Issuer shall at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds as may be practicable.

6.4.2 Philippine Deposit Insurance Corporation (PDIC) Insurance Coverage of the Bonds

The Bonds are not considered bank deposits, and as such are not insured with the PDIC.

6.4.3 Limited right to accelerate

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, enforceable according to the Terms and Conditions, and shall at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

The rights of the Holders are limited in certain respects. If any one or more Acceleration Events shall have occurred and be continuing, then any Holder may, by notice to Issuer and the Registrar and Paying Agent, declare the principal and all accrued interest (including default interest, as specified in the Terms and Conditions) on the Bonds held by such Holder and other applicable charges thereon (including any incremental taxes that may be due on the interest income already earned under the Bonds) immediately due and payable. Upon such declaration, such amount shall be immediately due and payable by the Issuer, without need for any further presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Issuer, and, without prejudice to the other remedies available to the other holders. As defined in the Terms and Conditions, "Acceleration Events" include loss of the Issuer's primary corporate franchise or other material licenses, payment default, insolvency or dissolution, and cross-default.

With respect to Events of Default not constituting an Acceleration Event, only Holders representing at least a majority of the then aggregate outstanding principal amount of the Bonds may, by notice to Issuer and the Registrar and Paying Agent, declare the principal and all accrued interest (including default interest, as specified in the Terms and Conditions) on the Bonds and other applicable charges thereon (including any incremental taxes that may be due on the interest income already earned under the Bonds) immediately due and payable. Upon such declaration, such amount shall be immediately due and payable by the Issuer, without need for any further presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Issuer, and, without prejudice to the other remedies available to the other holders. See "Terms and Conditions" for further details.

6.4.4 Limited Liquidity of the Bonds

The Issuer intends to list the Bonds for trading in PDEx. No assurance can be given that an active trading market for the Bonds will develop. Even if such a market were to develop, the Bonds could trade at prices that may be higher or lower than the price at which the Bonds are issued depending on many factors, among them:

- prevailing interest rates,
- the Issuer's results of operations and financial condition,
- political development in the Philippines,
- market for similar securities, and
- financial condition and stability of the banking sector.

Upon listing of the Bonds with PDEx, investors shall course their secondary market trades through the trading participants of PDEx for execution in the PDEx Trading Platform in accordance with the PDEx Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and must settle such trades on a Delivery versus Payment (DvP) basis in accordance with PDEx Settlement Rules and Guidelines. These Settlement Rules and Guidelines include guidelines on minimum trading lots and record dates. The secondary trading of Bonds in PDEx may be subject to such fees and charges of PDEx, the trading participants of PDEx, and other providers necessary for the completion of such trades. The PDEx rules and conventions are available in the PDEx website (www.pds.com.ph). An investor Frequently Asked Questions ("FAQ") discussion on the secondary market trading, settlement, documentation and estimated fees are also available in the PDEx website.

As with other fixed income securities, the Bonds trade at prices higher or lower than the initial offering price due to prevailing interest rates, the Bank's operations, and the overall market for debt securities, among others. It is possible that a selling CD holder would receive sales proceeds lower than his initial investment should a CD holder decide to sell his Bonds prior to maturity.

Subject to the Terms and Conditions, the Bonds cannot be pre-terminated at the instance of any CD holder before Maturity Date. However, the Bank may, subject to the General Banking Law of 2000, Subsection X233.9 of the MORB and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding Bonds on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus interest accrued and unpaid up to but excluding the Early Redemption Date.

6.4.5 Secondary Transfers

All transfers or assignments of the Bonds shall be coursed through a PDEx Trading Participant, subject to PDEx Rules. Consequently, the parties to a transfer may be subject to the guidelines of Exchange and the payment to the relevant fixed income exchange and the Registrar and Paying Agent of any reasonable fees and applicable taxes. There is no assurance that the secondary trading of the Bonds may not be affected given these restrictions.

Any transfer between investors with a different tax status with respect to the Bonds will be subject to applicable rules as may be issued from time to time by the Exchange.

6.4.6 Issuance and Transfer Restrictions

The Bonds may not be issued or transferred to (i) the Issuer; (ii) the subsidiaries or affiliates of the Issuer; (iii) wholly or majority-owned or controlled entities of such subsidiaries and affiliates of the Issuer; or (iv) any other Prohibited Holders. The Registrar is authorized to refuse any transfer or transaction in the Registry Book that may be in violation of these restrictions. There is no assurance that the secondary trading of the Bonds may not be affected given these restrictions.

6.4.7 New tax legislation could result in the removal of the existing tax exemption and/or the imposition of a different tax rate for instruments such as the Bonds, both of which could affect the expected yield of holders.

Under current tax laws and regulations, interest income derived by (i) an individual citizen (resident or non-resident) or (ii) a resident alien or non-resident alien engaged in trade or business in the Philippines is currently subject to withholding tax at the rate of 20%. However, if the Bonds qualify as long-term investments under current tax regulations (*e.g.*, if have a tenor of more than five years and certain other conditions are met), interest derived by such individuals from the Bonds may be exempt from income tax (see "Philippine Taxation" section for a discussion on the taxation of the Bonds).

Package Four of the Tax Reform for Acceleration and Inclusion ("**TRAIN**") ("**TRAIN Package 4"**) or House Bill ("**HB**") No. 4339, also known as the Passive Income and Financial Intermediary Taxation Act ("**PIFITA**") was passed by the House of Representatives on third reading. As of 5 November 2024, it is undergoing committee hearings at the Senate. Once enacted, PIFITA will introduce reforms to the taxation of passive income, financial intermediaries, and financial transactions. One of the reforms introduced is the unification the tax rates of passive income through the imposition of a uniform rate of 15% (which would be a reduction from the prevailing from 20%) on interest income, dividends, and capital gains on the sale of shares of stock. However, there is no assurance that HB No. 4339 will be passed into law, or in what form such a law may take.

Under the terms of the Bonds, if any payments of principal and/or interest under the Bonds shall be subject to deductions or withholding for or on account of any taxes, duties, assessments, or governmental charges of whatever nature (including any additional or new taxes, duties, assessments, or governmental charges arising from changes in tax laws (e.g., PIFITA) and regulations or from changes in the interpretation thereof) that may be levied, collected, withheld, or assessed by or within the Philippines or any authority therein or thereof having the power to tax, including but not limited to documentary stamp, income, value-added or similar taxes, including interest, surcharges, and penalties thereon then all such taxes shall be for the account of the relevant Bondholder. As issuer of the Bonds, the withholding of final tax on the interest due on the Bonds is the responsibility of the Bank pursuant to Section 57 of the National Internal Revenue Code, Section 2.57 of Revenue Regulations No. 2-98, BIR Revenue Regulations No. 11-2018 (see "Philippine Taxation" section for a discussion on the taxation of the Bonds).

A potential investor should consult tax advisers to assess the potential effects of the PIFITA on the Bonds, before making any investment decision.

6.4.8 The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. Each potential investor should:

- have enough knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, the appropriate analytical tools to evaluate, in the context of its financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have enough financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either individually or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments and investors may purchase such instruments as a way to manage risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Investors may purchase Bonds to manage risk or enhance yields. A potential investor should not invest in the Bonds unless it has the expertise (either individually or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

6.4.9 The Bonds are subject to tax

See "Philippine Taxation" section for a discussion on the taxation of the Bonds.

As part of the Duterte administration's 10-point socioeconomic agenda, a comprehensive tax policy and administration reform is sought to be implemented. Said tax reform plan proposes significant changes to the tax system that will purportedly reduce tax rates, the impact of which will be compensated by measures that will broaden tax base. Thus, in late 2016, the Department of Finance ("**DOF**") submitted to Congress the first of six packages that make up its comprehensive tax reform plan, commonly known as the TRAIN bill. Package One of the TRAIN bill was signed into law in December 2017.

Package Four of the Tax Reform for Acceleration and Inclusion ("**TRAIN**") ("**TRAIN Package 4"**) or House Bill No. 4339, also known as the Passive Income and Financial Intermediary Taxation Act "(**PIFITA"**), has introduced reforms to the taxation of passive income, financial intermediaries, and financial transactions. One of the reforms introduced is the unification the tax rates of passive income through the imposition of a uniform rate of 15% (which would be a reduction from the prevailing 20%) on interest income, dividends, and capital gains on the sale of shares of stock. On 14 November 2022, the House of Representatives passed House Bill ("**HB"**) No. 4339, or Package 4 of the TRAIN bill, on its third reading. Before HB No. 4339 can become effective, it needs to be considered and approved by the Senate, which may impose revisions. As of 5 November 2024, HB No. 4339 is undergoing committee hearings at the Senate.

Under the terms of the Bonds, if any payments of principal and/or interest under the Bonds shall be subject to deductions or withholding for or on account of any taxes, duties, assessments, or governmental charges of whatever nature (including any additional or new taxes, duties, assessments, or governmental charges arising from changes in tax laws (e.g., PIFITA) and regulations or from changes in the interpretation thereof) that may be levied, collected, withheld, or assessed by or within the Philippines or any authority therein or thereof having the power to tax, including but not limited to documentary stamp, income, value-added or similar taxes, including interest, surcharges, and penalties thereon then all such taxes shall be for the account of the relevant Bondholder.

Currently, interest income derived by Philippine residents from the Bonds is generally subject to a final withholding tax of 20% (the applicable tax rate depends on the circumstances of the recipient, and is subject to certain exceptions – see "Philippine Taxation" section for a discussion on the taxation of the Bonds). In the event that TRAIN Package 4 imposes a different rate of tax for instruments such as the Bonds, the Bondholders' expected yield may be affected.

There is no assurance that HB No. 4339 will be passed into law, or in what form such a law may take. HB No. 4339 is not final and it may be superseded or amended in such a manner that may impose different rates or different means or measures of taxation, entirely and no assurance can be given that any final tax measures enacted into law would be favourable to the Bondholders. All sums payable by the Bank to tax-exempt persons shall be paid in full without deductions for Taxes or government charges, subject to the submission by the relevant Holder claiming the exemption of reasonable and acceptable evidence of such exemption to the Bank through the Registrar and Paying Agent (see "Philippine Taxation" section for a discussion on the taxation of the Bonds).

As issuer of the Bonds, the withholding of final tax on the interest due on the Bonds is the responsibility of the Bank pursuant to Section 57 of the National Internal Revenue Code, Section 2.57 of Revenue Regulations No. 2-98, BIR Revenue Regulations No. 11-2018.

6.4.10 The credit ratings assigned to the Bank or the Bonds may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Bank, an issue or Bonds and/or the Programme. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Bonds and/or the Programme. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

6.5 CONSIDERATIONS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF BONDS

Bonds with different features may be issued under the Programme. A number of these Bonds may have features which contain particular risks for investors. Set out below is a description of certain such features of the Bonds and associated risks.

6.5.1 Bonds subject to optional redemption by the Bank

An optional redemption feature of Bonds is likely to limit their market value. During any period when the Bank may elect to redeem Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Bank may be expected to redeem Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

6.5.2 Fixed/Floating Rate Bonds

Fixed/Floating Rate Bonds are Bonds which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Bank has the right to effect such a conversion, this will affect the secondary market and the market value of the Bonds since the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Bond may be less favorable than then prevailing spreads on comparable Floating Rate Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Bonds. If the Bank converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Bonds.

6.5.3 Bonds issued at a substantial discount or premium

The market values of securities issued at a substantial discount (such as Zero Coupon Bonds) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

6.5.4 The Bonds are being issued on Philippine Dealing and Exchange Corp. ("PDEx") and the Bank has decided to utilize the Electronics Securities Issue Portal ("e-SIP")

The Bonds will be listed on PDEx and registered with the Philippine Depository & Trust Corp. ("**PDTC**") using the e-SIP platform. This web-based system, managed by Philippine Dealing System Holdings Corp. ("**PDS**") simplifies the issuance process for fixed-income instruments. The e-SIP enables electronic submission of documents for the listing and registration of bondholders.

The Issuer, Registrar, and Paying Agent have executed a Registry and Paying Agency Agreement dated 24 June 2022, binding the Issuer to the Terms of Use of e-SIP. By using e-SIP, the Issuer will register the issuance of the Bonds and relevant parties will facilitate document submission electronically for the Offer.

Although PDTC has obligated itself to take commercially reasonable efforts to ensure that the e-SIP is operational and available during regular business hours, there is no assurance that the e-SIP will be fully operational and will be available at all times during the course of registration.

6.6 CONSIDERATIONS RELATING TO THE MARKET GENERALLY

6.6.1 The value of the Bonds may be adversely affected by movements in market interest rates.

Investment in the Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Bonds, this will adversely affect the value of the Bonds.

6.6.2 Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Bonds are legal investments for it; (2) Bonds can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

SECTION 7. CAPITALIZATION AND INDEBTEDNESS

The following table sets out the reviewed indebtedness and capitalization of the Bank as of 30 September 2024. This table should be read in conjunction with the Bank's reviewed financial statements as of and for the period ended 30 September 2024, included in this Offering Circular.

	As of 30 September 2024 (unaudited) (in ₱ millions)
Liability Accounts	
Deposit Liabilities	₱ 188,560.47
Financial Liabilities at FVPL	1.54
Bonds Payable	6,524.76
Manager's Checks	1,425.13
Accrued Interest, Taxes, and Other Expenses	1,187.24
Other Liabilities	4,591.19
Total Liabilities	202,290.33
Equity Accounts	
Paid-in Capital Stock	18,196.81
Additional Paid-in Capital	7,229.28
Surplus reserves	1,083.41
Retained Earnings	6,698.80
Remeasurement losses on retirement liability	(410.33)
Net unrealized losses on financial assets at FVOCI	(26.97)
Cumulative translation adjustment	(5.18)
Share in other comprehensive loss of an associate	(5.04)
Total Equity	32,760.77
Total Capitalization and Indebtedness	**₱ 235,051.10**

SECTION 8. DESCRIPTION OF THE BANK

8.1 OVERVIEW

Bank of Commerce (the "**Bank**") is one of the country's progressive commercial banks and is licensed by the Bangko Sentral ng Pilipinas ("**BSP**"). The Bank has been operating since 1963 and traces its origins to the Overseas Bank of Manila with headquarters in Binondo, Manila.

The Bank has since evolved through different phases of growth. In 1980, the Overseas Bank of Manila changed its name to Commercial Bank of Manila. The following year, the Government Service Insurance System (GSIS) acquired the Commercial Bank of Manila and used "ComBank" as the Bank's short name. In 1984, ComBank acquired Royal Savings Bank. The First National Bank of Boston, one of the oldest and leading banks in the United States and a local investment group acquired ComBank in 1988. The Bank was then renamed Boston Bank of the Philippines.

In November 1991, the Bank changed its official name to Bank of Commerce. With the buyout of the majority interest of the First National Bank of Boston in 1993, Bank of Commerce was placed under complete Filipino ownership. As part of its growth plans, Bank of Commerce acquired Pan Asia Bank and purchased selected assets and liabilities of Trader's Royal Bank in 2001. These takeovers significantly increased the Bank's presence in the banking industry.

Filipino-owned San Miguel Properties, Inc., a subsidiary of San Miguel Corporation ("**SMC**"), and San Miguel Corporation Retirement Fund, the registered retirement plan of SMC Group employees, became the controlling shareholders of Bank of Commerce in 2008. San Miguel Properties, Inc. has 31.91% of ownership, San Miguel Corporation Retirement Fund has 30.84% of ownership and recently SMC Equivest Corporation, a wholly-owned subsidiary of San Miguel Corporation, has 4.87% of ownership as of 31 March 2022. On 16 January 2013, the SEC approved the extension of the corporate life of Bank of Commerce for another 50 years from 16 December 2013.

Bank of Commerce provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, corporate banking, treasury, asset management, transaction banking and trust and investments. In terms of service reach, the Bank relaunched the Retail and Corporate Internet Banking facilities with enhanced features to encourage consumers and corporate clients to transact regular banking services such as bills payment, fund transfers, card loading, and other services via the internet banking platform. The Bank has a network of 140 Branches and 267 Automated Teller Machines ("**ATMs**") strategically located nationwide, as of 30 September September 2024.

8.2 RECENT DEVELOPMENTS

8.2.1 Primary Offer of Common Shares by Way of an Initial Public Offering ("IPO")

On 31 March 2022, the Bank issued 280,602,800 new common shares (the "**Offer Shares**") on the Philippine Stock Exchange ("**PSE**") at a price of ₱12.00 per share raising a total amount of ₱3,367.2 million from its initial public offering. The Bank intends to use the net proceeds from the sale of the Offer Shares to fund its lending activities, acquisition of investment securities, and financial capital expenditure requirements in connection with the upgrading of its automated teller machine (ATM) fleet and its core banking system.

The IPO is part of the Bank's Universal Banking license application. With a universal banking license, the Bank will have more opportunities to generate and warehouse interest bearing assets like marketable securities, generate more fee-based income, and manage risk of securities underwritten and held for trading. This will also enable the bank to enhance its marketing relationship with existing and prospective clients in the large corporate and middle market segments as it will be carrying a broader range of products, from traditional working capital lines and term loans to project finance, initial public offerings, mergers and acquisitions, financial advisory, etc. The latter services are essential to large businesses in planning their expansion programs as a response to the increasing demand brought about by the robust economy.

8.2.2 Highlights for the Nine (9)-Month Period Ended 30 September 2024 and Fiscal Year Ended 31 December 2023

The Bank's nine-month unaudited net income posted ₱2.2 billion, up 10% year-on-year mainly due to higher revenues. This translated to a return on equity (ROE) and return on asset (ROA) of 9.27% and 1.26%, respectively.

Total Revenues which amounted to ₱8.0 billion was 10.2% higher, driven by growth in core business areas, primarily net interest income, and an increase in fee income due to higher loans and financial assets. Meanwhile, corporate loans grew on account of program lending and loans to both SMC and non-SMC ecosystems.

Net interest income increased to ₱6.8 billion, 11%.2 higher versus the ₱6.1 billion recorded in 3Q 2023. The upward trajectory was due to the expansion in earning assets, primarily from corporate and consumer loans as well as financial assets at fair value. The faster growth in revenues from earning assets than interest bearing liabilities translated to an improvement in net interest margin (NIM) at 4.48%.

Non-interest income grew by 5.0% to ₱1.3 billion, on the back of a 12.1% increase in service charges, fees, and commissions. The increase is attributable to a 59.4% surge in underwriting fees amounting to ₱143.3 million, representing 11.2% of total other income. The Bank also saw increases in trust, credit card, and trade finance fees. Moreover, trading gains posted a recovery totalling ₱134.8 million from last year's loss amounting to ₱0.5 million.

Total expenses, including provisions for credit and impairment losses, surged by 13.3% to ₱5.2 billion. Growth in operating expenses was mainly due to the Bank's continued investment in human capital as well as higher volume of transactions.

Total assets were recorded at ₱235.1 billion, a 1.5% growth from end 2023 level mainly due to the growth in all lending segments and financial assets at fair value. This translated to a return on assets (ROA) of 1.26%.

The Bank's capital funds remained strong at ₱32.87 billion, up 6.2% from the ₱30.9 billion at end-2023, despite the payment of dividends on July 15, 2024, amounting to ₱0.2512 per common share or ₱352.4 million. The increase in capital was driven by higher retained earnings and net unrealized gains for the period.

8.2.3 Development of New Loan Programs

Alongside the need to reduce the Bank's exposure to affiliates, it has developed new loan programs intended to leverage off the SMC ecosystem composed of SMC's network of customers, trade partners, suppliers, vendors, distributors, contractors, and employees, among others. Loans to be generated from these lending programs are envisioned to gradually replace borrowings of the SMC Group. Moreover, as bulk of the potential customers from this segment operate within the middle market, clients tapped for these programs are anticipated to be a source of higher net interest margins as well as diversified, and stickier deposit base.

8.2.4 Payment of Dividends to Stockholders at Record

In 1H2024 the Bank declared its first dividends in more than 20 years as committed during the Bank's IPO. The Bank set aside ₱0.726 per preferred share for cumulative dividends since 2021 and ₱0.2512 per common share amounting to 23.37% of its 2023 profits.

On July 15, 2024, the Bank paid ₱0.2512 per common share amounting to ₱352.44 million. Despite the payment of dividends, the Bank's capital funds remain strong at ₱32.76 billion, reflecting a 6.19% increase from the ₱30.85 billion in 2023 and a stable capital adequacy ratio (CAR) of 18.30%, well above the minimum regulatory requirement of 10.0%.

8.2.5 Bond Issuances under the Programme

On 16 May 2024, the Bank issued its Series B Bonds and raised ₱6.57 billion at 6.5635% per annum with a tenor of 1.5 years. The issuance was 1.3x oversubscribed.

Prior to this, on 29 July 2022, BankCom successfully listed its maiden issuance of ₱7.5 billion 5.0263% 2-year Series A Bonds on the Philippine Dealing & Exchange Corp. (PDEx), with aggregate orderbook exceeding the original target issue size by more than three times. The strong demand prompted BankCom to increase its issue size from the original ₱3 billion to ₱7.5 billion and end the offer period on 12 July 2022, ten days ahead of the original closing date. The Series A Bonds matured on 29 July 2024 and are no longer outstanding.

8.2.6 Corporate History and Milestones

1963	The Overseas Bank of Manila was incorporated in the Philippines
1980	Overseas Bank of Manila changed its name to Commercial Bank of Manila
1981	Commercial Bank of Manila (ComBank) was acquired by the GSIS
1984	ComBank acquired Royal Savings Bank
1988	First National Bank of Boston and a local investment group acquired ComBank
1988	ComBank was renamed the Boston Bank of the Philippines
1991	Boston Bank of the Philippines changed official name to Bank of Commerce
1993	Buyout of the majority interest of the First National Bank of Boston
2000	Acquired selected assets and liabilities of Pan Asia Bank
2001	Acquired selected assets and liabilities of Trader's Royal Bank
2008	San Miguel Properties, Inc. and San Miguel Corporation Retirement Plan became the controlling shareholders of the Bank
2018	New strategy with enhanced management team led by the appointment of the Bank's new President and CEO, Michelangelo R. Aguilar BankCom revised its logo to include "SMC affiliate" text
2020	The Bank was granted a copyright by the Intellectual Property Office for the short name "BankCom" BankCom issued ₱5.0 billion LTNCDs in March 2020
2021	In August 2021, BankCom completed the ₱5.5 billion private placement of SMC Equivest to help BankCom achieve the ₱20.0 billion minimum capital requirement for UB status On 23 December 2021, the BSP approved the upgrade of BankCom's commercial banking license to a universal banking license, subject to regulatory requirements
2022	BSP conferred on the Bank the authority to operate as a universal bank.
2023	BankCom bags two awards—Best PPP & Blended Financing Infrastructure Deal of the Year and Best Local Currency Bond Deal of the Year in the Philippines—at the 17th Annual Best Deal & Solutions Awards 2023 spearheaded by Alpha Southeast Asia in Hong Kong BankCom formally commences its core banking modernization and digital transformation project with Infosys Finacle, a global leader in banking technology. BankCom successfully re-fleets its ATM network with advanced security and user-friendly features. BankCom launches its Japan remittance business in December.

2024	Bank of Commerce receives 2 Awards from The Asset Triple A Awards 2024: (1) as Lead Arranger and Senior Term Lender for SMC Mass Rail Transit 7 (MRT-7) - Transport Deal of the Year; (2) as Mandated Lead Arranger, Bookrunner and Senior Term Lender for SMC Global Power Holdings Corporation's Batter Energy Storage System (BESS) - Renewable Energy Deal of the Year

8.3 COMPETITION

The Bank faces competition in all its principal areas of business. Philippine domestic and foreign banks are the Bank's main competitors, followed by finance companies, mutual funds, and investment banks.

Mergers, acquisitions and closures reduced the number of players in the Philippine banking system from a high of 785 banks in 2009 to 478 banks as of June 2024. However, with the entry of foreign banks under new and liberalized banking laws and regulations, the number of universal and commercial banks has grown to 44 as of September 2024. Lending from universal and commercial banks posted a quarter-on-quarter growth of 4.32% in the quarter ended 30 September 2024 based on statistics of the BSP.

The extensive competition for large ticket corporate loans prompted banks to venture more extensively into middle-market, SME and consumer lending. The Bank, being a well-entrenched, long-term player in the commercial banking space, enjoys the advantage of having experience that includes origination, credit selection, collection and asset recovery activities.

8.4 STRENGTHS

BankCom believes that its principal competitive strengths include the following:

8.4.1 Strong support from SMC Group and synergies with the SMC ecosystem

BankCom believes that it has strong support from SMC and continues to leverage its position as a member of the SMC Group, which is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets. The SMC Group has business interests in various sectors including beverages, food, packaging, fuel and oil, energy, infrastructure, property development, cement, car distributorship, and banking services. In 2021, the SMC Group's sales was equivalent to approximately 4.9% of the country's GDP.

As a result of this relationship, the Bank has been able to gain significant business and realize valuable synergies with the SMC Group. These come in two (2) main forms: first, directly, through various banking and cross-selling opportunities with SMC's industry leading businesses; and second, indirectly, through the broader SMC Group ecosystem, through its network of customers, trade partners, suppliers, vendors, distributors, contractors, employees, among others. SMC Group's vast ecosystem creates an organic opportunity for BankCom to grow. In addition, the market leading nature of SMC Group's various businesses provide BankCom with a vast pool of opportunities to cross sell its products and services.

For instance, BankCom is the deposit bank of choice for many SMC Group affiliates. Further, the Bank has also expanded its client base to include coverage of middle market clients within the SMC ecosystem such as Petron dealers, San Miguel Brewery distributors, and Ginebra San Miguel distributors. This has opened opportunities for the Bank the bank to provide not only financing but also to cross sell other products such as cash management, foreign exchange, trade finance, and trust services to a broad and diversified clientele.

The SMC ecosystem provides the Bank with an abundant source of growth which it has historically leveraged and will continue to maximize as it pursues a new phase of growth.

8.4.2 Prudent balance sheet management with strong capitalization and liquidity to support a new growth phase

The Bank's astute use of capital has resulted in sustained strong capital adequacy ratios. CET 1 capital ratio stood at 15.32% as of 31 December 2023 and 14.31% as of 30 September 2024. Meanwhile, the Bank's total capital adequacy ratio stood at 19.88% as of 31 December 2023 and 18.30% as of 30 September 2024.

The Bank's CET 1 and CAR ratios are significantly above the BSP's current minimum levels of 6.0% and 10.0%, respectively. The same CET1 and CAR minimum requirements will continue to apply to the Bank as a universal bank. Furthermore, the Bank is among the country's best capitalized private domestic banks. The Bank's solid capital ratios create a robust runway for the Bank to support and execute its long-term growth plans.

Further, the Bank has a sizeable war chest of capital which will support its expansion initiatives as it pursues a new phase of growth. This includes the proceeds from the ₱5.5 billion preferred shares private placement in August 2021, ₱6.5 billion bond issuance early this year and finally, the net proceeds from this Offering which is estimated to be ₱15 billion. Moreover, the Bank has proven its ability to tap capital markets through its successful debut issuance of Long-Term Negotiable Certificates of Time Deposit in March 2020 which allowed the Bank to raise ₱5.0 billion. Lastly, the Bank currently has a liquid balance sheet with its loan-to-deposit ratio ("**LDR**") clocking in at 66.86% as of 30 September 2024. The Bank's war chest of capital affords BankCom a platform to launch its strategic growth objectives as well as "ready-to-deploy" stance as tactical growth opportunities arise.

8.4.3 Effective risk management leading to high asset quality and balance sheet resilience

BankCom has and continues to implement sound and effective risk management measures allowing the Bank to maintain high asset quality and a healthy balance sheet while pursuing growth. BankCom prioritizes loan quality and has adopted rigorous credit quality standards in accordance with BSP's guidelines on sound credit risk management practices. BankCom believes this approach will insulate the Bank against any downturns in the financial sector or in the domestic or global economies and serve as an additional layer of resilience and protection, as illustrated in the current market conditions as a result of the COVID-19 pandemic.

Through these measures, the Bank has grown its loan and receivables book (net) by 69.35% from ₱74.4 billion as of 31 December 2021 to ₱126.0 billion as of 30 September 2024 while keeping its Gross NPL ratio relatively stable from 3.09% as of 31 December 2021 to 1.67% as of 30 September 2024.

BankCom asset quality metrics fare positively compared to the industry. As of 30 September 2024, BankCom's Gross NPL Ratio stood at 1.67% compared to 3.18% the average for Universal and Commercial Banks (as reported by BSP).

8.4.4 Augmented and invigorated management team overseen by seasoned and experienced Board

BankCom's management team and Board of Directors comprise highly-experienced individuals with an average of more than 20 years of sector expertise and proven abilities to grow the business. Its members have track records of delivering on business plans and achieving results, while prudently assessing risks in an increasingly complex and regulated banking environment.

The Bank's Board of Directors is led by Chairman Amb. Francis C. Chua. He has been a member of the Board of Directors of the Bank since 20 May 2008, and sat as Vice Chairman from 2013 to 2022. Currently, Mr. Chua sits as the Chairman of the Board of Directors of the Bank. Mr. Chua chairs the Executive Committee (Excom) of the Bank. With his constant feedback and insights on best banking practices, he has been instrumental in promoting the Bank in the business community and in marketing its products and services. Amb. Chua continuously serves in the Philippine Chamber of Commerce and Industry, Inc., as Consul General conferred by the Honorary Consulate General of the Republic of Peru in Manila since 2006, and as Board Adviser of the Office of Alternative Dispute Resolution under the Department of Justice. He was the Special Adviser on Economic Affairs under the Office of the Speaker of the House of Representatives, Congress of the Philippines since 1997. He is Honorary Trade and Investment Representative of the Department of Trade and Industry, appointed Commissioner in the Constitutional Commission, Board of Trustee of Technical Education and Skills Development Authority (TESDA), and Special Envoy on Trade and Investment (China) of the Department of Foreign Affairs since 2007. He is a member of the Board of Directors of the Philippine Stock Exchange where he previously served as Treasurer.

Director Jose C. Nograles is a seasoned investment banker and economist. He was President of the Philippine Deposit Insurance Corporation (**PDIC**) from 2008 to 2011 where he led PDIC's transformation to a more responsive and innovative institution. Previously, he was the Senior Executive Vice President of the Land Bank of the Philippines (**LBP**). Director Nograles continues to be a strict advocate of the Bank's conscientious and efficient use of resources towards sustainable care for the environment.

Meanwhile, Director Melinda S. Gonzales-Manto is a celebrated accountant and is looked up to as an expert in assurance and business advisory. She has over 30 years of experience in audit and was previously a Partner in the Assurance and Advisory Business Services Division of SGV. She is highly respected as well in initial public offerings, due diligence engagements, and mergers and acquisitions.

Lastly, Director Fe B. Barin has spent more than 40 years at the BSP and acted as Chairman of the SEC for a 7- year term, among others.

Moreover, the Bank's President and CEO, Michelangelo R. Aguilar, has over 35 years of banking experience in the areas of Corporate and Investment Banking, Global Markets, and Treasury.

The Bank's day-to-day business is based on a streamlined management structure and managed by officers who have extensive experience in banking operations from leading universal and commercial banks in the country across key areas including retail and wholesale banking, treasury, trust, risk and compliance. Given the experience and track record of BankCom's senior management, the Bank believes that it possesses extensive knowledge of all aspects of the banking industry, strong relationships and familiarity with the Bank's target clients and their banking needs, rapport with other banks and financial institutions, and harmonious relationship with regulators. Additionally, the Bank's senior management team regularly meets and coordinates in order to increase productivity and efficiencies across the Bank's various business units.

8.4.5 Strategic and well-balanced branch network footprint

BankCom believes that its branch network has a strategic and well-balanced geographical footprint. The Bank's branches are strategically located to maximize market potential and offer accessibility to both existing and potential customers. As of 30 September 2024, the Bank has a consolidated network of 140 branches and 267 ATMs. Of its branches, 113 are located in Metro Manila, 94 are located in Luzon (outside of Metro Manila), 35 are located in Visayas and 25 are located in Mindanao.

The diversity and expanse of the Bank's geographical footprint is aligned with the nationwide reach of the SMC ecosystem, allowing the Bank to maximize its synergies and cross sell with the SMC Group and the broader SMC ecosystem. Furthermore, the branches of BankCom are strategically located in areas outside Metro Manila particularly in emerging high growth regions, which enables the Bank to capitalize on the robust development of these areas. More than half or 58% of the Bank's branches are located outside the National Capital Region.

The Bank believes that its presence in key provincial markets places it in a unique position, allowing it to cultivate fruitful and long-term relationships with clients in such areas that are difficult for other players to replicate. Further, the Bank believes that the strategic and convenient locations of its branches in such areas, being close to local town centers or at key crossroads of commerce, is a compelling factor to sustain the loyalty of its existing clientele and to attract new customers.

8.5 STRATEGIES

BankCom's strategic vision is to grow in the coming years to achieve economies of scale, improve efficiency, and be at par with the country's leading domestic banks. Within this time horizon, BankCom also envisions to enter into a new era of growth as it upgrades to a universal bank and maximizes the additional products, services and functions allowed in its universal banking license. BankCom aims to achieve sustainable growth across its business segments. The Bank's strategies to achieve its objectives are set forth in greater detail below.

8.5.1 Achieve scale and sustainable growth / client expansion by leveraging the broader SMC ecosystem

The Bank will continue to leverage the SMC ecosystem as an integral part of its growth strategy.

The Bank aims to maximize potential synergies and opportunities with supply chains and payments streams within the SMC ecosystem including, dealers, vendors, suppliers, employees, and customers.

This includes tapping the financing needs of SMC ecosystem's third-party vendors and suppliers (SMC had ₱188.4 billion of Accounts Payable – Trade as of 31 December 2023). In addition, BankCom is currently onboarding the payroll processes of SMC affiliates and subsidiaries (₱29.9 billion in Salaries and Wages as of 31 December 2023). This allows the bank to have a larger deposit base to utilize for its loan books.

BankCom's management is mandated by the Board of Directors to optimize the relationship with the players in the supply chain of the SMC ecosystem. Moreover, as bulk of these potential customers from this segment, operate within the middle market, this potential creates a source of better interest rate margins for the Bank as well as a more diversified and stickier deposit base.

8.5.2 Leverage the universal banking license to expand product suite and service offering

The Bank views the UB license as a key catalyst of growth especially in the long-run. Upon effectivity, the Bank's intends to immediately start building a franchise around the new products and services that a UB license affords including: investment banking services and bancassurance, among others.

BankCom intends to engage in and offer investment banking products and services to capitalize on its client base and management's expertise. These include but are not limited to: (i) underwriting, arranging to distribute (whether on a best-efforts basis), purchasing or selling equity and debt securities of other corporations and/or government securities; and (ii) providing financial advisory services across various mandates including mergers and acquisitions, and capital raising. To date, the Bank has been actively participating as a selling agent in capital market transactions and intends to increase its involvement in these types of transactions with the aim of developing a robust track record and expertise in investment banking. In addition, the Bank recognizes that participating in capital markets offerings generates cross-sell opportunities with its Trust and Treasury Groups and will look to maximize potential synergies.

The Bank also intends to develop a bancassurance franchise as this business could be a potent source of additional fees income with minimal capital deployment.

8.5.3 Investment in Information Technology Infrastructure and Financial Technology to improve customer service and touchpoints

BankCom sees digitalization or enabling processes thru digital methods as a cornerstone of its long-term strategy and a key enabler of long-term growth. In the near term, the Bank intends to continue to advance its technological capabilities to support business growth across multiple channels. The Bank expects to utilize digital technology as a major tool, particularly in the areas of fund transfer, deposits, payments, and other transactions. As part of its use of proceeds (₱922 million) from its initial public offering, BankCom spent for the (i) replacement/ additional ATMs and cash deposit machines for branch and offsite locations and is in the process of (ii) upgrading its core banking system, establishing an Application Programming Interface (API) standards, and a data warehouse which will serve as foundations for ease of interoperability and data analytics. The Bank believes that these initiatives make it well-placed to efficiently implement its continued goals of further large-scale expansion, business diversification, and efficient service delivery.

The Bank's network of branches and ATMs is complemented by its infrastructure platform and alternative channels including mobile and internet banking that offers convenient, low-cost and secure transaction capabilities that enhance overall customer experience and improves customer loyalty and retention. This allows for a strong deposit gathering capability and an ability to cross-sell and distribute existing and potential fee-generating products such as trust and credit cards. These highly automated platforms minimize transaction costs within the Bank's network, enable comprehensive function with regard to electronic payments and cash management services for corporate clients and generate substantial fund flow from both retail and corporate customers. In addition, the Bank believes that its roll-out of credit card products in 2015 further enhanced its client retention and profitability.

BankCom started the digital journey by launching its mobile banking app in 2020. In 2023, BankCom continued its digital transformation with an ATM Fleet replacement complemented by installing CDMs (cash deposit machines) to expand its capability beyond just cash dispensation. This channel is to be supported by a change of first-generation core banking system to a current third generation core banking system and electronic channels for onboarding customers to unleash the capabilities of integration of retail loan products, such as, consumer loans, credit cards and provide the bank with low-cost funds and growth in CASA deposits. All of these products and services are connected with an Open Banking Framework for API interactions with select financial services partners to deliver cohesive banking services and promoting a positive and integrated customer experience.

The Bank also intends to maximize digitalization and other IT-related synergies with the SMC Group and SMC ecosystem. This includes the use of BankCom's Personal Online Banking (POB) and Corporate Internet Banking (CIB) applications which can cater to the daily transactional needs of its employees and corporate partners, respectively.

8.5.4 Increase profitability through Return-on-Equity expansion as well as growth of fee income business

As part of the strategy to improve its profitability, the BankCom has set initiatives in place to drive fee-based income growth from various businesses, including: foreign exchange flows, trade finance fees from off-balance sheet accounts, the Trust group, remittance, credit cards and other high-yielding products and services that generate fee-based income

The Bank has made significant inroads in its fee income portfolio. The Bank's service charges, fees, and commissions has grown by 12.09% from ₱640.25 million as of 30 September 2023 to 717.63 as of 30 September 2024 attributable to a 59% surge in underwriting fees amounting to ₱143.27 million, representing 11% of total other income. Trust fees also grew by 5.43% from ₱133.32 million as of 30 September 2023 to ₱140.57 million as of 30 September 2024.

Additional sources of fee income are underway as the Bank forays into investment banking and bancassurance through the universal banking license, as well as the entailed auxiliary/supporting businesses such as its Trust Group which intends to build up its investment securities portfolio while diversifying its holdings into better yielding corporate and sovereign issues that would generate more fees from bond trading and distribution

8.5.5 Build deeper relationships and activate cross sell opportunities by putting the needs of customers on the forefront

BankCom's commitment to providing superior service to valued customers is ingrained in the Bank's service DNA with its corporate tagline, "We think customers". This sums up the Bank's brand and service promise – putting customers' welfare first and keeping in mind what matters to them most – their families, businesses, communities and their futures. BankCom is committed to providing its customers the very best.

BankCom believes that its service culture allows the Bank to create more meaningful connections with clients and allows its sales teams to manage clients on a holistic level, anticipate and understand clients' needs better and foster relationships that unlock continued brand loyalty and support over the long-term thereby unlocking more value from each client relationship, The Bank believes that its existing customer base has significant potential for cross-selling opportunities and intends to intensify its cross-selling efforts with its existing customers.

The Bank also plans to focus its efforts in cross-selling its full suite of products including consumer loans, cash management solutions, electronic remittance channels, wealth management and investment products, and trust as well as other products and services that will be available to the Bank when it gains universal banking status including bancassurance, among others.

The Bank also intends to apply the same service framework across the SMC ecosystem to unlock more cross selling opportunities and expand its client base. These would include, contractors and dealers, to whom the Bank can provide the following services and products: automatic debit arrangement, retail deposits, consumer finance (home and auto loans), credit cards, and trust investments.

8.5.6 Shareholders' commitment to environmental, social, and governance ("ESG") framework and regulatory

compliance and advancing the culture of "malasakit"

BankCom sees sustainability both as our responsibility to manage environment and social impacts of our activities and operation as well as an opportunity to pursue success that benefits not only our stakeholders but also contributes to the greater sustainable development agenda. Bank of Commerce is one with the Bangko Sentral ng Pilipinas (BSP) in recognizing the critical role the financial industry plays in pursuing sustainable and resilient growth for Filipinos under the Philippine Development Plan.

To advance the Bank's commitment to sustainable development, the Bank continues to implement policies and programs to integrate sustainability principles in its corporate governance, risk management, business strategy, and operations, attuned to the directives issued by its regulators, National Government decrees, and sustainability programs and initiatives of San Miguel Corporation of which it is an affiliate. This includes set up of a governance structure to drive ESG in the organization, developing and implementing environmental and social (E&S) risk measurement tools and systems to guide the Bank in decision making and building the internal capability of employees to promote a culture that fosters environmentally and socially responsible business decisions throughout support units and operations. We also communicate our sustainability efforts and initiatives with transparency and consistency across all channels and contribute to the sustainable development agenda in how we design and deliver our products and services.

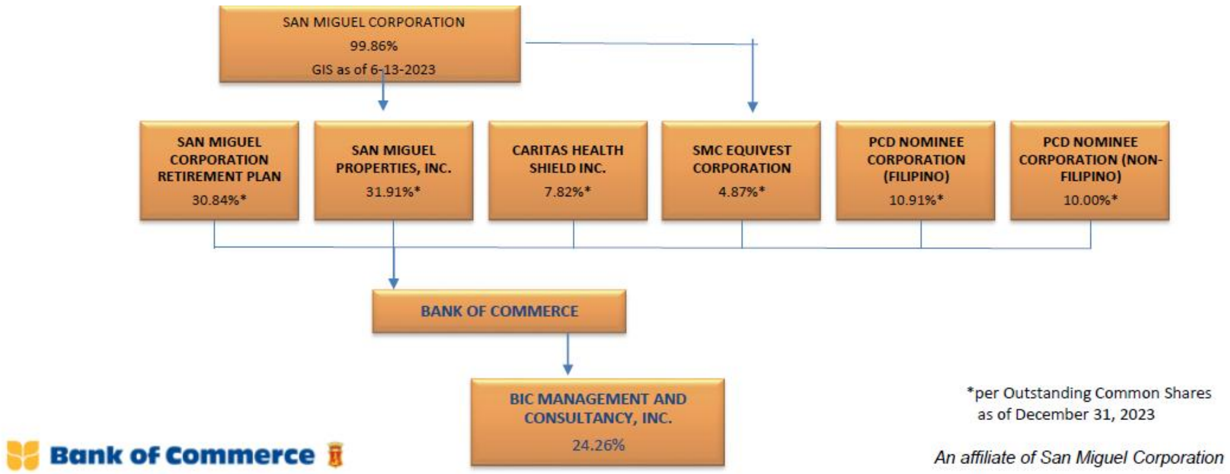
The Bank is committed to stewardship and advancing the spirit of Malasakit, an inherent quality shared with its parent company, San Miguel Corporation. Anchored on the values of commitment and social consciousness, BankCom's Corporate Social Responsibility (CSR) initiatives focus on supporting community development, promoting financial literacy and environmental stewardship, and advocating volunteerism and engagement with its employees. It is within these core themes that the Bank plans and supports CSR programs and activities. The Bank continues to advance financial literacy by conducting financial education sessions with various groups including students, mothers, and employees to impart valuable lessons in saving for the future and basic entrepreneurial skills. As part of San Miguel Corporation, some of the beneficiaries of these sessions are members of Better World communities being supported by the San Miguel Foundation (SMF) and employees from within the SMC group. BankCom also actively participates in environmental activations by SMF such as tree planting and coastal cleanup while organizing its own annual seed potting and tree planting activities. For education, the Bank is involved in the Adopt-a-School Program and school kit packing, plus supports safety programs for young learners in the Philippines.

Furthermore, the Bank sustains its resiliency and stability while balancing the interests of its stakeholders through policies, processes, practices, and framework that dictate its corporate behavior and activities. It is the policy of BankCom to establish and uphold the highest standards of ethical behaviors among its employees, management, and the Board. The Bank discourages situations or conditions that would result to, or create conflict of interest between BankCom and its employees. In addition, the Bank has adopted a Manual on Corporate Governance, updated annual as may be necessary, to incorporate significant changes brought about by new legislations, regulations, or best practices. All employees are enjoined to uphold the best interest of the Bank. The Bank extends its governance standards to service providers, suppliers and vendors, through mechanisms such as the Supplier Sustainability Questionnaire and Bank of Commerce Policy on Solicitation and Acceptance of Gifts.

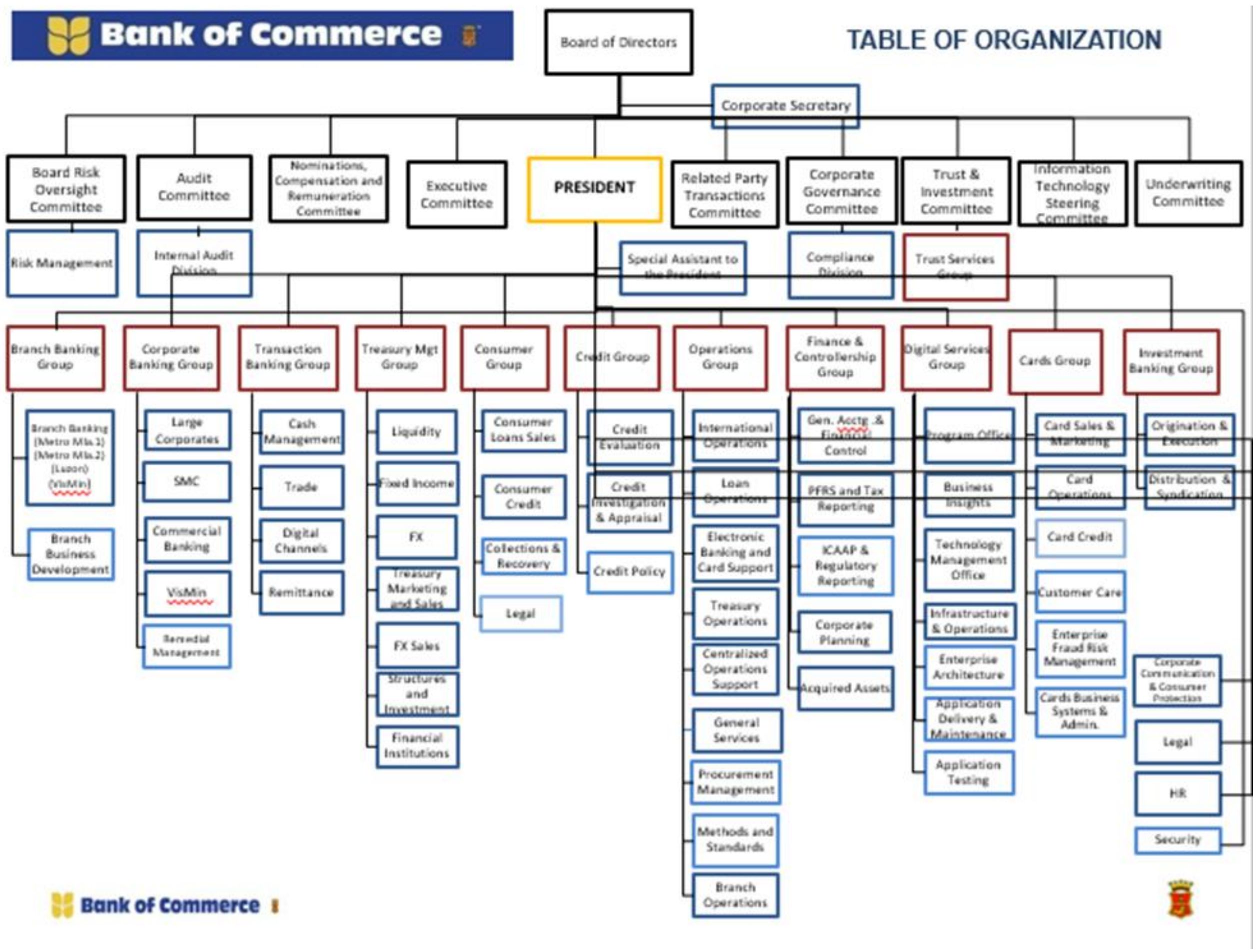
On regulatory compliance, the Bank requires Directors and members of Senior Management to undergo periodic training programs particularly focused on regulatory policy updates and requirements, such as but not limited to, anti-money laundering and terrorist financing, risk management practices, governance, ethical standards, and supervisory expectations.

8.6 GROUP AND ORGANIZATIONAL STRUCTURE

The following shows the shareholding structure of the Bank and its associates as of 31 December 2023:



The following chart sets forth an overview of the organizational structure of the Bank and its principal activities as of 30 September 2024:



8.7 ASSOCIATE

The Bank has an equity investment in BIC Management and Consultancy Inc., (formerly BIC Investment and Capital Corporation) in which it holds shares amounting to 24.26% of the outstanding capital stock as of 30 September 2024. The Bank also has an 3.07% equity interest in Banco National de Guinea Equatorial (BANGE) under a partnership agreement with Universal Exchange Corporation (UEC). The Bank does not have control and participation in the operations of the aforementioned entities. Further, the Bank does not have any subsidiaries.

8.8 BANKING PRODUCTS AND ACTIVITIES

8.8.1 Overview

The Bank's principal areas of business are retail or branch banking, transaction banking, corporate banking, consumer loans, cards, treasury, cash management, remittance, trust services, and investment banking services. These products and services are delivered through various channels such as branches, internet banking, ATM machines, and through agent partners. The list of products and services is enumerated below.

8.8.2 Retail Products

- Savings Account with Debit Card (Mastercard)
- Savings Account with Passbook
- Savings Account Plus
- Checking Account
- Complete Checking Account
- ElitePlus Checking Account
- Executive Payroll Account
- US Dollar Savings Account
- Euro Savings Account
- Yuan Savings Account
- Japanese Yen Savings Account
- Junior Smart Savers Savings Account
- One Passbook Investment Account
- Time Deposit
- One-Year Time Deposit
- Future Secure Time Deposit
- US Dollar Time Deposit
- Euro Time Deposit
- SSS Pension Account
- US Veterans Pension Savings Account (₱ and USD)
- Payroll Savings Account
- Philippine Retirement Authority (PRA) Savings and Time Deposit Accounts (₱ and USD)
- Long Term Negotiable Certificate of Time Deposit
- Corporate Savings Account
- Corporate Savings Account Plus
- Corporate Checking Account
- Corporate Checking Account Plus with Corporate Access Number

8.8.3 Corporate Banking

- Back to Back Loans
- Domestic Bills Purchase
- Export Bills Purchase
- Export Packaging Credit
- Foreign Currency Denominated Loan
- Hauler's Financing Program
- Domestic and Foreign Standby LC / Bank Guarantees
- Trade Financing with Trust Receipt
- Petron Dealers' Financing Program
- P.O. Financing for Cassava Assemblers

- Small Business Loan – Term Loan
- Small Business Loan – Business Credit Line
- San Miguel Corporation (SMC) and Eagle Cement Corporation (ECC) Ecosystem
- Financing Program
- SMC Dealers' Financing Program
- Term Loan (Capital Expenditure Financing / Project Financing
- Working Capital Loan (Promissory Note Line)

8.8.4 Consumer Loans

- Home Loan
- Auto Loan
- Salary Loan

8.8.5 Credit Card

- Bank of Commerce Mastercard
    - Classic
    - Gold
    - Platinum
    - World

8.8.6 Trust Products and Services

- Unit Investment Trust Funds
    - Diversity Money Market Fund
    - Diversity Peso Bond Fund
    - Diversity Dollar Bond Fund
    - Diversity Dividend Focused Fund

    * All UITFs can be enrolled in the Easy Investment Plan (EIP) to regularly subscribe or invest
- Trust and Other Fiduciary Services
    - Personal Management Trust
    - Employee Benefit Trust
    - Trust Under Indenture
    - Collateral Trust
    - Special Purpose Trust/Other Institutional Trust
    - Safekeeping
- Investment Management Account
    - Discretionary
    - Discretional/ Non - Discretionary
- Other Agency Accounts
    - Facility / Loan Agency
    - Escrow Agency
    - Buyer and Seller Escrow
    - POEA Escrow
    - BIR Escrow
    - HLURB Escrow
    - Source Code Escrow
    - Other Escrow Accounts

8.8.7 Treasury Products

- Fixed Income Government Securities (Peso / Dollar)

- Corporate Bonds
- Foreign Exchange

8.8.8 Investment Banking Services

- Financial Advisory
- Issue Management, Underwriting and/or Arrangement of Debt and Equity Instruments
- Placement/Selling of Debt and Equity Instruments

8.8.9 Transaction Banking

- *Cash Management Services*
  - *BankCom PAY*
    - *cashPAY*
    - *directPAY*
    - *checkPAY*
    - *govPAY*
  - *BankCom COLLECT*
    - *depositCOLLECT*
    - *directCOLLECT*
  - *BankCom Business*

- *Digital Channels*
  - *BankCom [Personal] – Retail Online Banking (Web and Mobile App)*
  - *BancNet Point of Sale*
  - *Automated Teller Machines (ATM)*
  - *Cash Deposit Machines (CDM)*
  - *Cash Cards*
  - *Payment Solutions*

- *Remittance Services*
  - *SikapPinoy OFW Account*
  - *SikapPinoy Asenso Program*
  - *SikapPinoy Domestic Remit*
    - *Cash Pick-up at RD Pawnshop*
  - *SikapPinoy International Remit*
    - *Credit to Accounts with Bank of Commerce*
    - *Credit to Accounts with Other Philippine Banks via PesoNet*
    - *Credit to Accounts with Other Philippine Banks via Instapay*
    - *Credit to Mobile Wallets (GCash, Maya, Coins.ph, GrabPay*
    - *Cash Home Delivery*
    - *Cash Pick-up Services via Bank of Commerce branches from International Remittance Partners**

        - *Cash Pick-up Services via Philippine Payout Partners:*
            - ✓ *M Lhuillier*
            - ✓ *Cebuana Lhuillier*
            - ✓ *LBC Express*
            - ✓ *Palawan Pawnshop*
            - ✓ *RD Pawnshop*
    - *E-Government Payments of OFWs through International Remittance Partners**
        - *SSS Contributions / Loan Payments*
        - *Philhealth Contributions*
        - *Pag-IBIG Contributions / Loan Payments*

**International Remittance Parnters:*

- ✓ *Al Ansari Exchange LLC (United Arab Emirates)*
- ✓ *Arab National Bank – TeleMoney (Kingdom of Saudi Arabia)*
- ✓ *Bank AlBilad – Enjaz (Kingdom of Saudi Arabia)*
- ✓ *Family Express (Canada)*
- ✓ *Eastern & Allied Pty Ltd – HaiHa Money Transfer (Australia)*
- ✓ *MoneyGram (Global)*
- ✓ *Pacific Ace Forex HK Ltd (Hong Kong)*
- ✓ *Prabhu Money Transfer (Qatar)*
- ✓ *TransFast (Global)*
- ✓ *U Remit International Corp. (Canada)*
- ✓ *Speed Money Transfer (Japan)*

- *International Trade Services*
    - *Import*
        - *Import Letter of Credit*
        - *Standby Letter of Credit (SBLC) / Bank Guarantees*
        - *Import Collections*
        - *Documents Against Payment (DP)*
        - *Documents Against Acceptance (DA)*
        - *Trust Receipt Loan*
        - *Payment Abstract Secure (PAS6) Enrollment and Bureau of Customs Duties & Taxes Payment*
        - *Shipside Bond Guarantee*
        - *Airway Bill Endorsement*
        - *Foreign Exchange (FX) Purchase for Advance Payment of Importation*
        - *Direct Remittance (DR)*
        - *Open Account (OA) Agreement*
    - *Export*

- *Export Bills for Collection*
- *Export Bills Purchased*
- *Export Advances*
- *Export LC Advising / Confirmation / Transfer*

- *Domestic*
  - *Letter of Credit*
  - *Standby Letter of Credit / Bank Guarantees*
  - *Negotiation of Domestic Letter of Credit*
- *Supply Chain*
  - *Trade Finance Receivable*

**Available in Corporate Internet Banking*

The following table sets out the amounts for statement of income items generated by each of these businesses in the years ended 31 December 2021, 2022, 2023, and nine-month period ended 30 September 2024.

	September 30, 2024 (Unaudited)					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,284	P5,985	(P2,428)	P802	P119	P6,762
Intersegment	(1,821)	(5,010)	6,315	(596)	1,112	-
Net interest income	463	975	3,887	206	1,231	6,762
Non-interest income	223	36	63	45	913	1,280
Total revenues	686	1,011	3,950	251	2,144	8,042
Other expenses	239	295	1,667	136	2,618	4,955
Income (losses) before provision for credit losses and income tax expense	P447	P716	P2,283	P115	(P474)	P3,087
Provision for credit and impairment losses						P200
Share in net loss of an associate						-
Income tax expense						675
Net income						P2,212

	December 31, 2023					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,908	P7,049	(P2,707)	P958	P88	P8,296
Intersegment	(2,269)	(5,723)	7,021	(662)	1,633	-
Net interest income	639	1,326	4,314	296	1,721	8,296
Non-interest income	140	73	96	52	1,318	1,679
Total revenues	779	1,399	4,410	348	3,039	9,975
Other expenses	357	364	2,171	184	3,083	6,159
Income (losses) before provision for credit losses and income tax expense	P422	P1,035	P2,239	P164	(P44)	P3,816
Provision for credit and impairment losses						P79
Share in net loss of an associate						1
Income tax expense						934
Net income						P2,802

	December 31, 2022					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,171	P4,448	(P880)	P896	P47	P6,682
Intersegment	(1,602)	(3,157)	5,306	(542)	(5)	-
Net interest income	569	1,291	4,426	354	42	6,682
Non-interest income	116	154	89	40	1,035	1,434
Total revenues	685	1,445	4,515	394	1,077	8,116
Other expenses	222	258	2,098	157	2,749	5,484
Income (losses) before provision for credit losses and income tax expense	P463	P1,187	P2,417	P237	(P1,672)	P2,632
Provision for credit and impairment losses						P166
Share in net loss of an associate						-
Income tax expense						666
Net income						P1,800

	December 31, 2021					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Income						
Net interest income:						
Third party	**P1,614**	**P3,328**	**(P560)**	**P896**	**P120**	**P5,398**
Intersegment	**(1,256)**	**(1,321)**	**3,879**	**(629)**	**(673)**	**-**
Net interest income	**358**	**2,007**	**3,319**	**267**	**(553)**	**5,398**
Non-interest income	**(29)**	**40**	**83**	**31**	**702**	**827**
Total revenues	**329**	**2,047**	**3,402**	**298**	**149**	**6,225**
Other expenses	**147**	**199**	**2,040**	**146**	**2,496**	**5,028**
Income (losses) before provision for credit losses and income tax expense	**P182**	**P1,848**	**P1,362**	**P152**	**(P2,347)**	**P1,197**
Reversal of credit and impairment losses						**(P635)**
Share in net loss of an associate						**1**
Income tax expense						**624**
Net income						**P1,207**

8.8.10 Corporate Banking Group

Corporate Banking Group ("CBG") principally handles loans and other credit facilities for corporate institutional, and middle market clients. The Group continues to pursue lending activities which support working capital and capex requirements of its clients. Embedded in its strategy is the aggressive expansion and further diversification of its credit portfolio with the intention of gradually reducing exposure to affiliate accounts.

CBG is focused on two major activities. The first is focused on building a loan portfolio comprised of non-affiliate counts across multinationals and other conglomerates, large corporates, and SME market accounts, initially this will focus on transactions involving clients with dealings with the SMC Group (i.e., suppliers, dealers, distributors "the SMC ecosystem") under the Bank's program lending facilities. The second is to maintain the existing relationship with SMC affiliates (within the constraints of Regulatory Relief) with particular focus on project financing opportunities related to Philippine Government priorities.

For the nine-months ended 30 September 2024, CBG had revenues of ₱1.01 billion in revenues, 1.34% lower than ₱1.03 billion in the same period last year due to lower non-interest income (service fees, commissions and other miscellaneous income). Although, loans average daily balance ("**ADB**") grew by 9.01% to ₱101.96 billion from ₱93.53 billion at end-2023. The growth in loans was buoyed by strong lending demand due to improving market conditions and spreads were managed competitively.

8.8.11 Branch Banking Group

In 2023, The Bank commemorates its 60th anniversary with great enthusiasm and pride. To mark this significant milestone, Branch Banking Group (“BBG”) organized a series of celebratory events held in three distinct locations: Ilo-Ilo City, Mandaluyong City, and Clark Freeport Zone, Angeles, Pampanga. These events were a testament to BBG's enduring legacy and commitment to excellence.

BBG's anniversary festivities were not only a reflection of its remarkable journey but also a heartfelt expression of gratitude to its valued customers.

The BBG has demonstrated impressive growth and resilience in its financial performance, evident in its latest achievements. Notably, there was a 7.03% increase in CASA deposits, amounting to ₱164.24 billion, driving the Bank's total deposits to ₱185.91 billion at end-2023.

Moreover, through the collaborative efforts of various business units, BBG achieved remarkable milestones. These include the approval of 5,069 credit cards, the booking of ₱1.95 billion in consumer loans, and the generation of foreign exchange gains as well as trust fees. Furthermore, BBG made strategic investments, as evidenced by the booking of ₱2.26 billion Petron Preferred Shares and ₱6.72 billion San Miguel Corporation (SMC) Preferred Shares. These ventures not only demonstrate BBG's financial acumen but also underscore its adaptability in navigating unpredictable market conditions.

Overall, BBG's performance reflects its agility and effectiveness in responding to dynamic market landscapes while maintaining a strong financial footing. Such achievements reaffirm BBG's position as a leader in the banking sector and set a solid foundation for continued success in the future.

As we reflect on 60 years of success and growth, the BBG remains steadfast in its commitment to serving its customers by consistently delivering innovative products and services. Guided by the core principle of the Bank's proposition, "We think of the customer," we prioritize customer-centricity across all facets of our operations. Looking ahead, we will continue to strive to anticipate and fulfill the evolving needs of our esteemed clients, ensuring unmatched satisfaction and nurturing enduring relationships founded on trust and reliability. Here's to many more years of prosperity and partnership with BBG.

8.8.12 Transaction Banking Group

Transaction Banking Group (“TBG”) runs four businesses, namely, Cash Management, Trade, Remittance, and Digital Channels. Its key purpose is to increase overall flows from customers within the “ecosystem” by understanding their supply chain and providing electronic banking tools for it, thus becoming an avenue for incremental deposits, assets (trade finance), fees and foreign exchange (FX) to the Bank. Transaction flows which either originate or are fulfilled by these businesses generate revenue in the form of interest income and fee/non-interest income.

Cash Management and Digital Channels led TBG’s expansion in platform solutions. In financial terms, most of TBG’s income in 2023 was derived from interest income and the rest from fee revenues.

Cash Management

Cash Management solutions for corporates, are checkPay, directPay, cashPay and govPAY. The strategy of concentrating on key accounts aside from pursuing continual product development, led to the rollout of check releasing enters in 10 key cities in the Philippines, located within proximity to where a number of SMC business units operated.

Digital Channels

Similarly, BankCom experienced a double-digit growth in the retail segment particularly on domestic fund transfers, bills payments, and prepaid mobile phone reload made through its BankCom [Personal] mobile app and web channel managed by TBG’s Digital Channels team.

Instapay and Pesonet transaction volume and transaction value improved as Digital Channels bolstered product awareness through social media and maintained a conservative pricing throughout the year. Likewise, bills payments grew, while prepaid mobile phone reload garnered the highest growth in value at close to 50%.

The enrollment base of BankCom [Personal] has grown to 134,000 and continues to be an important source of transaction flows and deposit ADB from the retail segment. Heavier usage is expected as the QRPH functionality was deployed for peer-to-peer (P2P) and payments-to-merchants (P2M) transactions using QR codes.

Besides BankCom [Personal], the Digital Channels team also handled the rollout of new ATMs at strategic offsite locations in 2023.

Remittance

TBG's Remittance business expanded its network in 2023 by entering the Japan market, the 4th largest contributor to the Philippines' inbound remittances, following the US, Singapore, and Saudi Arabia.

BankCom launched SIKAPPINOY, an all-in-one-service program for OFWs residing in Japan which has widened the options for clients to remit money whether directly into their accounts with other banks, or into a number of e-wallets that are available in the Philippines. Prior to this, BankCom used to be present only in Australia, Middle East and certain Asian cities.

BankCom likewise rolled-out its SIKAPPINOY Asenso program (aptly named after the Filipino translation of "prosperity"), to support Japan-based OFWs and their families with practical business investments, providing them the confidence of a financially stable future. Asenso offers OFWs with over 200 franchising options in the Philippines through BankCom's partner, U-Franchise.

In 2023, TBG's Remittance business experienced a double-digit volume growth, mainly driven by the Middle East corridor.

Trade

TBG's Trade business maintained its double-digit performance in terms of trade-related contingent liabilities on the back of transaction flows, generated more than 100 new SMC ecosystem entities that deal with the SMC Group's food and beverage business units.

TBG's Trade business continues to be a key contributor to the Bank's fee business, providing about a third of its total composition.

With its key projects rolled out in 2023, TBG has prepared a lineup of features and solutions that BankCom clients can look forward to in the years ahead.

8.8.13 Investment Banking Group

The Investment Banking Group ("IBG") generated more fee revenues of ₱149 million in 2023, up from ₱110 million in 2022, to posting a year-on-year growth of 35%. Adding to its banner year, were two IBG transactions recognized by Alpha Southeast Asia in the publication's 2023 Best Deals & Solutions Awards: the ₱60 billion San Miguel Corporation Fixed Rate Bonds as Best Local Currency Bond Deal and the ₱100 billion MRT-7 Project Finance Facility as Best Public-Private Project (PPP) & Blended Financing Infrastructure Deal. BankCom's investment banking business has shown to be in full swing as the number of capital raising transactions it has spearheaded and participated in increased significantly from the prior year.

Public Capital Raising

IBG marked its first capital market transaction for 2023 with an outstanding performance as the Joint Lead Underwriter & Joint Bookrunner that delivered the largest volume for the ₱14.0 billion Petron Corporation Preferred Shares Follow-on Offering for Series 4A, 4B, and 4C (listed on the Philippine Stock Exchange on 7 July 2023). Despite challenging market conditions and competing investment opportunities, BankCom was able to deliver through its fully synched-up distribution channels and their respective operations divisions.

Following this successful run, BankCom, through IBG, was appointed as Joint Issue Manager and Joint Lead Underwriter & Joint Bookrunner for the ₱34 billion San Miguel Corporation Preferred Shares Follow-on Offering for Series 2L, 2N, & 2O (listed on the Philippine Stock Exchange on 1 December 2023). BankCom was again the top performer in terms of volume generated among syndicate banks. As one of the Joint Issue Managers, BankCom spearheaded the issuance and ensured a timely listing to close the transaction before year-end.

Private Capital Raising

IBG has proven its expertise in the private capital space by arranging debt transactions for nation-building initiatives such as the 630MW power plant of Masinloc Power Partners Co. Ltd., the MRT-7 Project of SMC Mass Rail Transit 7, Inc., the Battery Energy Storage Systems of San Miguel Global Power, and the integrated port and cement production facility of Advantage Concrete Industries Corporation. Through innovative capital solutions, BankCom through IBG has provided financing for the various project sponsors in tandem with its Corporate Banking Group and alongside some of the largest banks in the country.

Continued Growth

2023 has been a year of exceptional growth in terms of deals and roles taken by IBG. The group eyes to continue this trajectory in the coming years as it builds its pipeline, expands its team, and paves its track record in other product offerings such as Advisory and Equity Capital Market transactions.

8.8.14 Treasury Management Group

Treasury Management Group ("TMG") successfully navigated through the challenges of 2023. Its trading activity got a boost from its foreign exchange (FX) business. Gains from FX trading reached ₱141 million as the previous years' efforts to expand FX flows continued to bear fruit in 2023. Competitive pricing and exemplary management of FX positions paved the way for a profitable year in FX. TMG, through its Foreign Exchange Sales Division, will endeavor to further increase volume and broaden its client base in 2024. Attention will also be given to third currencies. Vigilance in monitoring client requirements will be intensified to serve all FX needs of current clients.

Interest rates remained elevated in 2023 as inflation rose globally. Inflation pressures mounted as nations continued to feel the impact of various stimulus packages during the height of the pandemic. Domestic PH inflation peaked at 8.76% at the start of the year distorting projections for the entire year. In its bid to put a lid on inflation, the Bangko Sentral ng Pilipinas (BSP) delivered another 25-basis point hike in its policy rate in Q4 which brought the policy rate to 6.5%. Hope for rate cuts to start in 2023 eventually faded.

Consequently, TMG's fixed income business struggled due to this trend in interest rates. Despite this development, it was able to stay in the black in terms of income from sale of government securities thanks due to disciplined trading and prudence. Whatever opportunity was lacking in trading the fixed income market, TMG made up with hefty accrual income. For the year, total interest income from the Bank's securities portfolios aggregated to ₱2.3 billion. It strategically took advantage of the high interest rate environment to slowly improve the yields of its Hold-to-Collect (HTC) and Hold-to- Collect and Sell (HTCS) portfolios. For 2024, TMG will continue to work on the development of bond futures to give it opportunity to express its views despite a rising interest rate environment. At the same time, it will keep on looking for opportunities to lock-in high yielding assets while yields are still on the high side.

For the first nine months of 2024, TMG generated ₱686 million total revenues, up 26.34% from ₱543 million year-on-year due to better interest income from financial assets and non-interest income – foreign exchange gains and trading and securities gains. TMG has effectively managed the bank-wide Net Interest Margin to 4.48%, higher than last year's 4.24% through efficient pricing of the earning assets while keeping the Bank's funding cost in check.

TMG also helped Investment Banking Group in distributing the latter's primary issuances. The Group's Treasury Marketing and Sales Division (TMSD) was able to sell as much as ₱5.4 billion. Anticipating further expansion in this area and aspiring to grow its fixed income flows business, it on-boarded a new Head for TMSD. For 2024, TMSD envisions to lay the groundwork to build a strong fixed income flows business. This year, it plans to intensify its partnership with the Branch Banking Group and Corporate Banking Group to spot potential fixed income business for fresh and old accounts. Work on expanding product offerings to provide more value for clients will also be undertaken. Moreover, TMG adopted a proactive approach to liquidity and asset liability management (ALM), thus ensured the continued stability and profitability of the Bank's balance sheet. Effective liquidity management involved monitoring and managing cash flows and maintaining a sufficient level of liquid assets while effective ALM involved maximizing profits while managing interest rate and liquidity risks on both the asset and liability sides of the balance sheet. In 2023, the strong loan growth and high interest rates primarily boosted net interest margin amid post-pandemic economic recovery. In addition, excess liquidity was deployed into assets with more favorable yields which helped drive increases in asset yields (up 179 bps) and ultimately, interest income. Funding costs, on the other hand, rose considerably (up 116 bps) given the elevated interest rate environment as well as to stem deposit outflows and support asset expansion. Nonetheless, the benefit from growing the balance sheet fully offset the increased funding costs. Consequently, the Bank's net interest income surged by 24.166% to ₱8.310 billion in 2023 from a year ago, accounting for 83% share of total revenues and contributed largely to the Bank's record high net income of ₱2.870 billion for the year. For 2024, to ensure the achievement of the NII target, TMG will focus on reducing funding costs, maintaining a balanced mix of earning assets and interest-bearing liabilities and capitalizing on opportunities arising from the Bank's solid balance sheet to counter the drag in net interest income caused by expected declining asset yields.

8.8.15 Consumer Group

For three straight years since the pandemic, Consumer Group ("CoG") recorded improvements in its operating results characterized by year-on-year growth in interest income, non-interest income, and net profits. Throughout 2023, CoG focused on prudent lending practices and enhancing risk management strategies, which resulted in a notable reduction in non-performing loans. This improvement in asset quality reflected the Group's commitment to maintaining a healthy loan portfolio and mitigating credit risks effectively.

Despite the economic uncertainties, the consumer loan portfolio saw steady growth, driven by strategic product offerings and targeted marketing initiatives. The calibrated approach to lending proved to be a successful blueprint to drive improvements in revenues and asset quality.

2023 has been a year of resilience and progress for BankCom. With a strengthened asset quality, a growing consumer loan portfolio, and a promising outlook for the future, the Bank is well-positioned to navigate the evolving landscape and sustain the growth in the years to come.

For the nine-months ended 30 September 2024, CoG's total revenue slightly decreased by 3.04% to ₱251.05 million compared to ₱258.94 million in 2023. The decline was due to lower net interest income amounting to ₱205.56 million, 8.80% lower than ₱225.40 million in the previous year.

8.8.16 Trust Services Group

BankCom's Trust Services Group ("TSG") maintained its Assets Under Management (AUM) at ₱70.21 billion. The synergy between TSG and BBG has started to unlock numerous opportunities for SMC ecosystem clients to seek the Bank's trust products and services. It has completed its UITF Certification Program, with 170 certified UITF salespersons covering BankCom's 140 branch network.

Trust revenues increased for the first nine months by 2.82% to ₱146.11 million, due to strong retail sales of trust products. Trust group was effectively able to cross-sell the primary offerings of Investment Banking Group (Petron Preferred shares and SMC bond offering) and generated trust fees from this synergetic collaboration.

TSG continues to expand its reach in order to meet its medium-term goal of growing both AUM and revenues. It has rolled out initiatives to create value for clients and key stakeholders by providing employees, suppliers, distributors, and consumers with relevant and appropriate programs to protect and grow their savings through prudent and informed investing.

8.8.17 Credit Card Group

Credit Card billings hit a record high of ₱5.3 billion, reflecting the active cardholder base and successful marketing campaigns launched throughout the year. The continued growth in its revenues is an indication of growing consumer spend and confidence in the market. The consistent growth of billings and revenues is expected to continue as we build better card products and features. With the support of digital development and enhancement, BankCom is now able to provide online access to credit card accounts, a result of the continued efforts of Credit Card Group (CCG) to build a stronger cards business.

Debit cards also performed better than the previous year, reaching ₱2.0 billion in retail billings and generating ₱13.0 million in commission revenue. Debit card usage campaigns focused on online use, creating better customer product understanding, building the easy, convenient, and safe way to pay.

The Cards business will continue to grow guided by a seasoned and adaptive management team, and most importantly, with the customers always in mind.

8.9 EMPLOYEES

As of 30 September 2024, the Bank had a total of 1,984 employees, 1,017 of which are engaged in a professional management capacity and classified as bank officers, and 967 were classified as rank-and-file employees. As of 31 December 2023, the Bank had a total of 1,976 employees, 979 of which are engaged in a professional management capacity and classified as bank officers, and 997 were classified as rank-and-file employees.

The Bank fosters positive relations with and among its employees. It ensures that appropriate training and employee relations activities are available to employees at all levels.

The Bank's staff employees are members of the Bank of Commerce Employees Union ("BCEU"), except for employees holding confidential positions and belonging to the Information Technology Services Division. BCEU has been the sole and exclusive bargaining representative for all the regular rank-and-file employees of the Bank since 22 July 1986. The Bank and BCEU have a Collective Bargaining Agreement ("CBA") that governs the terms and conditions of employment of the staff. The existing CBA is valid until 30 June 2025.

As of 31 December 2023, BCEU has a total of 781 members. None of the Bank's employees are on strike or have been on strike in the past three (3) years. To the best knowledge of the Bank, as of the date of this filing, there are no outstanding threats to strike from BCEU or any outstanding dispute with the BCEU.

The following table presents the number of employees by category as of the dates indicated:

	As of 31 December			**As of 30 September**
	2021	**2022**	**2023**	**2024**
Rank and File	968	958	997	967
Officers	905	907	979	1,017
Total	**1,873**	**1,865**	**1,976**	**1,984**

8.9.1 Significant Employees

While the Bank values the contribution of each employee, the Bank believes that there is no employee as of the date of this Offering Circular that whose resignation or loss would have a material adverse impact on the business.

8.9.2 Retirement Plan

The mandatory retirement age for a Bank employee is 60. The Bank has a funded non-contributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than ten (10) years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least ten (10) years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits, such retirement benefits shall be subject to the pertinent requirements of the BIR.

An employee who has at least 5 years of service as a regular employee, shall be eligible to the resignation benefits if he resigns, subject to the pertinent requirements of the BIR.

The Bank's retirement plan is registered with the BIR as a tax-qualified plan and complies with the minimum retirement benefit specified under the law. The retirement fund is managed and administered by the Bank's Trust Services Division which is covered by an Investment Management Account.

8.9.3 Compensation Policy

The Bank observes overall compensation program on par with industry standards and aligned with the requirements of labor laws, rules, and regulations. The program considers performance and is commensurate with the individual's qualifications, experience, and expertise. Corollary to this, the Bank utilizes data gathered from industry survey to ensure that remuneration packages of the employees are within industry standards. Likewise, employee performance is recognized through periodic performance assessments. This process provides the measure for commensurate salary increases and performance bonuses.

8.9.4 Insurance Policy

The Bank provides its regular employees with group life insurance and medical and hospitalization insurance coverage in line with good business practice and in accordance with Philippine standards. Insurance premium payments for these policies are paid entirely by the Bank.

8.10 BRANCH NETWORK

As of 30 September 2024, the Bank has a total branch network of 140 branches nationwide, 62 in Metro Manila and 78 across various cities and provinces. As of year-end 2023, three (3) out five (5) branches approved for relocation were completed, and the other two were set for Q1 and Q2 of 2024. Some branches have been renovated to reflect the Bank's new standard look and feel, while some branches were strategically repositioned to sites that have more business potential and market accessibility.

The following table illustrates the coverage of the Bank's network in recent years and sets forth the number of branches and ATMs as of 31 December 2021, 2022, 2023, and 30 September 2024:

	As of 31 December			As of 30 September
	2021	**2022**	**2023**	**2024**
Metro Manila	62	62	62	62
Luzon	43	43	43	43
Visayas	22	22	22	22
Mindanao	13	13	13	13
Total Bank branches	140	140	140	140

Moving forward, the Bank aims to expand its reach, gain more market share, and secure its customer base through a coordinated physical and digital strategy which uses relevant, cost-effective technologies to enable a more segment-driven delivery of branch banking services.

8.11 ATM NETWORK

As of end-2023, the Bank has completed re-fleeting its ATM network. The new machines offer advanced security features and a user-friendly touch screen interface that aim to provide an enhanced banking experience that matches the evolving needs of its valued clients.

The ATM re-fleeting project is one of the priority items under the Bank's 5-year IT investment and digitalization program. Almost 300 combined ATMs and cash recycling machines (CRMs) are to be installed within the Bank's branches and strategic off-site locations.

The new ATMs supplied by NCR Corporation, the world's leading enterprise provider of software, hardware and services for banks and other industries, feature enhanced security measures to protect customer transactions and personal information, thereby providing peace of mind to users. Moreover, the user-friendly touch screen interface of the ATMs simplifies the banking process, enabling customers to conveniently perform various transactions such as withdrawals, balance inquiries, fund transfers, among others.

	As of 31 December			As of 30 September
	2021	**2022**	**2023**	**2024**
Metro Manila	108	111	103	113
Luzon	86	92	90	94
Visayas	34	34	33	35
Mindanao	22	22	16	25
Total ATMs	250	**259**	**242**	**267**

8.12 PROPERTIES

The Bank's head office is located at San Miguel Properties Centre, No. 7, St. Francis Street, Mandaluyong City. Its Main Office Branch is located in the same building.

The Bank leases the premises occupied by most of its branches and area offices. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 3% to 10%.

The Bank leases out some properties as office space. These non-cancellable have remaining lease terms ranging from 1 to 10 years.

Location	**As of 31 December 2021**	**As of 31 December 2022**	**As of 31 December 2023**	**As of 30 September 2024**
Owned Branches				
Metro Manila	4	4	4	4
Luzon	3	3	3	3
Visayas	1	1	1	1
Mindanao	1	1	1	1
TOTAL	**9**	**9**	**9**	**9**
Leased Branches				
Metro Manila	58	58	58	58
Luzon	40	40	40	40
Visayas	21	21	21	21
Mindanao	12	12	12	12
TOTAL	**131**	**131**	**131**	**131**

In addition, the Bank has a total of 2,344 Real and Other Properties Acquired for settlement of loans through foreclosure or dacion en pago broken down as follows:

Property Type	Count as of 31 December 2023
Condominium	199
Condominium and Parking	9
Condominium Parking	53
Land	1,732
Land and Building	331
Townhouse	20
TOTAL	**2,344**

8.13 INFORMATION TECHNOLOGY

8.13.1 Digital Initiatives

As embracing digital processes became the norm in a quarantined environment, the Bank launched its mobile app, BankCom Personal, and a more streamlined browser version for retail customers in July. The 26% increase in enrollment to our new online banking facility in 2020 is attributed to the promotion of conducting banking transactions while staying safe during the quarantine periods. As the Bank anticipated more transactions done online, fund transfers to other banks (FTOB) rose to 821% from 2019, equivalent to almost seven times more transactions per enrollee compared to the previous year.

For InstaPay, outward transactions grew by 142%, while inward transactions recorded a staggering increase of 358%. In the same manner, PESONet transaction count grew three times more. With the increase in transaction volumes, average daily low cost deposit balances also increased in line with end-of-period deposit growth.

The Bank's Strategy is to implement the necessary information technology systems to support existing and new lines of businesses. The Bank intends to strengthen change management and system implementation and deployments by reinforcing the quality assurance and testing effectiveness while shortening delivery time; and pursuing a higher level of maturity for IT Governance and management. It is targeting for all key processes a minimum level of 3 (Established Level) of ISACA's COBIT framework in order to further improve IT value delivery and benefits realization while optimizing risk and resources.

8.13.2 Security Measures

The Bank has continued adoption of new technology, including strengthening cyber security prevention & detection by further enhancing the existing CAATs (computer-assisted audit techniques), cybersecurity and data analytics capabilities and upgrade the current continuous auditing and monitoring system. This supplements the traditional, cyclical or compliance-oriented audit and to detect on a timely and effective manner potential audit and security issues (red flags or system compromise) and/or actual operational and processing errors or irregularities;

8.13.3 Anti-Money Laundering Systems

To improve its systems for money laundering monitoring, the Bank also pushed for the upgrade of its Anti-Money Laundering Act (AMLA) system to efficiently monitor and comply with the legal requirements of the Bangko Sentral ng Pilipinas (BSP) and financial regulators in tracking individuals committing financial-related violations. The Bank began work on the delivery of a more robust Trust Banking system. The new trust system is currently used in production as of July 2021.The operational efficiencies from the new system brings stability in the core trust banking process, as well as improve customer delivery through timely delivery of information through various channels.

8.14 INTELLECTUAL PROPERTY

The Bank secured Certificates of Registration from the Intellectual Property Office of the Philippines for the brand names "BANK OF COMMERCE" and "BANKCOM", the latter being the short name of the Bank. This covers the following products and services: banking services; home, automobile, corporate and personal loan; financial services; ATM banking services; credit card services; internet/online banking services; mobile banking services; investment services; and remittance services.

8.15 IT SECURITY, DISASTER RECOVERY, AND BUSINESS CONTINUITY PROGRAM

The Bank has a Business Continuity Management Framework which results in the identification of business continuity management structure, roles and responsibilities of concerned personnel, and policies and procedures to be observed in case a disruption strikes and affects the critical operations of the institution. It is a roadmap from disaster preparation to recovery.

The framework includes five major activities, namely: Business Impact Analysis and Risk Assessment, Business Continuity Strategy Formulation, Business Continuity Plan Development, BCP Testing, and Training, Awareness and Maintenance.

8.16 INSURANCE

The Bank reviews cash requirements where it maintains insurance for operational risk through loss or theft by obtaining insurance from third party providers. The Bank has ensured that all its material assets and properties has adequate insurance protection against all applicable risks and any unforeseen circumstances. This is to enough to cover and protect the bank and its operation from equivalent financial losses.

8.17 LEGAL PROCEEDINGS

The Bank is involved in various pending legal proceedings, claims and investigations. Summaries of the more significant of these cases are set out below. Management nonetheless believes that none of the proceedings presently involving the Bank will (even if resolved against the Bank) have a material adverse effect on the Bank's operations, properties, assets, conditions (financial or otherwise), results of operations or profits, or on its ability to discharge its obligations.

8.17.1 Bureau of Internal Revenue - Declaratory Relief

Revenue Regulation No. 04-2011 prescribed allocation of expenses among different income streams of a bank or business unit. Several banks received preliminary or final assessment notices covering deficiency income taxes for the year 2011 following BIR's verification of returns and application of RR 4-2011. The banks filed this petition for declaratory relief to restrain the implementation of the new regulation and annul the same on constitutional grounds.

In May 2018, the trial court issued an order granting the petition and nullified RR 4-2011. The Department of Finance brought a petition for review directly to the Supreme Court praying for the reversal of the trial court's order. In a Decision promulgated on 1 December 2021, the Supreme Court denied the petition and declared the nullity of RR 4-2011.

8.17.2 Anti-Money Laundering Council – Violation of AMLA

The Bank allegedly submitted covered transaction reports ("**CTR**") to the Anti-Money Laundering Council ("**AMLC**") beyond the 5-day reglementary period. The AMLC Secretariat thus charged the Bank with "non-compliance with the requirement to report covered and suspicious transactions," sanctioned as a "major violation" under the Rules on the Imposition of Administrative Sanctions (RIAS) under Republic Act No. 9160, as amended. The Bank responded to the AMLC's charge and explained that it should not be held liable under the RIAS because it had filed CTRs and substantially complied with the requirements of Philippine anti-money laundering laws and regulations. Additionally, the Bank pointed out that it implemented improvements to its reporting system.

Notably, a majority of the universal and commercial banks in the Philippines are faced with the same predicament. While the case was pending, the AMLC issued the Rules of Procedure in Administrative Cases ("**RPAC**") which repealed the RIAS. The RPAC, under Rule 2 Section 3 (e), allows the striking out of a case (as if no case was filed) upon payment of the appropriate assessment, which ranges from ₱5,000,000.00 to ₱10,000,000.00. On motion of the Bank, the AMLC resolved to allow the Bank to avail of this benefit upon payment of P5,000,000.00. The Bank complied through a letter of authority in favor of the Bangko Sentral ng Pilipinas (BSP) to debit the assessed amount from its demand deposit account. In December 2021, the AMLC issued a Resolution that the case is stricken from the record.

8.17.3 Presidential Commission on Good Government - Reconveyance of Assets

The Presidential Commission on Good Government ("**PCGG**") brought an action before the Sandiganbayan for reconveyance of assets relative to alleged ill-gotten wealth of former President Ferdinand Marcos claimed to have been deposited with Traders Royal Bank ("**TRB**"). The Bank was impleaded as additional defendant in an amended complaint as successor-in-interest of TRB, citing their Purchase & Sale Agreement ("**PSA**"). The Bank raised the defense that it did not acquire the disputed assets which were specifically excluded from the assets acquired and/or liabilities assumed from TRB under the PSA. The Sandiganbayan rendered a decision finding TRB liable for the alleged ill-gotten wealth of the former President but dismissed the case insofar as the Bank is concerned, affirming the Bank's position on exclusion of the disputed assets from the PSA and declaring that there was no merger between the two banks. The PCGG filed a motion for partial reconsideration with respect to the dismissal of the case in favor of the Bank. The Sandiganbayan denied the Motion for Partial Reconsideration filed by the PCGG, and maintained its decision absolving the Bank from PCGG's claim on the alleged ill-gotten wealth. PCGG filed a Petition for Review on Certiorari with the Supreme Court, and the Bank filed its comment on the petition. The parties are awaiting notice from the Supreme Court.

8.17.4 College Assurance Plan Philippines Inc. - Corporate Rehabilitation

The controversy originated from proceedings for corporate rehabilitation of College Assurance Plan Philippines Inc. ("**CAPPI**"). Trustee, Philippine Veterans Bank ("**PVB**"), and CAPPI claimed "interest" or dividends on the Bank's preferred shares that it redeemed from CAPPI, insisting that interest thereon is due. The Bank countered that payment of dividends requires BSP approval and that is not liable to pay "interest" or dividends in the absence of retained earnings. Pending resolution of the issue, an escrow fund was set up with PVB-Trust. The BSP subsequently disapproved the issuance of dividends by the Bank. Notwithstanding, the trial court ordered PVB-Trust to release funds from the escrow for payment of the interest "due and payable" on the redeemed preferred shares. Before the Bank received the order, PVB-Trust released the corresponding amount to CAPPI. The Bank elevated the matter to the Court of Appeals which decided in its favor, ordering CAPPI to return the amount it received from PVB. CAPPI and PVB filed separate petitions before the Supreme Court assailing the decision of the Court of Appeals. The Supreme Court rendered a Decision on 15 September 2021 reversing the Court of Appeals, rationalizing that PVB and CAPPI acted in obedience to the trial court's order that was valid at that time. The Bank filed a motion for reconsideration of the decision which is pending resolution by the Supreme Court.

8.18 PERMITS

The Bank believes that it has all the applicable and material permits and licenses necessary to operate its business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal.

8.19 CORPORATE SOCIAL RESPONSIBILITY

Throughout the year, the Bank has exemplified its dedication to Corporate Social Responsibility ("**CSR**"), emphasizing not only its financial performance but also its role in fostering positive impacts within the communities it operates and contributing to broader societal welfare in support of nation-building initiatives. The Bank's CSR initiatives underscore its proactive engagement in community affairs, striving to be an integral part of problem-solving endeavors. This year's initiatives include:

8.19.1 Navotas Coastal Clean-up

In September, BankCom employees participated in the annual Coastal Cleanup organized by the San Miguel Foundation Inc. (SMFI) at the Tanza Marine Tree Park in Navotas. The event aims to address the pressing issue of marine pollution. With 600 volunteers, including BankCom employees, the cleanup gathered 2,276 kilograms in just six (6) hours, underscoring the foundation's commitment and marking a notable victory for ocean and waterway preservation efforts.

8.19.2 One Good Deed Day

During Team Malasakit's annual "One Good Deed Day" initiative in December, BankCom employees showed their enthusiasm by actively participating in this yearly observation. "One Good Deed Day" is an annual outreach program that pulls together volunteers from San Miguel Corporation to do one act of kindness each in their respective communities. This one-day event highlights the importance of financial contributions as well as the physical act of being with the beneficiaries. Through this initiative, BankCom employees demonstrated their commitment to making a difference by generating monetary donations totaling P37,900 and providing P15,000 worth of in-kind donations, including Christmas baskets and toys for children.

8.19.3 Mt. Purro Reserve Seed Potting Activity

BankCom's commitment to protecting the environment and engaging with the community was put into action when members of its Senior Executive Team and branch and head office employees participated in a seed potting activity at the picturesque Mt. Purro Nature Reserve in Antipolo in December. Split into two batches, they collectively potted a total of 300 seeds, highlighting their dedication to nurturing sustainable ecosystems and safeguarding natural habitats. This initiative not only had a tangible impact on the environment but also promoted a sense of unity, purpose, and shared responsibility among BankCom's employees.

Joining BankCom in this partnership for the environment were the administration and faculty of Diliman Preparatory School and Diliman College led by their president and former Philippine Senator, Ms. Anna Dominique ML. Coseteng.

Showing strong leadership, BankCom's President and CEO, Mr. Michelangelo R. Aguilar, pledged to make this initiative an annual event, emphasizing the Bank's ongoing commitment to environmental stewardship.

8.19.4 BankCom Financial Literacy Program

With the goal of leading in pursuing financial literacy within the San Miguel Group, BankCom led by its Consumer Protection Department, working together with Branch Banking Group and Trust Services Group, rolled out its FinLit Program in different locations and across various consumer segments this year. Focusing on educating people about important financial concepts such as saving through different bank products, understanding factors to consider before borrowing money, and highlighting the importance of online banking, BankCom successfully reached nearly 2,000 individuals nationwide, comprising of students and school faculty, government employees, and employees of SMC and other private entities.

8.19.5 Sponsorships for a Cause

This year, BankCom has been actively involved in sponsoring initiatives aimed at supporting various social causes including education, children's rights, and healthcare. This involvement began in April with a donation to the Rotary Club of Makati Dasmarinas (RCMD). The funds were designated for medical assistance, counseling services, basic needs provision, and environmental care. The Bank contributed to San Roque National High School's Brigada Eskwelaprogram in October. This program, conducted annually, seeks to improve Philippine public school facilities by engaging the community in volunteer efforts. The goal is to create safe and conducive learning environments for students through collective action. In November, a sum was given to PhilAm International Nourishment of Youth, Inc. (P.I.N.O.Y., Inc.), an organization committed to enhancing the lives of underprivileged and abused children through various means including educational support, counseling, and recreational programs.

SECTION 9. ASSETS AND LIABILITIES

9.1 FUNDING

9.1.1 Overview

The Bank's funding is primarily provided by savings, demand, time deposits and long-term negotiable certificates of time deposits ("**LTNCD**"). Of the total amount of deposits of ₱188.56 billion as of 30 September 2024, these amounted to 54.91%, 32.27%, 10.15% and 2.67%, respectively. The Bank also sources part of its funding requirements from the interbank market, particularly in periods of high liquidity which generally results in lower overall funding cost.

9.1.2 Sources of Funding

The Bank's principal source of deposits is private corporations, non-individual accounts. As of 30 September 2024, these accounted for 65.7% of total deposit liabilities.

The Bank has been successful in attracting and retaining its low-cost deposit base. While the cost of deposits has largely been driven by interest rate movements, the average cost of deposits is also bolstered by the continued rise in the share of current and savings accounts ("**CASA**") to total deposits. The Bank will continue to emphasize growth in its CASA through the launching of differentiated CASA products geared towards the retail, middle market, and corporate customers. The maturities of the Bank's funding portfolio enable it to achieve funding stability and liquidity while achieving its desired profile of loan and deposit maturities. The Bank's depositors typically roll over their deposits at maturity, effectively providing the Bank with a base of core liquidity.

The following table sets out an analysis of the Bank's principal sources of funding for the periods indicated:

	As of December 31			**As of September 30**	
	2021	**2022**	**2023**	**2023**	**2024**
			(₱ millions)		
Deposits by type					
Demand……………………………………….	48,703	51,793	54,569	53,438	60,858
Savings………………………………………..	108,875	101,652	109,668	102,138	103,534
Time…………………………………………..	9,107	17,793	16,639	16,058	19,139
LTNCD……………………………………….	5,029	5,029	5,029	5,029	5,029
Total………...	**171,714**	**176,267**	**185,905**	**176,663**	**188,560**
Deposits by currency					
Peso……………………………………………	155,337	149,873	166,342	154,317	162,534
Foreign………………………………………...	16,377	26,394	19,563	22,346	26,026
Total………...	**171,714**	**176,267**	**185,905**	**176,663**	**188,560**
Bills Payable					
Peso……………………………………………	-	-	-	912	-
Foreign………………………………………..	-	-	-	-	-
Total………...	-	-	-	912	-
Bonds Payable					
Peso……………………………………………	-	7,442	7,478	7,469	6,525
Foreign………………………………………..	-	-	-	-	-
Total………...	-	7,442	7,478	7469	6,525

As of 30 September 2024, 66.69% of the Bank's outstanding demand and savings deposits can be withdrawn on demand without any prior notice from the customer. The table below summarizes the maturity profile of the Bank's deposit liabilities:

	As of September 30, 2024			
	Less than 3 Months	3 to 12 Months	Over 1 to 5 Years	Total
	(₱ millions)			
Deposit Liabilities				
Demand……………………………….	60,858	-	-	60,858
Savings………………………………..	101,004	2,530	-	103,534
Time………………………………….....	17,093	1,749	297	19,139
LTNCD……………………………….	-	5,029	-	5,029
Total ………………………………….	**178,955**	**9,308**	**297**	**188,560**

The Bank also maintains credit lines with domestic commercial banks and financial institutions in the interbank market primarily for treasury management purposes. Interbank borrowings are typically for short-term duration of between one day and a few weeks. Interbank deposits do not usually form a significant part of the Bank's funding base but, together with the Philippine government bond market, are important in the management of the Bank's liquidity. The BSP is a lender of last resort to the Philippine banking industry. The Bank has not had to resort to this facility but has managed its liquidity through its participation in the interbank market in the Philippines.

The Bank is a member of the PDIC which insures all deposits up to maximum of ₱500,000 per depositor. The PDIC is funded by semi-annual assessment fees at a prescribed percentage of the Bank's deposit liabilities less certain exclusions.

The Bank manages its liquidity to meet financial liabilities arising from the withdrawal of deposits, repayments of deposits at maturity and working capital needs. Funds are required to create assets in the form of loans and extensions of other forms of credit, investment in securities, trade financing, and capital investments. The Bank seeks to ensure sufficient liquidity through a combination of active management of liabilities, a liquid asset portfolio, the securing of ample money market lines and swap lines, and the maintenance of repurchase facilities.

9.1.3 Liquidity

Pursuant to regulations of the BSP, universal and commercial banks are required to maintain a reserve of 7% of Peso demand deposits and deposit substitutes starting 25 October 2024. The required reserves shall be kept in the form of deposits placed in the bank's demand deposit accounts with the BSP. On the foreign currency deposit unit ("**FCDU**") side, the Bank is required to maintain at least 30% of deposit liabilities in liquid assets. The Bank has complied with the reserve requirements for both Peso and FCDU books.

As of 30 September 2024, the Bank's liquid assets amounted to ₱60.6 billion, representing 25.79% of the Bank's total assets. Liquid assets include cash and other cash items, due from BSP, due from other banks, interbank loans receivable, and securities purchased under resale agreement, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The following table sets out information with respect to the Bank's liquidity position as of the dates indicated:

	As of December 31			As of September 30	
	2021	2022	2023	2023	2024
	(₱ millions, except percentages)				
Liquid Assets(1)……………………….	74,338	52,020	60,382	56,676	60,627
Financial Ratios:					
Liquid assets to total assets……………	37.22%	23.92%	26.06%	25.27%	25.79%
Liquid assets to total deposits…………	43.29%	29.51%	32.48%	32.08%	32.15%
Net loans(2) to total deposits…………..	42.57%	58.60%	57.87%	62.14%	65.78%

Notes:

1. Liquid assets as at year-end include cash and other cash items, due from BSP, due from other banks, interbank loans and receivables and securities purchased under resale agreements, financial assets at fair value through profit or loss and financial assets at fair value through other compressive income.
2. Receivables from customers net of allowance for credit losses and unearned discounts.

9.2 LOAN PORTFOLIO

9.2.1 Overview

As of 30 September 2024, the Bank's gross loans amounted to ₱126.1 billion, representing 53.66% of total assets. As of 30 September 2024, loans to corporates represented 85.90% of the Bank's total loans, 13.17% composed of consumer lending while 0.06% composed of trade-related lending, respectively.

The following table sets out, for the periods indicated, the allocation of the gross loans held by the Bank among its principal lending units.

	As of December 31			As of September 30	
	2021	**2022**	**2023**	**2023**	**2024**
			(₱ millions)		
Corporate and commercial lending………………………..	60,829	89,726	93,456	95,439	108,338
Consumer lending…………………………………………	14,132	14,413	14,893	15,198	16,606
Trade-related lending………………………………………	43	82	49	42	77
Others[(1)]………………………………………	480	1,362	1,055	1,642	1,096
TOTAL………………………………………	**75,484**	**105,583**	**109,453**	**112,321**	**126,117**

Notes:

1. Others consist of bills purchased and benefit loans

The Bank's consumer lending amounted to ₱16.6 billion as of 30 September 2024, representing 13.17% of the gross loans of the Bank. As of 30 September 2024, housing loans represented 55.92% of the Bank's consumer lending loans, 29.50% composed of auto loans, 9.95% for credit cards, and 4.63% composed of salary and personal loans.

The following table indicates total consumer lending as of the dates indicated:

	As of December 31			As of September 30	
	2021	**2022**	**2023**	**2023**	**2024**
			(₱ millions)		
Housing loans………………………………………………	8,329	8,223	8,454	8,477	9,286
Auto loans………………………………………………….	3,543	3,652	4,124	4,081	4,899
Credit cards………………………………………………..	1,617	1,849	1,619	1,889	1,652
Salary and personal loans………………………………….	643	689	696	751	769
TOTAL…………………………………………………….	**14,132**	**14,413**	**14,893**	**15,198**	**16,606**

9.2.2 Industry Concentration

The following table sets forth, for the periods indicated, an analysis of the Bank's gross loans by economic activity, as defined and categorized by the BSP:

	As of December 31						As of September 30			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)									
Real estate activities	16,059	21.3	24,139	22.9	18,849	17.2	25,628	22.8	20,746	16.4
Electricity, gas, steam, and air-conditioning supply…………..	21,407	28.4	30,518	28.9	39,123	35.8	35,784	31.9	38,709	30.7
Construction……………	9,218	12.2	6,278	5.9	11,705	10.7	11,038	9.8	14,332	11.4
Manufacturing…………	11,557	15.3	13,276	12.6	10,918	10.0	12,034	10.7	11,097	8.8
Financial and insurance activities………………	1,824	2.4	1,311	1.3	2,555	2.3	750	0.7	6,465	5.1
Information and communication…………	53	0.1	9,529	9.0	4,973	4.6	4,143	3.7	6,444	5.1
Wholesale and retail trade, repair of motor vehicles and motorcycles……………	4,732	6.3	4,890	4.6	5,958	5.4	6,668	5.9	7,304	5.8
Water supply, sewerage, waste management and remediation activities………………	1,417	1.9	1,402	1.3	1,381	1.3	1,392	1.2	1,355	1.1
Transportation and storage…..	785	1.0	1,373	1.3	1,328	1.2	1,314	1.2	2,723	2.2
Agriculture, forestry and fishing…………………	949	1.3	2,394	2.3	1,899	1.7	2,304	2.1	3,737	3.0
Accommodation and food service activities…………….	1,149	1.5	1,286	1.2	1,549	1.4	1,634	1.5	2,786	2.2
Administrative and support service activities……...............	191	0.2	711	0.7	541	0.5	696	0.6	183	0.1
Mining and quarrying	-	-	1,896	1.8	1,883	1.7	1,924	1.7	2,667	2.1
Others…………………	6,143	8.1	6,580	6.2	6,791	6.2	7,012	6.2	7,569	6.0
Total…………………	75,484	100.0	105,583	100.0	109,453	100.0	112,321	100.0	126,117	100.0

As of 30 September 2024, electricity, gas, steam, and air-conditioning supply represented the largest sectors of the Bank's gross loans at 30.7%. However, the Bank has internal sub-classifications for renewable and non-renewable energy under electricity and power industry with separate limits (for renewable energy – 25% of the total loan portfolio, non-renewable energy – 30.0%). Existing exposures as of 30 September 2024 for this industry are within the acceptable levels (for renewable energy – 13.2% of the total loan portfolio, non-renewable energy – 17.3%). The majority of lending to these sectors takes the form of residential mortgage loans and working capital loans for corporate and commercial customers. The Bank has no specific limits with respect to portfolio mix, except for the regulatory limits for loans to the real estate sector and credit concentration limit to a particular industry or economic activity.

The internal limits are expressed as a percentage of the Bank's net worth. These vary across industries depending on the prospects of the Bank. For the regulatory limits, loans to real estate business are limited by BSP regulations to 25.0% in the aggregate of the Bank's total loan portfolio. Excluded from this ceiling are loans extended to individual households to finance the acquisition or improvement of residential units, regardless of amount, loans extended to land developers/construction companies for the purpose of development and/or construction of socialised and low cost residential properties, loans to the extent guaranteed by the Home Guaranty Corporation, loans to the extent collateralised by non-risk assets, and loans to finance the construction, rehabilitation, and improvement of infrastructure projects intended for public use. The trust departments of universal and commercial banks are also exempt from the said loan ceiling. The BSP also imposes a credit concentration limit of 30.0% of total loan portfolio to any industry or economic activity.

Banks are required to allocate 25.0% of their loanable funds for agriculture and agrarian reform credit in general, of which at least 10.0% must be made available for agrarian reform beneficiaries. Alternatively, a bank may meet all or a portion of the mandatory agriculture and agrarian reform credit by investing in eligible government securities, and loans and other credits under certain conditions. Likewise, banks are also required to set aside at least 8.0% for small enterprises and 2.0% for medium-sized enterprises (altogether, the "**SMEs**"), of their total loan portfolio. Due to the lack of agriculture and agrarian borrowers and SMEs that meet the Bank's credit standards and due to the shortage in eligible Government securities, the Bank is unable to meet the said requirements.

9.2.3 Loan Maturity Profile

As of 30 September 2024, loans due within one (1) year represented 37.6% of the Bank's total loans. Short-term loans principally comprise loans to corporates for working capital and loans to consumers and SMEs. Medium-and long-term loans are typically granted to corporations and businesses to finance capital expenditures and mortgages advanced for property purchases.

The following table sets out an analysis of the Bank's gross loans by maturity:

	As of December 31						As of September 30			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)									
Within one year…………….	34,978	46.3	41,351	39.2	39,838	36.4	47,053	41.9	47,467	37.6
More than one year…………	40,506	53.7	64,232	60.8	69,615	63.6	65,268	58.1	78,650	62.4
Total……………	75,484	100.0	105,583	100.0	109,453	100.0	112,321	100.0	126,117	100.0

9.2.4 Loan Currencies

The Bank provides loans to customers in peso and certain foreign currencies. The Bank maintains its practice of extending foreign currency loans primarily to exporters who have an identifiable source of foreign currency earnings from which to repay the loans or otherwise hedged, and to importers who have authorization from the BSP to purchase foreign currency to service their foreign currency obligations.

As of 30 September 2024, 89.3% of the Bank's gross loans was denominated in Philippine Peso with 10.7% being denominated in foreign currency, U.S Dollars.

The following table sets out an analysis of the Bank's gross loans by currency:

	As of December 31						As of September 30			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)									
Philippine Peso………	69,813	92.5	95,918	90.8	97,236	88.8	101,225	90.1	112,588	89.3
U.S. Dollars……………	5,671	7.5	9,665	9.2	12,217	11.2	11,096	9.9	13,529	10.7
Total…………………	75,484	100.0	105,583	100.0	109,453	100.0	112,321	100.0	126,117	100.0

9.2.5 Interest Rates

As of 30 September 2024, 68.7% of the Bank's total gross loans were subject to periodic interest repricing. The Bank sets interest rates for Peso-denominated loans based on market rates for Philippine Government Securities and for U.S.$-denominated loans based on USD Secured Overnight Financing Rates. The Bank follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

The Bank monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented on a monthly basis. To ensure that the Bank's net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to one (1) year. These limits are reviewed annually and form part of the Bank's risk appetite statements.

The following table shows the total amount of the Bank's gross loans that have fixed interest rates and variable or adjustable interest rates:

	As of December 31						As of September 30			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)									
Fixed rates………	39,271	52.0	46,846	44.4	43,499	39.7	54,298	48.3	39,470	31.3
Variable rates……	36,213	48.0	58,737	55.6	65,954	60.3	58,023	51.7	86,647	68.7
Total………	**75,484**	**100.0**	**105,583**	**100.0**	**109,453**	**100.0**	**112,321**	**100.0**	**126,117**	**100.0**

9.2.6 Size and Concentration of Loans

The Bank monitors its financial exposure to its customers in order to ensure that concentration risk is prudently managed. Specific risk metrics are applied for this purpose and designed to identify concentration by internally-defined segments as well. As of 30 September 2024, the loan exposure to the Bank's single largest corporate borrower group amounted to ₱6.4 billion or 5.08% of the Bank's total outstanding loan portfolio. As of 30 September 2024, the Bank's ten (10) largest borrower groups accounted for ₱50.0 billion, or approximately 39.65% of the Bank's total outstanding loan portfolio. There are no NPLs in the Bank's top ten (10) loan accounts.

The BSP generally disallows any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of the Bank's unimpaired capital as defined by the BSP MORB Section 362. The additional operational relief measures that increase SBL from 25 percent to 30 percent pursuant to BSP Memo M-2022-004 ended on 31 December 2022. The Bank is in compliance with the 25% single borrower's limit as of 30 September 2024.

9.2.7 Secured and Unsecured Loans

The Bank principally focuses on cash flows in assessing the creditworthiness of borrowers. However, it will secondarily seek to minimize credit risk with respect to a loan by requiring borrowers to pledge or mortgage collateral to secure the payment of loans.

The following table sets out the breakdown of the Bank's total gross loan by security:

	As of December 31						As of September 30			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Loans secured by:	(₱ millions, except percentages)									
Real Estate……………………	4,672	6.2	5,346	5.1	6,565	6.0	6,230	5.5	6,805	5.4
Chattel…………………….........	2,651	3.5	2,315	2.2	2,281	2.1	2,350	2.1	2,156	1.7
Deed of Assignment…………	1,288	1.7	1,137	1.1	1,363	1.2	1,346	1.2	1,497	1.2
Deed of Pledge…….…………	2,667	3.5	7,905	7.5	7,984	7.3	7,202	6.4	6,085	4.8

	As of December 31						As of September 30			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Deposit hold-out………………	5,115	6.8	5,283	5.0	5,194	4.8	5,194	4.6	4,960	3.9
Continuing surety agreement	4,448	5.9	4,755	4.5	4,307	3.9	4,879	4.3	5,162	4.1
Corporate guaranty …………	2,481	3.3	1,564	1.5	1,332	1.2	1,557	1.4	847	0.7
Mortgage trust indenture ……	1,050	1.4	810	0.8	-	-	-	-	-	-
Certificate of participation …	1,000	1.3	800	0.7	-	-	650	0.6	-	-
Others…………………………	12,611	16.7	17,756	16.8	31,992	29.2	17,916	16.0	12,238	9.7
Total Secured………………..…	37,983	50.3	47,671	45.2	61,018	55.7	47,324	42.1	39,750	31.5
Unsecured……………………...	37,501	49.7	57,912	54.8	48,435	44.3	64,997	57.9	86,367	68.5
Total……………………………..	75,484	100.0	105,583	100.0	109,453	100.0	112,321	100.0	126,117	100.0

As of 30 September 2024, 68.5% of the Bank’s total loans are unsecured.

9.2.8 Credit Rating/ Scoring System

The Bank's Internal Credit Risk Rating System (“I**CRRS**”) is an established tool used to evaluate the credit risk associated with each borrower. It is a 10-grade rating scale that reflects an established blend of qualitative and quantitative factors containing both a borrower and facility dimension. The borrower dimension focuses on factors that affect the inherent credit quality of each borrower. The facility dimension, on the other hand, highlights the security and collateral arrangements and other similar risk influencing factors of each transaction.

In 2007, the Bank implemented a credit risk classification that is compatible with global rating standards in compliance with BSP. In 2018, the Bank completed the recalibration of the ICRRS.

Along with this, the Bank introduced expert scoring models for consumer loan applications (including credit cards) in 2015. These models together with other credit acceptance criteria are used to determine the Bank’s application acceptance.

The Bank contracts external entities to review and validate the different rating models on a regular basis. Results of these validation exercises are reported to the management, the Board Risk Oversight Committee (BROC), and the Audit Committee.

9.2.9 Credit Approval Process

To ensure that the Bank is operating under a sound credit granting process, the approval for new credits as well as the amendment, renewal and refinancing of existing exposures has been aligned with the credit risk management structure of the Bank and clearly articulated in its written credit policy. In this process, the Bank has taken into consideration the different levels of appropriate approving authority and their corresponding approving authority limits, which have been commensurate with the risks of the credit exposures. It likewise implements an escalation process where approval for restructuring of credits, policy exceptions or excesses in internal limits is escalated to individual/committee with higher authorities. More so, the Bank is practicing proper coordination of relevant units and individuals as well as sufficient controls to ensure acceptable credit quality at origination.

Credit proposals are presented and justified by the lending officers via Credit Proposal Memo (CPM) / Offering Memo (OM). Such presentation shall only be made after a thorough evaluation and analysis of the borrower and the source of repayment. And to be consistent with safe and sound banking practice, the Bank shall grant credits only in amounts and for the periods of time essential for the effective completion of the activity to be financed and after ascertaining that the borrower is capable of fulfilling its commitments to the Bank.

Credit approving authority limits are approved by the Board of Directors. Each level of authority can act upon the proposals and transactions within the limits of its authority and in accordance with policies, limitations and restrictions set forth by the management and approved by the Board. Credit proposals that require committee approvals (i.e. Credit and Collection Committee, Executive Committee, and Board of Directors) are presented by the lending officers during the regular en banc meetings of each committee. There are, however, certain urgent transaction types that the policy allows to be routed to members of such committee for approval.

The Credit and Collection Committee plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan, within its authority and to endorse those credit proposals which are beyond its authority to the Executive Committee and/or the Board of Directors. It has also the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations.

9.2.10 Credit Monitoring, Review Process, and DOSRI

In line with the BSP mandate for banks to effectively monitor the condition and quality of their individual and group credit portfolios, the Bank has developed and implemented comprehensive processes, procedures and information systems to attend to that mandate. These include criteria that identify and report problem credits to reasonably assure that they are appropriately monitored as well as administered and provided for. As such, any exception, breach and potential problem noted shall be promptly reported to management for corrective action, possible classification and/or provisioning and more frequent monitoring.

The Bank has established an independent unit to review the portfolio of the Corporate/commercial accounts and identify existing and potential areas of deterioration and assess the risks involved. In addition, the credit support units evaluate the degree to which a particular lending unit is complying with existing credit management policies.

Further to this, the Bank has been implementing more intensive monitoring on individual and aggregate exposures against prudential and internal limits on a regular basis. In the ordinary course of business, the Bank has loans and other transactions with its directors, officers, stockholders and related interests ("**DOSRI**"). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. 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 Bank's total capital funds or 15% of the Bank's total loan portfolio, whichever is lower.

The Bank's DOSRI loans and receivables are summarized as follows:

	As of 31 December			As of 30 September	
	2021	2022	2023	2023	2024
Amount	-	₱258,395	₱165,829	₱190,210	₱87,302
% to total loans	-	0.0002%	0.0002%	0.0002%	0.0001%

9.2.11 Impairment of Loans and Other Financial Assets

The Bank complies with the requirements of PFRS 9, *Financial Instruments,* in measuring the required allowance for impairment on financial assets.

9.3 EXPECTED CREDIT LOSS (ECL) METHODOLOGY

The Bank recognizes ECL for loan and other debt financial assets at amortized cost and at FVOCI, together with loans commitments and financial guarantee contracts. No impairment loss is recognized on equity securities.

The Bank measures ECL in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. PFRS 9 requires a loss allowance to be recognized at an amount equal to either the 12-month ECL or lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

9.3.1 Stage Assessment

For non-impaired financial instruments:

- Stage 1: Comprised of performing financial instruments which have not experienced SICR since initial recognition or have low credit risk as of reporting date. This stage recognizes a 12-month ECL for the financial instruments categorized under this group.
- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

For credit-impaired financial instruments:

- Stage 3: Comprised of non-performing financial instruments with one or more loss events occurring since the original recognition or assets with objective evidence of impairment at reporting date. Financial instruments falling within this stage have objective evidence of impairment thus requiring the recognition of lifetime ECL.

9.3.2 Significant Increase in Credit Risk

The definition of a SICR varies by portfolio where the determination of the change in credit risk includes both the quantitative and qualitative factors.

The Bank applies the movement in its Corporate Loan account's credit risk rating and assessment of breach in watchlist triggers to indicate a possible significant credit downgrade or upgrade through a risk rating matrix. For the remaining portfolios, the Bank considers that a SICR occurs no later than when an asset is more than 30 days past due. The total number of days past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Furthermore, the Bank's internal credit assessment may consider a counterparty to have a SICR since initial recognition if it is identified to have well-defined credit weaknesses. These may include adverse changes in the financial, managerial, economic and/or political nature of a business. Credit weakness can be established by an unsatisfactory track record that merits close monitoring and attention from management.

If there is evidence that there is no longer a SICR relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. For unrated financial instruments, the SICR is measured using the number of days past due which is also consistent with the staging criteria presented above.

9.4 CREDIT QUALITY PER CLASS OF FINANCIAL ASSETS

The credit quality of financial assets is assessed and managed by the Bank using both external and internal credit ratings. The Bank's Internal Credit Risk Rating System (ICRRS) is an established tool used to evaluate the Credit Risk associated with each borrower. The ICRRS assigns a score to each account based on a combination of quantitative and qualitative factors. The scores assigned to each obligor is equivalent to the risk associated to each individual. The scoring model is reviewed and validated by external parties regularly to ensure that the model is risk ranking properly. The risk rating is used as one of the measures of the Bank's risk appetite and as a factor in impairment calculation.

The table below shows the Bank's gross loans, net of unearned interest income, as of 30 September 2024 classified according to credit quality (amounts in ₱ thousands):

	TERM LOANS	HOUSING LOANS	AUTO LOANS	BP/IB/TR	DIRECT ADVANCES	AGRI-AGRA	OTHERS	Grand Total
Stage 1								
High Grade	31,080,102	-	-	793,646	288,311	3,184,091	-	35,346,150

	TERM LOANS	HOUSING LOANS	AUTO LOANS	BP/IB/TR	DIRECT ADVANCES	AGRI-AGRA	OTHERS	Grand Total
Standard Grade	58,456,232	-	23,250	241,321	-	11,207,209	-	69,928,012
Unrated	-	8,766,120	4,501,764	2,000	-	-	2,021,239	15,291,123
	89,536,334	**8,766,120**	**4,525,014**	**1,036,967**	**288,311**	**14,391,300**	**2,021,239**	**120,565,285**
Stage 2								
Standard Grade	1,763,135	-	-	-	-	-	-	1,763,135
Substandard Grade	830,164	-	-	-	1,207	170,000	-	1,001,371
Past Due but not Impaired	-	187,033	39,317	-	-	-	87,702	314,052
Impaired	80,000	-	-	323	-	-	-	80,323
	2,673,299	**187,033**	**39,317**	**323**	**1,207**	**170,000**	**87,702**	**3,158,881**
Stage 3								
Impaired	969,676	332,695	332,441	77,393	121,242	185,708	319,846	2,339,001
	969,676	**332,695**	**332,441**	**77,393**	**121,242**	**185,708**	**319,846**	**2,339,001**
Grand Total	**93,179,309**	**9,285,848**	**4,896,772**	**1,114,683**	**410,760**	**14,747,008**	**2,428,787**	**126,063,167**

9.5 IMPAIRMENT – REGULATORY REPORTS

On 14 August 2018, BSP issued Circular No. 1011 *Guidelines in the Adoption of the Philippine Financial Reporting Standard (“**PFRS**”) 9 – Financial Instruments* requiring banks to adopt the expected credit loss (“**ECL**”) model in measuring credit impairment in accordance with the provisions of PFRS 9, with certain exceptions as follows:

- For non-retail corporate counterparties when any of its material exposure is subjected to lifetime ECL (i.e., at least one of its exposures is classified as Stage 2 or 3), all of the exposures with the counterparty will be subjected to lifetime ECL. In such case, additional expense and allowance shall be recorded for accounts subjected to 12-month ECL to recognize lifetime ECL of these accounts.

- For loan account whose computed ECL is less than 1%, appropriation of retained earnings is required for an amount necessary to bring the ECL to 1%. This is applicable to Stages 1, 2, and 3.

9.6 REMEDIAL MANAGEMENT

The Remedial Management Department directly supervises the management of past due loans that are referred to it. For Bank of Commerce, remedial management of problematic past due corporate/commercial loans and consumer loans are handled separately. For problematic accounts, it is assigned to a remedial unit which evaluates, determines and proposes the appropriate remedial recourse available to the Bank.

Recovery may be voluntary or involuntary. Voluntary mode is cost-efficient and is always preferred through the cooperation of the borrower. This type of recovery is usually in the form of full or partial payments, restructuring, assignment or assumption of credit, or *dacion en pago* (payment in kind).

In case voluntary recovery is not possible, the Bank resorts to legal action through its legal department, which is usually foreclosure of loan collateral or filing of criminal/civil collection suits.

Taking into account the possibility of recovery at set stages, remedial officers review and continually assess the impaired values of each account. Any additional increase or reduction in the impairment value is then compared with the existing credit classification and booked provision. Any adjustment, if necessary, is made accordingly.

All remedial actions require approval of the Bank’s President, Credit Committee or Executive Committee depending on the amount of outstanding obligation and/or complexity of remedial action, as stated in the Bank’s Credit Policy Manual.

Foreclosed and dacioned assets on the other hand are transferred to Acquired Asset Division (AAD) which is tasked to manage and dispose of acquired properties of the Bank. AAD consists of 3 main sections namely Sales & Marketing, Property Management and Sales Contract Receivables. Sales & Marketing group is responsible for the disposal of properties booked under ROPA. The main channel for disposal are the account officers, accredited brokers, branch network and bank website. Property Management group is in-charge of monitoring redemption, possession, consolidation, and payment of association dues / taxes. Sales Contract Receivables group is tasked to handle coordination with buyers, monitoring of payments, preparation of sale documents or cancellation of sale for those properties sold under installment.

Disposition of the Bank's acquired assets, depending on the amount, requires approval of Bank's Management namely: Group Head, President, Executive Committee, and Board.

9.7 NON-PERFORMING LOANS (NPL) AND ROPA

The table below sets forth details of the Bank's NPLs, non-accruing loans, ROPA, non-performing assets (as described below), restructured loans and write-offs for loan losses for the specified periods:

	For the Year Ended 31 December			For the Quarter Ended 30 September	
	2021	2022	2023	2023	2024
Gross non-performing loans[(1)]	2,825,872,916	2,518,280,248	1,961,811,878	2,546,049,929	2,141,228,461
Net non-performing loans[(1)]	829,714,978	724,548,960	567,261,710	655,973,956	608,970,561
Total loans[(1)]	91,313,906,777	120,203,413,407	127,509,330,674	128,557,337,561	127,997,371,397
Gross non-performing loans to total loans (%)[(1)]	3.09%	2.10%	1.54%	1.98%	1.67%
Net non-performing loans to total loans (%)[(1)]	0.91%	0.60%	0.44%	0.51%	0.48%
Non-performing loans[(2)]	2,825,872,916	2,518,280,248	1,961,811,878	2,546,049,929	2,141,228,461
Total loans	91,313,906,777	120,203,413,407	127,509,330,674	128,557,337,561	127,997,371,397
Total non-performing loans to total loans – excluding interbank loans (%)[(3)]	3.10%	2.10%	1.54%	1.99%	1.69%
Total non-performing loan to total loans – including interbank loans (%)[(4)]	3.09%	2.10%	1.54%	1.98%	1.67%
ROPA – net	2,317,096,344	2,217,820,468	2,369,792,538	2,267,777,159	2,441,186,149
Non-performing assets[(5)]	5,058,439,361	4,604,709,748	4,197,654,379	4,673,315,960	4,454,350,229
Non-performing assets as percentage of total resources (%)	2.54%	2.13%	1.82%	2.10%	1.90%
Allowance for impairment of assets	2,287,166,779	2,072,969,082	1,701,383,274	2,169,282,283	1,855,256,953
Allowance for loan impairments	2,202,636,880	1,941,578,115	1,567,433,238	2,028,771,155	1,727,192,572
Allowance for loan impairments (General and Specific)	2,984,522,544	2,242,547,378	1,828,580,056	2,429,505,038	2,031,930,733
Allowance for ROPA impairments	84,529,899	131,390,967	133,950,036	140,511,127	128,064,382
Allowance for loan impairments as a percentage of total non-performing loans (NPL coverage ratio) (%)	77.95%	77.10%	79.90%	79.68%	80.66%

	For the Year Ended 31 December			For the Quarter Ended 30 September	
	2021	2022	2023	2023	2024
Allowance for loan impairments as a percentage of total non-performing loans (NPL coverage ratio) (%) (General and Specific)	105.61%	89.05%	93.21%	95.42%	94.90%
Allowances for impairment of assets as a percentage of non-performing assets (%)	1.67%	2.85%	3.19%	3.01%	2.88%
Total restructured loans	412,028,917	1,058,483,657	1,045,166,179	1,099,585,069	997,022,857
Current	151,357,347	696,303,104	565,018,708	638,587,552	176,270,664
Past due	42,357,194	21,310,227	23,287,415	16,756,598	27,224,431
NPL	218,314,105	297,966,559	414,252,548	400,706,158	750,412,381
In litigation	271	42,903,767	42,607,508	43,534,761	43,115,381
Restructured loans as percentage of total loans (%)	0.45%	0.88%	0.82%	0.86%	0.78%
Loans – written off	-	257,244,612	525,491,829	-	-

Notes

1) Per BSP Circular 772; includes Receivable from Special Purpose Vehicles (SPVs) presented under Other Resources
2) Excludes Receivable from Special Purpose Vehicles (SPVs)
3) Total non-performing loans divided by total loans excluding interbank loans.
4) Total non-performing loans divided by total loans including interbank loans.
5) Non-performing assets comprise of ROPA (gross) and non-performing loans

The Bank classifies loans as past due upon the occurrence of certain non-payment events, and then reclassifies such loans as “non-accruing” or “non-performing” upon continuing non-payment or payment default, in accordance with BSP guidelines. In the case of loans requiring repayment of principal at maturity or scheduled payment of principal or interest due quarterly (or longer), failure to make such payment on the due date triggers non-performing classification. In the case of loans requiring payment of principal or interest on a monthly basis, continued failure to make payment for three months from the due date triggers non-performing classification.

As of 30 September 2024, the Bank’s ten largest NPLs amounted to ₱1.2 Billion or approximately 1.0% of the Bank’s total loans.

9.8 SECTORAL ANALYSIS OF NON-PERFORMING LOANS (NPLS)

The following table sets forth, as of the dates indicated, the Bank’s gross NPLs by the respective borrowers’ industry or economic activity and as a percentage of the Bank’s gross NPLs:

	For the Year Ended 31 December						For the Period Ended 30 September			
	2021	**%**	**2022**	**%**	**2023**	**%**	**2023**	**%**	**2024**	**%**
					(₱ millions)					
AGRI, FORESTRY AND FISHING	19.8	0.70%	19.7	0.78%	1.1	0.06%	2.0	0.08%	1.1	0.05%
MANUFACTURING	149.5	5.29%	195.8	7.77%	283.1	14.43%	252.0	9.90%	224.5	10.48%
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING	89.7	3.17%	4.9	0.19%	0.0	0.00%	4.9	0.19%	0.0	0.00%
WATER SUPPLY,SEWERAGE,WASTE MNGT	1.9	0.07%	1.9	0.07%	1.9	0.10%	1.9	0.07%	1.9	0.09%
CONSTRUCTION	150.0	5.31%	150.0	5.95%	149.9	7.64%	150.0	5.89%	567.9	26.52%

	For the Year Ended 31 December						For the Period Ended 30 September			
	2021	**%**	**2022**	**%**	**2023**	**%**	**2023**	**%**	**2024**	**%**
					(₱ millions)					
WHOLESALE AND RETAIL TRADE,REPAIR OF MOTOR VEHICLES	244.8	8.66%	235.4	9.35%	324.9	16.56%	366.8	14.41%	314.6	14.69%
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	3.9	0.14%	3.9	0.15%	0.0	0.00%	3.9	0.15%	0.0	0.00%
TRANSPORTATION & STORAGE	41.7	1.48%	38.2	1.52%	40.7	2.07%	40.8	1.60%	39.7	1.86%
INFORMATION AND COMMUNICATION	10.9	0.39%	10.9	0.43%	0.0	0.00%	10.9	0.43%	2.2	0.10%
FINANCIAL AND INSURANCE ACTIVITIES	0.0	0.00%	0.0	0.00%	0.0	0.00%	0.0	0.00%	0.0	0.00%
REAL ESTATE ACTIVITIES	853.9	30.22%	746.1	29.63%	543.3	27.69%	629.2	24.71%	332.7	15.54%
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	1.0	0.04%	1.0	0.04%	0.0	0.00%	1.0	0.04%	0.0	0.00%
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	53.2	1.88%	28.8	1.15%	27.4	1.40%	28.8	1.13%	27.4	1.28%
EDUCATION	0.0	0.00%	0.0	0.00%	0.0	0.00%	0.0	0.00%	0.0	0.00%
OTHER SERVICE ACTIVITIES	3.3	0.12%	3.4	0.13%	4.0	0.20%	3.3	0.13%	4.0	0.19%
FOR HOUSEHOLD CONSUMPTION										
A.CREDIT CARD	539.5	19.09%	596.1	23.67%	217.2	11.07%	616.4	24.21%	270.9	12.65%
B.AUTO LOANS	579.1	20.49%	407.9	16.20%	349.7	17.83%	362.4	14.24%	331.6	15.49%
C. MOTORCYLCLE	2.9	0.10%	1.5	0.06%	1.0	0.05%	0.9	0.04%	0.8	0.04%
D. SALARY	39.0	1.38%	31.6	1.25%	17.0	0.87%	30.5	1.20%	21.4	1.00%
E.OTHERS	41.8	1.48%	41.2	1.64%	0.6	0.03%	40.3	1.58%	0.5	0.02%
Total Non-Performing Loans	**2,825.9**	**100.00%**	**2,518.3**	**100.00%**	**1,961.8**	**100.00%**	**2,546.0**	**100.00**	**2,141.2**	**100.00%**

Loans that are subsequently foreclosed or transferred to the Bank's ROPA account are removed from the non-performing category. Accrued interest arising from a loan account is classified according to the classification of the corresponding loan account. In accordance with BSP guidelines, loans and other assets in litigation are classified as non-performing assets. The Bank's non-performing assets principally comprise ROPA and NPLs.

9.9 FORECLOSURE AND DISPOSAL OF ASSETS

The Bank's preferred strategy for managing its exposure to NPLs that are secured is to restructure the payment terms of such loans. The Bank will only foreclose on an NPL if restructuring is not feasible or practical, or if the borrower cannot or will not repay the loan on acceptable terms. In the case of larger loans, the Bank may also consider accepting a *dacion en pago* arrangement.

In the nine months ended 30 September 2024, the Bank sold ₱84.4 million of acquired assets in ROPA. The Bank had a net ROPA of ₱3.68 billion, ₱3.40 billion and ₱3.45 billion as of 31 December 2023, 2022, and 2021, respectively, consisting of various real estate properties and shares of stock in several companies. As of 30 September 2024, the Bank's net ROPA amounted to ₱3.89 billion.

Under the current regulations, the Bank is required to conduct impairment testing on its acquired assets, which becomes the basis for the provisioning levels. The Bank's valuation reserves on ROPA amounted to ₱210.76 million as of 30 September 2024, and ₱249.96 million, ₱201.90 million, and ₱191.28, as of 31 December 2023, 2022, and 2021, respectively.

SECTION 10. RISK MANAGEMENT

10.1 RISK PHILOSOPHY AND GUIDING PRINCIPLES

The Bank's goal is to generate steady returns to shareholders' capital. With this objective in mind, the Bank's business principles, strategies, and operations are designed to achieve cash flows in excess of its obligations to its fund providers and stakeholders. To realize this, the Bank takes risks that are inherent in the conduct of its universal banking franchise. Risk taking presents opportunities to earn more-than-expected returns, provided that the risk-taking process is intentional, investigated, and controlled. The Bank's risk-taking activities are guided by the following principles:

- The Bank is in the business of taking risks;
- The Bank takes risks after a deliberate process to identify the risks, to dimension them, and to decide whether to reduce, avoid, accept, or transfer the risk;
- The Bank adopts risk management practices suited to the scope and sophistication of its business and in line with global best practices;
- The Bank's risk management is the concern of everyone.
- The Bank recognizes the independence of risk managers and risk takers from each other.

10.2 RISK APPETITE AND STRATEGY

The capital of the Bank, once invested, is already exposed to risks. The risk appetite of the Bank is the type and threshold of risk that it is willing to take or accept in the pursuit of its business objectives. This is based on the Bank's capacity to absorb risks, given its capital, liquidity, borrowing capabilities, or statutory restrictions.

The Risk Appetite Statements of the Bank are either quantitative or qualitative. Risk Appetite Statements are developed by the Bank to provide guidance on the various types of its risk exposures such as credit, market, liquidity, and operational risk.

The Bank's strategy to manage risk may be to reduce, avoid, accept, or transfer the risk. Management is under obligation to exercise reasonable care, skill, and caution when engaging in business to ensure the appetite is not exceeded, to maximize the value of capital, and to preserve it when an adverse event occurs. Each and every employee is responsible for implementing and adhering to the Bank's risk appetite while making business decisions daily.

10.3 RISK MANAGEMENT OVERSIGHT

The Bank's Board of Directors (BOD), Board Risk Oversight Committee (BROC), and Risk Management Division (RSK) are responsible for setting the overall risk management framework and risk appetite of the Bank. The BOD is the sole arbiter of the risks taken by the organization, with the discretion of determining what manner (strategic direction) and magnitude (risk appetite) of risks are suitable for the organization. The BOD develops both the strategic direction and the risk appetite with inputs provided by Management.

The Board established the BROC to oversee the promotion of a risk management culture within the Bank. The BROC is responsible for establishing and maintaining a sound risk management system. It assists the Board in its risk oversight function by:

- Identifying and evaluating risk exposures;
- Developing risk management strategies;
- Overseeing the risk management framework; and
- Promoting a culture that is conscious of the importance of risk management and capital adequacy.

The Bank considers the understanding and the management of risk as a key part of its business strategy. The RSK is mandated to strengthen the Bank's risk management infrastructure to meet the requirements of its business. The RSK implements the risk management directives of the Board and the BROC by:

- Formulating and recommending policies to manage market, liquidity, credit, operational, information technology, and trust risks arising from the business of the Bank;
- Implementing the risk management framework approved by the BOD;
- Actively promoting a culture of risk awareness and risk management; and
- Coordinating with Finance and Controllership Group on the adequacy of the Bank's capital in absorbing the risks present in the Bank's business.

The RSK reports to the Board through the BROC and is independent from the risk-taking business units of the Bank. Headed by the Chief Risk Officer, it comprises the following departments:

10.4 CREDIT RISK MANAGEMENT

The Credit Risk Management Department (CRM) has four (4) sections- Credit Review, Credit Risk Control, Credit Risk Modelling, and Portfolio Credit Risk, with each focusing on a major segment of the credit risk management process.

As part of the Bank's continuous assessment of the risks extended through its lending units, credit reviews are performed and act as independent and objective assessment of corporate and commercial loan exposures of the Bank. Borrowing accounts are reviewed if loans were granted in accordance with the Bank's credit policy. Loans are assessed on a post-approval basis to check if credit classifications are consistent with internal and regulatory standards and provisions are adequate following the ECL methodology of the Bank. Credit reviews provide assurance that lending portfolio quality is maintained and accounts are properly managed.

The CRM is responsible for developing and recommending policies that will aid in the management of credit risk present in the Bank's asset portfolios. The CRM is also in charge of developing, maintaining, and updating the Bank's credit risk models including the risk rating systems and scorecards. It is the department's duty to monitor credit risk exposures against established limits and report portfolio performance, including significant movements, asset quality, and levels of concentration to the BROC on a timely basis. It is CRM's responsibility to make sure that the Bank is always in compliance with the continuously evolving landscape of credit risk within the banking industry.
The CRM monitors credit exposures on a counterparty and portfolio level to ensure asset quality and concentration risks are within the Bank's risk appetite. Credit risk thresholds consist of regulatory commitments, internal limits, as well as industry benchmarks. Asset quality is measured through the Bank's Internal Credit Risk Rating System (ICRRS) for corporate accounts and expert scoring models, based on Fair Isaac Corporation (FICO), for consumer loans, including credit cards. These rating systems are monitored and validated on a regular basis. Concentration risks and large exposures are monitored and reported to the BROC and to Management on a regular basis. Concentrations are identified on a counterparty, industry, product, and country level. Regulatory and internally developed stress tests are also performed to evaluate the Bank's ability to absorb credit losses.

With the advent of PFRS 9, the Bank adopted the Expected Credit Loss (ECL) estimation methodology for impairment. CRM is in charge of developing, maintaining, and updating the ECL models of the Bank. Furthermore, it is the department's duty to estimate the quarterly ECL figures for the Bank.

10.5 CREDIT APPROVALS

10.5.1 Credit Rating/ Scoring System

The Bank's Internal Credit Risk Rating System ("**ICRRS**") is an established tool used to evaluate the credit risk associated with each borrower. It is a 10-grade rating scale that reflects an established blend of qualitative and quantitative factors containing both a borrower and facility dimension. The borrower dimension focuses on factors that affect the inherent credit quality of each borrower. The facility dimension, on the other hand, highlights the security and collateral arrangements and other similar risk influencing factors of each transaction.

In 2007, the Bank implemented a credit risk classification that is compatible with global rating standards in compliance with BSP. In 2018, the Bank completed the recalibration of the ICRRS.

Along with this, the Bank introduced expert scoring models for consumer loan applications (including credit cards) in 2015. These models together with other credit acceptance criteria are used to determine the Bank's application acceptance.

The Bank contracts external entities to review and validate the different rating models on a regular basis. Results of these validation exercises are reported to the management, the Board Risk Oversight Committee (BROC), and the Audit Committee.

10.5.2 Credit Approval Process

To ensure that the Bank is operating under a sound credit granting process, the approval for new credits as well as the amendment, renewal and refinancing of existing exposures has been aligned with the credit risk management structure of the Bank and clearly articulated in its written credit policy. In this process, the Bank has taken into consideration the different levels of appropriate approving authority and their corresponding approving authority limits, which have been commensurate with the risks of credit exposures. It likewise implements an escalation process where approval for restructuring of credits, policy exceptions or excesses in internal limits is escalated to individual/committee with higher authorities. More so, the Bank is practicing proper coordination of relevant units and individuals as well as sufficient controls to ensure acceptable credit quality at origination.

Credit proposals are presented and justified by the lending officers via Credit Proposal Memo (CPM) / Offering Memo (OM). Such presentation shall only be made after a thorough evaluation and analysis of the borrower and the source of repayment. And to be consistent with safe and sound banking practice, the Bank shall grant credits only in amounts and for the periods of time essential for the effective completion of the activity to be financed and after ascertaining that the borrower is capable of fulfilling its commitments to the Bank.

Credit approving authority limits are approved by the Board of Directors. Each level of authority can act upon the proposals and transactions within the limits of its authority and in accordance with policies, limitations and restrictions set forth by the management and approved by the Board. Credit proposals that require committee approvals (i.e. Credit and Collection Committee, Executive Committee, and Board of Directors) are presented by the lending officers during the regular en banc meetings of each committee. There are, however, certain urgent transaction types that the policy allows to be routed to members of such committee for approval.

The Credit and Collection Committee plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan, within its authority and to endorse those credit proposals which are beyond its authority to the Executive Committee and/or the Board of Directors. It has also the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations.

10.5.3 Credit monitoring, Review Process, and DOSRI

In line with the BSP mandate for banks to effectively monitor the condition and quality of their individual and group credit portfolios, the Bank has developed and implemented comprehensive processes, procedures and information systems to attend to that mandate. These include criteria that identify and report problem credits to reasonably assure that they are appropriately monitored as well as administered and provided for. As such, any exception, breach and potential problem noted shall be promptly reported to management for corrective action, possible classification and/or provisioning and more frequent monitoring.

The Bank has established an independent unit to review the portfolio of the Corporate/commercial accounts and identify existing and potential areas of deterioration and assess the risks involved. In addition, the credit support units evaluate the degree to which a particular lending unit is complying with existing credit management policies.

Further to this, the Bank has been implementing more intensive monitoring on individual and aggregate exposures against prudential and internal limits on a regular basis. In the ordinary course of business, the Bank has loans and other transactions with its directors, officers, stockholders and related interests ("**DOSRI**"). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. 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 Bank's total capital funds or 15% of the Bank's total loan portfolio, whichever is lower.

The Bank's DOSRI loans and receivables are summarized as follows:

	As of 31 December			As of 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
Amount	-	₱258,395	₱165,829	₱190,210	₱87,302
% to total loans	-	0.0002%	0.0002%	0.0002%	0.0001%

10.6 MARKET AND ASSET-LIABILITY RISK MANAGEMENT

10.6.1 Market Risk in the Trading Book

The Bank employs an internally developed Value-at-Risk (VAR) model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Market and Asset-Liability Risk Management Department (MRM) simulates the trading book's VAR on a daily basis, and the results are compared against Board-approved limits. In addition to the risk appetite on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, daily, monthly, and full year losses, and stress testing. These controls provide insight on possible strategies to hedge or mitigate the market risk arising from the trading book.

10.6.2 Interest Rate Risk in the Banking Book

The MRM also regularly monitors the mismatches in the repricing of the Bank's assets and liabilities through the interest rate gap reports to the Asset Liability Management Committee (ALCO) and the BROC. To ensure that the Bank's net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank's risk appetite statements. The Bank also has an internally developed Earnings-at-Risk (EAR) metric for monitoring

IRRBB. EAR measures the contraction in the projected NII over the next 12 months, excluding pipeline deals through historical simulation of interest rate benchmarks. Non-maturing fixed-rate deposits or current-savings accounts (CASA) are split into three classifications: 1) stable and core deposits; 2) stable-but-non-core deposits and; 3) non-stable deposits. The volatile or non-stable portion of the NMD/CASA is slotted in the shortest time-bucket (i.e., less than one month). Stable-but-non-core portion is slotted based on an assumed repricing approximation. Stable-and-core portion is slotted in the 3 to 5-year bucket. The IRRBB model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements on existing loans and deposits. More (less) prepayment is expected if interest rates decline (increase), while more (less) pre-termination is expected if interest rates increase (less).

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate the units that generate funding (e.g., branch deposits). While the Bank is not and does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively manages the interest rate mismatch by sourcing stable funds to match long-term assets. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

10.6.3 Liquidity Risk

The MRM prepares a Maximum Cumulative Outflow (MCO) report which estimates projected funding requirements that the Bank will need at specific time horizons, to measure and monitor liquidity risk. The Bank has a set of internal limits on its MCO gaps to ensure sufficient liquidity, and any breach is reported to ALCO and the Board. Concentration on a single funding source is also regularly monitored to control the Bank’s reliance on a specific product or counterparty. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors unique to the Bank, market-wide liquidity stress events, and combination of bank-specific and market-wide stress events. A contingency funding plan which covers quantitative and procedural measures is in place and may be applied under different stress scenarios.

10.7 OPERATIONAL RISK MANAGEMENT

The Operational Risk Management Department (ORMD) monitors the comprehensiveness and effectiveness of internal control systems employed by the Bank and oversees the performance of these systems to minimize operational risks and detect vulnerabilities while the consequences are still manageable or avoidable. It also provides timely assessments of inherent general and functional risks to ensure the operational soundness of the organization as an ongoing concern.

To assist management in meeting its responsibility to manage operational risk exposures, the ORMD monitors and evaluates the Bank’s operational risk incidents and losses to ensure that the risk level is well within the Bank's risk appetite and that any process and control gaps are promptly addressed. It also facilitates the implementation of bank-wide Risk and Control Self Assessments (RCSA), a proactive tool for identifying and assessing operational risks, as well as the control mechanisms employed by all banking units. To complement the RCSA, the ORMD, in partnership with business units, has continuously developed and maintained Key Risk Indicators (KRI). These KRIs help in the early detection of heightened risk or when risk levels approach or exceed acceptable ranges, prompting corrective actions and preventing further deterioration. On a monthly basis, the Department reports significant operational incidents and losses, as well as the results of RCSA facilitations and KRIs to the appropriate level of management and the BROC.

As part of its mandate to provide operational risk management (ORM) training and advice to business units on ORM issues, the Department assists in improving operational and system risk management capabilities through policy formulation. It conducts a risk assessment on new or revised bank products and services to ensure that adequate procedures and controls are embedded into the process prior to their implementation. The ORMD also conducts regular in-house trainings and issues regular advisories to Bank personnel to enhance employee awareness on operational risks and controls.

10.8 INFORMATION TECHNOLOGY RISK MANAGEMENT

The Information Technology Risk Management Department (ITRM) focuses on the identification, monitoring, advisory, and reporting of risk issues arising from the technology transformation efforts of the Bank and the speed of innovation in products and services delivered on an information technology platform. It ensures the soundness of the organization’s information technology systems by providing an effective assessment of inherent risks in its IT infrastructure. The ITRM also ensures the continuous relevance and enforcement of the Bank’s IT Risk Management Framework and Information Security Policies and Procedures.

Information Technology risk falls under the broad category of operational risk. As such, objectives, strategies, and processes are similar to ORMD, with a specific focus on risk and control evaluations and incident management related to hardware, software, IT operations, and information security. Key risk indicators include system failures, data corruption, system security, system downtime, disaster recovery, among others. Vulnerability Assessment and Penetration testing is also managed by the ITRM.

10.9 TRUST RISK MANAGEMENT

Trust Risk Management (TRM) ensures the management of risks in the business operations of the Trust Services Group and reports to the Trust and Investment Committee (TIC) and the BROC. The TRM develops and enhances the policies and procedures in operational, credit, liquidity, and market risks, in accordance with the risk management framework of the Bank, to ensure that risk management practices continue to be effective and relevant to the ever evolving trust business. It is responsible for overseeing the implementation of approved strategies and for ensuring that controls are in place relative to its business activities that will limit fiduciary risks and reinforce compliance with laws and regulations.

10.10 BUSINESS CONTINUITY MANAGEMENT

Business Continuity Management (BCM) Department is responsible for facilitating the regular testing, updating, and execution of the Bank's Business Continuity Plan. Its activity follows the BCM life cycle recommended by regulators, which helps ensure that the Bank's critical processes and applications are identified and adequate preparations for various threats or disruptions are addressed. BCM works closely with each business unit for the assessment and development of their unit's Business Continuity Plan. Further, BCM maintains constant coordination and communication with each unit for awareness and updates on developing events.

10.11 ANTI-MONEY LAUNDERING GOVERNANCE AND CULTURE

The Bank is committed to comply with the requirements of the Anti-Money Laundering (AML) Law, rules, and regulations as embodied in its Money Laundering and Terrorist Financing Prevention Program (MTPP) which is regularly updated or as need arises to reflect the constantly evolving regulations, the emerging money laundering/terrorist financing risks, and global best practices.

While Compliance Division monitors its implementation, the Bank’s oversight board and management level committees, the Corporate Governance Committee and AML Committee, respectively, are tasked to oversee and implement the Bank’s compliance with money laundering and terrorist financing prevention program and policies. This supports the Bank’s mission of maintaining high ethical standards in the conduct of its business and ensures that the Bank does not become a conduit for dirty money or a victim of money laundering crime.

Identification of compliance risks enables the Bank to establish measures to mitigate such risks. Through the conduct of independent testing of branches and head office units, the Bank is able to identify the segment in the operational process where money laundering and terrorist financing risks are higher, and based on the testing results, implement improvements in the processes and segregate responsibilities among the units/personnel involved. Testing results are monitored until corrected and reported to the oversight committees to enable them to have an accurate assessment of the effectiveness and efficiency of the Bank’s money laundering and terrorist financing prevention program.

The Bank seeks to instill a culture of compliance, with Compliance Division as the main driver of the Bank’s initiatives to foster AML awareness and discipline. Compliance Division, in partnership with HRMDD, constantly enhances the Bank’s training program to equip bank personnel with appropriate knowledge to achieve the Bank’s goal of promoting effective implementation of the Anti-Money Laundering and Combating Financing of Terrorism (CFT) policies and procedures in the entire organization. The Bank provides training programs that are designed based on the degree of experiences to transactions that pose risks to money laundering/terrorist financing exposure, with varying focus for new employees, front line staff and officers, internal audit, senior management, and directors. All employees are also required to undergoannual refresher training which highlights their responsibilities under the MLPP.

The Bank endeavors to create a robust compliance culture where the programs and systems in place are adequate and effective to ensure that any risk associated with money laundering and terrorist financing is mitigated and thus, ensures that the interest of the Bank, its clients, and other stakeholders is protected.

10.12 RISK MEASUREMENT AND REPORTING SYSTEM

The Bank's capital adequacy is determined by measuring credit, market, and operational risk exposures using standardized or basic approaches as allowed by the BSP. Risk exposures are measured both individually and in aggregate amounts. Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed, and reported by the RSK. In cases where the risk measurement is performed by the RSK, another independent party, in-house or external, conducts a validation exercise.

Market risks are measured by mark-to-market and Value-at-Risk analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit is measured via risk classifications of accounts using an Internal Credit Risk Rating System that incorporates the BSP risk classifications of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowances for losses, including changes thereon, when necessary. All risk information is processed, analyzed, and consolidated for proper reporting to the BOD through the BROC, TIC, AuditCom, Senior Executive Team, and various management committees of the Bank.

Actual and estimated risk exposures and losses at Treasury, Corporate and Consumer Banking, Operations, and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and backtesting results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, status of legal cases, service level of major information technology systems, and ATMs.

The RSK streamlined the reporting of the enterprise-wide risk profile of the Bank through the periodic presentation and publication of the Risk Dashboard. This provides a readily available snapshot that highlights risk concerns encompassing the major business risk areas: Market, Asset and Liability, Credit, Corporate, Commercial and Consumer Lending, Operations, Information Technology, and Trust.

10.13 COMPLIANCE RISK

A strong compliance culture is the Bank's key to better manage compliance risk. This culture thrives upon a common understanding by all persons within the organization that it is a basic responsibility to know and have a working knowledge of the laws, rules, and regulations attendant to his functions. To reinforce this responsibility, units in charge of ensuring compliance with laws and regulations (legal, regulatory, tax) regularly disseminate any new issuances for the understanding of concerned units/personnel.

Compliance Division provides Business Operating Unit (BOU) guidance on the interpretation and application of BSP rules and regulations and other regulatory issuances with respect to the activities of the Bank. Breaches/deviations from these regulations are appropriately reported to the Senior Management, Corporate Governance Committee, and the Board for immediate/appropriate resolution.

In order to validate that compliance culture is observed on all aspects of the Bank's business, activities and processes, regular monitoring and assessment of adherence to laws, rules, and regulations are performed. For this purpose, the Bank implements the three-pronged approach in Compliance Testing: the Compliance Self-Assessment performed by the units themselves; the Independent Compliance Testing, a validation exercise performed by the Compliance Division on branches, head office units, and selected products/services; and finally supplemented by validation performed by Internal Audit on all units and branches included in the Annual Audit Plan.

Based on the Bank's Compliance Program where self-assessment is one of the pillars, Deputy Compliance Officers (DCO) are appointed within each of the operating and business units of the Bank to perform periodic self-testing. Using the Compliance Self-Assessment Checklist (CSAC) prepared by Compliance Division, Compliance Self-Assessment is done by the DCOs to check the level of compliance of their respective units with identified laws, rules, and regulations. The result of Compliance Self-Assessment is validated through the Independent Compliance Testing. Results of Compliance Self-Assessment and Independent Compliance Testing are reported to the Corporate Governance Committee and appropriate levels of Management. Follow-through is being done until findings/exceptions are fully corrected.

10.14 REPUTATIONAL RISK

Reputational risk proceeds from negative public opinion and has the potential to erode the perception of the Bank as a worthy counterparty or investment target. Negative perception on the part of customers, providers of funding, or regulators can adversely affect a bank's ability to maintain existing, or establish new business relationships, or to continue accessing sources of funding. The impact on reputation of events that may occur in the regular course of business remains a top priority of Senior Management and the Board. Customer complaints are monitored until resolved within set turnaround times. Moreover, products and services are offered to clients in accordance with their needs and risk sophistication.

10.15 LEGAL RISK

Legal risk arises from failure in the implementation of necessary control measures as well as imperfect documentation of transactions. The primary functions of the Bank's Legal Services Division (LSD) comprise rendering legal advice and document review to ensure that relevant laws are complied with, Bank interest is duly protected, and identified risks are imparted to responsible units of the Bank. The LSD handles cases filed for and against the Bank and provides Senior Management, the Corporate Governance Committee, and the BROC regular updates on any lawsuits involving the Bank.

10.16 PENSION RISK

The Bank enlists the assistance of third-party consultants to conduct actuarial evaluation on the condition of the retirement plan once a year in order to address any erosion in the explanatory power or significance of the actuarial models used to project benefit obligations.

Valuation of both the projected benefit obligation and the present value of the plan assets assumes rates of discount, asset return, and compensation growth. These parameters may properly reflect market conditions at the time of measurement but later be non-reflective as market conditions change.

The annual third-party actuarial evaluation of the condition of the retirement plan considers the relevance of the assumption used in valuation and recommends the necessary adjustments to properly reflect the value of plan assets and liabilities. The valuation assumptions last underwent review and adjustment during the actuarial report of 2019.

10.17 MODEL RISK

The Bank contracts external entities to validate internal models used to measure market, asset and liability risks, as well as rating models for the classification of borrowers' credit risk and estimation of credit losses. Results of these validation exercises are reported to Management, the BROC, and the Audit Committee.

SECTION 11. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Bank's financial condition and results of operations should be read in conjunction with the audited financial statements and the related notes included elsewhere in this Offering Circular and the sections entitled "Selected Financial Information" and "Description of the Bank".

The selected financial information presented below were derived from (i) reviewed condensed interim statements of financial position as at 30 September 2024 and condensed interim statements of income, comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2024 and 2023 ; and (ii) audited financial statements of the Bank as of and for the years ended 31 December 2023, 2022, and 2021 prepared in accordance with PFRS and audited by R.G. Manabat & Co. in accordance with Philippine Standards on Auditing and are qualified in their entirety by reference to those financial statements and the related notes thereto.

This Offering Circular contains forward-looking statements largely based on the Bank's current expectations and projections about future events and financial trends affecting its business. The Bank's actual results may differ materially from those discussed in any forward-looking statements. Investors should therefore be cautioned when relying on the incomplete financial information presented herein when making an investment decision regarding the Bonds.

11.1 OVERVIEW

The Bank is a commercial bank based in the Philippines which provides a wide range of commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, and trust services.

The Bank is one of the country's progressive commercial banks, with a network of 140 Branches and 267 Automated Teller Machines (ATMs) strategically located nationwide, as of 30 September 2024.

Being part of the San Miguel Group, the Bank seeks to keep pace with its peers in the banking industry. Based on latest available data from the BSP, the Bank is currently ranked fifteenth (15th) in terms of Total Assets among universal and commercial banks as of 30 June 2024

11.2 FACTORS AFFECTING THE BANK'S RESULTS OF OPERATIONS

The Bank's results of operations and financial condition and the comparability of the Bank's financial results over successive periods have been and will continue to be affected by a number of external factors, including, but not limited to, the following:

11.2.1 Execution of the Bank's Growth Strategy

The Bank's key focus areas for growth include growing its deposit base, expanding its loan portfolio, further diversifying its product and business portfolio to include investment banking and bancassurance products in order to diversify its income streams while pursuing continuous enhancement of its existing products and services.

The Bank's future performance will depend on its ability to implement these growth strategies successfully. For further details of the Bank's strategies, see *"Business—Strategies"*.

11.2.2 General Economic Conditions in the Philippines

The Bank derives the large majority of its revenues and operating profits from customers in the Philippines and its business is highly dependent on the Philippine economy. Demand for, and prevailing prices of, consumer goods and land, are all directly related to the strength of the Philippine economy, the overall levels of business activity in the Philippines and the amount of remittances received from OFWs. The Bank's results of operations vary from period to period in accordance with fluctuations in the Philippine economy, which is in turn influenced by a variety of factors, including political developments among others.

After the onset of the Asian economic crisis in 1997, the Philippines experienced economic turmoil characterized by currency depreciation, interest rate volatility, a significant decline in share prices on the PSE and a reduction of foreign currency reserves. Beginning in 2007, the Philippines was adversely affected by the slowdown in the U.S. economy, as well as the subsequent crisis in worldwide financial markets.

The GDP of the Philippines expanded by 5.7% in 2021, as compared to the 9.5% contraction in 2020, with the country still ranks as one of the fastest growing economies in not only Southeast Asia, but in all of Asia. The Philippine GDP growth remained relatively high compared to its Asian peers due to improved economic and credit fundamentals, relatively low interest rates, and benign inflation rates. For the Philippine banking industry, relatively low interest rates and sustained economic growth have translated to an increase in total loans from banks, coupled with a reduction in gross NPLs.

Any deterioration in the Philippine economy may adversely affect consumer sentiment and lead to a reduction in the Bank's consumer banking business. There can be no assurance that current or future Governments will adopt economic policies conducive to sustaining economic growth or improving the stability of the Philippine banking sector.

11.2.3 Competition

The Philippine banking industry is very competitive and the Bank competes against domestic and foreign banks that offer similar products and services as the Bank. Competition with other banks has and will continue to affect the cost of the Bank's funding and the Bank's ability to increase its market share of loans and deposits. The Bank also faces increasing competition in its target growth areas such as corporate lending, particularly to non-SMC borrowers, consumer banking such as auto, housing and credit cards as well as fee-income generating products and services such as remittance, trust and mobile banking and payment services. The liberalization of foreign participation in the Philippine banking industry has resulted in increased competition. Since liberalization, foreign banks have expanded from their traditional focus on Metro Manila and large-scale corporations to building their own networks to increase market share, primarily through acquisitions of small domestic savings banks. Foreign banks tend to benefit from the support of their parent companies or established regional operations but they are limited by local regulations to a maximum of six Philippine branches in order to protect the growth and participation of local banks. An increase in competition from foreign banks as a result of relaxed entry rules could adversely affect the Bank's results of operations and financial condition.

11.2.4 Interest Rates

Beginning in 2004, the Government reduced its borrowings and its budget deficit, achieved in part through Government improvements in cash and revenue management as well as various privatization programs. The 91-day Treasury bill rates have decreased from an average rate of 7.3% in 2004 to an average rate of 5.59% on 30 September 2024. The interbank call loan rate, which is the rate on loans among Philippine banks for periods less than 24 hours, primarily for the purpose of covering reserve deficiencies, has increased from an average rate of 1.62% in 2021 to an average rate 6.35% on 30 September 2024. Commercial lending interest rates in the Philippines have generally followed the trends in Government borrowing rates, moving from an average range of 6.14% in 2019 to 7.99% in 2024 based on data from the BSP.

The following tables set out certain domestic interest rates for the periods indicated:

	Domestic Interest Rates			
	31 December			**30 September**
	2021	**2022**	**2023**	**2024**
	(weighted averages in percentages per period)			
91-day Treasury bill rates	1.11	1.86	5.40	5.59
Interbank call loan rate[(1)]	1.62	3.28	6.29	6.35

Philippine commercial bank average lending rates(2)	6.06	5.99	7.55	7.99
Overnight reverse repurchase rates.....	2.00	3.07	6.16	6.25

Notes:

(1) Rate on loans among Philippine banks for periods less than 24 hours.

(2) Range of monthly rates reflect the annual per percentage equivalent of all commercial banks' actual monthly interest income on peso-denominated loans to the total outstanding level of the peso-denominated demand/time loans, bills discounted, mortgage contract receivables and restructured loans.

Source: BSP

Fluctuations in domestic market interest rates can have a significant impact on the Bank by affecting its interest income, cost of funding and general performance of its existing loan portfolio and other assets. Though the Bank has a relatively stable deposit base weighted towards CASA deposits, in a period of rising domestic interest rates, the Bank may be required to compete aggressively to attract deposits by offering higher rates to depositors in order to increase the Bank's loanable funds. However, as interest rates increase, the Bank aims to protect its profitability by adjusting its lending rates upward. The Bank believes that it is well-positioned for an increasing interest rate environment as most of its assets are short term in duration and may be re-priced as rates increase. However, increased interest rates on their customers' floating rate loans can also potentially negatively affect the Bank's business by increasing default rates among the Bank's borrowers, which could in turn lead to increases in the Bank's NPL portfolio and its real and other properties acquired ("**ROPA**"). Likewise, rising interest rates may impact the value of the Bank's investment securities resulting in unrealized marked to market losses in its trading and available for sale investment portfolios. Furthermore, the Bank may suffer trading losses as a result of the decline in value of these securities. As interest rate moves, the Bank dynamically balances its investment securities portfolio to manage its interest rate risks and mitigate such losses while maximizing the returns of its overall portfolio. However, the Bank has refocused its priorities in recent years away from reliance on trading gains and towards maximizing net interest margins. Finally, continued increases in market interest rates could adversely affect the liquidity levels of the Bank and the Philippine banking industry in general, which have in recent years been supported by the relatively low interest rate environment in the Philippines. The Bank actively manages its assets and liabilities to maximize income and minimize cost of funding, as well as to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. In recent times, decreases in interest rates in the Philippines have resulted in increases in the Bank's fixed rate maturity securities portfolio and resulted in increased levels of trading and investment securities gains, which may not recur.

11.2.5 Liquidity

Among universal and commercial banks, gross loans to total deposits increased from 71.87% as of 31 December 2023 to 76.11% on 30 September 2024, based on data from the BSP. Growth in deposits was slower than growth in loans as gross loans increased by 7.45% from ₱12.85 billion as of 31 December 2023 to ₱13.08 billion as of 30 September 2024, while deposits increased by 2.69% from ₱17.88 billion as of 31 December 2022 to ₱18.36 billion as of 31 December 2023.

11.2.6 Philippine Property Market

The Philippine real estate sector has shown sustained gains in the last few years due largely to increased remittances from OFWs, a steady growth in the business process outsourcing and call center industries, and relatively lower interest rates. Growth and developments are most pronounced in residential houses and condominiums, office and commercial buildings, and shopping malls/centers sub-sectors. A well-performing Philippine property market may lead to an increase in the Bank's loan book, whereas a poor performing property market may lead to an increase in NPLs.

11.2.7 Regulatory Framework

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. In May 2015, the BSP approved the guidelines for implementing of a more stringent capital adequacy structure required under Basel III. Further changes in these and other regulations applicable to the Bank may significantly affect its results of operations and financial condition. For example, the full version of PFRS 9 went into effect on 1 January 2018, will have an effect on the classification and measurement of the Bank's eligible debt instruments under FVOCI and impairment methodology using ECL. In addition, the Bank is subject to certain tax rules specific to financial institutions. See *"The Philippine Banking Industry"* in this Offering Circular.

11.3 KEY PERFORMANCE INDICATORS AND RATIOS

	Quarter Ended 30 September		**Years Ended December 31**		
	2024 (Annualized, Unaudited)	**2023 (Annualized, Unaudited)**	**2023 (Audited)**	**2022 (Audited)**	**2021 (Audited)**
Return on Average Assets	1.26	1.21	1.25	0.86	0.65
Return on Average Equity	9.27	9.27	9.52	7.01	6.01
Net Interest Margin on Average Earning Assets	4.48	4.24	4.28	3.73	3.42
Tier 1 Capital Ratio	17.56	18.34	19.09	17.22	20.66
Total Capital Adequacy Ratio	18.30	19.18	19.88	17.97	21.57

11.4 CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are both (i) relevant to the presentation of the Bank's financial position and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex. In order to provide an understanding of how the Bank's management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, the Bank has identified certain critical accounting policies. For more information on the Bank's critical accounting policies and management's use of assumptions and accounting judgments and estimates, see Notes 2 and 3 to the Bank's financial statements included elsewhere in this Offering Circular.

11.5 RESULTS OF OPERATIONS

11.5.1 For the 9-month period ended 30 September 2024 compared with the 9-month period ended 30 September 2023

<u>Analysis of Statements of Income</u>

Amounts in Thousands	Nine Months Ended		Horizontal analysis		Vertical analysis	
	Sep 30, 2024	Sep 30, 2023	Increase / (Decrease)		Sep 30, 2024	Sep 30, 2023
INTEREST INCOME						
Loans and receivables	6,985,878	6,036,509	949,369	15.73%	86.87%	82.71%
Investment securities at FVOCI and at amortized cost	2,040,318	1,603,336	436,983	27.25%	25.37%	21.97%
Due from Bangko Sentral ng Pilipinas and other banks	296,010	204,583	91,427	44.69%	3.68%	2.80%
Interbank loans receivable and SPURA	426,892	624,546	(197,654)	-31.65%	5.31%	8.56%
Financial assets at FVPL	71,769	19,509	52,260	267.88%	0.89%	0.27%
	9,820,867	**8,488,483**	**1,332,384**	**15.70%**	**122.12%**	**116.31%**
INTEREST EXPENSE						
Deposit liabilities	2,610,402	2,049,404	560,999	27.37%	32.46%	28.08%
Lease liabilities	28,279	23,643	4,636	19.61%	0.35%	0.32%
Bonds Payable	415,448	309,552	105,896	34.21%	5.17%	4.24%
Bills payable and others	4,436	25,683	(21,247)	-82.73%	0.06%	0.35%
	3,058,564	**2,408,281**	**650,283**	**27.00%**	**38.03%**	**33.00%**
NET INTEREST INCOME	**6,762,302**	**6,080,201**	**682,101**	**11.22%**	**84.09%**	**83.31%**
OTHER INCOME						
Trading and investment securities gains - net	134,749	(468)	135,217	-28904.83%	1.68%	-0.01%
Service charges, fees and commissions	717,627	640,248	77,379	12.09%	8.92%	8.77%
Foreign exchange gains - net	91,289	115,010	(23,721)	-20.63%	1.14%	1.58%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	257,978	346,142	(88,164)	-25.47%	3.21%	4.74%
Miscellaneous	77,860	117,167	(39,307)	-33.55%	0.97%	1.61%
	1,279,503	**1,218,099**	**61,403**	**5.04%**	**15.91%**	**16.69%**
GROSS INCOME	**8,041,805**	**7,298,301**	**743,504**	**10.19%**	**100.00%**	**100.00%**
OTHER EXPENSES						
Compensation and fringe benefits	1,931,462	1,608,785	322,677	20.06%	24.02%	22.04%
Taxes and licenses	828,914	741,490	87,424	11.79%	10.31%	10.16%
Rent and utilities	495,477	479,021	16,456	3.44%	6.16%	6.56%
Depreciation and amortization	455,666	342,196	113,470	33.16%	5.67%	4.69%
Insurance	275,768	252,354	23,414	9.28%	3.43%	3.46%
Service Fees and Commissions	297,709	246,976	50,734	20.54%	3.70%	3.38%
Subscription fees	150,470	132,927	17,544	13.20%	1.87%	1.82%
Entertainment and recreation						
Management and professional fees	76,816	101,756	(24,940)	-24.51%	0.96%	1.39%
Amortization of software costs	62,800	55,820	6,980	12.51%	0.78%	0.76%
Provision for credit and impairment losses	199,503	222,433	(22,930)	-10.31%	2.48%	3.05%
Miscellaneous	380,031	364,775	15,256	4.18%	4.73%	5.00%
	5,154,617	**4,548,532**	**606,085**	**13.32%**	**64.10%**	**62.32%**
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	**2,887,188**	**2,749,768**	**137,420**	**5.00%**	**35.90%**	**37.68%**
SHARE IN NET LOSS OF ASSOCIATE	428	633	(205)	-32.43%	0.01%	0.01%
INCOME BEFORE INCOME TAX	**2,886,760**	**2,749,135**	**137,625**	**5.01%**	**35.90%**	**37.67%**
INCOME TAX EXPENSE	674,897	737,981	(63,084)	-8.55%	8.39%	10.11%
NET INCOME	**2,211,863**	**2,011,154**	**200,709**	**9.98%**	**27.50%**	**27.56%**

Bank of Commerce (BankCom) reported a 9.98% growth in unaudited net income amounting to ₱2.21 billion for the nine-month period of 2024. This performance outpaced the previous year, highlighting steady growth in the bank's core business. This achievement underscores BankCom's capacity to deliver value to shareholders, reinvest in its growth, and demonstrate resilience in navigating market challenges, in line with its vision to become the best conglomerate bank in the country.

The steady revenue flow was driven by growth in core business areas, primarily net interest income, and an increase in fee income due to higher loans and financial assets. Meanwhile, corporate loans grew on account of program lending and loans to both SMC and non-SMC ecosystems.

Interest income on loans and receivables, representing 86.87% of the total revenue, grew by 15.73% to ₱6.99 billion, primarily due to an increase in the Bank's lending business. Interest income on investment securities at fair value through other comprehensive income (FVOCI) and at amortized cost also increased by 27.25% to ₱2.04 million from ₱1.60 billion in the previous year.

Interest income from Bangko Sentral ng Pilipinas and other banks increased by 44.69% to ₱296.01 million from ₱204.58 million last year due to higher yields. Furthermore, interest income on Financial Assets at fair value through profit or loss (FVTPL) posted ₱71.77 million, about thrice more than last year's ₱19.51 million, in light of the significant gains coming from the banks various investments and treasury notes. However, interest on interbank loans receivable and SPURA slipped by 31.65% to ₱426.89 million from ₱624.55 million in the previous year.

Total Interest Expense increased to ₱3.06 billion from ₱2.41 billion last year due to the high-interest rate environment. This included a 27.37% increase in interest expense on deposit liabilities to ₱2.61 billion, a 19.61% rise in interest expense on lease liabilities to ₱28.28 million, and a 34.21% increase in interest expense on bonds payable to ₱415.45 million. Interest expense on bills payable significantly decreased by 82.73% to ₱4.44 million from ₱25.68 million.

As the Bank's Interest Income outpaced the growth of interest expense, it posted a Net Interest Income of ₱6.76 billion, 11.22% higher than ₱6.08 billion in the previous year, translating to a net interest margin (NIM) of 4.48%.

Total other income amounted to ₱1.28 billion, 5.04% higher than the previous year's ₱1.22 billion, driven by a rebound in trading and investment securities gains, as well as service charges, fees and commissions.

Trading and securities gains recovered to ₱134.75 million from last year's negative ₱0.47 million due to higher mark-to-market gains from securities. Service charges, fees and commissions also increased by 12.09% to ₱717.63 million from ₱640.25 million attributable to the 59% growth in underwriting fees amounting to ₱143.27 million, representing 11.20% of total other income. The Bank also saw increases in trust, credit card, and trade finance fees.

Foreign exchange gains posted ₱91.29 million, 20.63% down from the ₱115.01 million in the comparable period last year resulting from volatile market conditions.

Gains on foreclosure, and sale of property and equipment and foreclosed assets registered a decline of 25.47% to ₱257.98 million due to better sales last year. Moreover, miscellaneous income also dropped by 33.55% to ₱77.86 million from ₱117.17 million in comparable period last year due to the decrease in recoveries on charged-off assets.

Total expenses, including provisions for credit and impairment losses, surged by 13.32% to ₱5.15 billion. Growth in operating expenses was mainly due to the Bank's continued investment in human capital as well as higher volume of transactions.

Compensation and fringe benefits increased by 20.06% to ₱1.93 billion, driven by strategic hirings and an improved retention program which led to an increase in compensation cost while at the same time reducing attrition levels.

Depreciation and amortization grew by 33.16% to ₱455.67 million, primarily due to higher depreciation expenses from computer equipment and foreclosed properties held by the bank. Amortization of software costs also rose by 12.51% to ₱62.80 million, reflecting the bank's investment in technology.

Taxes and licenses increased by 11.79% to ₱828.91 million driven by larger business volume. Rent and utilities also rose to ₱495.48 million, up by 3.44% from ₱479.02 million on account of rent renewals, security services, and repairs and maintenance.

Insurance went up by 9.28% to ₱275.77 million, attributed to higher PDIC insurance on deposits. Expenditure on service fees and commissions rose by 20.54% to ₱297.71 million from ₱246.98 million. Subscription fees also went up by 13.20% to ₱150.47 million from ₱132.93 million on account of higher IT related subscriptions.

Management and professional fees dropped by 24.51% to ₱76.82 million. Meanwhile, miscellaneous expenses grew by 4.18% to ₱380.03 million.

The Bank maintained a prudent approach by setting aside ₱199.50 million for Provisions for credit and impairment losses for the period ended 30 September 2024, even as asset quality improved. This charge is 10.31% lower than last year.

The Bank's share in the net loss of associate was recorded at ₱0.43 million for the period, compared to ₱0.63 million in 2023.

Income Tax expense amounted to ₱674.90 million, down by 8.55% from the ₱737.98 million in the same period in 2023.

Analysis of Statements of Condition

Amounts in Thousands	As of Sep 30, 2024	As of Dec 31, 2023	Sep 24 vs Dec 23 (Change)	Sep 24 vs Dec 23 (% Change)	% to Total Assets Sep 2024	% to Total Assets Dec 2023
Assets						
Cash & Other Cash Items	3,973,330	3,500,645	472,684	13.50%	1.69%	1.51%
Due from the BSP - net	26,676,326	24,271,918	2,404,408	9.91%	11.35%	10.48%
Due from Other Banks - net	2,666,376	1,055,355	1,611,022	152.65%	1.13%	0.46%
Interbank Loans Receivables - net	5,596,130	20,111,781	(14,515,651)	-72.17%	2.38%	8.68%
Financial Assets at at Fair Value through Profit or Loss	4,219,655	398,792	3,820,863	958.11%	1.80%	0.17%
Financial Assets at at Fair Value through Other Comprehensive Income	17,495,166	11,043,805	6,451,361	58.42%	7.44%	4.77%
Investment Securities at Amortized Cost - net	38,170,324	52,471,103	(14,300,780)	-27.25%	16.24%	22.65%
Loans and Receivables - net	125,950,864	109,566,176	16,384,688	14.95%	53.58%	47.29%
Non-current Assets Held for Sale	-	-	-	0.00%	0.00%	0.00%
Investment in Associate - net	34,605	35,534	(928)	-2.61%	0.01%	0.02%
Property and Equipment - net	1,971,034	1,791,196	179,838	10.04%	0.84%	0.77%
Investment Properties - net	3,886,102	3,676,126	209,975	5.71%	1.65%	1.59%
Deferred Tax Assets - net	448,630	475,333	(26,703)	-5.62%	0.19%	0.21%
Other Assets - net	3,962,562	3,270,214	692,348	21.17%	1.69%	1.41%
Total Assets	**235,051,104**	**231,667,979**	**3,383,125**	**1.46%**	**100.00%**	**100.00%**
Liabilities and Capital						
Deposit Liabilities	**188,560,474**	**185,905,369**	**2,655,105**	**1.43%**	**80.22%**	**80.25%**
Demand	60,857,759	54,569,494	6,288,265	11.52%	25.89%	23.56%
Savings	103,533,859	109,667,913	(6,134,055)	-5.59%	44.05%	47.34%
Time	19,139,436	16,638,541	2,500,895	15.03%	8.14%	7.18%
Long-term Negotiable Certificate	5,029,420	5,029,420	-	0.00%	2.14%	2.17%
Financial Liabilities at FVPL	1,539	6,202	(4,662)	-75.18%	0.00%	0.00%
Bills Payable	-	-	-	0.00%	0.00%	0.00%
Bonds Payable	6,524,763	7,478,265	(953,502)	-12.75%	2.78%	3.23%
Manager's Checks	1,425,127	1,846,500	(421,373)	-22.82%	0.61%	0.80%
Accrued Interest, Taxes and Other Expenses	1,187,241	1,387,189	(199,948)	-14.41%	0.51%	0.60%
Other Liabilities	4,591,187	4,193,181	398,006	9.49%	1.95%	1.81%
Total Liabilities	**202,290,331**	**200,816,706**	**1,473,625**	**0.73%**	**86.06%**	**86.68%**
Capital Funds	**32,760,773**	**30,851,273**	**1,909,501**	**6.19%**	**13.94%**	**13.32%**
Total Liabilities & Capital	**235,051,104**	**231,667,979**	**3,383,125**	**1.46%**	**100.00%**	**100.00%**

BankCom's Total Assets totaled at ₱235.05 billion as of 30 September 2024, slightly up from the ₱231.67 billion as of 31 December 2023 mainly driven by the growth in all lending segments and financial assets at fair value. This translated to a return on assets (ROA) of 1.26%.

Asset movements are as follows:

Cash and Other Cash Items increased by 13.50% amounting to ₱3.97 billion. Due from BSP was up by 9.91% to ₱26.68 billion from ₱24.27 billion last year due to an increase in overnight deposit facility (ODF) placements. Due from Other Banks amounting to ₱2.67 billion significantly increased by 152.65% from ₱1.06 billion due to significant placements with foreign banks.

Financial Assets at Fair Value through Profit or Loss (FVPL) and Financial Assets at Fair Value through Other Comprehensive Income (FVOCI), increased to ₱4.22 billion and ₱17.50 billion, respectively, from ₱398.79 million and ₱11.04 billion, attributable to additional purchases and capital appreciation due to more favorable market conditions. However, Investments Securities at Amortized Cost declined to ₱38.17 billion or 27.25% from ₱52.47 billion due to redeployment of matured government securities to loans.

Loans and Other Receivables amounted to ₱125.95 billion, 14.95% higher than the ₱109.57 billion last year driven by the growth in lending business. The robust loan growth resulted in a loan-to-deposit ratio of 75%. Interbank loans receivables, however declined by ₱14.52 billion to ₱5.60 billion from the ₱20.11 billion to support loan growth.

Property & Equipment expanded to ₱1.97 billion, up 10.04% from ₱1.79 billion due to additional purchase of office equipment, computer, and furniture and fixtures. Investment properties went up by 5.71% to ₱3.89 billion from ₱3.68 billion due to the increase in real and other properties acquired (ROPA) and accumulated gains.

Other Assets rose by 21.17% to ₱3.96 billion from ₱3.27 billion due to an increase in booking of prepaid expenses and miscellaneous assets. Deferred tax assets, on the other hand, dropped by 5.62% to ₱448.63 million from ₱475.33 million. Investment in Associate also decreased by 2.61% to ₱34.61 million.

Total liabilities increased to ₱202.29 billion as of 30 September 2024, 0.73% up from the ₱200.82 billion as of 31 December 2023 primarily due to rebound in deposit liabilities.

Deposit liabilities, accounting for more than 90% of the Bank's Total Liabilities, moderately increased by 1.43% or ₱2.66 billion, to ₱188.56 billion from ₱185.91 billion as of 31 December 2023. Broken down, total deposits comprised of ₱164.39 billion CASA, 0.09% higher than last year's ₱164.24 billion; ₱19.14 billion Time Deposits, 15.03% up from ₱16.64 billion in 2023; and ₱5.03 billion Long-term Negotiable Certificates of Deposit.

Financial Liabilities at FVPL decreased by 75.18% amounting to ₱1.54 million owing to foreign exchange derivatives revaluations. Manager's Checks decreased by 22.82% to ₱1.43 billion due to decrease in stale checks.

Bonds payable was down by 13% to ₱6.52 billion due to the maturity of the ₱7.50 billion 2-year bonds last July 29, 2024. However, this was partially offset by the ₱6.57 billion bond offering on May 9, 2024.

Furthermore, Accrued Interest, Taxes & Other Expenses declined by 14.41% to ₱1.19 billion. Other Liabilities increased by 9.49% to ₱4.59 billion from ₱4.19 billion due to the increase in accounts payable for the period.

The Bank's total capital funds remained strong at ₱32.76 billion as of 30 September 2024, 6.19% more than the ₱30.85 billion as of 31 December 2023 despite the payment of dividends on July 15, 2024, amounting to ₱0.2512 per common share or ₱352.44 million. The increase in capital was driven by higher retained earnings and net unrealized gains for the period.

The bank's capital adequacy ratio (CAR) remained strong at 18.30%, well above the minimum regulatory requirement of 10.0%.

11.5.2 For the year ended 31 December 2023 compared with year ended 31 December 2022

Analysis of Statements of Income

Amounts in Thousands	Year to Date Dec 31, 2023	Dec 31, 2022	Horizontal analysis Increase / (Decrease)		Vertical analysis	
INTEREST INCOME						
Loans and receivables	8,244,673	5,465,229	2,779,444	50.86%	82.65%	67.33%
Investment securities at FVOCI and at amortized cost	2,247,720	1,681,785	565,936	33.65%	22.53%	20.72%
Due from Bangko Sentral ng Pilipinas and other banks	372,910	274,855	98,055	35.67%	3.74%	3.39%
Interbank loans receivable and SPURA	875,706	539,159	336,547	62.42%	8.78%	6.64%
Financial assets at FVPL	21,561	4,603	16,958	368.37%	0.22%	0.06%
	11,762,570	**7,965,631**	**3,796,939**	**47.67%**	**117.92%**	**98.14%**
INTEREST EXPENSE						
Deposit liabilities	2,971,181	1,034,350	1,936,831	187.25%	29.79%	12.74%
Lease liabilities	32,817	28,178	4,639	16.46%	0.33%	0.35%
Bonds payable	412,986	173,784	239,203	137.64%		
Bills payable and others	49,098	47,042	2,057	4.37%	0.49%	0.58%
	3,466,083	**1,283,353**	**2,182,730**	**170.08%**	**34.75%**	**15.81%**
NET INTEREST INCOME	**8,296,487**	**6,682,278**	**1,614,209**	**24.16%**	**83.17%**	**82.33%**
OTHER INCOME						
Trading and investment securities gains/(losses) - net	10,598	(29,217)	39,815	-136.28%	0.11%	-0.36%
Service charges, fees and commissions	886,379	857,632	28,748	3.35%	8.89%	10.57%
Foreign exchange gains - net	141,121	150,320	(9,198)	-6.12%	1.41%	1.85%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	495,400	340,449	154,951	45.51%	4.97%	4.19%
Miscellaneous	145,276	115,179	30,097	26.13%	1.46%	1.42%
	1,678,776	**1,434,364**	**244,412**	**17.04%**	**16.83%**	**17.67%**
GROSS INCOME	**9,975,263**	**8,116,641**	**1,858,621**	**22.90%**	**100.00%**	**100.00%**
OTHER EXPENSES						
Compensation and fringe benefits	2,258,396	1,904,812	353,585	18.56%	22.64%	23.47%
Taxes and licenses	1,063,032	947,182	115,849	12.23%	10.66%	11.67%
Rent and utilities	647,698	631,550	16,148	2.56%	6.49%	7.78%
Depreciation and amortization	489,379	431,663	57,716	13.37%	4.91%	5.32%
Insurance	345,083	348,355	(3,271)	-0.94%	3.46%	4.29%
Service Fees and Commissions	417,924	293,330	124,594	42.48%	4.19%	3.61%
Subscription fees	188,453	122,535	65,918	53.80%	1.89%	1.51%
Entertainment and recreation	12,142	76,227	(64,085)	-84.07%	0.12%	0.94%
Management and professional fees	140,884	108,573	32,311	29.76%	1.41%	1.34%
Amortization of software costs	76,741	73,068	3,673	5.03%	0.77%	0.90%
Provision for credit and impairment losses	78,845	166,210	(87,366)	-52.56%	0.79%	2.05%
Miscellaneous	519,793	546,580	(26,787)	-4.90%	5.21%	6.73%
	6,238,370	**5,650,084**	**588,285**	**10.41%**	**62.54%**	**69.61%**
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	**3,736,893**	**2,466,557**	**1,270,336**	**51.50%**	**37.46%**	**30.39%**
SHARE IN NET LOSS OF ASSOCIATE	783	133	649	487.59%	0.01%	0.00%
INCOME BEFORE INCOME TAX	**3,736,110**	**2,466,424**	**1,269,687**	**51.48%**	**37.45%**	**30.39%**
INCOME TAX EXPENSE	933,891	666,355	267,536	40.15%	9.36%	8.21%
NET INCOME	**2,802,219**	**1,800,069**	**1,002,151**	**55.67%**	**28.09%**	**22.18%**

For the year ending December 31, 2023, Bank of Commerce posted a Net Income of ₱2.80 billion, 55.67% higher than the ₱1.80 billion in the same period in 2022. The growth was backed by growth in core lending business, service charges, fees, and commissions, and gains on foreclosure and sale of property and equipment and foreclosed assets.

Net Interest Income increased by 24.16% to ₱8.30 billion, from ₱6.68 billion in the previous year. Interest income on loans and receivables amounted to ₱8.24 billion, ₱2.78 billion higher than the ₱5.47 billion the prior year. Interest Income on Loans benefitted from the high interest rate environment and volume growth. Interest income on investment securities and financial assets grew by 34.56% to ₱2.27 billion owing increase in securities. Interest income on interbank loans receivable and securities purchased under resale agreements rose to ₱875.71 million, almost 2x the ₱539.16 million. Interest income on due from BSP and other banks also grew by 35.67% to ₱372.91 million from the ₱274.86 million.

Interest Expense totaled ₱3.47 billion, 2.7x the ₱1.28 billion in the same period last year on account of higher cost of funds as interest expense on deposit liabilities increased by ₱1.94 billion to ₱2.97 billion. Interest on bonds payable increased more than 2x to ₱412.99 million due to the maiden issuance of ₱7.5 billion 2-year bonds. Meanwhile interest expense on bills payable and lease liabilities also grew by 4.37% and 16.46%, respectively, to ₱49.10 million and ₱32.82 million from obtaining deposit substitutes.

Net Interest Income rose by 24.16% to ₱8.30 billion, up from end-2022's ₱6.68 billion as Interest Income outpaced the growth in Interest Expenses. This translated to a net interest margin ratio of 4.28%, higher than the previous year's 3.73%.

Total Other Income rose to ₱1.68 billion, 17.04% or ₱244.41 million greater than ₱1.43 billion last year. Service charges, fees and commissions grew by ₱28.75 million to ₱886.38 million, owing to the investment banking, credit card and trust. Trading and investment securities gains posted ₱10.60 million, recovering ₱39.82 million from the loss sustained last year. Foreign exchange gains slowed down by 6.12% to ₱141.12 million, from the prior year's ₱150.32 million. Gains on foreclosure, and sale of property and equipment and foreclosed assets increased to ₱495.40 million, 45.51% up from ₱340.45 million on the back of 4.3x rise in foreclosure related revenues. Miscellaneous income picked up by 26.13% to ₱145.28 million due to higher recovery on charged-off assets.

Total Expenses, excluding provision for credit and impairment losses, was up by 12.32% to ₱6.16 billion. Compensation and fringe benefits increased to ₱2.26 billion, 18.56% higher than ₱1.90 billion mainly due to the 111 (from 1,865 in 2022) additional manpower. Taxes and licenses increased by 12.23% to ₱1.06 billion mainly due to growth in revenues. Rent and utilities increased by ₱16.15 million to ₱647.70 million owing to the rise in security, repairs and maintenance, power, light and water expenses. Depreciation and amortization grew by 13.37% to ₱489.38 million due to higher depreciation expense on foreclosed assets and computer equipment. Service fees and commissions increased by 42.48% to ₱417.92 million due to higher commissions and other transaction fees. Subscriptions also grew 1.5x to ₱188.45 million driven by higher IT related subscriptions. Management and professional fees went up by 29.76% to ₱140.88, while Amortization of Software costs increased modestly by 5.03% to ₱76.74 million.

On the other hand, Insurance registered a 0.94% drop to ₱345.08 million on the back of lower PDIC insurance on peso deposits. Entertainment and recreation expenses likewise declined by 84.07% to ₱12.14 million. Miscellaneous expenses declined by 4.90% to ₱519.79 million from ₱546.58 million on account of lower legal expenses.

Provisions for credit and impairment losses amounted to ₱78.85 million, substantially lower than last year's ₱166.21 million, reflecting strength in asset quality due to the Bank's focused risk appetite.

The Bank's share in the net loss of associate is at ₱0.78 million in 2023, almost 6x the ₱0.13 million last year.

Income Tax Expense posted ₱933.89 million, 40.15% up from the ₱666.36 million in 2022.

Analysis of Statements of Condition

Amounts in Thousands	As of Dec 31, 2023	As of Dec 31, 2022	2023 vs 2022 Change	2023 vs 2022 %Change	% to Total Assets 2023	% to Total Assets 2022
Resources						
Cash and Other Cash Items	3,500,645	2,735,171	765,475	27.99%	1.51%	1.26%
Due from Bangko Sentral ng Pilipinas -net	24,271,918	23,675,470	596,449	2.52%	10.48%	10.88%
Due from Other Banks - net	1,055,355	1,044,255	11,099	1.06%	0.46%	0.48%
Interbank Loans Receivables - net	20,111,781	18,378,744	1,733,036	9.43%	8.68%	8.45%
Investment Securities	11,442,597	6,186,052	5,256,545	84.97%	4.94%	2.84%
Financial Assets At Fair Value	11,442,597	6,186,052	5,256,545	84.97%	4.94%	2.84%
At Fair Value through Profit/Loss	398,792	381,001	17,791	4.67%	0.17%	0.18%
At FVOCI	11,043,805	5,805,051	5,238,754	90.24%	4.77%	2.67%
Available for Sale Invesments	-	-	-	0.00%	0.00%	0.00%
Investment Securities at Amortized Cost - n	52,471,103	52,208,769	262,334	0.50%	22.65%	24.00%
Loans and Receivables - net	109,566,176	105,091,229	4,474,948	4.26%	47.29%	48.31%
Non-current Assets Held for Sale	-	-	-	0.00%	0.00%	0.00%
Investment in Associate - net	35,534	39,523	(3,989)	-10.09%	0.02%	0.02%
Property and Equipment - net	1,791,196	1,425,419	365,777	25.66%	0.77%	0.66%
Investment Properties - net	3,676,126	3,399,987	276,140	8.12%	1.59%	1.56%
Deferred Tax Assets - net	475,333	612,090	(136,757)	-22.34%	0.21%	0.28%
Other Assets - net	3,270,214	2,721,191	549,023	20.18%	1.41%	1.25%
Total Assets	**231,667,979**	**217,517,899**	**14,150,080**	**6.51%**	**100.00%**	**100.00%**
Liabilities and Capital						
Deposit Liabilities	**185,905,369**	**176,267,240**	**9,638,129**	**5.47%**	**80.25%**	**81.04%**
Demand	54,569,494	51,792,970	2,776,525	5.36%	23.56%	23.81%
Savings	109,667,913	101,651,553	8,016,360	7.89%	47.34%	46.73%
Time	16,638,541	17,793,298	(1,154,756)	-6.49%	7.18%	8.18%
Long-term Negotiable Certificate	5,029,420	5,029,420	-	0.00%	2.17%	2.31%
Bills Payable	-	-	-	0.00%	0.00%	0.00%
Bonds Payable	7,478,265	7,442,251	36,014	0.48%	3.23%	3.42%
Financial Liabilities at FVPL	6,202	283	5,918	0.00%	0.00%	0.00%
Manager's Checks	1,846,500	661,454	1,185,046	179.16%	0.80%	0.30%
Accrued Interest, Taxes and Other Expens	1,387,189	1,165,766	221,424	18.99%	0.60%	0.54%
Other Liabilities	4,193,181	3,950,329	242,852	6.15%	1.81%	1.82%
Total Liabilities	**200,816,706**	**189,487,324**	**11,329,383**	**5.98%**	**86.68%**	**87.11%**
Capital Funds	**30,851,273**	**28,030,575**	**2,820,698**	**10.06%**	**13.32%**	**12.89%**
Total Liabilities & Capital	**231,667,979**	**217,517,899**	**14,150,080**	**6.51%**	**100.00%**	**100.00%**

The Bank's Total Assets at end-2023 grew by 6.51% or ₱14.15 billion to ₱231.67 billion, primarily driven by the expansion in loans and other receivables, investment securities as well as interbank loans receivables.

Loans and Receivables-net, accounting for almost 50% of total assets, rose by ₱4.47 billion to ₱109.57 billion mainly driven by the increase in corporate loans. The Bank's loan-to-deposit ratio was recorded at 69.67%.

Investment Securities also grew by 9.45% to ₱63.91 billion, from ₱58.39 billion on the back of growths in financial assets at fair value through other comprehensive income and investment securities at amortized cost.

Interbank Loans Receivable amounted to ₱20.11 billion, 9.43% higher than ₱18.38 billion at end-2022. Cash and Other Cash Items increased by 27.99% to ₱3.50 billion. Due from Bangko Sentral ng Pilipinas (BSP) and Other Banks reached ₱25.33 billion, up by 2.46% from last year's ₱24.72 billion.

Property and Equipment grew by ₱365.78 million and ₱276.14 million, respectively, to ₱1.79 billion and ₱3.68 billion. The increases were due to new ATMs and additional office equipment, such as, but not limited to, computers. Moreover, Other Assets posted ₱3.27 billion, 20.18% more than the ₱2.72 billion last year, on account on higher prepaid tax.

On the other hand, Investment in Associate and Deferred Tax Assets registered 10.09% and 22.34% declines to ₱35.53 million and ₱475.33 million, respectively.

Deposit Liabilities, comprising 80.25% of the total assets, increased by 5.47% to ₱185.91 billion supported by the 7.03%. Expansion in deposits came from demand and savings accounts but was softened by the 6.49% decrease in time deposits. Bonds remained at ₱7.48 billion. Accrued Interest, Taxes and Other Expenses and Manager's Checks both increased by ₱221.42 million and ₱1.19 billion, respectively, to ₱1.39 billion and ₱1.85 billion. Other Liabilities, meanwhile, rose by ₱242.85 million to ₱4.19 billion at end-2023.

The Bank's capital base was at ₱30.85 billion as of December 31, 2023, 10.06% higher than the ₱28.03 billion in the previous year, boosted by the better-than-expected net income as of end-2023.

11.5.3 For the year ended 31 December 2022 compared with year ended 31 December 2021

Analysis of Statements of Income

Amounts in Thousands	Year to Date		Horizontal analysis		Vertical analysis	
	Dec 31, 2022	Dec 31, 2021	Increase / (Decrease)		2022	2021
INTEREST INCOME						
Loans and receivables	5,465,229	4,284,456	1,180,773	27.56%	67.33%	68.83%
Investment securities at FVOCI and at amortized cost	1,681,785	1,251,564	430,221	34.37%	20.72%	20.11%
Due from Bangko Sentral ng Pilipinas and other banks	274,855	228,435	46,421	20.32%	3.39%	3.67%
Interbank loans receivable and SPURA	539,159	316,281	222,878	70.47%	6.64%	5.08%
Financial assets at FVPL	4,603	14,420	(9,817)	-68.08%	0.06%	0.23%
	7,965,631	**6,095,156**	**1,870,475**	**30.69%**	**98.14%**	**97.92%**
INTEREST EXPENSE						
Deposit liabilities	1,034,350	645,261	389,090	60.30%	12.74%	10.37%
Lease liabilities	28,178	35,033	(6,855)	-19.57%	0.35%	0.56%
Bonds payable	173,784					
Bills payable and others	47,042	16,691	30,350	181.83%	0.58%	0.27%
	1,283,353	**696,985**	**586,368**	**84.13%**	**15.81%**	**11.20%**
NET INTEREST INCOME	**6,682,278**	**5,398,171**	**1,284,107**	**23.79%**	**82.33%**	**86.72%**
OTHER INCOME						
Trading and investment securities gains/(losses) - net	(29,217)	(78,709)	49,493	-62.88%	-0.36%	-1.26%
Service charges, fees and commissions	857,632	531,128	326,504	61.47%	10.57%	8.53%
Foreign exchange gains - net	150,320	48,367	101,953	210.79%	1.85%	0.78%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	340,449	274,986	65,463	23.81%	4.19%	4.42%
Miscellaneous	115,179	50,565	64,614	127.78%	1.42%	0.81%
	1,434,364	**826,337**	**608,027**	**73.58%**	**17.67%**	**13.28%**
GROSS INCOME	**8,116,641**	**6,224,508**	**1,892,134**	**30.40%**	**100.00%**	**100.00%**
OTHER EXPENSES						
Compensation and fringe benefits	1,904,812	1,820,969	83,842	4.60%	23.47%	29.25%
Taxes and licenses	947,182	802,193	144,989	18.07%	11.67%	12.89%
Rent and utilities	631,550	532,284	99,266	18.65%	7.78%	8.55%
Depreciation and amortization	431,663	462,533	(30,869)	-6.67%	5.32%	7.43%
Insurance	348,355	334,826	13,529	4.04%	4.29%	5.38%
Service Fees and Commissions	293,330	229,706	63,623	27.70%	3.61%	3.69%
Subscription fees	122,535	107,646	14,889	13.83%	1.51%	1.73%
Entertainment and recreation	76,227	97,394	(21,167)	-21.73%	0.94%	1.56%
Management and professional fees	108,573	85,022	23,550	27.70%	1.34%	1.37%
Amortization of software costs	73,068	53,595	19,473	36.33%	0.90%	0.86%
Provision for credit and impairment losses	166,210	(634,820)	801,030	-126.18%	2.05%	-10.20%
Miscellaneous	546,580	501,812	44,768	8.92%	6.73%	8.06%
	5,650,084	**4,393,161**	**1,256,924**	**28.61%**	**69.61%**	**70.58%**
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	**2,466,557**	**1,831,347**	**635,210**	**34.69%**	**30.39%**	**29.42%**
SHARE IN NET LOSS OF ASSOCIATE	133	1,039	(906)	-87.18%	0.00%	0.02%
INCOME BEFORE INCOME TAX	**2,466,424**	**1,830,308**	**636,116**	**34.75%**	**30.39%**	**29.40%**
INCOME TAX EXPENSE	666,355	623,689	42,667	6.84%	8.21%	10.02%
NET INCOME	**1,800,069**	**1,206,619**	**593,449**	**49.18%**	**22.18%**	**19.38%**

For the year ending December 31, 2022, Bank of Commerce posted a Net Income of ₱1.80 billion, 49.18% increase from the ₱1.21 billion for the same period last year. The growth was primarily driven by higher net interest income, service charges, fees, and commissions, foreign exchange and gains on foreclosure and sale of property and equipment and foreclosed assets.

Total Interest Income amounted to ₱7.97 billion, 30.69% up from ₱6.10 billion last year. Interest income on loans and receivables increased by 27.56% or ₱1.18 billion to ₱5.47 billion amid the rising yields and average volume of loans. Interest income on investment securities went up by 33.21% or ₱420.4 million to ₱1.69 billion resulting from the additional purchase of securities. Interest income on interbank loans receivable and securities purchased under resale agreements increased to ₱539.16 million, 70.47% up from the ₱316.28 million. Interest income on due from BSP and other banks likewise grew by 20.32% to ₱274.86 million from the ₱228.43 million.

Total Interest Expense increased to ₱1.28 billion, 84.13% up from the ₱696.99 million in the same period last year mainly due to higher interest expense on deposit liabilities, up by 60.30% to ₱1.03 billion owing to higher interest rates. Interest on bonds payable amounted to ₱173.78 million resulting from the maiden issuance of ₱7.5 billion 2-year bonds. Meanwhile interest expense on bills payable and others also rose by 181.83% to ₱47.04 million on account of interest expense related to ROPA. On the other hand, interest expense on lease liabilities declined by 19.57% to ₱28.18 million.

Net Interest Income for 2022 increased to ₱6.68 billion, up 23.79% from last year's ₱5.40 billion as the core business performance outpaced the growth in interest expense.

Total Other Income reached ₱1.43 billion, 73.58% more than the previous year. The growth is primarily driven by the 61.47% surge in service charges, fees and commissions to ₱857.63 million due to higher commission from investment banking fees, income from trade and digital transactions. Foreign exchange gains posted ₱150.32 million, 3.11x upgrade from last year's ₱48.37 million. This growth was driven primarily by an increased volume of customer foreign exchange transactions as the Bank promoted this service with existing depositors. Gains on foreclosure, and sale of property and equipment and foreclosed assets grew by 23.81% to ₱340.45 million arising from higher sales of foreclosed assets. Miscellaneous income increased 2.28x to ₱115.18 million on account of higher recovery on charged-off assets. Meanwhile, trading and investment securities registered a loss of ₱29.22 million, an improvement from 2021's loss of ₱78.71 million.

Total Expenses, excluding provision for credit and impairment losses went up by 9.07% to ₱5.48 billion. Compensation and fringe benefits increased 4.6% to ₱1.90 billion as the Bank worked to keep its salaries competitive even as the total workforce remained relatively flat at 1,865 (vs 1,873 in 2021). Taxes and licenses went up by 18.07% to ₱947.18 million from increased business volume and higher documentary stamp taxes. Rent and utilities increased by18.65% to ₱631.55 million arising from higher security, power, light, and water expenses. Meanwhile, depreciation and amortization declined by 6.67% to ₱431.66 million due to lower depreciation expense on foreclosed assets. Insurance, on the other hand, grew by 4.04% to ₱348.36 million from higher PDIC insurance on higher deposit volume. Service fees and commissions and subscription fees also increased by 27.7% and 13.83%, respectively, to ₱293.33 million and ₱122.54 million due to higher IT fees, commissions, and subscriptions. Entertainment and recreation expenses declined by 21.73% to ₱76.23 million. Management and professional fees and amortization of software costs went up by 27.7% and 36.33%, respectively, to ₱108.57 million and ₱73.07 million. On the other hand, Insurance registered a 0.94% drop to Php345.08 million on the back of lower PDIC insurance on peso deposits. Entertainment and recreation expenses likewise declined by 84.07% to ₱12.14 million as the Bank focused on business related entertainment and recreation expense savings to offset increased spending on ATMs/Computer equipment, IT software, and employee compensation. Miscellaneous expenses declined by 4.90% to ₱519.79 million from ₱546.58 million on account of lower legal expenses.

The Bank booked provision for credit and impairment losses of ₱166.21 million for the year 2022 to provide adequate reserves for its significant loan portfolio growth.

The Bank's share in the net loss of associate is at ₱0.13 million in 2022, 87.18% lower than the prior year's ₱1.04 million.

Income Tax Expense amounted to ₱666.36 million, 6.84% more than the ₱623.69 million the previous year.

Analysis of Statements of Condition

Amounts in Thousands	As of Dec 31, 2022	As of Dec 31, 2021	2022 vs 2021 Change	%Change	% to Total Assets 2022	% to Total Assets 2021
Resources						
Cash and Other Cash Items	2,735,171	2,747,781	(12,610)	-0.46%	1.26%	1.38%
Due from Bangko Sentral ng Pilipinas -net	23,675,470	45,367,143	(21,691,673)	-47.81%	10.88%	22.72%
Due from Other Banks - net	1,044,255	1,039,456	4,799	0.46%	0.48%	0.52%
Interbank Loans Receivables - net	18,378,744	19,133,505	(754,761)	-3.94%	8.45%	9.58%
Investment Securities	6,186,052	6,049,729	136,323	2.25%	2.84%	3.03%
Financial Assets At Fair Value	6,186,052	6,049,729	136,323	2.25%	2.84%	3.03%
At Fair Value through Profit/Loss	381,001	994,613	(613,611)	-61.69%	0.18%	0.50%
At FVOCI	5,805,051	5,055,117	749,934	14.84%	2.67%	2.53%
Available for Sale Invesments	0	0	-	0.00%	0.00%	0.00%
Investment Securities at Amortized Cost - ne	52,208,769	42,909,057	9,299,712	21.67%	24.00%	21.49%
Loans and Receivables - net	105,091,229	74,374,125	30,717,104	41.30%	48.31%	37.24%
Non-current Assets Held for Sale	0	0	-	0.00%	0.00%	0.00%
Investment in Associate - net	39,523	39,662	(139)	-0.35%	0.02%	0.02%
Property and Equipment - net	1,425,419	1,472,398	(46,980)	-3.19%	0.66%	0.74%
Investment Properties - net	3,399,987	3,448,315	(48,328)	-1.40%	1.56%	1.73%
Deferred Tax Assets - net	612,090	743,505	(131,415)	-17.68%	0.28%	0.37%
Other Assets - net	2,721,191	2,387,937	333,253	13.96%	1.25%	1.20%
Total Assets	**217,517,899**	**199,712,614**	**17,805,285**	**8.92%**	**100.00%**	**100.00%**
Liabilities and Capital						
Deposit Liabilities	**176,267,240**	**171,713,823**	**4,553,417**	**2.65%**	**81.04%**	**85.98%**
Demand	51,792,970	48,702,340	3,090,630	6.35%	23.81%	24.39%
Savings	101,651,553	108,874,920	(7,223,367)	-6.63%	46.73%	54.52%
Time	17,793,298	9,107,144	8,686,154	95.38%	8.18%	4.56%
Long-term Negotiable Certificate	5,029,420	5,029,420	-	0.00%	2.31%	2.52%
Bills Payable	-	0	-	0.00%	0.00%	0.00%
Bonds Payable	7,442,251	0	7,442,251	0.00%	3.42%	0.00%
Financial Liabilities at FVPL	-	0	-	0.00%	0.00%	0.00%
Manager's Checks	661,454	951,460	(290,007)	-30.48%	0.30%	0.48%
Accrued Interest, Taxes and Other Expense	1,165,766	1,021,626	144,140	14.11%	0.54%	0.51%
Other Liabilities	3,950,613	2,662,971	1,287,642	48.35%	1.82%	1.33%
Total Liabilities	**189,487,324**	**176,349,881**	**13,137,443**	**7.45%**	**87.11%**	**88.30%**
Capital Funds	**28,030,575**	**23,362,734**	**4,667,841**	**19.98%**	**12.89%**	**11.70%**
Total Liabilities & Capital	**217,517,899**	**199,712,614**	**17,805,285**	**8.92%**	**100.00%**	**100.00%**

The Bank's Total Assets at end-2022 amounted to ₱217.52 billion, 8.92% higher than last year's ₱199.71 billion mainly from the increase in loans and other receivables, investment securities and was partially offset by the lower interbank loans receivables.

Loans and Receivables, net of allowance for credit losses and unearned interest income, representing 48.31% of total assets, increased by 41.3% to ₱105.09 billion from ₱74.37 billion in the same period last year, driven by accelerated growth in corporate loans. The Bank's loan-to-deposit ratio was recorded at 70.3%.

Investment securities at amortized cost, likewise, increased by 21.67% to ₱52.21 billion. Financial assets at fair value increased by 2.25% to ₱6.19 billion due to higher financial assets at FVOCI which grew by ₱749.93 million, tempered by lower financial assets at FVTPL which decreased by ₱613.61million.

Cash and Other Cash Items and Due from BSP accounts both went down by 0.46% and 47.81%, respectively, to ₱2.74 billion and ₱23.68 billion. Interbank loans receivable dropped by 3.94% to ₱18.38 billion in 2022. On the other hand, due from other banks marginally increased by 0.46% to ₱1.04 billion.

Investment in Associate amounted to ₱39.52 million, P0.14 million down from ₱39.66 million in the prior year. Property and Equipment declined by 3.19% to ₱1.43 billion from ₱1.47 billion in 2021. Investment Properties and deferred tax assets also decreased to ₱3.40 billion and ₱612.09 million, respectively, from ₱3.45 billion and ₱743.51 million. Other Assets, however, went up by 13.96% to ₱2.72 billion from ₱2.39 billion in 2021.

Deposit Liabilities, which accounted for 93.02% of the total liabilities, expanded by 2.65% to ₱176.27 billion in 2022 boosted mainly by higher time deposits. Accrued Interest, Taxes and Other Expenses and Other Liabilities also rose to

₱1.02 billion and ₱2.66 billion, respectively, higher by 14.11% and 48.35%. Manager's check, however, dropped by 30.48% to ₱661.45 million from ₱951.46 million in the prior year.

The Bank's capital base stood at ₱28.03 billion as of December 31, 2022, 19.98% higher than the ₱23.36 billion last year, spurred by the proceeds from the Initial Public Offering in the first quarter of 2022.

11.5.4 For the year ended 31 December 2021 compared with year ended 31 December 2020

Analysis of Statements of Income

Amounts in Thousands	Year to Date		Horizontal analysis		Vertical analysis	
	Dec 31, 2021	Dec 31, 2020	Increase / (Decrease)		2021	2020
INTEREST INCOME						
Loans and receivables	4,284,456	4,840,144	(555,688)	-11.48%	68.83%	70.42%
Investment securities at FVOCI and at amortized cost	1,251,564	919,374	332,189	36.13%	20.11%	13.38%
Due from Bangko Sentral ng Pilipinas and other banks	228,435	265,528	(37,093)	-13.97%	3.67%	3.86%
Interbank loans receivable and SPURA	316,281	238,044	78,237	32.87%	5.08%	3.46%
Financial assets at FVPL	14,420	16,991	(2,571)	-15.13%	0.23%	0.25%
	6,095,156	**6,280,081**	**(184,926)**	**-2.94%**	**97.92%**	**91.37%**
INTEREST EXPENSE						
Deposit liabilities	645,261	1,127,728	(482,468)	-42.78%	10.37%	16.41%
Lease liabilities	35,033	42,921	(7,888)	-18.38%	0.56%	0.62%
Bills payable and others	16,691	1,106	15,586	1409.58%	0.27%	0.02%
	696,985	**1,171,755**	**(474,770)**	**-40.52%**	**11.20%**	**17.05%**
NET INTEREST INCOME	**5,398,171**	**5,108,326**	**289,845**	**5.67%**	**86.72%**	**74.32%**
OTHER INCOME						
Trading and investment securities gains - net	(78,709)	1,147,574	(1,226,283)	-106.86%	-1.26%	16.70%
Service charges, fees and commissions	531,128	444,637	86,491	19.45%	8.53%	6.47%
Foreign exchange gains - net	48,367	48,876	(509)	-1.04%	0.78%	0.71%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	274,986	58,765	216,221	367.94%	4.42%	0.85%
Miscellaneous	50,565	65,418	(14,852)	-22.70%	0.81%	0.95%
	826,337	**1,765,269**	**(938,933)**	**-53.19%**	**13.28%**	**25.68%**
GROSS INCOME	**6,224,508**	**6,873,596**	**(649,088)**	**-9.44%**	**100.00%**	**100.00%**
OTHER EXPENSES						
Compensation and fringe benefits	1,820,969	1,819,392	1,577	0.09%	29.25%	26.47%
Taxes and licenses	802,193	830,158	(27,965)	-3.37%	12.89%	12.08%
Rent and utilities	532,284	476,343	55,940	11.74%	8.55%	6.93%
Depreciation and amortization	462,533	567,851	(105,318)	-18.55%	7.43%	8.26%
Insurance	334,826	280,638	54,188	19.31%	5.38%	4.08%
Service Fees and Commissions	229,706	183,374	46,333	25.27%	3.69%	2.67%
Subscription fees	107,646	96,595	11,051	11.44%	1.73%	1.41%
Entertainment and recreation	97,394	107,305	(9,911)	-9.24%	1.56%	1.56%
Management and professional fees	85,022	79,453	5,569	7.01%	1.37%	1.16%
Amortization of software costs	53,595	45,908	7,687	16.74%	0.86%	0.67%
Provision for credit and impairment losses	(634,820)	962,510			-10.20%	14.00%
Miscellaneous	501,812	381,759	120,052	31.45%	8.06%	5.55%
	4,393,161	**5,831,286**	**(1,438,126)**	**-24.66%**	**70.58%**	**84.84%**
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	**1,831,347**	**1,042,309**	**789,038**	**75.70%**	**29.42%**	**15.16%**
SHARE IN NET LOSS OF ASSOCIATE	1,039	753	286	38.01%	0.02%	0.01%
INCOME BEFORE INCOME TAX	**1,830,308**	**1,041,556**	**788,752**	**75.73%**	**29.40%**	**15.15%**
INCOME TAX EXPENSE	623,689	257,122	366,566	142.56%	10.02%	3.74%
NET INCOME	**1,206,619**	**784,434**	**422,185**	**53.82%**	**19.38%**	**11.41%**

For the year ending December 31, 2021, Bank of Commerce earned ₱1.21 billion in net income. The increase was mainly due to higher net interest income brought about by lower interest expenses and service charges, fees, and commissions.

Total Interest Income was down by 2.94% at ₱6.10 billion from ₱6.28 billion last year. Interest income on loans and receivables declined by 11.48% to ₱4.28 billion mainly due to the lower interest rate environment. On the other hand, interest income on investment securities at fair value through other comprehensive income (FVOCI) and at amortized cost went up by 36.13% to ₱1.25 billion primarily from the additional purchases of investment securities at amortized cost. Interest income on interbank loans receivable and securities purchased under resale agreements increased by 32.87% to ₱316.28 million, meanwhile interest income on due from BSP and other banks decreased by 13.97% to ₱228.43 million. Interest income on financial assets at fair value through profit or loss (FVTPL) declined by 15.13% to ₱14.42 million.

Total Interest Expense went down by 40.52% to ₱696.99 million from the ₱1.17 billion in the same period last year, primarily due to lower interest expense on deposit liabilities which decreased by 42.78% to ₱645.26 million. Interest expense on lease liabilities also went down by 18.38% to ₱35.03 million. On the other hand, interest expense on bills payable increased to ₱16.69 million, mainly due to tax accruals.

Given the more significant decline of Interest Expenses, Net Interest Income for 2021 increased to ₱5.40 billion, up 5.67% from the previous year's ₱5.11 billion.

Total Other Income was at ₱826.34 million, 53.19% lower than the previous year. This is owing to a loss of ₱78.71 million in trading and investment securities for 2021, compared to the gain of ₱1.15 billion the previous year. Meanwhile, service charges, fees and commissions increased by 19.45% to ₱531.13 million. Gains on foreclosure, and sale of property and equipment and foreclosed assets rose by 3.68x to ₱274.99 million as a result of higher sale of foreclosed assets. Foreign exchange gains and miscellaneous income fell by 1.04% and 22.7%, respectively, to ₱48.37 million and ₱50.57 million.

Total Expenses, excluding provision for credit and impairment losses went up by 3.27% to ₱5.03 billion. Compensation and fringe benefits slightly went up by 0.09% to ₱1.82 billion as a result of the provisions on the collective bargaining agreement (CBA). Taxes and licenses decreased by 3.37% to ₱802.19 million from lower documentary stamp taxes. Rent and utilities increased by 11.74% to ₱532.28 million. Depreciation and amortization declined by 18.55% to ₱462.53 million from lower depreciation expense on foreclosed assets. Insurance, on the other hand, grew by 19.31% to ₱334.83 million on account of higher PDIC insurance from higher deposit volume. Service fees and commissions and subscription fees also increased by 25.27% and 11.44%, respectively, to ₱229.71 million and ₱107.65 million as a result of new subscriptions on systems. Entertainment and recreation expenses declined by 9.24% to ₱97.39 million. Management and professional fees and amortization of software costs went up by 7.01% and 16.74%, respectively, to ₱85.02 million and ₱53.6 million. Miscellaneous expenses also increased by 31.45% to ₱501.81 million from ₱381.76 million.

As a result of the reversal of provisions, the Bank's provision for credit and impairment losses is at negative ₱634.82 million for the year 2021.

The Bank recorded its share in the net loss of associate at ₱1.04 million in 2021, 38.01% higher than the previous year of ₱0.75 million.

Income Tax Expense amounted to ₱623.69 million, 142.56% higher from ₱257.12 million the previous year.

Analysis of Statements of Condition

Amounts in Thousands	As of Dec 31, 2021	As of Dec 31, 2020	2021 vs 2020 Change	%Change	% to Total Assets 2021	% to Total Assets 2020
Resources						
Cash & Other Cash Items	2,747,781	2,420,505	327,276	13.52%	1.38%	1.42%
Due from the BSP - net	45,367,143	39,547,211	5,819,932	14.72%	22.72%	23.14%
Due from Other Banks - net	1,039,456	1,023,256	16,201	1.58%	0.52%	0.60%
Interbank Loans Receivables - net	19,133,505	22,055,828	(2,922,323)	-13.25%	9.58%	12.90%
Investment Securities	6,049,729	16,689,667	(10,639,938)	-63.75%	3.03%	9.76%
Financial Assets At Fair Value	6,049,729	16,689,667	(10,639,938)	-63.75%	3.03%	9.76%
At Fair Value through Profit/Loss	994,613	1,265,419	(270,807)	-21.40%	0.50%	0.74%
At FVOCI	5,055,117	15,424,248	(10,369,131)	-67.23%	2.53%	9.02%
Available for Sale Invesments	0	0	-	0.00%	0.00%	0.00%
Investment Securities at amort cost	42,909,057	9,146,278	33,762,780	369.14%	21.49%	5.35%
Loans and Receivables - net	74,374,125	71,628,349	2,745,776	3.83%	37.24%	41.91%
Non-current Assets Held for Sale	0	0	-	0.00%	0.00%	0.00%
Investment in Associate - net	39,662	40,687	(1,026)	-2.52%	0.02%	0.02%
Property and Equipment - net	1,472,398	1,659,401	(187,003)	-11.27%	0.74%	0.97%
Investment Properties - net	3,448,315	3,624,987	(176,672)	-4.87%	1.73%	2.12%
Deferred Tax Assets - net	743,505	955,380	(211,875)	-22.18%	0.37%	0.56%
Other Assets - net	2,387,937	2,129,133	258,805	12.16%	1.20%	1.25%
Total Assets	**199,712,614**	**170,920,681**	**28,791,933**	**16.85%**	**100.00%**	**100.00%**
Liabilities and Capital						
Deposit Liabilities	**171,713,823**	**149,105,611**	**22,608,212**	**15.16%**	**85.98%**	**87.24%**
Demand	48,702,340	39,659,286	9,043,054	22.80%	24.39%	23.20%
Savings	108,874,920	83,743,821	25,131,099	30.01%	54.52%	49.00%
Time	9,107,144	20,673,084	(11,565,940)	-55.95%	4.56%	12.10%
Long-term Negotiable Certificate	5,029,420	5,029,420	-	0.00%	2.52%	2.94%
Bills Payable	0	19	(19)	-100.00%	0.00%	0.00%
Financial Liabilities at FVPL	0	0	-	0.00%	0.00%	0.00%
Manager's Checks	951,460	870,080	81,381	9.35%	0.48%	0.51%
Accrued Interest, Taxes and Other Expens	1,021,626	892,463	129,162	14.47%	0.51%	0.52%
Other Liabilities	2,662,971	3,286,046	(623,075)	-18.96%	1.33%	1.92%
Total Liabilities	**176,349,881**	**154,154,219**	**22,195,662**	**14.40%**	**88.30%**	**90.19%**
Capital Funds	**23,362,734**	**16,766,463**	**6,596,271**	**39.34%**	**11.70%**	**9.81%**
Total Liabilities & Capital	**199,712,614**	**170,920,681**	**28,791,933**	**16.85%**	**100.00%**	**100.00%**

The Bank ended 2021 with total assets amounting to ₱199.71 billion, 16.85% higher than previous year's ₱170.92 billion mainly from the increase in investment securities at amortized cost alongside with the increase in loans and other receivables, and these were partially offset by the decrease in investment securities at fair value and lower interbank loans receivables.

Cash and Other Cash Items and Due from BSP accounts went up by 13.52% and 14.72%, respectively, to ₱2.75 billion and ₱45.37 billion. Due from other banks also increased by 1.58% to ₱1.04 billion. Interbank loans receivable however went down by 13.25% to ₱19.13 billion in 2021.

Financial assets at fair value declined by 63.75% to ₱6.05 billion driven by the sale of financial assets at FVTPL and FVOCI which decreased to ₱994.61 million and ₱5.06 billion, respectively. Investment securities at amortized cost, on the other hand, increased by 3.69x to ₱42.91 billion.

Loans and other receivables amounted to ₱74.37 billion, 3.83% higher than the same period last year largely driven by increase in corporate loans. The Bank's loan-to-deposit ratio was recorded at 43.9%.

Investment in Associate continued its downtrend to ₱39.66 million from ₱40.69 million the previous year. Property and Equipment decreased by 11.27% to ₱1.47 billion from ₱1.66 billion in 2020. Investment Properties also went down to ₱3.45 billion from ₱3.62 billion. From ₱955.38 million in 2020, deferred tax assets fell by 22.18% to ₱743.51 million. Other Assets, on the other hand, increased by 12.16% to ₱2.39 billion from ₱2.13 billion in 2020.

Total liabilities increased to ₱176.35 billion as of December 31, 2021, driven by the 15.16% increase in deposit liabilities. Increase in deposit liabilities to ₱171.71 billion in 2021 was driven by higher demand and savings volumes which were up by 22.8% and 30.01%, respectively, to ₱48.7 billion and ₱108.87 billion, respectively. Manager's Checks and Accrued Interest, Taxes and Other Expenses also went up by 9.35% and 14.47%, respectively, to ₱951.46

million and ₱1.02 billion. Other liabilities, on the other hand, fell by 18.96% to ₱2.66 billion from ₱3.29 billion the previous year.

The Bank's total capital funds rose by 39.34% to ₱23.36 billion as of December 31, 2021 from ₱16.77 billion the previous year, owing to a ₱5.5 billion capital infusion in 2021.

11.6 LIQUIDITY

The following table sets forth selected information from the Bank's Statement of Cash Flows in (₱ thousands) for the periods indicated.

	For the year ended 31 December			For the 9-month period ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
Net cash from (used in) operating activities	21,642,351	(22,244,493)	9,255,640	(583,666)	(15,846,259)
Net cash from (used in) investing activities	(23,545,853)	(10,560,090)	(5,526,654)	(3,574,693)	7,901,397
Net cash from (used in) financing activities	5,229,040	10,348,390	(614,987)	453,202	(2,214,855)
Net cash	3,347,995	(22,457,275)	3,106,375	(3,706,730)	(10,163,159)
Cash and cash equivalents at beginning of the period	64,948,740	68,296,734	45,839,459	45,839,459	48,945,834
Cash and cash equivalents at end of the period	68,286,734	45,839,459	48,945,834	42,132,730	38,782,675

11.6.1 Cash flows from operating activities

As of 30 September 2024, the bank generated net cash outflow from operating activities amounting to ₱15.85 billion. The main source of cash came from income from continuing operations of ₱15.21 billion which is subjected to adjustments from noncash income/loss such as depreciation and amortization (₱455.67 million), interest expense on bonds payable (₱415.45 million), gain on foreclosure and sale of property and equipment and foreclosed assets (₱257.98 million), provision for credit and impairment losses (₱199.50 million), unrealized gains on financial assets at fair value through profit or loss (₱125.53 million), amortization of software costs (₱62.80 million), interest expense on lease liabilities (₱28.28 million), share in net loss of associate (₱0.43 million), miscellaneous income (₱0.13 million), and the net inflow is primarily driven by the ₱2.66 billion increase in deposit liabilities. The main uses of cash are mainly driven by loans and receivables of ₱16.80 billion and increase of financial assets at fair value through profit or loss of ₱3.70 billion.

As of 30 September 2023, the bank generated net cash outflow from operating activities amounting to ₱583.67 million. The main source of cash came from income from continuing operations of ₱99.03 million which is subjected to adjustments from noncash income/loss such as gain on foreclosure and sale of property and equipment and foreclosed assets (₱346.14 million), depreciation and amortization (₱342.20 million), interest expense on bonds payable (₱309.55 million), provision for credit and impairment losses (₱222.43 million), amortization of software costs (₱55.82 million), interest expense on lease liabilities (₱23.64 million), unrealized gains on financial assets at fair value through profit or loss (₱11.10 million), gain on sale of financial assets at fair value through other comprehensive income (₱6.96 million), share in net loss of associate (₱0.63 million), and the net inflow is primarily driven by the ₱1.11 billion and ₱2.46 billion increase in manager's checks and other liabilities, respectively. The main uses of cash are mainly driven by loans and receivables of ₱6.77 billion.

As of 31 December 2023, the bank generated net cash inflow from operating activities amounting to ₱9.26 billion. The main source of cash came from income from continuing operations of ₱10.05 billion which is subjected to adjustments from noncash income/loss such as gain on foreclosure and sale of property and equipment and foreclosed assets (₱495.40 million), depreciation and amortization (₱489.38 million), interest expense on bonds payable (₱412.99 million), provision for credit and impairment losses (₱78.84 million), amortization of software costs (₱76.74 million), interest expense on lease liabilities (₱32.82 million), unrealized gains on financial assets at fair value through profit or loss (₱22.81 million), gain on sale of financial assets at fair value through other comprehensive income (₱6.96 million), share in net loss of associate (₱0.78 million), and the net inflow is primarily driven by the ₱9.64 billion and ₱1.19 billion increase in deposit liabilities and manager's checks, respectively. The main uses of cash are mainly driven by loans and receivables of ₱4.76 billion.

As of 31 December 2022, the bank generated net cash outflow from operating activities amounting to ₱22.24 billion. The main source of cash came from income from continuing operations of ₱21.67 billion which is subjected to adjustments from noncash income/loss such as depreciation and amortization (₱431.66 million), gain on foreclosure and sale of property and equipment and foreclosed assets (₱340.45 million), interest expense on bonds payable (₱173.78 million), provision for credit and impairment losses (₱166.21 million), amortization of software costs (₱73.07 million), interest expense on lease liabilities (₱28.18 million), unrealized gains on financial assets at fair value through profit or loss (₱3.03 million), share in net loss of associate (₱0.13 million), and the net inflow is primarily driven by the ₱4.55 billion and ₱1.48 billion increase in deposit liabilities and other liabilities, respectively. The main uses of cash are mainly driven by loans and receivables of ₱31.01 billion and decrease of financial assets at fair value through profit or loss of ₱616.93 million.

As of 31 December 2021, the bank generated net cash inflow from operating activities amounting to ₱21.64 billion. The main source of cash came from income from continuing operations of ₱22.01 billion which is subjected to adjustments from noncash income/loss such as reversal of credit and impairment losses (₱634.82 million), depreciation and amortization (₱462.53 million), gain on foreclosure and sale of property and equipment and foreclosed assets (₱274.99 million), loss on sale of financial assets at fair value through other comprehensive income (₱68.88 million), amortization of software costs (₱53.60 million), unrealized loss on financial assets at fair value through profit or loss (₱4.19 million), share in net loss of associate (₱1.04 million), and the net inflow is primarily driven by the ₱22.61 billion increase in deposit liabilities. The main uses of cash are mainly driven by loans and receivables of ₱2.05 billion and decrease of financial assets at fair value through profit or loss of ₱266.62 million.

11.6.2 Cash flows from investing activities

As of 30 September 2024, net cash provided by investing activities was recorded at ₱7.90 billion. Total inflows were from the proceeds from sale or maturities of: investment securities at amortized cost (₱86.36 billion), investment properties (₱139.51 million), and property and equipment (₱34.78 million). These were offset with additions to: investment securities at amortized cost (₱72.06 billion), financial assets at fair value through other comprehensive income (₱6.04 billion), property and equipment (₱395.48 million), software costs (₱132.94 million), and investment properties (₱5.31 million).

As of 30 September 2023, net cash used in investing activities was recorded at ₱3.57 billion. Total inflows were from the proceeds from sale or maturities of: investment securities at amortized cost (₱55.27 billion), financial assets at fair value through other comprehensive income (₱963.07 million), investment properties (₱140.36 million), and property and equipment (₱33.47 million). These were offset with additions to: investment securities at amortized cost (₱50.42 billion), financial assets at fair value through other comprehensive income (₱9.17 billion), property and equipment (₱230.01 million), software costs (₱133.13 million), and investment properties (₱20.18 million).

As of 31 December 2023, net cash used in investing activities was recorded at ₱5.53 billion. Total inflows were from the proceeds from sale or maturities of: investment securities at amortized cost (₱84.50 billion), financial assets at fair value through other comprehensive income (₱5.96 billion), investment properties (P238.44 million), and property and equipment (₱49.28 million). These were offset with additions to: investment securities at amortized cost (₱84.76 billion), financial assets at fair value through other comprehensive income (₱10.88 billion), property and equipment (₱466.38 million), software costs (₱149.91 million), and investment properties (₱21.03 million).

As of 31 December 2022, net cash used investing activities was recorded at ₱10.56 billion. Total inflows were from the proceeds from sale or maturities of: investment securities at amortized cost (₱59.90 billion), financial assets at fair value through other comprehensive income (₱578.78 million), investment properties (₱299.56 million), and property and equipment (₱52.89 million). These were offset with additions to: investment securities at amortized cost (₱69.19 billion), financial assets at fair value through other comprehensive income (P1.90 billion), property and equipment (₱182.36 million), software costs (₱100.90 million), and investment properties (₱4.93 million).

As of 31 December 2021, net cash used in investing activities was recorded at ₱23.55 billion. Total inflows were from the proceeds from sale or maturities of: financial assets at fair value through other comprehensive income (₱17.43 billion), investment securities at amortized cost (₱15.17 billion), investment properties (₱308.01 million), and property and equipment (₱45.24 million). These were offset with additions to investment securities at amortized cost (₱48.93 billion), financial assets at fair value through other comprehensive income (₱7.36 billion), property and equipment (₱157.00 million), software costs (₱48.97 million), and investment properties (₱1.10 million).

11.6.3 Cash flows from financing activities

As of 30 September 2024, net cash used in financing activities was recorded at ₱2.21 billion. This is primarily due to settlement of bonds payable (₱7.50 billion), issuance of bonds payable (₱6.51 billion), cash dividends paid (₱654.94 million), payment of interest on bonds (₱388.04 million), and payment of lease liability (₱182.44 million).

As of 30 September 2023, net cash provided by financing activities was recorded at ₱453.20 million. This is primarily due to proceeds from bills payable (₱912.12 million), payment of interest on bonds (₱282.73 million), and payment of lease liability (₱176.18 million).

As of 31 December 2023, net cash used in financing activities was recorded at ₱614.99 million. This is primarily due to payment of interest on bonds (₱376.97 million), and payment of lease liability (₱238.01 million).

As of 31 December 2022, net cash provided by financing activities was recorded at ₱10.35 billion. This is primarily due to issuance of bonds payable (₱7.43 billion), issuance of common stock (₱3.26 billion), payment of lease liability (₱231.26 million), and payment of interest on bonds (₱106.60 million).

As of 31 December 2021, net cash provided by financing activities was recorded at ₱5.23 billion. This is primarily due to issuance of preferred stock (₱5.45 billion), payment of lease liability (₱223.49 million), and settlement of bills payable (₱0.02 million).

11.7 MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

The Bank's commitments for capital expenditures will be funded from the proceeds of the sale of acquired assets and cash flows from the Bank's operations. This generally covers investments relating to the Bank's digital transformation initiatives, enhancement of customer banking experience, technology upgrades and branch physical infrastructure.

The Bank's capital expenditures for the years ended 31 December 2021, 2022, and 2023, and nine (9) months ended 30 September 2024 were ₱205.97 million, ₱283.25 million, ₱616.29 million and ₱528.42 million, respectively. The Bank's primary capital expenditures during those periods were mainly invested in IT-related expenses, repairs and maintenance, and refurbishment of branch network.

11.8 CONTINGENT FINANCIAL OBLIGATIONS AND OFF-BALANCE SHEET TRANSACTIONS

The Bank has outstanding commitments and contingent liabilities from the normal course of operations. The Bank does not anticipate losses that will materially affect its financial condition and results of operations as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at 30 September 2024:

	For the year ended 31 December			For the period ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
Contingent assets					
Future/ spot exchange bought	229,495,500	1,146,547,214	2,683,155,542	3,762,333,640	3,397,642,328
Fixed income securities purchased	25,218,255	5,074,247	6,409,295,659	1,991,106,892	81,056,746
Outward bills for collection	2,999,218	255,590	5,575,925	209,708	-
TOTAL	**257,712,973**	**1,151,877,051**	**9,098,027,126**	**5,753,650,240**	**3,478,699,074**

Commitments and Contingent Liabilities					
Trust department accounts	63,274,059,479	70,873,001,493	70,208,670,193	67,521,301,774	72,922,640,596
Unused commercial letters of credit	8,417,817,547	15,638,084,869	8,181,592,869	6,873,429,289	12,578,809,859
Committed credit line	6,828,080,056	7,470,632,437	16,152,161,850	9,859,541,291	9,577,127,045
Future/ spot exchange sold	841,483,500	1,954,996,944	3,181,038,760	4,017,189,210	3,788,997,750
Outstanding guarantees	2,271,624,364	3,438,552,342	4,305,962,435	5,199,512,229	3,788,102,666
Credit card lines	3,362,130,139	3,601,177,914	3,600,976,933	3,594,316,272	3,779,267,047
Late deposits/ payments received	4,636,985	137,803,664	67,179,756	50,096,068	156,394,782
Retirement obligations	-	-	-	-	122,830,906
Fixed income securities sold	-	5,074,247	6,450,988	60,348,745	27,549,503
Inward bills for collections-Domestic	-	-	3,525,034	27,031,580	1,232,660
Items held for safekeeping/ securities held as collateral	42,112	44,835	45,347	46,985	64,362
TOTAL	**84,999,874,182**	**103,119,368,745**	**105,707,604,165**	**97,202,813,443**	**106,743,017,176**

Retirement obligations pertain to the estimated impact of the amendments to the Bank's retirement plan on past service cost, subject to certain conditions. The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank’s financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank’s default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as of 30 September 2024.

11.9 CAPITAL ADEQUACY

The Philippines adopted capital adequacy requirements based on the Basel II Capital Accord through the issuance of BSP Circular 538, as amended by BSP Circular No. 781. BSP Circular No. 781 embodies the implementing guidelines of the revised Basel II standards and the reforms introduced by Basel III.

As of 30 September 2024, the Bank's total capital adequacy ratio as reported to BSP (the ratio of total qualifying capital to risk-weighted assets), on a solo basis, was 18.30%, and the Bank's consolidated CET1 capital adequacy ratio as reported to BSP was 14.31%. Both ratios were above the capital adequacy requirements of the BSP applicable to the Bank as of 30 September 2024.

The following table sets out details of capital resources and capital adequacy ratios of the Bank as of the dates indicated:

	For the year ended 31 December			For the period ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
Common Equity Tier 1 (CET1)	17,452,240,252	20,628,850,965	23,193,311,157	22,252,954,283	24,810,737,228
Paid-up common stock	11,224,111,200	14,030,139,200	14,030,139,200	14,030,139,200	14,030,139,200
Additional paid-in capital	5,542,922,931	5,995,503,421	5,995,503,421	5,995,503,421	5,995,503,421
Retained earnings	417,830,498	1,000,608,127	1,331,884,458	1,402,203,642	3,278,837,064
Undivided profits	702,985,757	435,173,094	2,712,536,242	1,942,132,452	2,054,596,235
Other comprehensive income	-435,610,133	-832,572,877	-876,752,165	-1,117,024,432	-548,338,692
Deduction from CET1	1,705,253,402	1,383,760,810	1,197,423,425	1,245,929,509	1,038,158,745
Deferred tax assets	875,659,689	674,835,018	570,407,606	573,268,488	460,277,870
Other intangible assets	268,417,082	296,245,612	369,814,642	373,557,515	439,550,854
Other equity investments in non-financial allied undertakings and non-allied undertakings	39,830,242	39,665,366	35,684,649	35,897,172	34,618,830
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	30,458,405	28,205,578	31,011,715	29,948,210	32,768,924
Securitization tranches and structured products which are rated below investment grade or are unrated	490,887,983	344,809,237	190,504,814	233,258,125	70,942,267
Total CET1 Capital	15,746,986,850	19,245,090,155	21,995,887,731	21,007,024,774	23,772,578,482
Additional Tier 1 Capital	5,452,543,902.00	5,400,438,639.00	5,400,438,639.00	5,400,438,639.00	5,400,438,639.00

	For the year ended 31 December			For the period ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
Instruments issued by the bank that are eligible as AT1 capital – Perpetual preferred shares	4,166,666,700.00	4,166,666,700.00	4,166,666,700.00	4,166,666,700.00	4,166,666,700.00
Additional paid-in capital-Preferred Shares	1,285,877,202.00	1,233,771,939.00	1,233,771,939.00	1,233,771,939.00	1,233,771,939.00
Total Tier 1 Capital	21,199,530,752	24,645,528,793	27,396,326,370	26,407,463,412	29,173,017,121
Tier 2 Capital					
Appraisal increment reserve – bank premises, as authorized by the Monetary Board	0.00	0.00	0.00	0.00	0.00
General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	929,773,976	1,076,175,898	1,138,638,666	1,207,906,548	1,234,725,681
Total Tier 2 Capital	929,773,976	1,076,175,898	1,138,638,666	1,207,906,548	1,234,725,681
Total Qualifying Capital	22,129,304,729	25,721,704,691	28,534,965,036	27,615,369,960	30,407,742,802
Capital Ratios					
CET1 capital ratio	15.35%	13.45%	15.32%	14.59%	14.31%
Capital Conservation Buffer	9.35%	7.45%	9.32%	8.59%	8.31%
Tier 1 capital ratio	20.66%	17.22%	19.09%	18.34%	17.56%
Total capital adequacy ratio	21.57%	17.97%	19.88%	19.18%	18.30%
Risk-weighted on-balance sheet assets	**81,927,847,003**	**112,724,766,755**	**115,086,248,766**	**118,422,214,743**	**134,862,464,920**
20%	549,388,608	1,648,073,401	256,914,482	889,363,615	867,926,267
50%	5,442,028,566	5,966,683,277	4,609,419,189	5,679,717,916	5,608,614,891
100%	71,507,526,091	101,112,829,391	105,823,025,640	107,882,210,535	123,890,530,236
150%	4,428,903,737	3,997,180,686	4,396,889,455	3,970,922,678	4,495,393,527
Risk-weighted off-balance sheet	**11,036,737,139**	**19,816,254,720**	**15,990,435,465**	**13,093,734,545**	**14,540,379,709**
100%	11,036,737,139	19,816,254,720	15,990,435,465	13,093,734,545	14,540,379,709
Counterparty risk-weighted assets in the trading book	12,813,499	15,233,348	14,465,413	22,740,605	20,473,416
Total credit risk-weighted assets	92,873,736,585	132,556,254,823	131,091,149,643	131,538,689,894	149,423,318,045
Market risk-weighted assets	332,907,695	120,664,307	313,854,207	303,089,000	2,321,339,599
Operational risk-weighted assets	9,404,089,062	10,450,669,752	12,140,350,303	12,140,350,303	14,407,072,188
Total risk-weighted assets	**102,610,733,340**	**143,127,588,882**	**143,545,354,152**	**143,982,129,197**	**166,151,729,833**

11.10 SECURITIES OFFERINGS

The Bank issues securities from time to time to raise funds and maintain its capital adequacy ratios.

11.10.1 Primary Offer of Common Shares by Way of an Initial Public Offering ("IPO")

On 31 March 2022, the Bank issued 280,602,800 new common shares (the "**Offer Shares**") on the Philippine Stock Exchange ("**PSE**") at a price of ₱12.00 per share raising a total amount of ₱3,367.2 million from its initial public offering. The Bank used the net proceeds from the sale of the Offer Shares to fund its lending activities, acquisition of investment securities, and financial capital expenditure requirements in connection with the upgrading of its automated teller machine (ATM) fleet and the ongoing upgrade of its core banking system.

The IPO is part of the Bank's Universal Banking license application. With a unibank license, the Bank will have more opportunities to generate and warehouse interest bearing assets like marketable securities, generate more fee-based income, and manage risk of securities underwritten and held for trading. This will also enable the bank to enhance its marketing relationship with existing and prospective clients in the large corporate and middle market segments as it will be carrying a broader range of products, from traditional working capital lines and term loans to project finance, initial public offerings, mergers and acquisitions, financial advisory, etc. The latter services are essential to large businesses in planning their expansion programs as a response to the increasing demand brought about by the robust economy.

11.10.2 Bond Issuances under the Programme

On 16 May 2024, the Bank issued its Series B Bonds and raised ₱6.57 billion at 6.5635% per annum with a tenor of 1.5 years. The issuance was 1.3x oversubscribed.

Prior to this, on 29 July 2022, BankCom successfully listed its maiden issuance of ₱7.5 billion 5.0263% 2-year Series A Bonds on the Philippine Dealing & Exchange Corp. (PDEx), with aggregate orderbook exceeding the original target issue size by more than three times. The strong demand prompted BankCom to increase its issue size from the original ₱3 billion to ₱7.5 billion and end the offer period on 12 July 2022, ten days ahead of the original closing date. The Series A Bonds matured on 29 July 2024 and are no longer outstanding.

11.11 RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has loan transactions with investees and certain DOSRI. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks. For more information, see the section titled "*Related Party Transactions*" beginning on page 145 of this Offering Circular.

SECTION 12. BOARD AND MANAGEMENT

12.1 BOARD OF DIRECTORS

The Board of Directors of the Bank (the "**Bank's Board**") is the body ultimately responsible for the management of the Bank. The Bank's Board is composed of 15 directors, five of whom are independent directors. The Board is a healthy mix of individuals with diverse experiences, backgrounds, and perspectives. The membership of the Board is a combination of executive and non-executive directors such that no director or small group of directors dominates the decision-making process. All directors were chosen based on their qualifications, namely, integrity, probity, market reputation, conduct and behavior, relevant education and training, physical and mental fitness, knowledge, and experience. All directors possess such qualifications and stature that enable each of them to effectively participate in the deliberations of the Board. Directors are elected by the shareholders for a period of one year. Generally, there are no restrictions on re-election. However, beginning on 2 January 2012, the Philippine SEC set a limit on the term of independent directors serving in listed, public, and mutual fund companies. An independent director may only serve as such for a maximum cumulative period of nine years after which the independent director shall be barred perpetually from being elected as independent director in the same company. The chairman has a casting vote in resolutions of the Bank's Board which must be passed by majority vote.

The following table sets forth the persons who currently serve on the Board of Directors, with their corresponding positions and number of years of service as of 30 September 2024. Each member of the Board of Directors holds at least one (1) qualifying share in the Bank as of the same date. The succeeding sections present the brief profiles of the Board Members.

Name	Position	Years of Service *As of 30 September 2024*
Board of Directors		
Francis C. Chua	Chairman, Non-Executive Director	16 yrs. & 4 mos.
Benedicta Du-Baladad	Vice-Chairperson Non-Executive Director	10 yrs. & 8mo.
Michelangelo R. Aguilar	President and CEO, Executive Director	6 yrs. & 2 mos.
Roberto C. Benares	Former President and CEO, Non-Executive Director	11 yrs. & 5 mos.
Fe B. Barin	Non-Executive Director	10 yrs. & 5 mos.
Marito L. Platon	Non-Executive Director	14 yrs. & 5 mos.
Jose A. Barcelon	Non-Executive Director	3 months *(elected June 25, 2024)*
Alexander R. Magno	Non-Executive Director	10 yrs. & 2 mos.
Melinda S. Gonzales-Manto	Non-Executive Director	9 yrs. as Independent Director; 2 yrs and 5 mos. as Non-Executive Director since elected on April 29, 2022
Jose Carmelo C. Nograles	Non-Executive Director	9 yrs. as Independent Director; 5mos. as Non-Executive Director since elected on April 30, 2024
Rebecca Maria A. Ynares	Independent Director	8 yrs. & 2 mos.
Ricardo D. Fernandez	Independent Director	3 yrs. & 9 mos.
Daniel Gabriel M. Montecillo	Independent Director	2 yrs and 5 mos.
Simon R. Paterno	Independent Director	2 yrs and 4 mos.
Leonardo J. Matignas, Jr.	Independent Director	1yr. and 3 mos. *(elected on June 27, 2023)*
Board Advisors:		
Jose T. Pardo	Chairman of the Board of Advisors	18 yrs. & 4 mos. as Director, 10 yrs. as Chairman of the Board, and 3 years and 7

Name	Position	**Years of Service** ***As of 30 September 2024***
		months as Chairman of the Board of Advisor since February 16, 2022
Aurora T. Calderon	Board Advisor	13 yrs. & 2mos
Ferdinand K. Constantino	Board Advisor	2 yrs. as Director and 14 yrs. and 4 mos. as Advisor
Cecile L. Ang	Board Advisor	8 yrs. & 11 mos.
Antonio M. Cailao	Board Advisor	6 yrs. & 3 mos.
Evita C. Caballa	Corporate Secretary	2 yrs. as Asst. Corporate Secretary; 14 yrs. & 5 mos. as Corporate Secretary and 3 yrs. & 3 mos. as Director

FRANCIS C. CHUA
Chairman, Non-Executive Director
Filipino, 75 years old

Ambassador Francis C. Chua has been a member of the Board of Directors of the Bank since 20 May 2008, sat as Vice Chairman from 2013 to 2022, and became Chairman effective on 16 February 2022. Mr. Chua used to chair the Executive Committee (ExCom) of the Bank when he was Vice Chairman of the Board. With his constant feedback and insights on best banking practices, he has been instrumental in promoting the Bank in the business community and in marketing its products and services. Amb. Chua continuously serves as Chairman Emeritus in the Philippine Chamber of Commerce and Industry, Inc. (PCCI), President Emeritus of the Federation of Filipino Chinese Chamber of Commerce and Industry, Inc. , Trustee of Universidad De Manila (UDM) and as Consul General conferred by the Honorary Consulate General of the Republic of Peru in Manila since 2006. He was also a Board Adviser of the Office of Alternative Dispute Resolution under the Department of Justice. He was the Special Adviser on Economic Affairs under the Office of the Speaker of the House of Representatives, Congress of the Philippines in 1997. He was Honorary Trade and Investment Representative of the Department of Trade and Industry from 2002-2009, appointed Commissioner in the Constitutional Commission from 2005-2006, Board of Trustee of Technical Education and Skills Development Authority (TESDA), and Special Envoy on Trade and Investment (China) of the Office of the President from 2007-2010. He was also Governor (2002) and a member of the Board of Directors of the Philippine Stock Exchange from 2010-2020 where he served as the Chairman of the Committee of Demutualization. He demutualized the PSE with the unanimous support of its members.

He currently serves as Chairman of BA Securities Inc., and a member of the Board of Directors of DITO Telecommunity Corporation, National Grid Corporation of the Philippines (NGCP), Global Ferronickel, Inc., and Platinum Group Metals Corp. He holds the Chairmanship of CLMC Group of Companies and serves as Vice Chairman of Negros Navigation/2Go. He was the Vice Chairman of Basic Energy and Mabuhay Satellite Corp., and President of the Philippine Satellite Corp. He founded Phil China Chamber of Commerce, Philippine Silkroad International Chamber of Commerce and Industry. He currently owns Philippine Union Realty Development Corporation, Philippine Nail and Wire Corp and BA Securities Inc. He obtained his degree in B.S. Industrial Engineering (Cum Laude) from the University of the Philippines and was conferred Doctor in Humanities from Central Luzon State University.

BENEDICTA A. DU-BALADAD
Vice-Chairperson, Non-Executive Director
Filipino, 62 years old

Atty. Benedicta A. Du-Baladad has been a member of the Board of Directors of the Bank since 31 January 2014. She is the Vice Chairperson of the Board of Directors, Chairperson of the Executive Committee and a member of the Trust and Investments Committee. She was previously a member of the Bank's Board Risk Oversight Committee (BROC) from 2014-2017, as well as the Audit Committee until April 2022. She is the Founding Partner and CEO of Du-Baladad and Associates (BDB Law), a law firm specializing in taxation and related corporate services. Ms. Du-Baladad has over 30 years of practice in the field of taxation, 17 years of which was spent with the Bureau of Internal Revenue (BIR) working on tax administration policy development and in operations. In 2001, she joined the private sector and is now on her 16th year of private practice. She has authored three (3) books on the taxation of the financial sector.

She was the lead tax and legal consultant of the Philippine Government's Department of Finance (DOF) on its program to reform the taxation of capital income and financial intermediation services. She has been the Co-Chair of the Capital Markets Development Council (CMDC) in the Philippines from 2019 to 2022. Ms. Du-Baladad holds leadership role in major professional and business organizations in the country such as the Management Association of the Philippines (MAP) as 2023 President, the Financial Executives of the Philippines (FINEX) as past President, the Philippine Chamber of Commerce and Industry as Chair of the Tax Committee, the Tax Management Association of the Philippines (TMAP) as past President, and the Women Business Council of the Philippines (Womenbiz) as Vice President. She is currently a Professorial lecturer in taxation at the University of Santo Tomas (UST) and the University of the Philippines (UP). She was also a Partner and Head of Tax Compliance and Advisory of Punongbayan & Araullo from 2001 to 2009. Prior to that, she was an officer of the Bureau of Internal Revenue where she worked from 1984 to 2001. Ms. Du-Baladad is a Certified Public Accountant, graduated Magna Cum Laude with a bachelor's degree in accountancy from Saint Louis University, Baguio, Philippines (1982), and holds a Bachelor of Laws degree from the University of Santo Tomas, Manila, Philippines (1989). Her educational background includes Advanced Management Program at Wharton School of the University of Pennsylvania, Pennsylvania, USA (2007) and Master of Laws and International Tax Program at the Harvard University, Cambridge, MA, USA. She is a fellow at the Institute of Corporate Directors. She is a regular columnist of the Business Mirror's 'Tax Law for Business'.

MICHELANGELO R. AGUILAR
President and CEO, Executive Director
Filipino, 67 years old

Mr. Michelangelo R. Aguilar was elected member of the Board of Directors and appointed President and Chief Executive Officer (CEO) of the Bank on 16 July 2018. He is a member of the Bank's Executive Committee (ExCom), Trust and Investment Committee (TIC), IT Steering Committee (ITSC) and Underwriting Committee (UWCom). On April 25 2023, he became the Chairman of the UWCom.

Mr. Aguilar is also a member of the Board of Directors and an Officer of the Bankers Association of the Philippines (BAP) for the ensuing term March 2023 to March 2024. He serves in two BAP committees, i.e., BAP Open Market Committee where he sits as Chairman, and the Executive Committee. He is likewise a member of the Board of Directors of BancNet, Inc. for the ensuing term March 2023 to March 2024.

Mr. Aguilar has over 40 years of banking experience in the areas of Corporate and Investment Banking, Global Markets and Treasury. He has 22 years of experience with international banks starting his career as an Executive Trainee at Citibank Philippines and rising through the ranks in the areas of Banking Operations, Treasury and Sovereign Risk as Assistant Manager, Manager, and Assistant Vice President. He held senior positions as Country Treasurer and then as Managing Director and Head of Wholesale Bank at Standard Chartered Philippines. For 13 years prior to joining the Bank, he was Treasurer and Head of Corporate Banking in Solid Bank Corporation and Rizal Commercial Banking Corporation, respectively. He was also a Director of RCBC Rental Corporation and RCBC Leasing and Finance Corporation. He graduated with a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and later acquired a master's degree in business management from the Asian Institute of Management. He is a licensed Mechanical Engineer and a Certified Treasury Professional by the Bankers Association of the Philippines (BAP).

ROBERTO C. BENARES
Former President and CEO, Non-Executive Director
Filipino, 71 years old

Mr. Roberto C. Benares has been elected as member of the Board of Directors of the Bank since 30 April 2013. He assumed his position as President and CEO of Bank of Commerce on 1 August 2013 and was succeeded by Mr. Michelangelo R. Aguilar on 16 July 2018. He currently sits as Director and chairs the Information Technology Steering Committee (ITSC). He is also a member of the Executive Committee (ExCom) and the Underwriting Committee (UWCom). Director Benares used to sit as a member of the Board Risk Oversight Committee (BROC) until April 2023.

During his tenure as President and CEO, he took the lead in strengthening the Bank by framing its superior service culture to achieve its recent milestones.

Previously, Mr. Benares was the Managing Director of Maybank ATR Kim Eng Capital Partners, Inc. He started his banking career at Bancom Development Corp. as Assistant Treasurer prior to holding the position of Vice President of Account Management at United Coconut Planters Bank. He also served as Managing Director at Asian Alliance and Executive Vice President at Insular Investment & Trust Corporation, and Vice President at Philamlife. He holds a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and has a master's degree in business management at the Asian Institute of Management.

FE B. BARIN
Non-Executive Director
Filipino, 90 years old

Mrs. Fe B. Barin has been a member of the Board of Directors since April 24, 2014. Mrs. Barin's career in the government service has been in the regulatory and supervisory agencies. She spent a total of fifty-three (53) years of service in the government, forty-four of which in the then Central Bank of the Philippines and the Bangko Sentral ng Pilipinas where she served as Member of the Monetary Board from 2002 to 2004. She was the first Chairperson of the Energy Regulatory Commission created under the EPIRA in 2001, which position she occupied from August 2001 to September 2002 prior to her appointment as Monetary Board member. In Sept. 2004, she was appointed Chairperson of the Securities and Exchange Commission for a seven-year term ending 2011. As Chairperson of the SEC, she was ex Officio member of the Anti-Money Laundering Council and Chairperson of the Credit Information Corporation. She also served as Assistant Legal Counsel in the Philippine Deposit Insurance Corporation on secondment from the then Central Bank.

Mrs. Barin graduated from the College of Law, University of the Philippines, passed the Bar examinations given the same year and admitted to the Philippine Bar in 1957.

She is a Lifetime Fellow of the Institute of Corporate Directors and one of the Institute's Teaching Fellows, a Fellow of the Institute for Solidarity in Asia, and a founding member of the Judicial Reform Initiative, all non-stock nonprofit associations. She is also a member of the Board of Directors of the General Milling Corporation and Chairman of the Board of Directors of Barbor Equity, Inc., a family-owned corporation engaged in Agri business.

MARITO L. PLATON
Non-Executive Director
Filipino, 71 years old

Mr. Marito L. Platon was elected last 30 April 2010 as member of the Board of Directors of the Bank. He is currently a member of the Executive Committee (ExCom), Information Technology Steering Committee (ITSC), and Underwriting Committee. He was previously a member of the Board Risk Oversight Committee (BROC) (former Chairman), Audit Committee, Corporate Governance Committee (CGCom), and the Related Party Transactions Committee (RPTCom). Mr. Platon has been the driving force behind the consistent growth of the Bank's business in partnership with clients.

Mr. Platon has 27 years of treasury and corporate finance experience at San Miguel Corporation and Coca-Cola Bottlers Philippines, Inc. (CCBPI) as Vice-President and Treasurer supervising various departments/functions in the areas of Treasury management and operations, funds planning and loans management, banking relationship, working capital management, capital budgeting and project coordination, tax administration and management, insurance and risk management, credit and collection, systems design and development, and provident fund operations as he was also the former Managing Trustee of the CCBPI Retirement Plan. Aside from formerly holding directorship and/or management positions in various companies or undertakings involved in investment banking, corporate leasing, internal auditing, security services, aquaculture operations, food retailing, among others, including education as former Chairman at non-sectarian Institute for Esoteric Studies, he was also formerly director and CFO of CCBPI's real estate companies Marangal Properties, Inc. and Luzviminda Landholdings, Inc. Mr. Platon likewise has over 30 years of rural banking experience being former Chairman and President of Rural Bank of Talisay (Batangas), Inc. Currently, he serves as

Chairman and President of Villa Maria Resorts and Development Corporation, a tourism and property development family-owned corporation. A Fellow at the Institute of Corporate Directors, Mr. Platon graduated in 1973 at De La Salle University with a degree in Bachelor of Science, Major in Accounting.

ALEXANDER R. MAGNO
Non-Executive Director
Filipino, 69 years old

Mr. Alexander R. Magno became a member of the Board of Directors of the Bank on 1 August 2014 and currently sits as a member of the Executive Committee (ExCom), Trust and Investment Committee (TIC), and Underwriting Committee.

Mr. Magno is a columnist of the Philippine Star and consults for both the Department of Finance and the Steel Asia Manufacturing Corporation. Mr. Magno's career best describes him as a policy advocate, public intellectual and an activist. He served as a member of the Board of the Development Bank of the Philippines, helping supervise such programs as the Nautical Highway System from 2001 to 2010. He was Director of Steel Asia Manufacturing from 1995 to 1999 and a professor at the University of the Philippines from 1976 to 2018. After the EDSA Revolution, he served as interim director of the President's Center for Special Studies, a think tank put together during the Marcos period which supplied regular briefing papers for President Corazon C. Aquino. He helped establish the Foundation for Economic Freedom (FEF), a research and advocacy institution proposing market-driven economic policies providing research for key liberalization policies including the Liberalization of the Retail Trade, the Electricity Power Industry Reform Act, and the Procurement Law. He consulted for the privatization program of the Metropolitan Waterworks and Sewerage System (MWSS) and the liberalization of the telecommunications sector. In 2005, he was appointed Commissioner of the Consultative Commission on Charter Change and served as a commissioner of the EDSA People Power Commission.

His social activism during the martial law led to his career as an instructor of political science at UP Diliman. Mr. Magno supported student representation in 1975, winning a seat at the UP Student Conference and served as Vice Chairman of the organization. Mr. Magno had regular editorial columns at the Manila Times, the Manila Chronicle, and the Manila Standard. He remains an important columnist at the Philippine Star since 2003 and his columns became main reference points for building democratic and reformist public opinion.

MELINDA S. GONZALES-MANTO
Non-Executive Director
Filipino, 71 years old

Ms. Melinda S. Gonzales-Manto (Linda) has been a member of the Board of Directors of the Bank since January 2014. She currently serves as member of the Related Party Transactions Committee (RPTCom), Board Risk Oversight Committee (BROC), Audit Committee (former Chairperson), and most recently, the Nomination Compensation and Remunerations Committee (since April 30, 2024).

Ms. Manto likewise sits in the board of Eagle Cement Corporation (Eagle Cement), Petrogen Insurance Corporation (Petrogen) and RSA Foundation, Inc. She functions as Chairman of the Audit Committee and member of the Corporate Governance Committee and Related Party Transactions Committee of Eagle Cement. She chairs the Audit and Risk Oversight Committee and sits as member of the Corporate Governance Committee and Related Party Transactions Committee of Petrogen. She has been appointed as the Lead Independent Director of Eagle Cement and Petrogen.

Ms. Manto is presently a stockholder, director and the Vice-President of Linferd & Company, Inc. and ACB Corabern Holdings Corporation. She is also the Resident Agent of some multinational companies in the country and the Treasurer of a foreign company doing business in the Philippines. She was formerly a board member of the GSIS Family Bank.

Ms. Manto started her career in SyCip, Gorres, Velayo & Co. (SGV). She is a celebrated accountant and is looked up to as an expert in assurance and business advisory. Her areas of specialization include retail, manufacturing, food processing and distribution, real estate, radio and television broadcasting, technology, steam power generation, agribusiness, semiconductors, and electronics. She is highly respected as well in initial public offerings, due diligence engagements, and mergers and acquisitions. Her stint in the audit corporate world lasted for more than three decades. She retired as a Partner in the Assurance and Advisory Business Services Division of SGV. While in SGV, she served as the Head of the Consumer Products Industry for Asia and the Pacific of SGV/Ernst & Young Philippines and SGV/Arthur Andersen. Wanting to expand her horizon, she also functioned as a board member and auditor of the Philippine Retailers Association for almost a decade. She was previously assigned to the Cincinnati Office of Arthur Andersen in Ohio where she spearheaded the audit engagements of manufacturing and retail clients.

Ms. Manto finished elementary and high school as valedictorian and graduated cum laude with a degree of Bachelor of Science in Business Administration, major in Accounting at the Philippine School of Business Administration. She is a Certified Public Accountant and a lifetime member of the Philippine Institute of Certified Public Accountants. She completed the Management Development Program at the Asian Institute of Management and had computer training at the Institute of Advanced Computer Technology.

JOSE CARMELO C. NOGRALES
Non-Executive Director
Filipino, 74 years old

Mr. Jose C. Nograles has been an elected member of the Board of Directors of the Bank since 20 April 2015. He used to chair the Bank's Board Risk Oversight Committee (BROC). He now serves as a member of the following Committees: Corporate Governance Committee (CGCom), Related Party Transactions Committee (RPTCom) and Audit Committee (AuditCom).

Mr. Nograles continues to be a strict advocate of the Bank's conscientious and efficient use of resources towards sustainable care for the environment. A seasoned investment banker and economist, Jose C. Nograles was President of the Philippine Deposit Insurance Corporation (PDIC) from January 2008 to May 2011 where he led PDIC's transformation to a more responsive and innovative institution. Previously, he was the Senior Executive Vice President of the Land Bank of the Philippines (LBP). In 2005, he headed LBP's Operations and Corporate Services Sector. Five years earlier, as Senior Vice President and Treasurer, he organized LBP's combined Treasury and Investment Banking. He was also concurrently Board Vice-Chairman and President of Land Bank Insurance Brokerage Inc., LBP's subsidiary engaged in insurance brokerage and foreign exchange trading.

Mr. Nograles started his career in 1969 as part of the management services staff of SGV and Company. By 1973, he worked in government as a Senior Consultant to former Secretary Arturo R. Tanco, Jr. of the Department of Agriculture and Natural Resources. After three years, he rejoined the private sector as General Manager of Sarmiento Management Corporation. He moved to Anflo Management & Investment Corporation as Vice President in 1977 to head its Automotive Group of car dealerships and the Corporate Planning Department. He later founded his family's realty company engaged in commercial building and hotel operations in Davao City in 1980. In 1984, he was appointed Assistant Minister for Planning and Project Management of the Ministry of Natural Resources. In 1991, he joined Columbian Autocar Corporation as Vice President and General Manager that introduced the Kia brand in the Philippines. He obtained his BA in Economics with honors (Cum Laude) from the Ateneo de Manila University in 1969 and his master's degree in business administration from the Asian Institute of Management in 1973. He is a fellow of the Institute of Corporate Directors.

Mr. Nograles is currently an advisor to the Board of Amalgamated Investment Bancorporation, an investment banking firm. He is also an independent director of DragonFi Securities Corporation, a brokerage services company.

REBECCA MARIA A. YNARES
Independent Director
Filipino, 47 years old

Ms. Rebecca Maria A. Ynares has been a member of the Board of Directors of the Bank since July 2016. She currently serves as Chairperson of the Nominations, Compensation and Remuneration Committee and a member of the Related Party Transactions Committee (RPTCom) and Audit Committee. She was also a member of the Board Risk Oversight Committee (BROC) until April 2023.

Ms. Ynares manages the following family-owned endeavors TJCMB Enterprises, a warehousing and logistics company; Tutoring Club Franchise Philippines; and Octagon Realty and Development Corporation, where she is also the Corporate Secretary and account management lead. Ms. Ynares spearheads various sustainability and environment restoration initiatives in the Province of Rizal, including the Save Hinulugang Taktak and Ynares Eco System (YES) Programs. With the ongoing YES program, she continues to lead on projects such as installation of wastewater clean-up systems, tree-planting activities, medical missions with the Provincial Health Office, feeding programs with the Department of Social Welfare and Development (DSWD), and Youth Program. She lends support to other projects devoted to finding the right balance between the diligent care of the ecosystem and economic viability of affected businesses in Rizal. On top of her advocacies as a dedicated socio-economic philanthropist, Ms. Ynares is a member of the Philippine Red Cross-Rizal Chapter and is an avid resource speaker in various trainings and seminars in the province.

Previously, she served as a financial analyst for the Bahay Co. Real Estate Agents in Burlingame, California, USA from 2005 until 2007. She started her investment, banking, and finance career at the Asia United Bank (AUB) on the areas of branch operations, marketing and investment portfolio management. Ms. Ynares holds a degree in Bachelor of Science in Business Administration and Computer Applications from De La Salle University (1999) and Associate for Arts for Professional Designation Fashion & Merchandising in San Francisco, California (2002).

RICARDO D. FERNANDEZ
Independent Director
Filipino, 70 years old

Mr. Ricardo D. Fernandez was elected as an Independent Director of the Bank effective 1 January 2021. He is currently the Chairman of the Related Party Transactions Committee (RPTCom), and a member of the Corporate Governance Committee (CGCom) and the Nomination, Compensation and Remuneration Committee (NCRC). He has worked in the investment banking industry for 40 years. Mr. Fernandez was employed at Unicapital Incorporated (UI) from 1995 to 2019, where he was appointed as President from 1997 to March 2019, became a Consultant until December 2019, and Director until March 2020. From 1980 to 1995, he was employed at Multinational Investment Bancorporation (MIB). He graduated from the De La Salle University with degrees in Behavioral Science and Business Management. He also holds a master's degree in business administration from the University of the Philippines.

DANIEL GABRIEL M. MONTECILLO
Independent Director
Filipino, 67 years old

Mr. Montecillo is an independent board director, consultant, leadership speaker and facilitator, and executive coach. He currently chairs the Bank's Corporate Governance Committee. He is also a member of the Board Risk Oversight Committee and Nomination Compensation and Remunerations Committee (NCRC). Mr. Montecillo was the chairperson of the Bank's Underwriting Committee (UWCom) from its inception in 2022 up to April 2023.

Mr. Montecillo is currently a senior consultant to the International Finance Corporation and a CXO facilitator of Deloitte University Asia Pacific in Singapore. He was a former facilitator in the Leadership Acceleration Program of Ayala University; a guest lecturer at the Asian Institute of Management. He received his certification as an Associate Certified Coach (ACC) from the International Coaching Federation (ICF) and ESG Certification from Competent Boards in Canada.

He retired as Executive Vice President and Group Head of the Corporate Client Segment of BPI in 2018, where he was responsible for nationwide banking coverage of the firm's corporate clients and a member of its Management, Credit, Asset & Liability, and Investment Management Committees. Immediately prior to this role, he was President of BPI Capital Corporation and Chairman of BPI Securities Corporation, the bank's investment banking and securities subsidiaries. He served for 4 ½ years.

During his time at BPI, he was responsible for the reorganization of the corporate bank into two significant business initiatives: the Corporate Bank for large multinationals and domestic corporates, and the Business Bank, which services the small and medium-sized corporates in the country.

While at BPI Capital, he recast the investment bank into the leading domestic firm in the industry and competed successfully for business with the country's top corporates against the established international investment banking firms in the country. During his tenure, the firm won several international awards for excellence. During his tenure, among the more notable Philippine corporates that the firm took to the public equity capital markets are Max's Group, Store Specialists, and Metro Retail Stores Group.

Prior to returning to the Philippines, he spent 17 years in Hong Kong where he was CEO and founding equity partner of Diamond Dragon Advisors for three years, Asia's first private equity fundraising firm and before that, CEO of Fidelis Holdings for three years. Fidelis was the international real estate investment company of the Ayala Group of Companies.

He has 21 years of international investment banking experience, having worked in New York and Hong Kong at Bankers Trust, Credit Suisse, and Morgan Stanley. During this time, he was part of and managed business development and transaction teams in corporate, real estate and leveraged finance, derivatives, private equity, mergers & acquisitions, and equity and debt capital markets.

He is an independent director of Ayala Land, Inc. (ALI); RASLAG Corporation (ASLAG), a renewable energy company; Metro Pacific Health (MPH), a holding company with interests in 23 hospitals nationwide; Maybank Investment Banking Group (Philippines), Inc., a subsidiary of Maybank of Malaysia; and Marsh Philippines, a subsidiary of Marsh & McLennan. He is chairman of the audit committees of both Maybank Investment Banking Group (Philippines) and RASLAG; chairman of the corporate governance and ESG committees of MPH; and a member of audit, risk, and corporate governance committees in the various companies as well.

Dennis is a fellow of the Institute of Corporate Directors (Philippines), where he is also chairman of the sustainability committee; a board trustee of the United Nations Global Compact Network (Philippine chapter); a member of the International Coaching Federation (ICF); and an associate member of the Singapore Institute of Directors (SID). He is also a director of the global board of International Care Ministries, an NGO devoted to the rural ultra poor in the Philippines.

He has an MBA and MA from Stanford University in California, USA, and bachelor's degrees in management of financial Institutions and Behavioral Sciences (*magna cum laude*) from De La Salle University in the Philippines.

SIMON R. PATERNO
Independent Director
Filipino, 65 years old

Mr. Simon Paterno is Founder and CEO of ZQR Corporation, a start-up platform that improves the experience of document exchanges between enterprises and their customers.

Mr. Paterno's immediate previous engagement was EVP and Head of Products and Alternative Channels at Bank of the Philippine Islands from 2014-2019. In that position, he managed all of the bank's profit centers outside of Treasury, including the bank's digital channels. This included supervision of insurance (BPI-MS), merchant acquiring (Chairman of BPI Global Payments), leasing, investment banking, and microfinance (Chairman of BPI BanKo).

Mr. Paterno represented CIMB in the Philippines in its search for a bank investment and in originating investment banking deals. He joined the group in late 2012 as the CEO-designate of Bank of Commerce, which was targeted for acquisition by CIMB. The deal was canceled in 2013.

Mr. Paterno was Managing Director and Country Manager of Credit Suisse from 2004 to 2012. He also founded and served as Chairman of Credit Suisse Securities Philippines, Inc., the firm's securities broker/dealer subsidiary.

Mr. Paterno served as President/CEO of the Development Bank of the Philippines, the government-owned commercial bank, from 2002 to 2004. At the DBP, he pioneered work on the maritime Ro-Ro network that links the archipelago. He was concurrently Chairman of the LGU Guarantee Corporation and other DBP subsidiaries. In 2003, DBP was named 6th Best Employer by Hewitt Associates and Strongest Bank in the Philippines (Based on financial and operational measures, asset quality, and year-on-year improvements in profits and assets) by Asian Banker.

Mr. Paterno spent 18 years with J.P. Morgan & Co., with stints in New York and Hong Kong. In 1997, he was named a Managing Director, with responsibility for coverage of Asian sovereign clients during the Asian financial crisis. He led the project teams that advised the Indonesian Bank Restructuring Agency (IBRA) and its Malaysian counterpart, Danaharta. In mid-1998, he returned to Manila to head J.P. Morgan's Philippine business, and following the merger with Chase Manhattan Bank, worked as Head of Philippine Investment Banking until 2002.

At J.P. Morgan, he worked on some of the most significant sovereign financing transactions including the country's restructuring of its foreign debt in 1991, the return to capital markets in 1992, the Brady exchanges in 1994, and while at Credit Suisse, the Domestic Bond Exchanges and the Debt Exchange Warrants transactions that won Best Liability Management awards for 2006 and 2008. His M&A transaction experience includes mergers that formed the 3 largest Philippine banks in the Philippines, the largest cement company mergers, and the restructuring of San Miguel Corporation's ownership. Under his leadership, J.P. Morgan was named Best Investment Bank in the Philippines by The Asset in 2001 and Credit Suisse was named Best Investment Bank in the Philippines by FinanceAsia in 2009.

In 1999, he received the TOYM (The Outstanding Young Men) Award for his work in Investment Banking. In 2005, he served as President of the Management Association of the Philippines, an organization of the country's top CEO's. He has served on the Board of Directors of the Bankers Association of the Philippines. He serves as Vice Chairman of the Foundation for Economic Freedom, a reform-oriented advocacy group of the country's top economists, as Board member of the Ateneo Alumni Association and as Chairman of the Ateneo Scholarship Foundation. He is currently President of the ALFM Family of Mutual Funds. He is also an adviser to Packworks, a start-up enabling sari-sari stores.

Mr. Paterno is the current chairperson of the Board Risk Oversight Committee, and a member of the Bank's Audit Committee, and Corporate Governance Committee. He used to be a member of the Information Technology Steering Committee (ITSC) until April 2023.

Mr. Paterno received his MBA from Stanford University in 1984 and his AB Honors Program in Economics, cum laude, from the Ateneo de Manila University in 1980.

LEONARDO J. MATIGNAS, JR., CPA, CFE, CIA, CRMA, MM, FCPA Australia
Independent Director
Filipino, 62 years old

Mr. Leonardo J. Matignas, Jr. is a former Partner of SGV & Co. (a member practice of Ernst & Young) and its former Chief Risk Officer. He recently retired last June 30, 2022. He was also Ernst & Young's ASEAN Risk Management Leader until his retirement last June. He is a multi-awarded and internationally recognized authority on Enterprise Risk Management (ERM). Aside from being a Philippine CPA, he also holds a Fellow CPA Australia (FCPA) title which is the highest rank in CPA Australia and is recognized globally. He is also a Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), and has Certification in Risk Management Assurance (CRMA)--all of which are global certifications.

Over the course of his 40-year career, he had started service lines that paved the way for CPAs to venture into other avenues such as forensic accounting, risk-based auditing, and in risk management, either as a risk owner or risk champion. He was also very instrumental in SGV's accreditation by the Securities and Exchange Commission as an institutional training provider for Corporate Governance, for which he was the lead lecturer.

Leo holds a Bachelor of Science degree in Commerce, Magna Cum Laude, from San Sebastian College and completed his master's in management degree- International from the University of Phoenix. He is a Certified Public Accountant and has also completed Management Development Program at the Asian Institute of Management. In 2021, he completed an executive program, "Journey to the Boardroom" conducted by the Harvard Business Publishing Corporate Learning in collaboration with Ernst & Young.

His recognitions and awards include the following:

- One of the Top 100 notable CPAs in the 100 years in the history of the Philippine Accountancy Profession conferred by the Professional Regulation of the Board of Accountancy in celebration of its centennial anniversary. The award was given last March 17, 2023 at the Manila Hotel.
- 2022 Honorary Lifetime Member Award recipient from the Philippine Institute of Certified Public Accountants (PICPA) given during PICPA's Annual Convention in Cebu in November of this year.
- 2019 Winner of the Search for Outstanding Contribution in Internal Audit (SOCIA) in Asia Pacific by the Asian Confederation of Institute of Internal Auditors (ACIIA) which was awarded in Tokyo, Japan. First Filipino recipient of this award.
- First SOCIA PH awardee given by The Institute of Internal Auditors-Philippines (IIA-P) 2018
- Recognized by the Philippines' Professional Regulations Commission for his contributions to the accounting profession in 2015
- 2014 Outstanding CPA in Public Practice by PICPA
- Past President, Asian Confederation of Institute of Internal Auditors. He is the first Filipino elected to this post by internal auditors in Asia Pacific (2009).
- Past President, Institute of Internal Auditors (IIA)-Philippines (2007)
- Past President and Founding Member of the Association of Certified Fraud Examiners (ACFE) – Philippine Chapter (2005)
- 2011 National Awardee for PICPA Professional Development- International
- Instrumental for the SGV's accreditation by the Philippines Securities and Exchange Commission (SEC) as Training provider for Corporate Governance by the SEC, for which is he was the lead facilitator.
- One of the Ten Values Champions in the Far East by Ernst & Young in 2008.
- 2005 – National Awardee for professional Development, PICPA
- The only Filipino speaker in the World Congress of Accountants in Kuala Lumpur, Malaysia
- Featured in the leading business magazine of Malaysia that highlighted his forensic accounting skills and experience.
- Speaker/moderator in the 2011 IIA International Conference held in Kuala Lumpur, Malaysia.
- Received four (4) plaques of recognition from the Philippine SEC for his role in the SEC Roadshow in promoting the first code of corporate governance.
- Part of the SEC task force in drafting the blueprint of the New Code of Corporate Governance for Publicly listed companies where he actively shared his expertise in Enterprise Risk Management. The new code was released in 2016.
- Currently a member of the Quality Assurance Review Council of the Philippine Institute of Certified Public Accountants (PICPA), the accredited integrated professional organization of certified public accountants by the PRC and BOA.

Before he retired in June of this year, Leo released his book, "A Practical Approach to Enterprise Risk Management". This is the first book on ERM written by a Filipino author for the Filipinos.

In November, 2023, Mr. Matignas released his second book, "Piercing the Numbers- *Fraud and Forensics*.

He currently sits as an independent director in the board of PNB Holdings Corporation (a real estate corporation) and the Chairman of its Audit and Risk Management Committee.

Mr. Matignas is currently the Chairperson of the Bank's Audit Committee. He is also a member of the Related Party Transactions Committee (RPTCom) and Board Risk Oversight Committee (BROC).

ATTY. JOSE A. BARCELON
Non-Executive Director
Filipino, 67 years old

Atty. Jose A. Barcelon has been appointed conservator, receiver, and liquidator for various companies regulated by the Insurance Commission of the Philippines. He was elected as member of the Bank's Board of Directors on June 25, 2024. He is currently a member of the Trust Investment Committee and the Underwriting Committee.

He served as served as Corporate Secretary for a number of companies, including UCPB Savings Bank, UCPB Properties, Inc., UCPB Securities Inc., UCPB Leasing and Finance, United Coconut Planters Life Assurance Corp., UCPB General Insurance, Inc., All Nations Security and Investigation, New Ultra Security; and Ultra Security Services, Inc.

He also served as Director and Corporate Secretary of the following companies: (a) United Coconut Planters International; (b) United Funds, Inc.; (c) Cocolife Inc.; (d) Cocogen, Inc.; (e) Cocoplans, Inc.; (f) Silahis Marketing Corp.; (g) Minola Refining Corporation; (h) San Pablo Manufacturing Corp.; and (i) Granex, USA.

Atty. Barcelon served as Head of the Legal Services Department of UCPB and Cocolife, Inc, and was a Partner in Mendoza and Barcelon Law Offices and RB Ancheta Law Office. He is also a former Senior Associate Lawyer in Solis and Medina Law Offices. Previously, he worked Special Legislative Officer and Legislative Staff Officer at the House of Representatives.

Atty. Barcelon obtained his Bachelor of Arts in Political Science and Bachelor of Laws degrees from the University of the Philippines.

12.2 SENIOR EXECUTIVE TEAM

The members of senior executive team, subject to the control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors. The following is a list of the Bank's executive officers as of November 5, 2024:

SENIOR EXECUTIVE TEAM	
Mary Assumpta Gail C. Bautista 50, Filipino *Senior Vice President* *Transaction Banking Group Head*	AV Santiago Development Corp – Treasurer Deutsche Bank - *Former Vice President/ Former Corporate Cash Management Head, Senior Relationship Manager* BDO/Equitable PCI Bank - *Former Cash Management Sales and Marketing Department Head* Standard Chartered Bank (Singapore) - *Former Regional Product Manager* Standard Chartered Bank (Philippines) – Former Product Manager Citibank N.A. Philippines – Assistant Product Manager, Former Program Administrator
Don Carlo P. Hernandez 36, Filipino *First Vice President* *Chief Trust Officer*	P&H 828 Commercial Inc - *Director* DCPHERNANDEZ Food Hub - *Sole Proprietor* Maybank Philippines, Inc. - *Former Trust Head* CFA Society Philippines - *Former Trustee* P&H 828 Commercial Inc - *Former President* Valle Verde Mansions Inc. - *Former Board Member* Metropolitan Bank & Trust Co. - *Former Investment Services Division Head*
Manuel A. Castañeda III 54, Filipino *Executive Vice President* *Corporate Banking Group Head*	Bank of Commerce – Former Corporate Banking Group 1 Head Producers Savings Bank - *Former President, CEO and Director* Maybank Philippines - *Former Global Banking Head* Unionbank of the Philippines - *Former Commercial Banking 1 Head* International Exchange Bank - *Former Corporate Banking Team 1 and Project Finance Head and Former Relationship Manager & Head of Project Finance* AsiaTrust Development Bank – *Former Unit Head, Investment Banking Group and Former Unit Head Portfolio Management* BPI Express Card Corp. – *Former Merchant Assistant*
Maria Ana P. dela Paz 50, Filipino *First Vice President* *Credit Group Head*	Bank of Commerce - *Former Credit Evaluation and Review Division Head* Planters Development Bank - *Former Department Head, Former Product Officer, Former Account Officer, Former Project Officer*
Annalyn Diamante Delos Santos	Bank of Commerce – *Former Metro Manila II Division Head* Bank of Commerce – *Former Metro Manila East Area Head*

SENIOR EXECUTIVE TEAM	
50, Filipino *First Vice President* *Branch Banking Group Head*	Export & Industry Bank – *Former Branch Manager* Security Bank – *Former Branch Head* International Exchange Bank – *Former Sales Officers and Branch Manager* Union Bank of the Philippines – *Former Branch Service Officer*
Ma. Katrina A. Felix 56, Filipino *Senior Vice President* *Cards Group Head*	Franzen Foundation Inc – *Trustee* AKEAN Landholdings Inc – *Director* Prudentialife Plan Group Inc – *Director* Prudentialife Memorial Park – *Director* Prudentialife Tarlac Memorial Park – *Director* Best Inc- *Former Director* Finscore Inc (sister company of Cash Credit) - *Former President* Cash Credit/ CC Mobile Financial Services Phil. – *Former Country Manager* Prudential Financial Services- *Former President & Managing Director, Former Chief Operating Officer* Prudential Life Plan, Inc. – *Former Vice President Personnel Department* Bank of America NT & SA Manila – *Former Operations Manager, MIS Department*
Louella P. Ira 53, Filipino *First Vice President* *Legal Services Division Head and Assistant Corporate Secretary*	Bank of Commerce - *Former Legal Services-Operations Department Head* Metropolitan Bank & Trust Co- *Former Legal Officer* Metrobank Card Corporation – *Former Assistant Corporate Secretary* Insular Life & Assurance Co. – *Former Legal officer* Padilla Jimenez Kintanar & Asuncion – *Former Associate*
Antonio S. Laquindanum 47, Filipino *Executive Vice President* *Chief Financial Officer*	Lake Champlain Holdings - Director Australia and New Zealand Banking Group - *Former CFO Philippines and Acting COO, Former Philippine Head of Finance and Administration* Ernst & Young, LLP (USA) – *Former Manager* Accenture – Former *Senior Consultant/Senior Team Lead*
Melanie P. Santos 50, Filipino *First Vice President* *Human Resource Mgt. and Dev't. Division Head*	Union Digital Bank - *Former Chief Human Resource Officer* HR Consultant - *Former SM Investment Corp - Goldilocks* "Maybank Philippines, Inc - *Former Deputy HR - Talent Management, Resourcing, Total Rewards and Shared Services"* Premiere Bank - *Former Head of Recruitment and Organizational Development* Philippine Savings Bank - *Former Senior Training Officer* Bank Of The Philippine Islands - *Former Recruitment Job Analyst, Training Specialist*
Reginald C. Nery 66, Filipino *Senior Vice President* *Chief Audit Executive*	Bank of Commerce – *Former Officer-in-Charge, Compliance Division, Former Chief Audit Executive* Project Management Institute Philippine Chapter - *Board of Trustee (Treasurer)* Diaz Murillo Dalupan and Company, CPAs - *Former Partner and Head (Technology Performance and Governance)* RCNERY and Associates - *Former President and Principal Consultant* KPMG ManabatSanAgustin& Company (Formerly LayaMananghaya& Company) - *Former Partner and Head (Performance and Technology)*
Jeremy H. Reyes 46, Filipino *First Vice President* *Chief Risk Officer*	Bank of Commerce - *Former Internal Audit Division Quality Assurance Review Dept. Head* HSBC – *Former Commercial Banking Business Risk & Control Management Head, Former Assistant Vice President, Management Internal, Former Assistant Manager, Credit Administration* HSBC Savings - *Former Deputy Head of Audit*
Felipe Martin F. Timbol 55, Filipino	Bank of Commerce –*Former Treasury Management Sector Head, and Former Treasury & Fee Based Business Sector Head*

SENIOR EXECUTIVE TEAM	
Executive Vice President *Treasurer/ Treasury Management Group Head*	Rizal Commercial Banking Corp. – *Former Vice President/Fund Management Group Head* Eastwest Banking Corporation - *Former Sr. Asst. Vice President/Treasury Department* Bank of Southeast Asia – Former Assistant Manager/Trust Department United Coconut Planters Bank – *Former Senior Trader, Former Senior Analyst, and Former General Teller*
Jay S. Velasco 51, Filipino *Senior Vice President* *Operations Group Head*	San Miguel Properties Centre Condominium Corp. – Director/President Bank of Commerce - *Former Loans Operations Division Head and Former Head Office Operations Support Division Head* Tiaong Rural Bank - *Former Chief Operations Officer* PS Bank - *Former Head Office Operations Division Head, Former Centralized Branch Operations & Support Division Head, Former Process Services Division Head* BPI - *Former Funds Transfer Dept. Head, Former Central Clearing Unit Head, Former Central Clearing Unit Officer, Former Transit Center Officer, and Former Verification Officer* DBS Bank Philippines – *Former Central Clearing Unit Head, Former ATM Center Head, Former Processing Center Head, and Former Centralized Verification Head*
Jose Mari M. Zerna 49, Filipino *Senior Vice President* *Consumer Banking Group Head*	Bank of Commerce - *Former Chief Risk Officer and Former Credit Risk Management Dept. Head* ANZ Banking Group Limited – *Former Account Officer* BPI Capital Corporation – *Former Corporate Finance Officer* Bank of the Philippine Islands – *Former Account Officer (Institutional Banking Group)* Reuters Limited - *Former Treasury Applications Specialist* Misys Banking Systems Inc - *Former Senior Functional Consultant* Citytrust Bank and Trust – *Former Management Trainee*
Francisco Raymund P. Gonzales 53, Filipino *Vice President* *Corporate Communication & Consumer Protection Division Head*	Bank of Commerce – *Former Product Development & Customer Protection Department Head* ChinaBank – *Former Product Manager* Metrobank – *Former Product Manager* AB Capital and Investment Corp. – *Former Deal Officer* Citytrust / BPI – *Former CorPlan Officer* Punongbayan and Araullo – *Former Consulting Staff*
Gregorio M. Yaranon Jr. 54, Filipino Senior Vice President *Chief Compliance Officer*	City Savings Bank – *Former Chief Compliance Officer* CIMB Bank Philippines Inc. – *Former Chief Compliance & Legal Officer* CIMB Bank Berhad (Malaysia) – *Former Consultant for Compliance & Legal* Maybank Philippines Inc – *Former Chief Compliance Officer* Unionbank – *Former Security Officer, Former Litigation Lawyer, Former HR Legal Officer/Industrial & Labor Relations Manager, and Former Compliance Officer*
Luis Martin E. Villalon 52, Filipino First Vice President *Investment Banking Group*	First Metro – *Former Head of Coverage Team 1 and Former Deputy Head of Equity Capital Markets* Ampersand Capital Incorporated – *Former Head of Capital Markets* Philippine Commercial Capital Inc – *Former Head of Capital Markets* SB Capital Investment Corporation – *Former Investment Banking Director* HSBC (New York Office) – *Former Vice President of Global Corporate Banking* Citibank (New York Office) – *Former Assistant Vice President of Corporate and Investment Banking* Houlihan Lokey Howard And Zukin – *Former Technical Assistant*

SENIOR EXECUTIVE TEAM	
Marie Suzanne Sison-Sevilla 61, Filipino *Chief Information Officer/Digital Services Group Head*	IT Managed Services Inc. (ITMSI) – *Director* Intelligent E-Processes Technologies Corporation (IETC) – *Director* PROSYNC Retiremend Fund – *Trustee* Fiesta Pacific Asia, Inc. – *Director* Process Synergy Inc. (PROSYNC) – *Director* SMITS Retirement Fund – *Trustee* SMITS Inc. – *Director* Bell Telecommunications Philippines Inc. – *Former Chief Information Officer and Information Technology Head* Philippine Airlines – *Former Head of Information Services Department* Bank of Commerce – *Former Information Technology Services Division Head* Personas Creadoras – *Former Freelance Independent IT Management Consultant* IBM Philippines – *Former Manager*

12.3 FAMILY RELATIONSHIPS AMONG MANAGEMENT

Mr. Roberto C. Benares, a Director and former President of the Bank, is related within the third civil degree of affinity to Mr. Jose T. Pardo, Chairman of the Board of Advisors. Mr. Benares is married to Mr. Pardo's niece. Other than this, no other family relationships among the directors or senior executives, either by consanguinity or affinity.

12.4 INVOLVEMENT IN LEGAL PROCEEDINGS

The Bank is not aware of any of the following events having occurred during the past five (5) years up to the date of this Offering Circular that are material to an evaluation of the ability or integrity of any Director, nominee for election as Director, Senior Executive, underwriter or controlling person of the Bank:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction by final judgment, including the nature of the offence, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. being subject to 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 his involvement in any type of business, securities, commodities or banking activities;
4. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated; and
5. a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

12.5 COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE BANK

Information as to the aggregate compensation during the last three fiscal years and to the Bank's executive officers and directors as a group is as follows:

12.5.1 Key Management of the Bank

Amounts In Pesos	Q3 2024	Q3 2023	FY2023	FY2022	FY2021
Short-term Employee Benefits	₱600,912,218.82	₱524,319,199.87	₱711,101,785.39	₱555,082,001	₱544,595,527
Post Employment Benefits	₱33,632,532.21	₱23,397,053.51	₱30,278,539.84	₱37,075,744	₱44,934,032

The directors receive fees, bonuses and allowances that are already included in the amounts stated above. Aside from the said amounts, they have no other compensation plan or arrangement with the Bank.

12.5.2 Senior Executive Officers

Amounts in Pesos	**Salary**	**Bonuses**	**Other Annual Compensation**
Q3 2024	132,751,458	10,041,691	28,559,343
FY 2023	156,518,884	27,152,295	17,461,473
FY 2022	139,743,732	25,732,146	9,995,938
FY 2021	₱127,037,423	₱25,311,898	₱8,205,954

The senior executive team officers receive salaries and bonuses that are included in the amounts stated above. The Bank has a salary structure in place that is used in determining the remuneration of all employees. Remuneration of executive officers is determined by their current pay, performance, the Bank's performance, and salary scale. Aside from the foregoing, they have no other compensation plan or arrangement with the Bank.

12.6 CORPORATE GOVERNANCE

12.6.1 Board Committees

As part of its increasing focus on corporate governance, the Bank established a number of Board committees.

Executive Committee

The Executive Committee (Excom) is empowered to approve and/or implement on such specific matters within the competence of the Board of Directors, except those acts expressly reserved by the Revised Corporation Code to the Board of Directors. The Excom, by unanimous vote of the Board of Directors of the Bank, is empowered and authorized to perform the following functions:

a. on credit proposals and ROPA sales proposals:
   i. evaluate and approve credit proposals and ROPA sales proposals within its authority,
   ii. evaluate and recommend for Board approval credit proposals and ROPA sales proposals within the Board's authority, and
   iii. confirm credit proposals and ROPA sales proposals approved by management
b. evaluate and approve additions to or reversal of provisions related, but not limited, to:
   i. expected credit losses based on the results of the Bank's currently approved methodology;
   ii. allowance for probable losses (APL) on Other Assets (e.g. Meralco deposits, utility deposits and lease arrangement deposits), with P/L impact of Php1 Million and above based on the result of the review of such assets by the Finance & Controllership Group (FCG), and after initial approval of, and endorsement by the Senior Executive Team;
   iii. impairment losses and impairment loss adjustments for ROPA, Non-Loan and Non-ROPA accounts with pending cases, with P/L impact of Php1 Million and above, based on discussions among FCG, Legal Services Division and Acquired Assets Division, and after initial approval and endorsement by the Senior Executive Team
c. note adjustments on APL and Other Assets, and impairment losses and impairment loss adjustments for ROPA, Non-Loan and Non-ROPA accounts with pending cases, that are below the threshold set above;
d. endorse write-off of assets to the Board of Directors;
e. evaluate and recommend to the Board, proposals for the Bank to engage in new products or services, including amendments and enhancements of existing products or services;
f. evaluate and recommend to the Board, proposals for new policies, including amendments to existing policies;
g. evaluate and recommend to the Board, proposals to open new branches or relocate existing branches of the Bank;
h. evaluate and approve the results of performance appraisals of senior management done by the President;
i. report to the Board of Directors during its regular meetings, matters taken up and approved by ExCom during the month prior to the board meeting; and

j. such other functions as the Board of Directors may, from time to time delegate to the ExCom.

The Bank's Excom is composed of five (5) directors. The Vice Chairperson of the Board, Atty. Benedicta A. Du-Baladad, serves as the Committee's Chairperson. The ExCom meets at least once a month or as often as necessary as may be required by the exigencies of the service.

As a general rule, proposals are taken in a meeting en banc provided that under exceptional circumstances, the Chairman may, upon request deemed meritorious, authorize routing of proposals completely supported by appropriate information, for a decision by referendum.

ExCom meetings may be conducted through modern technology, such as but not limited to, teleconferencing or video conferencing, provided that the ExCom members attending the meeting can actively participate in the deliberations on matters taken. Every ExCom member shall attend in at least fifty percent (50%) of the meetings held within any given year.

Audit Committee

The Audit Committee represents and assists the Board of Directors in the general oversight of the Bank's financial reporting policies, practices and controls and internal and external audit functions. It is responsible for the setting up of the internal audit division and for the appointment, removal and remuneration of the Chief Audit Executive, as well as the appointment of the External Auditor, both of whom report directly to the Audit Committee.

The Audit Committee ensures that the financial reporting framework enables the generation and preparation of accurate and comprehensive information and reports. It endorses to the Board the disclosures in the annual and monthly financial statements. It also evaluates the adequacy and effectiveness of the Bank's internal control system, including information technology security and controls.

The Audit Committee reviews and approves the internal audit charter, scope and frequency of internal audits, budget, frequency, activities, staffing and organizational structure of the internal audit function, including subsequent changes. It receives key audit reports and ensures that Senior Management is taking necessary corrective actions in a timely manner to address the weaknesses, fraud, non-compliance with policies, laws and regulations and other issues identified by the internal auditors. The Audit Committee also oversees the appointment, fees and replacement of external auditors and approves the engagement contract and ensures that the scope of audit covers areas specifically prescribed by the BSP and other regulators. It also ensures that an internal audit service provider is independent and complies with sound internal auditing standards such as the Institute of Internal Auditor's Internal Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics.

The Audit Committee also ensures that Management has established and is maintaining a whistle blowing mechanism by which officers and staff, in confidence, raise concerns about possible improprieties or malpractice in matters of financial reporting, internal control, auditing or other issues and ensures that arrangements are in place for the independent investigation, appropriate follow-up action and subsequent resolution of complaints.

The Audit Committee is composed of five (5) members, three (3) of whom including the Committee Chairman, are independent directors. Independent Director Leonardo J. Matignas, Jr. serves as the Committee Chairman.

The Bank's Internal Audit Division through the Chief Audit Executive reports functionally to the Audit Committee and administratively to the President.

The Audit Committee meets once a month but with authority to convene additional meetings, as circumstances require.

Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) is responsible for the development and supervision of the risk management program of the Bank and its trust unit. The BROC assists the BOD in identifying and evaluating risk exposure, developing risk management strategies and promoting a risk management culture in the Bank. Duties and responsibilities include, but are not limited to, the following (1) overseeing adherence to the Bank's risk appetite and risk limits; (2) endorsing for Board approval bank-wide policies on definition, assessment, management, monitoring and reporting credit, market, liquidity, operational, and IT related risks; (3) promoting continuous development and upgrade of risk practices, policies, procedures and structures; and (4) reviewing current and emerging risk exposures to prevent undue concentration of risk in any one product, market, industry or business. The Committee is composed of five (5) members, majority of whom are independent directors. Mr. Simon R. Paterno serves as the committee's Chairman.

Corporate Governance and Compensation Committee

The Corporate Governance Committee (CGCom) assists the Board in fulfilling its corporate governance responsibilities. It is responsible for ensuring the Board's effectiveness, the performance of its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through effective oversight of corporate governance practices, the due observance of corporate governance principles and guidelines across all levels of the Bank's personnel and oversight in the implementation of the Bank's Compliance System.

The Committee is composed of five (5) members, majority of whom, including the committee chairman, are independent directors.

Nominations Compensation and Remuneration Committee

The Nominations, Compensation, and Remuneration Committee (NCRC) reviews and evaluates the qualifications of all persons nominated to the Board, as well as those nominated to other positions requiring appointment by the Board. The NCRC also assesses the qualifications of senior officers recommended for promotion, reviews the Bank's table of organization, succession plan, benefit proposals and outsourcing activities and providers. At the minimum, the NCRC meets quarterly but meetings may be set more frequently to enable the NCRC to properly discharge its duties and responsibilities. The Committee is composed of five (5) members, three (3) of whom, including the committee chairman, are independent directors.

Trust and Investments Committee

The Trust and Investments Committee (TIC) is primarily responsible for overseeing the trust and other fiduciary activities of the Bank. The TIC reviews and approves transactions of trust and/or fiduciary accounts trusteed or managed by the Trust Services Group including the establishment and renewal of lines and limits with financial institutions, investment outlets and counterparties. TIC also vets new investment outlets and proposed products and services to be offered to clients. It evaluates trust and other fiduciary accounts, reviews the overall business performance, governance and risk management of the Trust Services Group.

The Committee is composed of five (5) members, three (3) of whom are non-executive directors, including its chairman who is an independent director, the President of the Bank who is also a director, and the Bank's Trust Officer.

Related Party Transactions Committee

The Related Party Transactions Committee (RPTCom) assists the Board in fulfilling its responsibility of ensuring that transactions with related parties are handled in an efficient and prudent manner, with integrity, and in compliance with relevant laws and regulations to protect the interest of depositors, creditors, and other stakeholders. For this purpose, the RPTCom evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. It likewise evaluates and vets all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under identical circumstances. The RPTCom receives the monthly report on outstanding balances of all Related Party Transactions and reports to the Board on a monthly basis the Bank's aggregate exposure to Related Parties. The Committee is composed of five (5) members, all of whom are non-executive directors. Majority of the Committee members, including the committee chairman, Mr. Ricardo D. Fernandez, are independent directors.

Information Technology Steering Committee

The Information Technology Steering Committee (ITSC), as tasked by the Board of Directors, has the responsibility for IT oversight function to cohesively monitor IT performance and institute appropriate actions to ensure that the Bank's technology strategy and significant technology investments support the Bank's business needs, strategies and objectives.

The Committee is composed of three (3) members, two (2) of whom are non-executive directors, including the committee chairman, Mr. Roberto C. Benares.

Management Committees

The Bank has also established the following management committees.

Anti-Money Laundering Committee
Asset Liability Management Committee
Bids and Awards Committee
Business Continuity Management Committee (Crisis Management Team)

Business Continuity Management Committee (BCP Team)
Cleahr (Controllership, Compliance, Legal, Audit, Human Resources, and Risk) Committee
Committee on Disciplinary Action
Credit and Collection Committee
Information Technology Steering Committee
ICAAP (Internal Capital Adequacy Assessment Process) Committee
Operations and Policies Committee
Security Committee

SECTION 13. RELATED PARTY TRANSACTION

The Bank, in its regular conduct of business, has entered into transactions with its associate and other related parties principally consisting of credit accommodation, lease arrangement sale of real and other properties acquired (ROPA) which were all done in the regular course of business and are on arms-length basis. Handling of related party transactions follow the regulatory framework enunciated in Circular 895 issued in March 2015. The Bank has constituted a Related Party Transactions Committee (RPTCom) which meets regularly, has a board-approved RPT policy, has identified and maintained a database of all its related parties, monitors outstanding exposures to RPs on a monthly basis and renders reports to the BSP as required. For a description of the related party transactions of the Bank, see also the respective note on Related Party Transactions in the Bank's financial statements.

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 or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

The Bank has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral terms, as those prevailing at the time for comparable transactions with unrelated parties. These transactions did not involve more than the normal risk of collectability or present other unfavorable conditions.

The Bank's loan transactions are in the ordinary course of business. Its loan transactions with certain DOSRIs follow the approval process for loans to DOSRI which include vetting of the RPT Committee. Further, these loans are limited to the amount of their unencumbered deposits and book value of their paid-in capital contribution in the Bank and subject to secured and unsecured ceilings pursuant to existing banking regulations.

As of 30 September 2024, there were one (1) secured direct or indirect loans to DOSRI.

BSP Circular No. 914 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and QBs. Under the said Circular, the total outstanding loans, other credit accommodations and guarantees to each of the bank's/QB's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/QB, 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/QB; and the subsidiaries and affiliates of the lending bank/QB 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 board of directors or is appointed officer of such corporation as representative of the bank/QB as reported to the BSP.

The BSP issued Circulars No. 914 and No. 1001 allow a separate individual limit to loans of banks/QBs to their subsidiaries and affiliates engaged in energy and power generation, i.e., a separate individual limit of 25.0% of the net worth of the lending bank/QB: provided, that the unsecured portion thereof shall not exceed 12.5% of such net worth: provided further, that these subsidiaries and affiliates are not related interests of any of the director, officer and/or stockholder of the lending bank/QB; except where such director, officer or stockholder sits in the board of directors or is appointed officer of such corporation as representative of the bank/QB.

Total interest income on the DOSRI loans for the years ended 31 December 2021, 2022 and 2023 amounted to ₱50,929 and, respectively, and for period ended 30 September 2024 amounted to ₱14,918 for the Bank.

The year-end balances as of 31 December 2021, 2022, and 2023 and as of 30 September 2024 included in the Bank's financial statements are as follows (amounts in ₱ millions):

	2021	2022	2023	30 September 2024
Loans and receivables, net	29,152	29,821	38,819	43,575
Deposit liabilities	56,884	52,294	59,315	54,859

The accrued interest receivable and accrued interest payable for the years ended 31 December 2021, 2022, and 2023 and for quarter ended 30 September 2024 included in the Bank's financial statements are as follows (amounts in ₱ millions):

	2021	2022	2023	30 September 2024
Accrued interest receivable	175	178	303	419
Accrued interest payable	8	39	127	106

The effects of the foregoing transactions are shown under the appropriate accounts in the Bank's financial statements. Other significant related party transactions of the Bank are discussed in Note 33 to the Bank's audited financial statements as of and for the years ended 31 December 2021, 2022 and 2023.

SECTION 14. SHAREHOLDERS

Based on its Public Ownership Report dated 30 September 2024, the Bank has a total outstanding and listed common shares of 1,403,013,920 of which 1,069,552,960 is non-public shares and the remaining 333,460,960 is owned by the public. This results to public float of 23.77%. In the same report, the following are indicated as key shareholders:

Class of Securities	Key Shareholder	Citizenship	Total Direct & Indirect Shares	% of Ownership
Principal/ Substantial Shareholders				
Common	San Miguel Properties, Inc. (SMPI)	Filipino	447,711,800	31.91
Common	San Miguel Corporation Retirement Plan (SMCRP)	Filipino	432,626,860	30.84
Common	Caritas Health Shield, Inc.	Filipino	109,666,640	7.82
Subtotal			**990,005,300**	**70.57**
Affiliates				
Common	SMC Equivest Corporation	Filipino	68,305,560	4.87
Common	BIC Management and Consultancy Inc.	Filipino	1,476,350	0.11
Common	Bank of Commerce - Trust Services Group as Trustee for Bank of Commerce Retirement Plan	Filipino	730,670	0.05
Subtotal			**70,512,580**	**5.03**

14.1 OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table sets out the shareholding interests of the Bank's directors and senior management as of 30 September 2024:

Director	Total Direct and Indirect Shares
FRANCIS C. CHUA	10
BENEDICTA A. DU-BALADAD	10
MICHELANGELO R. AGUILAR	40,110
ROBERTO C. BENARES	10
RICARDO D. FERNANDEZ	10
MARITO L. PLATON	10
JOSE C. NOGRALES	10
SIMON R. PATERNO	100
MELINDA S. GONZALES-MANTO	83,310
JOSE A. BARCELON	10
FE B. BARIN	10
ALEXANDER R. MAGNO	10
REBECCA MARIA A. YNARES	10
DANIEL GABRIEL M. MONTECILLO	100
LEONARDO J. MATIGNAS, JR.	100
JOSE T. PARDO (Board Advisor)	10
AURORA T. CALDERON (Board Advisor)	0
FERDINAND K. CONSTANTINO (Board Advisor)	70,000

Director	Total Direct and Indirect Shares
CECILE L. ANG (Board Advisor)	0
ANTONIO M. CAILAO (Board Advisor)	0
Total	**193,830**

Officer	Total Direct and Indirect Shares
MICHELANGELO R. AGUILAR (same as the other table)	0
EVITA C. CABALLA	10
FELIPE MARTIN F. TIMBOL	110,500
MARY ASSUMPTA GAIL C. BAUTISTA	10,100
GAMALIELH ARIEL O. BENAVIDES	100
MANUEL A. CASTANEDA III	20,100
MARIA ANA P. DELA PAZ	8,100
MA. KATRINA A. FELIX	30,100
LOUELLA P. IRA	8,500
ANTONIO S. LAQUINDANUM	75,000
ANNALYN D. DELOS SANTOS	20,100
MELANIE P. SANTOS	0
REGINALD C. NERY	100,100
JEREMY H. REYES	5,100
JAY S. VELASCO	8,100
JOSE MARI M. ZERNA	8,100
MARIE SUZANNE SEVILLA	0
FRANCISCO RAYMUND P. GONZALES	20,100
GREGORIO M. YARANON, JR.	0
LUIS MARTIN E. VILLALON	15,600
Total	**439,710**

14.2 VOTING TRUST HOLDERS OF 5% OR MORE

The Bank is not aware of shareholders holding any Voting Trust Agreement for shares constituting 5.0% or more of the outstanding capital stock, or any such similar agreement.

14.3 CHANGE IN CONTROL OF THE REGISTRANT SINCE BEGINNING OF LAST FISCAL YEAR

There has been no change in the control of the Bank since the beginning of its last fiscal year.

SECTION 15. PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Bank. The following discussion is based on the laws, regulations, rulings, income tax treaties, administrative practices and judicial decisions in effect as of the date of this Offering Circular and is subject to any changes in law or regulation occurring after such date, which changes could be made on a retroactive basis. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or of any person acquiring, selling or otherwise dealing with the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. The following discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the Bonds.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE BONDS, INCLUDING THE EFFECT OF ANY NATIONAL OR LOCAL TAXES, UNDER THE TAX LAWS OR REGULATIONS RELEVANT THERETO (SUCH AS BUT NOT LIMITED TO REVENUE MEMORANDUM CIRCULAR NO. 7-2015 AND RELATED ISSUANCES OF THE BIR) THAT MAY BE APPLICABLE IN THE PHILIPPINES OR ANY OTHER COUNTRY OF WHICH THEY MAY BE NATIONALS OR RESIDENTS.

As used herein, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a non-resident alien engaged in trade or business in the Philippines; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business in the Philippines. A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines.

15.1 TAXATION OF INTEREST INCOME

15.1.1 Individuals

Under the Tax Code, interest income earned by individual citizens (resident or non-resident), resident aliens, and nonresident aliens engaged in trade or business in the Philippines as holders of the Bonds will generally be subject to a 20% final withholding tax. Depending on their tenor, however, Bonds issued under the Programme may qualify as long-term deposits or investments, in which case, pursuant to Revenue Regulations No. 14-2012 and Revenue Memorandum Circular No. 81- 2012, interest income derived by said individuals may be exempt from the said 20.0% final withholding tax provided the following characteristics or conditions are present:

1. The depositor or investor is (i) an individual citizen (resident or non-resident) or (ii) resident alien or non-resident alien engaged in trade or business in the Philippines;

2. The long-term deposits or long-term bonds should be registered under the name of the individual and not under the name of the corporation or the bank or the trust department/unit of the bank;

3. The long-term deposits or long-term bonds must be in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the BSP;

4. The long-term deposits or long-term bonds must be issued by banks only and not by other financial institutions;

5. The long-term deposits or long-term bonds must have a maturity period of not less than five (5) years;

6. The long-term deposits or long-term bonds must be in denominations of Ten Thousand Pesos (₱10,000) and other denominations as may be prescribed by the BSP;

7. The long-term deposits or long-term bonds should not be terminated by the original investor before the fifth (5th) year, otherwise they shall be subjected to the graduated rates of 5%, 12% or 20% on interest income earnings; and

8. Except those specifically exempted by law or BSP rules, any other income (such as gains from trading and foreign exchange gains), shall not be covered by income tax exemption.

Additionally, interest income derived from the Bonds held by common or individual trust funds or investment management accounts will be exempt from income tax, provided that: (a) the Bonds are registered in the name of the individual and not under the name of the bank or the trust department/unit administering the common or individual trust funds or investment management accounts; (b) the investment of the individual investor in the common or individual trust fund or investment management account is held/managed by a duly licensed bank for at least five (5) years; and (c) the common or individual trust account or investment management account holds on to such Bonds for at least five(5) years.

Should the holder pre-terminate Bonds with an original maturity of at least five years before the fifth (5^{th}) year (or, in the case of Bonds held by a common or individual trust fund or investment management account, the other requirements mentioned above are not met) a final tax shall be imposed on the entire income and shall be deducted and withheld by the Bank from the proceeds of the Bonds based on the remaining maturity thereof, at the rates set out below:

Holding Period	Tax Rate
Four years to less than five years	5%
Three years to less than four years	12%
Less than three years	20%

Thus, if Bonds are issued under the Programme with a tenor of 10 years and 6 months and are held by an Individual ("A") for five (5) years but are transferred to another Individual ("B") who, in turn, held such Bonds until their maturity (or for an additional five (5) years and six (6) months), both A and B are tax exempt. If A holds such Bonds for only four (4) years and transfers those Bonds to B who holds them until maturity (or for six (6) years and six (6) months), the entire proceeds derived by A from the Bonds would subject to a 5% final withholding tax and shall be deducted and withheld by the Bank from the proceeds of the Bonds, whereas B would exempt from withholding tax. If A holds the Bonds for six (6) years and transfers those Bonds to B, who holds the same until maturity (or for four (4) years and six (6) months), A would not be subject to final withholding tax, whereas the entire proceeds derived by B from the Bonds would be subject to 5% final withholding tax and shall be deducted and withheld by the Bank from the proceeds of the Bonds. The full illustration can be seen in RR 14-2012.

Interest income received by non-resident aliens not engaged in trade or business in the Philippines shall generally be subject to a final withholding tax of 25%. However, the foregoing rate may be reduced under an applicable tax treaty.

15.1.2 Corporations

Interest income received by domestic and resident foreign corporations shall be subject to a final withholding tax of

20%. Interest income received by non-resident corporations not engaged in trade or business in the Philippines shall generally be subject to a final withholding tax of 25%.

The aforementioned final withholding tax rates may be reduced by applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident holder. Most tax treaties to which the Philippines is a party provide for a preferential reduced tax rate of 15% where Philippine sourced interest income is paid to a resident of the other contracting state. However, tax treaties would also normally qualify that the preferential reduced tax rates will not apply if the recipient of the interest income, even if considered a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected to such permanent establishment.

In any case, all holders are required to submit to the Bank, through the Paying Agent, their respective BIR-issued Tax Identification Numbers.

15.2 TAX EXEMPT STATUS

Bondholders who are exempt from final withholding tax or are subject to a lower rate of final withholding tax on interest income may avail of such exemption or preferential withholding tax rate by submitting the necessary documents. Such Bondholders shall submit the following requirements to the Registrar or the Selling Agents (together with their completed Application to Purchase) who shall then forward the same to the Registrar:

a. Current and valid/revalidated BIR-certified true copies of a certificate, ruling or opinion issued by the BIR, confirming the Bondholders' tax exemption;

b. For qualified individual investors and corporations/banks/trust departments or units of banks holding common or individual trust funds or investment management accounts on behalf of qualified individual investors, a duly notarized declaration (in substantially the form attached to the Registry and Paying Agency Agreement) warranting the Bondholder's tax-exempt status and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exemption and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax;

c. such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or required under applicable regulations of the relevant taxing or other authorities.

Transfers taking place in the Register of holders after the Bonds are listed in PDEx may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when allowed under, and are in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC.

15.3 DOCUMENTARY STAMP TAX

Under Republic Act No. 10963, which amended certain provisions of the Tax Code, the original issuance of the Bonds will be subject to documentary stamp taxes at the rate of ₱1.50 for every ₱200.00 of the issue value of the Bonds. The Bank is liable for the payment of the documentary stamp tax on the original issuance of the Bonds. No documentary stamp tax is imposed on the secondary transfer of the Bonds. The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted or transferred when the obligation or right arises from Philippine sources, the property is situated in the Philippines, or where the object of the contract is located or used in the Philippines. No documentary stamp tax is imposed on a subsequent sale or disposition of the Bonds if there is no change in the maturity date or remaining term of the Bonds.

15.4 TAXATION ON GAINS UPON THE SALE OR OTHER DISPOSITION OF THE BONDS

15.4.1 Income Tax

For Bonds that have a maturity period of less than five years, gains realized from the sale, exchange, or retirement of the Bonds are subject to income tax. However, under the Tax Code, any gain realized from the sale, exchange or retirement of Bonds, debentures and other certificates of indebtedness with an original maturity date of more than five (5) years (as measured from the date of issuance of such Bonds, debentures or other certificates of indebtedness) shall not be subject to income tax.

Gains derived by domestic or resident foreign corporations from the sale or other disposition of the Bonds are included in the computation of their taxable income which is subject to income tax at the rate of 20% or 25%, respectively. Gains derived by non-resident foreign corporations on the sale or other disposition of the Bonds shall form part of their gross income which is subject to a 25% final withholding tax. Any gains realized by non-residents on the sale of the Bonds may be exempt from Philippine income tax or subject to preferential tax rates under an applicable tax treaty, subject to such other documentary requirements as may be reasonably required under the applicable regulations of the Philippine taxing or other authorities for purposes of claiming tax treaty relief.

With respect to individual Bondholders, if the Bonds are not classifiable as capital assets and are considered ordinary assets of individual Bondholders (see discussion on capital gains below), gains from the sale or disposition of such Bonds are included in the computation of their taxable income, which is subject to the following graduated tax rates for Philippine citizens (whether residents or non-residents), or resident foreign individuals or non-resident aliens engaged in trade or business in the Philippines:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

For non-resident aliens not engaged in trade or business, any gain shall be subject to a 25% final withholding tax.

If the Bonds are considered as capital assets of individual holders of the Bonds, gains from the sale or disposition of such Bonds shall be subject to the same rates of income tax as if the Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Bonds for a period of more than 12 months prior to the sale, only 50% of the gain will be recognized and included in the computation of taxable income. If the Bonds were held by an individual for a period of 12 months or less, 100% of the gain will be included in the computation of the taxable income. Under current law and regulations, "capital assets" excludes (i) stock in trade of the taxpayer; (ii) other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year; (iii) property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business; (iv) property used in the trade or business, of a character which is subject to the allowance for depreciation provided; or (iv) real property used in trade or business of the taxpayer.

15.4.2 Value-Added Tax

Gross receipts derived by dealers in securities from the sale of the Bonds in the Philippines, equivalent to the gross selling price less the acquisition cost of the Bonds sold, shall be subject to value-added tax of 12%.

A "dealer in securities" pertains to a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who, as a merchant, buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

15.4.3 Gross Receipts Tax

Banks and non-bank financial intermediaries performing quasi-banking functions are subject to Gross Receipts Tax ("**GRT**") at the following rates:

(a) On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is 5 years or less — 5%
Maturity period is more than 5 years — 1%

(b) On dividends and equity shares and net income of subsidiaries — 0%

(c) On royalties, rentals of property, real or personal, profits, from exchange and all other items treated as gross income under the Tax Code — 7%

(d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives, and other similar financial instruments — 7%

Other non-bank financial intermediaries are subject to gross receipts tax at the following rates:

(a) On interest, commissions, discounts and all other items treated as gross income under the Tax Code — 5%

(b) On interests, commissions and discounts from lending activities, as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is 5 years or less — 5%
Maturity period is more than 5 years — 1%.

In case the maturity period is shortened thru pre-termination, the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

The pending legislation for the enactment of the PIFITA, as described above, also seeks to provide a single gross receipts tax rate of 5% to be imposed on banks, quasi banks, and certain non-bank financial intermediaries. The distinction between lending and non-lending income, as well as the maturity of the instrument, will be removed. All types of income will be taxed at 5%, except dividends, equity shares, and net income of subsidiaries, which will remain exempt.

15.4.4 Estate and Gift Taxes

The Bonds will be considered as intangible personal property situated in the Philippines and will form part of the gross estate of any individual Bondholder. As such, the transfer of the Bonds upon the death of an individual Bondholder to their heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at a fixed rate of 6% of the net estate. Estate taxation is governed by the statute in force at the time of the death of the decedent and so the tax rate may vary in the future.

Individual and corporate Bondholders, whether or not citizens or residents of the Philippines, who transfer Bonds by way of gift or donation are liable to pay Philippine donor's tax at the fixed rate of 6% based on the total gifts in excess of ₱250,000 made during the calendar year, whether the donor is a stranger or not.

The estate or donors' taxes payable in the Philippines may be credited with the amount of any estate or donors' taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

Estate and gift taxes will not be collected in respect of intangible personal property such as the Bonds (i) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (ii) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Subject to the qualifications discussed above, in case the Bonds are transferred for less than adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may be deemed a gift and donors' taxes may be imposed on the transferor of the Bonds. The transfer of the Bonds made in the ordinary course of business (a transaction which is *bona fide*, at arm's length, and free from any donative intent) is considered as made for an adequate and full consideration in money or money's worth.

15.4.5 Package Four of the Comprehensive Tax Reform Program

As discussed, HB No. 4339 or the PIFITA seeks to amend the taxation of passive income, financial intermediaries, and financial transactions, including: (i) passive income taxes (*e.g.*, taxes on interest, dividends, capital gains from the sale of shares of stocks not traded through the local stock exchange); (ii) stock transaction tax and initial public offering tax; (iii) business taxes on financial intermediaries (*e.g.*, gross receipts tax, premium tax and value-added tax on certain financial institutions); and (iv) documentary stamp tax on certain financial products and transactions.

With respect to interest, HB No. 4339 seeks to lower the final tax on interest from the current rate of 20% to 15%. Notably, the current tax exemption applicable to interest derived from long-term deposits and investments is removed under HB No. 4339, and interest derived from long-term and short-term deposits and investments will be subject to final income taxes at a rate of 15%. HB No. 4339 also provides that the proceeds from the sale of listed debt instruments shall be taxed at a rate of 0.1%. Gains from the sale of unlisted debt instruments shall be taxed at 15%.

It also seeks to provide a single gross receipt tax rate of 5% to be imposed on banks, quasi banks, and certain non-bank financial intermediaries. The distinction between lending and non-lending income, as well as the maturity of the instrument, will be removed. All types of income will be taxed at 5%, except dividends, equity shares, and net income of subsidiaries, which will remain exempt.

HB No. 4339 was passed on third reading by the House of Representatives on 14 November 2024. As of 5 November 2024, HB No. 4339 is undergoing committee hearings at the Senate. The Committee on Ways and Means of the Senate earlier said that the target is to set the bill for plenary hearing and have it enacted within the year.

15.5 TAXATION OUTSIDE THE PHILIPPINES

The tax treatment of a non-resident holder of any of the Bonds by jurisdiction outside the Philippines will vary depending on the tax laws applicable to such holder by reason of domicile or business activities and may vary depending upon such holder's situation. Each holder of any of the Bonds should consult its own tax adviser as to the particular tax consequences on such holder acquiring, owning and disposing of the Bonds, including the applicability and effect of any state, local, and national laws.

SECTION 16. THE PHILIPPINE BANKING INDUSTRY

This section contains information concerning the banking industry in the Philippines, including certain financial information of certain competitors of the Bank, which is sourced from their respective public filings and which includes certain unaudited and unreviewed financials. Neither the Bank, the Joint Lead Arrangers and Joint Bookrunners, and Selling Agents, or any of their advisors makes any representation as to the accuracy or completeness of this information. This information has not been independently verified by the Bank, the Joint Lead Arrangers and the Joint Bookrunners, Selling Agents, or any of the advisors and should not be unduly relied on.

The banking industry in the Philippines is composed of universal banks, commercial banks, rural banks, thrift banks (including savings and mortgage banks, private development banks and stock savings and loan associations), cooperative banks, and Islamic banks.

According to BSP's Directory of Banks and Non-Bank Financial Institutions, as of 21 October 2024, the commercial banking sector, comprising universal and commercial banks, consisted of 44 banks, of which 22 were universal banks and 22 were commercial banks. Among the 22 commercial banks, 2 are private domestic banks, 2 are foreign bank subsidiaries, and 18 are foreign bank branches. From the 22 universal banks, 13 were private domestic banks, 3 were government banks and 6 were branches of foreign banks.

Commercial banks are organized primarily to accept drafts and to issue letters of credit, discount and negotiate promissory notes, drafts, bills of exchange, and other evidences of indebtedness, receive deposits, buy and sell foreign exchange and gold and silver bullion, and lend money on a secured or unsecured basis. Universal banks are banks that have authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of business not related to banking, and to own up to 100% of the equity in a thrift bank, a rural bank, or a financial allied or non-allied enterprise. A publicly-listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with capital loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium- and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for SMEs and individuals. As of 21 October 2024, there were 41 thrift banks (including microfinance-oriented banks).

Rural banks are organized primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As of 21 October 2024, there were 386 rural and cooperative banks.

Specialized government banks are organized to serve a particular purpose. The existing specialized banks are the Development Bank of the Philippines ("**DBP**"), Land Bank of the Philippines ("**LBP**"), and AI-Amanah Islamic Investment Bank of the Philippines ("**AAIIB**"). DBP was organized primarily to provide banking services catering to the medium- and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for small- and medium-sized enterprises. LBP primarily provides financial support in all phases of the Philippines' agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organized to promote and accelerate the socio-economic development of the Autonomous Region of Muslim Mindanao through banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings.

During the past decade, the Philippine banking industry has been marked by two (2) major trends – the liberalization of the industry and mergers and consolidation.

Foreign bank entry was liberalized in 1994, enabling foreign banks to invest in up to 60% of the voting stock of an existing bank or a new banking subsidiary, or to establish branches with full banking authority. This led to the establishment of 10 new foreign bank branches in 1995. Republic Act No. 8791 or the General Banking Law of 2000 (the "**General Banking Law**") further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof.

As of 24 January 2024, there are 29 foreign banks operating in the Philippines, 24 of which are operating as branches of foreign banks in the Philippines, and five are majority foreign controlled, domestically incorporated subsidiaries. Under RA 10641 and BSP Circular No. 858, Series of 2014 dated 21 November 2014 which amended the relevant provisions of the MORB implementing RA 10641, established, reputable and financially sound foreign banks may be authorized by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing domestic bank (including banks under receivership or liquidation, provided no final court liquidation order has been issued); (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches and sub-branches with full banking authority. The foreign bank applicant must also be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. Such established subsidiaries and branches of foreign banks shall be allowed to perform the same functions and enjoy the same privileges of, and be subject to the same limitations imposed upon, a Philippine bank of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

The liberalization of foreign ownership regulations in banks has allowed the emergence of foreign and local banks with foreign ownership in the market. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank, United Overseas Bank and Hua Nan Commercial Bank being granted new licenses, and also equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank.

The BSP has also been encouraging mergers and consolidations in the banking industry, seeing this as a means to create stronger and more globally competitive banking institutions. To encourage this trend, the BSP offered various incentives to merging or consolidating banks. Based on BSP data, since the new package of incentives took effect in September 1998, there have been at least 49 mergers, acquisitions, and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were not enough to pose a threat to the overall competition levels since market share remained relatively well dispersed among the remaining players.

Pursuant to the liberalization, and to the mergers and consolidation trend, the BSP issued Circular No. 902, Series of 2016 dated 15 February 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. As provided in the Circular "the suspension of the grant of new banking licenses or the establishment of new banks under the MORB is lifted under a two-phased approach. Under Phase 1 of the liberalisation, the grant of new universal/commercial banking license shall be allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks shall be fully lifted and locational restrictions shall be fully liberalized starting 1 January 2018."

The following table sets out a comparison, based on publicly available data, of the five largest Philippine private domestic commercial banks in terms of assets:

Name	Market Capitalization[1]	Total Equity[2]	Total Assets[2]	Loans and Receivables-net[2]	Deposit Liabilities[2]	No. of Branches[3]
			(in ₱ millions, except number of branches)			
BDO Unibank, Inc.	805,576	570,204	4,802,560	3,237,242	3,740,070	1,720
Metropolitan Bank & Trust Co.	341,803	390,794	3,335,065	1,672,893	2,284,439	954
Bank of the Philippine Islands	754,964	435,621	3,177,374	2,080,721	2,485,610	709
Philippine National Bank	41,348	210,080	1,197,712	620,086	942,220	631
China Banking Corporation	157,308	162,731	1,595,307	851,941	1,297,657	648

Notes:

(1) *Market Capitalization as of 31 October 2024.*

(2) *Financial data taken from each bank's unaudited interim financial statements as of 30 September 2024.*

(3) *From PSE as of 31 December 2023.*

According to the results of the Senior Bank Loan Officers' Survey conducted by BSP, most of the respondent banks, generally maintained overall lending standards for commercial real estate loans in Q1 2022. The diffusion index approach indicated a net tightening of overall credit standards for commercial real estate loans for the 25th consecutive quarter. The tighter overall credit standards for commercial real estate loans reflected respondent banks' wider loan margins, reduced credit line sizes, stricter collateral requirements and loan covenants, increased use of interest rate floors, and shorter loan maturities.

The BSP issued Circular No. 839 Series of 2014 dated 27 June 2014 which adopts a prudential real estate stress test ("**REST**") limit for U/KBs, TBs on a solo and consolidated basis on their aggregate real estate exposures. The REST limit combines macro prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response.

The prudential REST limits which shall be complied with at all times by UBs/KBs are 6% of CET1 capital ratio and 10% of risk-based capital adequacy ratio, on a solo and consolidated basis, under the prescribed write-off rate. For TBs, the prudential REST limits which shall be complied with at all times are 6% of CET1 capital, for TBs that are subsidiaries of UBs/KBs, 6% of Tier 1 capital, for stand-alone TBs, and 10% of risk-based capital adequacy ratio for all TBs.

On 29 October 2014, the BSP issued Circular No. 854, which increased the minimum capital requirement for all bank categories: universal, commercial, thrift, rural, and cooperative banks to strengthen the banking system. Below are the amended minimum capital requirements for banks.

Bank Category/Network Size	Existing Minimum Capitalisation (₱)	Reviewed Minimum Capitalisation (₱)
Universal Banks	4.95 billion**	
Head Office only		3.00 billion
Up to 10 branches *		6.00 billion
11 to 100 branches*		15.00 billion
More than 100 branches*		20.00 billion
Commercial Banks	2.40 billion**	
Head Office only		2.00 billion
Up to 10 branches*		4.00 billion

Bank Category/Network Size	Existing Minimum Capitalisation (₱)	Reviewed Minimum Capitalisation (₱)
11 to 100 branches* More than 100 branches*		10.00 billion 15.00 billion
Thrift Banks		
Head Office in: Metro Manila Cebu and Davao cities Other Areas	1.00 billion** 500 million** 250 million**	
Head Office in the National Capital Region (NCR) Head Office only Up to 10 branches* 11 to 50 branches* More than 50 branches*		500 million 750 million 1.00 billion 2.00 billion
Head Office in All Other Areas Outside NCR Head Office only Up to 10 branches* 11 to 50 branches* More than 50 branches*		200 million 300 million 400 million 800 million
Rural and Cooperative Banks		
Head Office in: Metro Manila Cebu and Davao cities Other cities 1st to 4th class municipalities 5th to 6th class municipalities	100 million** 50 million** 25 million** 10 million** 5 million**	
Head Office in NCR Head Office only Up to 10 branches* 11 to 50 branches* More than 50 branches*		50 million 75 million 100 million 200 million
Head Office in All Other Areas Outside NCR (All Cities up to 3rd Class Municipalities) Head Office only Up to 10 branches* 11 to 50 branches* More than 50 branches*		20 million 30 million 40 million 80 million
Head Office in All Other Areas Outside NCR (4th to 6th Class Municipalities) Head Office only		10 million 15 million

Bank Category/Network Size	Existing Minimum Capitalisation (₱)	Reviewed Minimum Capitalisation (₱)
Up to 10 branches*		20 million
11 to 50 branches*		40 million
More than 50 branches*		

* Inclusive of Head Office

** With no distinction for network size

On 29 October 2014, the BSP issued Circular No. 854 to effect the foregoing amendment to the minimum capital requirement. The amendment became effective in November 2014.

16.1 COMPETITION

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. On 21 January 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions was fully liberalized effective 1 January 2018.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of "top tier" banks compete for business.

As of 31 March 2022, universal and commercial banks (including unlisted banks such as Land Bank of the Philippines and the DBP) account for approximately 94.0% of total resources and 94.0% of total deposits of the Philippine banking system based on their published balance sheets.

Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their NPLs, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial and consumer loans is expected. As of 30 September 2020, the ten (10) largest commercial banks (including unlisted banks such as Land Bank of the Philippines and DBP) account for approximately 85% of the net customer loan portfolio of the Philippine banking system, based on published statements of condition.

Republic Act No. 10667, or the Philippine Competition Act was signed into law on 21 July 2015 and took effect on 8 August 2015. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission (the "**PCC**"), an independent quasi-judicial agency with five (5) commissioners. Among its powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

The Philippine Competition Act prohibits anti-competitive agreements between or among competitions, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

Under the implementing rules and regulations of the Philippine Competition Act ("**PCA IRR**") issued by the PCC on 3 June 2016 (as amended or supplemented to date), as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1 billion ("**Size of Party**" or generally, *"the value of assets and revenues in, into or from the Philippines of the ultimate parent entity of any of the parties and all entities it controls"*); and (b) the value of the transaction exceeds ₱3.2 billion ("**Size of the Transaction**" or generally *"the value of assets and revenues in, into, or from the Philippines of the acquired entity*"), in each case, as determined in accordance with the PCA IRR and other relevant issuance of the PCC. Similarly, the parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱7.8 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱3.2 billion. The thresholds are adjusted on the 1st day of March of every year the PCC based on the Philippine Statistics Authority's official estimate of the nominal gross domestic product growth of the previous calendar year.

Violations of the Philippine Competition Act and its IRR have severe consequences. Under the Philippine Competition Act and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 million but not more than ₱250 million; and (ii) imprisonment for two (2) to seven (7) years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 15 September 2017, the PCC published the 2017 Rules of Procedure ("**PCC Rules**") which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The PCC Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On 23 November 2017, the PCC published the 2017 Rules on Merger Procedures ("**Merger Rules**") which provides the procedure for the review or investigation of mergers and acquisition pursuant to the Philippine Competition Act. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within thirty (30) days from signing of definitive agreements relating to the merger. This was further supplemented by the 2019 Rules on Expedited Merger Review approved on 28 May 2019 which applies to mergers and acquisitions qualified for expedited review.

Transactions that may qualify for expedited review include the following (i) when there are no actual or potential horizontal or vertical relationships in the Philippines between acquiring entity, including its notifying group, and the acquired entity and the entities it controls; (ii) when the merger is a global transaction where the acquiring and acquired entities identified in the definitive agreement are foreign entities ("**foreign parents**"), and their subsidiaries in the Philippines act merely as manufacturers or assemblers of products with at least 95% of such products exported to the foreign parents, subsidiaries, affiliates or third parties located in the Philippines: Provided, that the remaining 5% product sales in a market in the Philippines is minimal in relation to the entirety of such Philippine product market: (iii) when the candidate relevant geographic market of the merger is global and the acquiring and acquired entities have negligible or limited presence in the Philippines; (iv) when the joint ventures, whether incorporated or not, formed purely for the construction and development or a residential and/or commercial real estate development project. On 25 May 2021, the PCC published the Interim Guidelines during Period of Community Quarantine (the "**Interim Guidelines**") which suspended the acceptance of expedited review notification forms during all periods of community quarantine. The Interim Guidelines are still effective at present.

16.2 CERTAIN GOVERNMENT POLICIES AND REGULATIONS IN RELATION TO THE PHILIPPINE BANKING SYSTEM

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes requirements on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. The BSP can alter any of these requirements and can introduce new regulations to control any particular line of business. Certain policies that the Bank believes could affect its results of operations include the following:

- *Implementation of Basel III Framework on Liquidity Standards.* On 10 March 2016, the BSP issued Circular No. 905 which provided guidelines for the implementation of Basel III framework (which was recently amended by BSP Circular No. 1035) on Liquidity Standards as it relates to Liquidity Coverage Ratio ("**LCR**") and Disclosure Standards. The amendments introduced by BSP Circular No. 1035 provide enhancements to the LCR and MLR guidelines. In the LCR framework, the previous treatment of reporting expected cash flows for each derivative contract in gross amounts has been revised. Under the new policy, cash inflows and outflows from each derivatives contract shall now be recognized on a net basis consistent with valuation methodologies for derivatives contracts and the Basel III LCR framework. Likewise, the method for computing the MLR was revised. The revised MLR computation converges with the LCR framework as interbank placements are now counted as eligible liquid assets.

  The Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Beginning on 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100% commencing on 1 January 2019. The observation period for LCR requirement for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1035 (Amendments to the Basel III Framework on Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework), during which the LCR floor of 70% will be applied. Likewise, the observation period for NSFR for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1034 (Amendments to the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio), during which the NSFR floor of 70% will be applied. The internationally agreed start date for the phase-in of liquidity requirements is 1 January 2015. On 3 November 2017, the BSP issued BSP Circular No. 981 which amended the guidelines on liquidity risk management. The banks have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that banks complete a gap analysis of the requirements in Circular No. 981 vis-à-vis their existing risk management systems by 31 March 2018, the result of such gap analysis shall be documented and made available for review of the BSP.

- *Implementation of Basel III Framework for Dealing with Domestic Systemically Important Banks.* On 29 October 2014, the BSP issued Circular No. 856 which provided the guidelines for implementing the Framework for dealing with D-SIBs under Basel III. Recent enhanced guidelines in the assessment methodology of D-SIBS was introduced by Circular No. 1051 issued on 27 September 2019. Banks deemed as D-SIBs by the BSP will be imposed with capital surcharge to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1.0% to 2.5%. Aside from the added capital pressure, D-SIBs may be put at an undue disadvantage compared to G-SIBs (or Global Systemically Important Banks) given that this framework was patterned for regional/global banks and which may not thus be appropriate for local banks. The phased-in compliance started on 1 January 2017 and had become fully effective on 1 January 2019.

- *Regulations Governing the Derivatives Activities of Banks.* In line with the policy of the BSP to support the development of the Philippine financial market by providing banks and their clients with expanded opportunities for financial risk management and investment diversification through the prudent use of derivatives, Circular No. 594 was issued by the BSP in January 2008 amending the existing regulations governing the derivatives activities of banks. Furthermore, Circular No. 688 issued by the BSP in May 2010 prescribes guidelines on the determination of the credit risk weighted assets for banks that will engage in derivatives activities as end-users for hedging purposes and/or under limited-use authority. In February 2017, BSP issued Memorandum No. M-2017-004 advising all banks and QBs that cross-border derivative transactions involving non-centrally cleared derivatives shall be subject to margin requirements pursuant to the policy framework adopted by the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in time of stress. Variation margin requirements are being phased in from 1 September 2016 to 1 March 2017 while initial margin requirements are being phased in from 1 September 2017 to 1 September 2020. As an initial step, banks and QBs should make a determination of the transactions that will be subject to margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the pertinent legal and operational arrangements. The Bank expects increased competition in the swaps and other derivative transactions allowed under the regulations. The Bank has already obtained its limited dealer authority for Foreign Exchange Forwards (including non-deliverables), Foreign Exchange Swaps, Interest Rate Swaps, Cross Currency Swaps, Asset Swaps, Forward Rate Agreements, European Vanilla Foreign Exchange Options and Credit Default Swaps. Meanwhile, there are currently no changes in the application process. In addition, under the BSP Circular 1194 (issued on 29 May 2024), which amended Section 613 of the MORB, a bank may generally engage in derivatives activities without need of prior BSP approval. However, banks shall notify the BSP prior to engaging in any of the following derivative instruments:

  - Any variant of a stand-alone derivative (i) which a UB or KB is allowed to transact in as part of its generally authorized derivatives activities as dealer; (ii) for which a bank has an existing type 2 or type 3 additional derivatives authority; (iii) which a trust department of a UB or KB is allowed to transact in as part of its generally authorized derivatives activities: or (iv) for which a trust department has an existing type 3 additional derivatives authority.
  - A structure or combination of in two or more separate stand-alone derivatives contracts, or (ii) stand-alone derivatives contract/s and a plain vanilla cash instrument, where the instruments are offered or distributed together. and where (all of) the derivative(s) is (are) either part of a UB/KB's generally authorized derivatives activities as dealer or a bank's existing type 2 or type 3 additional derivatives authority, or part of a trust department's generally authorized derivatives activities or its existing type 3 additional derivatives authority; and
  - A structured product where the embedded derivative/s differs from that of the product approved under a bank's existing type 2, type 3, or type 4 additional derivatives authority or a trust department's existing type 3 additional derivatives authority.

- *Amendments to unit investment trust fund ("**UITF**") Regulations*. In September 2004, the BSP issued Circular No. 447 which provided guidelines for the launching and offering of new products to be known as UITFs, and was intended to completely phase out common trust funds or convert them into UITFs within two years from the date of the circular. UITFs are open-ended pooled trust funds denominated in any acceptable currency that are to be operated and administered by trust entities. Eligible assets of UITFs include bank deposits, securities issued by or guaranteed by the Government or the BSP, tradable securities issued by the government of a foreign country, exchange listed securities, marketable instruments that are traded in an organized exchange, loans traded in an organized market, loans arising from repo agreements which are transacted through an exchange recognized by the Philippine SEC and such other tradable investments outlets/categories as the BSP may allow. These assets are subject to mark-to-market valuation on a daily basis. The stated objective of the BSP is to align the operation of pooled funds with international best practices and enhance the credibility of pooled funds to investors. In January 2008, the BSP issued Circular No. 593 to improve risk disclosure on investing in UITFs, by requiring banks to conduct a client suitability assessment to profile the risk-return orientation and suitability of the client to the specific type of UITF that he wants to participate in, and to update the client's profile at least every three years. The Bank has joined with the BSP in this endeavor to guide clients in choosing investment outlets that are best suited to their objectives, risk tolerance, preferences and experience. In September 2012, the BSP issued Circular No. 767 to include investments by UITFs in units/ shares in collective investment schemes as an allowable investment and recognizing UITF structures such as feeder funds and fund-of-funds. On 21 October 2014, the BSP issued Circular 852, amending the UITF Regulations. Through this circular, the BSP strengthened the disclosure requirements for UITFs by prescribing the use of the Key Information and Investment Disclosure Statement and online posting of UITF information via a website. On 10 March 2016, the BSP issued Circular 907 to amend certain exposure limits, and allowable investment and valuation on UITFs invested in feeder fund and fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (e.g., target fund, exchange-traded funds), subject to such target fund not being structured or similarly structured as a feeder fund or a fund-of-funds. To ensure the competence and integrity of all duly designated UITF marketing personnel, BSP Circular No. 1018 issued on 26 October 2018 required all personnel involved in the sales of UITF must be certified as a UITF Marketing Personnel through a UITF Certification Program (UCP) administered by a reputable financial services industry association /organization.

- *Limit on Real Estate Loans of Universal Banks.* In February 2008, the BSP issued Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans, and amending the inclusions and exclusions to be observed in the computation. On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

- *Exemption of Paired ROP Warrants from Capital Charge for Market Risk.* In connection with the Government's Paired Warrants Program, the BSP issued Circular No. 605 in March 2008 exempting warrants paired with ROP Global Bonds from capital charge for market risk to the extent of a bank's holdings of bonds paired with warrants equivalent to not more than 50.0% of total qualifying capital. The Bank holds such investments which give it additional flexibility for capital deployment.

- *Guidelines on Securities Borrowing and Lending Transactions.* Guidelines by the PSE on securities borrowing and lending ("**SBL**") govern SBL transactions between local/foreign borrowers and local/foreign lenders. BSP Circular No. 611, Series of 2008, provides guidelines on SBL transactions in the PSE involving borrowings by foreign entities of PSE-listed shares from local investors/lenders. In May 2008, the BSP Monetary Board authorized the issuance of BSP Registration Documents to cover the PSE-listed shares of stock borrowed by foreign entities from local investors and lenders. This will allow foreign borrowers to purchase foreign exchange from the banking system for remittance abroad using the Peso sales proceeds of the borrowed shares including the related income from the SBL transaction, such as rebates or shares in the income earned on the reinvestment of the cash collateral, interest and dividends earned on the Peso denominated government securities and PSE-listed shares used as collateral.

- *Mandatory Adoption of PFRS 9: Financial Instruments.* The adoption of PFRS in the recording transactions and preparation of financial statement ensures consistency of application and comparability of financial reports across the industry. Effective 1 January 2018, BSP-supervised financial institutions are required to adopt as part of PFRS framework, PFRS 9: Financial Instruments. As such, banks shall classify and measure financial assets and financial liabilities, including those which are designated as hedged items, in accordance with the provisions of PFRS 9. Financial assets should be classified based on their contractual cash flow characteristics and the business model for holding such instruments. Financial liabilities should be classified and subsequently measured at amortized cost using effective interest method except for certain financial liabilities measured at fair value through profit and lost. The enabling circular, Circular No. 1011 requires banks to determine the business model or the manner by which a portfolio of financial assets will be managed to generate cash flows such as by collecting contractual cash flows or by both collecting contractual cash flows and selling the financial assets, among others, based on scenarios that are reasonably expected to occur, taking into consideration the expected changes to asset allocations or to balance sheet structure as a result of business strategies.

- *Taxes*. In Addition, banks are subject to certain tax rules specific to Financial Institutions. On 19 December 2017, the President signed into law package 1 of the TRAIN bill which became effective on 1 January 2018. The law contains amendments to several provisions of the Tax Code on individual income taxation, passive income for both individuals and corporations, estate tax, donor's tax, VAT, excise tax, and DST, among others. On 26 March 2021, the President likewise signed into law Republic Act No. 11534 or the CREATE Act which introduces reforms to the corporate income taxation and incentive systems. The government continues to establish some changes in the comprehensive tax reform program of the country. Any further changes in the regulatory or tax environment as pertaining to the Philippine banking industry could have a material impact on the Bank's results of operations and financial position. An example of these developments include TRAIN Package 4 found in House Bill No. 4339, or the PIFITA. The intended legislation aims to introduce reforms to the taxation of passive income, financial intermediaries, and financial transactions, such as the unification of the tax rates of passive income through the imposition of a uniform rate of 15% on interest income, dividends, and capital gains on the sale of shares of stock.
- *Adjustment of Reserve Requirements of Peso Deposits Liabilities and Deposit Substitutes Liabilities.* The current year, saw the relaxation of the reserve requirements to be maintained by banks for its deposit liabilities. From as high as 20% under BSP Circular No. 732 (2011), as further amended by BSP Circular No. 753 (2012), BSP Circular No. 830 (2014),BSP Circular No. 832 (2014), BSP Circular No. 983 (2017), recent issuances such as BSP Circular No. 1041 (issued in May 2019), Circular Nos. 1054 &1056 (issued in October 2019), Circular 1063 (issued in December 2019) and Circular 1082 & 1092 (issued in March & July 2020), Circular 1175 (issued June 23, 2023), and Circular No. 1201 (issued in September 20, 2024) lowered the regular reserves. Currently, universal and commercial banks are required to maintain: (a) 7% against demand deposits, negotiable order of withdrawal (NOW) accounts, savings deposit, time deposit and deposit substitutes, Peso deposits lodged under due to foreign banks, Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank); and (b) 4% against long-term negotiable certificates of time deposits; and (c) 3% against bonds.
- *Rules and Regulations on the Mandatory Allocation for Agriculture, Fisheries, and Rural Development Financing*. In November 2022, the BSP issued Circular No. 1174 as a component of the Implementing Rules and Regulations of the Republic Act No. 111901 or the Agriculture, Fisheries, and Rural Development Financing Act of 2022. Aside from retaining the mandatory credit allocation, it also rationalizes the modes of compliance. In addition to direct compliance through loans to qualified borrowers, a list of alternative modes of compliance mechanisms are also provided.
- *Regulations on Financial Consumer Protection to lmplement Republic Act No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act".* In November 2022, the BSP issued Circular No. 1160 to ensure that appropriate mechanisms are in place to protect the interest of consumers of financial products and services under the conditions of transparency, fair and sound market conduct and effective handling of Financial Consumer disputes, aligned with global best practices. The Circular mandated BSP-supervised institutions, such as banks, to ensure full compliance with the Consumer Protection Standards of Conduct on the Protection of Consumer Assets Against Fraud and Misuse. Relevant provisions under the Circular include (a) guidelines on the protection of consumer assets against fraud and misuse, (b) procedures for claims assessment and investigation; (c) creation of reporting channels; (d) procedure in facilitating complaints on unauthorized transactions; and (e) determination of liability for losses arising from unauthorized transactions.
- *Regulations on Electronic Money (E-money) and the operations of Electronic Money lssuers*. In February 2023, the BSP issued Circular No. 1166 introducing amendments to Section 702 of the

MORB on Issuance and Operations of E-Money to enable BSP-supervised institutions to adopt risk management systems commensurate to their size, risk profile, complexity of operations, and systemic importance and to provide financial services attuned to the evolving needs and behavior of consumers supported by safeguards and controls to ensure that risks remain within manageable levels. In the same circular, the term "e-money" is defined as "an electronically-stored monetary value that is: (a) maintained in a non-interest-bearing non-deposit transaction account; (b) denominated in or pegged to Philippine Peso or other foreign currencies; (c) pre-funded by customers to enable payment transactions; (d) accepted as a means of payment by the issuer and by other persons or entities including merchants/sellers; (e) issued against receipt of funds of an amount equal to the monetary value issued; (f) represented by a claim on its issuer; and (g) withdrawable in cash or cash equivalent or transferable to other accounts/instruments that are withdrawable in cash. Banks may offer E-money services subject to prior approval of the BSP.

- *Rules on Consumer Assistance Mechanism*. In March 2023, the BSP issued Circular No. 1169 which provided for the Rules of Procedure for the Consumer Assistance Mechanism, Mediation and Adjudication of Cases in the BSP pursuant to the mandate of Republic Act No. 11765 or the Financial Products and Services Consumer Protection Act. The Circular mandates *Bangko Sentral*-Supervised Institutions' Financial Consumer Protection Assistance Mechanism ("**FCPAM**") as the first-level recourse mechanism for financial consumers who are dissatisfied with a financial product or service. Complainants are required to report their concern to the bank involved through its FCPAM.

SECTION 17. BANKING REGULATION AND SUPERVISION

17.1 INTRODUCTION

Republic Act No. 7653 or the New Central Bank Act of 1993 (the "**New Central Bank Act**"), as amended by Republic Act No. 11211, and Republic Act No. 8791 or the General Banking Law of 2000 vest the Monetary Board of the BSP with the power to supervise the operations of banks such as universal banks, commercial banks, thrift banks (composed of savings and mortgage banks, stock savings and loan associations, and private development banks), rural banks, co-operative banks as well as branches and agencies of foreign banks in the Philippines. The BSP also exercises regulatory and examination powers over the quasi-banking operations of non-bank financial institutions and as may be determined by the Monetary Board, it shall likewise exercise regulatory and examination powers over money service businesses, credit granting businesses, and payment system operators. Entities performing quasi-banking functions, trust companies, building and loan associations, non-stock savings and loan associations and other non-deposit accepting entities, while not considered banking institutions, are also subject to regulation by the Monetary Board of the BSP. Based on R.A 11211, money service business, credit granting businesses, and payment system operators are now also under the supervision of the BSP.

The supervisory power of the BSP under the New Central Bank Act, as amended, extends to the subsidiaries and affiliates of banks and QBs engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock owned by a bank or QB. An affiliate is defined as a corporation whose voting stock, to the extent of 50% or less is owned by a bank or QB or which is related or linked or such other factors as determined by the Monetary Board. In this regard, an affiliate is defined under the MORB as an entity linked directly or indirectly to a bank by means of: (a) ownership, control (as defined under the relevant portion of the Manual), or power to vote, of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa; (b) interlocking directorship or officership, where the concerned director or officer owns, controls, or has the power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity; (c) common stockholders owning at least ten percent (10%) of the outstanding voting stock of the bank and at least twenty percent (20%) of the outstanding voting stock of the entity; (d) management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; and (e) permanent proxy or voting trusts in favor of the bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa.

The supervisory power of the BSP under the New Central Bank Act extends to the subsidiaries and affiliates of banks and QBs engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock (directly or indirectly) owned, controlled or held with power to vote by a bank or quasi-bank. An affiliate is defined as a corporation whose voting stock, to the extent of 50% or less is owned by a bank or QB or which is related or linked (directly or indirectly) to such institution or intermediary through common stockholders or such other factors as determined by the Monetary Board.

The power of supervision of the BSP under the General Banking Law includes the issuance of rules of conduct or standards of operation for uniform application, conduct examination to determine compliance with laws and regulations, to oversee compliance with such rules and regulations and inquire into the solvency and liquidity of the covered entities. Section 7 of the General Banking Law provides that the BSP in examining a bank shall have the authority to examine an enterprise which is owned or majority-owned or controlled by a bank.

As a general rule, no restraining order or injunction may be issued by a court to enjoin the BSP from exercising its powers to examine any institution subject to its supervision. The BSP may compel any officer, owner, agent, manager or officer-in-charge of an institution subject to its supervision or examination to present books, documents, papers or records necessary in its judgment to ascertain the facts relative to the true condition of the institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, to the extent permitted by law. In addition to the general laws such as the General Banking Law and Republic Act No. 9160 or the AMLA, as amended, among others, banks must likewise comply with letters, circulars and memoranda issued by the BSP some of which are contained in the MORB.

The MORB is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The MORB contains regulations that include those relating to the organization, management and administration, deposit and borrowing operations, loans, investments and special financing program, and trust and other fiduciary functions of the relevant bank. Supplementing the MORB are rules and regulations promulgated in various circulars, memoranda, letters, and other directives issued by the Monetary Board.

The Financial Supervision Sector (FSS) of the BSP is primarily responsible for the regulation of banks and other BSP-supervised financial institutions (BSFIs). It also exercises oversight and supervision of financial technology and the operations of payment systems. The FSS is responsible for ensuring the observance of applicable laws and rules and regulations by banking institutions operating in the Philippines (including Government credit institutions, their subsidiaries and affiliates, non-bank financial intermediaries, and subsidiaries and affiliates of non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under Republic Act No. 3779 or the Savings and Loan Association Act, and pawnshops under Presidential Decree No. 114 or the Pawnshop Regulation Act).

17.1.1 BSP Circulars and Memoranda

On 14 March 2020, the BSP issued BSP Memorandum No. M-2020-008. Recognising the significant impact of the COVID-19 pandemic on the operations of BSFIs, the BSP offered a regulatory relief package which all BSFIs were eligible to avail of within one year from 8 March 2020, the date of declaration of the President of the state of public health emergency under Presidential Proclamation No. 922. The period of eligibility could be extended depending on the developments of the COVID-19 pandemic. The relief package includes exclusion from the past due loan ratio of loans to affected borrowers for a year and the staggered booking of provision for probable losses for five years for all types of credits extended to individuals and businesses directly affected by the COVID-19 pandemic as of 8 March 2020, subject to the prior approval of the BSP.

In an effort to mitigate the adverse effects of the COVID-19 pandemic on the operations of BSFIs, the BSP issued BSP Memorandum No. M-2020-011 dated 19 March 2020, as amended by BSP Memorandum Circular No. M-2020-049 dated 9 June 2020 and Memorandum No. M-2020-057 dated 21 July 2020. BSP Memorandum No. M-2020-049 provides for the relaxation in the regulations governing the submission of reports and other documents to the BSP-Financial Supervision Sector ("**FSS**"). Thus, the submission of required reports to the BSP-FSS that fall due within the months of March to June 2020 is suspended until further notice, except for the submission of the Financial Reporting Package for Banks ("**FRP**"), the Consolidated Foreign Exchange ("**FX**") Position Report, event-driven report requirements and reserve requirement-related reports. Memorandum No. M-2020-057, on the other hand, increased the single borrower's limit from 25% to 30% until 19 March 2021.

BSP Memorandum No. M-2020-008 was further amended by Memorandum No. M-2020-032 issued on 27 April 2020. Memorandum No. M-2020-032 provides that the exclusion from the past due and non-performing classification shall be allowed from 8 March 2020, the date of declaration of the President of the state of public health emergency under Presidential Proclamation No. 922, until 31 December 2021. For this purpose, the BSP documentary requirements for restructuring of loans may be waived, provided that the BSFI will adopt appropriate and prudent operational control measures.

On 19 March 2020, in a bid to spur the economy amid the slowdown caused by COVID-19, the BSP announced it would be pulling down the interest rate on the BSP's overnight reverse repurchase ("**RRP**") facility by 50 basis points to 3.25%. Overnight deposit and lending rates were likewise trimmed to 2.75% and 3.75%, respectively, effective 20 March 2020.

On 20 March 2020, in response to the ECQ imposed by the Philippine government to prevent the spread of COVID-19, the BSP issued Memorandum No. M-2020-013, which amended standard operating procedures for Philippine holidays in view of the COVID-19 outbreak.

On 27 March 2020, the BSP issued Circular No. 1080, which granted some operational relief measures to BSP stakeholders for the duration of the community quarantine imposed to contain the spread of COVID-19 (including the general, modified, and enhanced versions thereof). The Circular allowed for, among others, the submission of documentary requirements for the sale of foreign exchange by authorized agent banks through electronic means;

documents with e-signatures/digital signatures, soft copies of duly accomplished forms; and grace periods for the registration of unregistered foreign investments.

On 31 March 2020, BSP Circular No. 1082 was issued, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, with effect from reserve week of 3 April 2020 for universal and commercial banks, to 12% against demand deposits, "NOW" accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, deposit substitutes, peso deposits lodged under due to foreign banks and Peso deposits lodged under due to Head Office/Branches/Agencies Abroad of banks.

On 15 April 2020, the BSP issued Memorandum No. M-2020-031 which provides for the suspension of PESONet and InstaPay fees for the duration of the ECQ period. The same suspension was further strongly encouraged to be extended for the fees charged by BSFIs for other fund transfer services and interbank ATM transactions.

On 22 April 2020, as part of the Government's financial assistance program and in light of the effects of the COVID-19 pandemic on micro, small and medium-sized enterprises ("**MSMEs**"), the BSP issued Circular No. 1083, which provides that loans that are granted to MSMEs shall be allowed as alternative compliance with the required reserves against deposit and deposit substitute liabilities, subject to the following conditions: (1) that the MSME loan was granted after 15 March 2020; and (2) that the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose. Qualified MSME loans are to be valued at amortised cost, gross of allowance for credit losses. The use of MSME loans as allowable alternative compliance with the reserve requirement is available to banks from 24 April 2020 to 30 December 2021.

On 27 May 2020, the BSP issued Circular No. 1087 amending Circular No. 1083, which provides the following allowable alternative modes of compliance with the required reserves against deposit and deposit substitute liabilities:

a. Peso-denominated loans that are granted to MSMEs, excluding banks and non-bank financial institutions with quasi-banking license ("**NBQB"**), subject to the following conditions:

    i. that the MSME loan was granted, renewed or restructured after 15 March 2020;

    ii. that the MSME loan that was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 may be used as alternative compliance with the reserve requirements; provided, that the bank demonstrates an increase in its MSME loan portfolio during the month preceding the reserve day. For purposes of determining the increase in the bank's MSME loan portfolio, the bank shall exclude accrued interest and accumulated charges which have been capitalized or made part of the principal restructured MSME loans; and

    iii. that the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

Pursuant to BSP Circular No. 1176 (issued on 29 June 2023), the use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks from 24 April 2020 to 30 June 2023 only. In case of thrift banks, rural banks, and cooperative banks, outstanding MSME loans that are utilized as alternative compliance with the reserve requirement as of 30 June 2023 shall remain eligible for such purpose until said loans are fully paid but not later than 31 December 2025. MSME loans which subsequently become past due or non-performing, or are extended, renewed, or restructured, shall no longer be eligible as alternative compliance with the reserve requirement. In addition, new MSME loans granted after 30 June 2023 by banks shall no longer be eligible as an allowable alternative mode of compliance with the reserve requirement under the MORB.

b. Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs, subject to the following conditions:

    i. that the loan to the large enterprise was granted, renewed or restructured after 15 March 2020;

    ii. that the loan to the large enterprise that was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 may be used as alternative compliance with the reserve requirements; provided, that the bank demonstrates an increase in its loan portfolio to large enterprises during the month preceding the reserve day. For purposes of determining the increase in the bank's loan portfolio to large enterprises, the bank shall exclude accrued interest and accumulated charges which have been capitalized or made part of the principal restructured MSME loans; and

iii. that the loan to the large enterprise is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

A large enterprise shall refer to a sole proprietorship, partnership, corporation or cooperative that meets all of the following criteria: (a) it does not belong to a conglomerate structure; (b) it has an asset size (less land) of more than ₱100 million and an employment size of two-hundred (200) employees or more; and (c) it is a critically-impacted business enterprise that has been directly and adversely impacted by the COVID-19 pandemic such that: (x) its liabilities has become more than its assets; or (y) it has experienced at least a 50% decline in gross receipts for at least one calendar quarter; and, in either instance, is generally unable to pay or perform its obligations as they fall due in the ordinary course of business, as a result of COVID-19 pandemic, or as determined by the appropriate regulatory agency or agencies, as applicable.

Pursuant to BSP Circular No. 1176 (issued on 29 June 2023), The use of loans to large enterprises as allowable alternative compliance with the reserve requirement shall be available to banks from 29 May 2020 to 30 June 2023 only. In the case of thrift banks, rural banks, and cooperative banks, outstanding loans to a large enterprise that are utilized as alternative compliance with the reserve requirement as of 30 June 2023 shall remain eligible for such purpose until said loans are fully paid but not later than 31 December 2025. Loans to a large enterprise which subsequently become past due or non-performing, or are extended, renewed, or restructured, shall no longer be eligible as alternative compliance with the reserve requirement. In addition, new loans to a large enterprise granted after 30 June 2023 by banks shall no longer be eligible as an alternative mode of compliance with the reserve requirement under the MORB.

On 21 July 2020, the BSP issued Memorandum No. M-2020-057, which relaxed the maximum penalty to be imposed for deficiencies under Section 255 of the MORB/Section 215-Q of the MORNFBI. For the duration of the ECQ until 31 March 2021, the maximum penalty that may be imposed by the BSP for reserve deficiencies shall be the Overnight Lending Facility rate plus 10 basis points, provided that the maximum reserve deficiency of the institution is 200 basis points, and the excess above that will be subject to regular penalties. The same Memorandum also relaxed notification requirements related to changes in banking days and hours, the temporary closure of branches, branch-lite units, and offices or service units, and the submission of documents and reports to the FSS of the BSP.

On 27 July 2020, the BSP issued BSP Memorandum Circular No. 1092 reducing the reserve requirements against deposit and deposit substitute liabilities in local currency of banks, with effect from 31 July 2020 for thrift banks, to 3% against demand deposits, "NOW" accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, and deposit substitutes.

On 3 August 2020, the BSP issued Memorandum No. M-2020-061 which provides for the supervisory expectations on the measurement of expected credit losses ("**ECL**") and the treatment of regulatory relief measures granted amid the COVID-19 pandemic. The supervisory expectations provide, among others, that BSFIs that will avail of the regulatory relief measures to exclude eligible loans from past due and non-performing classifications and to stagger the booking of allowance for credit losses shall continue to report actual past due and non-performing loans and allowance for credit losses in the Financial Reporting Package (FRP) and the Capital Adequacy Ratio (CAR) reports. This is to facilitate the generation of industry statistics and provide the BSP with information on the true health of the banking system.

BSP Memorandum No. M-2020-062 dated 5 August 2020 directs BSFIs to ensure continuous availability of financial services to the general public as well as to reinforce their operational capabilities to support the anticipated increase in account opening and basic financial and payment transactions through online financial platforms (i.e. internet and mobile banking). BSFIs should likewise ensure that basic cash services are always available through timely and adequate provisioning of cash in the ATM terminals and to closely monitor other operational issues that may have significant business impact.

On 24 September 2020, the BSP issued Circular No. 1098 which provides for the ceiling on interest or finance charges for credit card receivables. The said Circular shall take effect starting 03 November 2020 after publication and states that banks and credit card issuers shall impose an interest or finance charge on all credit card transactions not to exceed an annual interest rate of 24%, except credit card installment loans which shall be subject to monthly add-on rate not exceeding 1%. For credit card cash advances, aside from the foregoing applicable maximum interest rate caps, no other charge or fee shall be imposed or collected apart from the processing fee in the maximum amount of ₱200 per transaction.

Further, the Circular also provides that the rate of interest and other charges on any loan or forbearance of any money, goods or credits regardless of maturity and whether secured or unsecured shall not be subject to any regulatory ceiling, except for the interest or finance charges imposed on credit card receivables, including cash advances and installment purchases and the maximum processing fee for credit card cash advances.

On 19 January 2023, the BSP issued Circular No. 1165 which provided new thresholds in the imposition of interest or finance charges on all credit card transactions. The Circular states that banks shall impose an interest or finance charge on all credit card transactions not to exceed an annual interest rate of thirty-six (36%), except credit card installment loans which shall be subject to monthly add-on rate not exceeding one (l) percent. Maximum interest rate caps for credit card cash advances remain at ₱200 per transaction.

17.2 REGULATION RELATING TO CAPITAL STRUCTURE

Pursuant to the General Banking Law, no entity may operate as a bank without the permit of the BSP through the Monetary Board. The SEC will not register the incorporation documents of any bank or any amendments thereto without a Certificate of Authority issued by the Monetary Board.

A bank can only issue par value stocks and it must comply with the minimum capital requirements prescribed by the Monetary Board. A bank cannot purchase or acquire its own capital stock or accept the same as security for a loan, except when authorized by the Monetary Board. Any stock so purchased or acquired must be sold within six months from the time of its purchase or acquisition.

Under Section 121 of the MORB, universal banks are required to have capital accounts of at least ₱3 billion for head office only, ₱6 billion for head office with up to 10 branches, ₱15 billion for head office with 11 to 100 branches, and ₱20 billion for head office with more than 100 branches. Commercial banks are required to have capital accounts of at least ₱2 billion for head office only, ₱4 billion for head office with up to 10 branches, ₱10 billion for head office with 11 to 100 branches, and ₱15 billion for head office with more than 100 branches. Thrift banks with head office in Metro Manila are required to have capital accounts of at least ₱500 million for head office only, ₱750 million for head office with up to 10 branches, ₱1 billion for head office with 11 to 50 branches, and ₱2 billion for head office with more than 50 branches. Thrift Banks with Head Office in all other areas outside area are required to have capital accounts of at least ₱200 million (for Head Office only); ₱300 million (for up to 10 branches); ₱400 million (for 11 to 50 branches); and ₱800 million (for more than 50 branches). Rural banks are required to have capital accounts of at least ₱50 million (for Head Office only); ₱50 million (for up to 5 branches); ₱120 million (for 6 to 10 branches); and ₱200 million (for more than 10 branches). Finally, digital banks are required to have capital accounts of at least ₱1 billion. These minimum levels of capitalization may be changed by the Monetary Board from time-to-time.

For purposes of these requirements, the MORB states that the term capital shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, surplus and undivided profits, less:

- treasury stock;
- unbooked allowance for probable losses, which includes allowance for credit losses and impairment losses;
- total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI granted by the bank;
- total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries;
- total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties that are not at arm’s length terms as determined by BSP;
- deferred income tax;

- equity investment of a bank in another bank or enterprise, whether foreign or domestic, if the other bank or enterprise has a reciprocal equity investment in the investing bank, in which case, the investment of the bank or the reciprocal investment of the other bank or enterprises, whichever is lower; and
- in the case of rural banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation program.

On 15 July 2014, RA 10641 further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% (previously 60%) of the voting stock of one domestic bank. Under RA 10641, established, reputable and financially sound foreign banks may be authorized by the Monetary Board to operate in the Philippine banking system though any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing bank; (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches with full banking authority. The foreign bank applicant must also be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. A foreign bank branch authorized to do banking business in the Philippines under RA 10641 may open up to five sub-branches as may be approved by the Monetary Board. Locally incorporated subsidiaries of foreign banks authorized to do banking business in the Philippines under RA 10641 shall have the same branching privileges as domestic banks of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

Under RA 10641, the Monetary Board was authorized to issue such rules and regulations as may be needed to implement the provisions of RA 10641. On 6 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA10641 and on 21 November 2014, the BSP issued Circular No. 858, amending the relevant provisions of the Manual, accordingly.On 15 February 2016, BSP issued Circular No. 902, Series of 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks pursuant to its policy to promote a competitive banking environment.

The stockholders of individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, shall be considered family groups or related interests, the relationship of which must be fully disclosed in all transactions by such an individual with the bank. Moreover, two (2) or more corporations owned or controlled by the same family group or same group of persons shall be considered related interests, the relationship of which must be fully disclosed in all transactions with the bank.

A bank cannot declare dividends greater than its accumulated net profits on hand deducting therefrom its losses and bad debts. A bank cannot also declare dividends, unless at the time of declaration, it has complied with the following:

- clearing account with BSP is not overdrawn;
- liquidity floor for government funds for five or more consecutive days;
- minimum capitalization requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- capital conservation buffer requirement as defined in Appendix 59, Part III of the MORB;
- higher loss absorbency ("**HLA**") requirement, phased-in starting 1 January 2017 with full implementation by 1 January 2019, in accordance with D-SIB Framework as provided under Section 128 of the MORB; or
- has not committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions as determined by BSP to be grounds for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor, Supervision and Examination Sector of the BSP.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

17.3 REGULATIONS WITH RESPECT TO BRANCHES

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision of law allows banks, with prior approval from the Monetary Board, to use any or all of their branches as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. In line with this, BSP Circular No. 854 Series of 2014 provides various minimum capitalization requirements for branches of banks, depending on the number of branches (e.g., ranging from a minimum of ₱6 billion for up to 10 branches of universal banks to a maximum of ₱20 billion for more than 100 branches of universal banks).

BSP Circular No. 759 liberalized its policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank. It permitted a bank to establish as many branches as its qualifying capital can support in accordance with existing rules. In BSP Circular No. 987 Series of 2017, the BSP approved the guidelines on the establishment of branch-lite units amending relevant provisions of the Manual. BSP Circular No. 987 was amended by BSP Circular No. 1031, including the licensing requirements of branch-lite units. A branch-lite unit refers to any permanent office or place of business of a bank, other than its head office or a branch which performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.

At present, pursuant to BSP Circular No. 932, issued in 2016, all banks, including rural and cooperative banks, as a general rule are allowed to establish branches anywhere in the Philippines, including in cities previously considered as restricted areas.

BSP Circular No. 847, series of 2014, imposed licensing fees on relocation of head offices, branches and other banking offices, approved but unopened branches and other banking offices to restricted areas.

17.4 REGULATIONS WITH RESPECT TO MANAGEMENT OF BANKS

The board of directors of a bank must have at least five and a maximum of 15 members, at least one-third but not less than two of whom shall be independent directors. In case of merged or consolidated banks, the number of directors shall not exceed 21.

An independent director is a person who: (i) is not or was not a director, officer or employee of the bank, its subsidiaries, affiliates or related interests during the past three years counted from the date of his election/appointment; (ii) is not or was not a director, officer, or employee of the bank's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment; (iii) is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders; (iv) is not a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of directors of the bank or any of its related companies or of any of its substantial stockholders; (v) is not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies or any of its substantial shareholders; (vi) is not or was not retained as professional adviser, consultant, agent or counsel of the bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election; (vii) is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the bank or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment; (viii) was not appointed in the bank, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment; (ix) is not affiliated with any non-profit organization that receives significant funding from the bank or any of its related companies or substantial shareholders; and (x) is not employed as an executive officer of another company where any of the bank's executives serve as directors.

Non-Filipino citizens may become members of the board of directors to the extent of the foreign participation in the equity of the bank. Further, SEC Memorandum Circular No. 24, Series of 2019, on the Code of Corporate Governance for Publicly-Listed Companies requires the board of directors of publicly-listed companies to have a Board composed of a majority of non-executive directors and at least two independent directors, or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher.

Under the Manual, bank directors and officers must meet certain minimum qualifications. For instance, directors must be at least 25 years old, have a college degree or have at least five years' business experience, while officers must be at least 21 years old, have a college degree, or have at least five years' banking or trust experience or related activities or in a field related to his position and responsibilities, and be fit and proper for the position he is being proposed/appointed to.

Certain persons are permanently disqualified from acting as bank directors, including (a) persons who have been convicted by final judgment of a court (i) for an offense involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of Batas Pambansa Blg. 22 (which penalizes the issuance of checks that are not sufficiently funded), violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), (ii) sentencing them to serve a maximum term of imprisonment of more than six years, (iii) for violation of banking laws, rules and regulations; (b) persons who have been judicially declared insolvent or incapacitated; (c) directors, officers or employees of closed banks who were found to be culpable for such institution's closure as determined by the Monetary Board; (d) directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; and (e) directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.

Meanwhile, certain persons are temporarily disqualified from holding a director position including (a) persons who refuse to fully disclose the extent of their business interests or any material information to the appropriate department of the SES when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP; (b) directors who have been absent for more than half of directors' meetings during their incumbency and directors who failed to physically attend 25% of all board meetings in any year; (c) persons who are delinquent in the payment of their obligations with the bank where he/she is a director or officer or at least two obligations with other banks or financial institutions under different credit lines or loan contracts are past due; (d) directors and officers of closed banks pending their clearance by the Monetary Board; (e) directors disqualified for failure to observe their duties and responsibilities prescribed under existing regulations; (f) directors who failed to attend the required special seminar for board of directors; (g) persons who have been dismissed/terminated from employment for cause; (h) those under preventive suspension; (i) persons with derogatory records as certified by, or on official files of, the judiciary, National Bureau of Investigation, Philippine National Police, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities; (j) directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by court; and (k) directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed.

When the ground for disqualification ceases to exist, the director or officer concerned may subsequently become a director or officer of institutions regulated by the BSP only upon approval of the Governor of the BSP. In addition, except as may be permitted by the Monetary Board of the BSP, directors or officers of banks are also generally prohibited from simultaneously serving as directors or officers of other banks or non- bank financial intermediaries. The same prohibition applies to persons appointed to such positions as representatives of the government or government-owned or controlled entities holding voting shares of stock of banks/QBs/nonbank financial institutions/trust corporations unless otherwise provided under existing laws (see BSP Circular No. 953 dated 27 March 2017).

The Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act, no appointive or elective public official, whether full time or part time, may serve as officer of any private bank, except if the service is incidental to financial assistance provided by government or government owned and controlled corporation or when allowed by law.

On 22 August 2017, the BSP issued Circular No. 971, prescribing the Guidelines on Risk Governance for BSFIs, and requiring the appointment of a Chief Risk Officer (CRO) in universal and commercial banks to head the risk management function. In addition to overseeing the risk management function, the CRO shall also support the board of directors in the development of the risk appetite of the BSFI and for translating the risk appetite into a risk limits structure. The appointment, dismissal and other changes to the CRO requires the prior approval of the board of directors. On the same date, the BSP also issued Circular No. 972, prescribing the Enhanced Guidelines in Strengthening Compliance Frameworks for BSFIs, and requiring the appointment of a Chief Compliance Officer ("**CCO"**). The CCO is tasked to oversee the identification and management of the BSFI's compliance risk and shall supervise the compliance function staff. Additionally, the board of directors should ensure that a compliance program is defined for the BSFI and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by a non-executive director, shall oversee the compliance program.

17.5 REGULATIONS WITH RESPECT TO BANK OPERATIONS

A commercial bank, such as the Bank, may open branches or offices within or outside the Philippine subject to the prior approval by the BSP. A bank and its branches and offices shall be treated as one unit. A bank, with prior approval of BSP, may likewise use any of its branches as outlets for presentation and/sale of financial products of its allied undertakings or investment house units.

The Monetary Board shall prescribe the minimum ratio which the net worth of a bank must bear to its total risk assets which may include contingent accounts. In connection thereto, the Monetary Board may require that the ratio be determined on the basis of the net worth and risk assets of a bank, its subsidiaries, financial or otherwise and prescribe the composition and the manner of determining the net worth and total risk assets of bank and their subsidiaries. To ensure compliance with the set minimum ratio, the Monetary Board may limit or prohibit the distribution of net profits by such bank and require that such net profit be used to increase the capital accounts of the bank until the minimum requirement has been met. It may also restrict or prohibit acquisition of major assets and the making of new investments by the bank.

A commercial bank has , in addition to the general powers incident to corporations, (i) all such powers as may be necessary to carry on the business of commercial banking, such as accepting drafts and issuing letters of credit; discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; accepting or creating demand deposits; receiving other types of deposits and deposit substitutes; buying and selling foreign exchange and gold or silver bullion; acquiring marketable bonds and other debt securities; and extending credit, subject to such rules as the Monetary Board may promulgate, and (ii) to invest in allied enterprise.

17.6 REGULATION WITH RESPECT TO TRANSACTIONS WITH RELATED PARTIES

BSP Circular No. 895 issued on 14 December 2015 provides for the guidelines on related party transactions of banks and their non-bank financial subsidiaries and affiliates. Related parties cover three (3) groups: (i) the bank's subsidiaries as well as affiliates and any party the bank exerts direct/indirect control over or that exerts direct/indirect control over the bank; (ii) the bank's directors, officers, stockholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies; and (iii) such other person/juridical entity whose interest may pose potential conflict with the interest of the financial institution. Circular No. 895 covers outstanding transactions entered into with an unrelated party that subsequently becomes a related party. Further, there is disputable presumption of control whenever there is ownership or holding – direct or indirect – of 20% or more of a class of voting shares of a company.

BSP Circular No. 895 requires the board of directors to adopt and approve a group-wide related party transaction (RPT) policy which shall encompass all entities within the banking group. The said RPT policy shall cover not only transactions that give rise to credit and/or counterparty risks, but also those that could pose material/special risk or potential abuse to the bank/financial institution and its stakeholders.

The RPT policy shall provide clear guidelines in ensuring the RPTs are conducted at arm's length terms, provide for measures to identify and prevent or manage conflicts of interest, identify materiality thresholds and excluded transactions, whistle blowing mechanisms and measures for restitution of losses and other remedies for abusive RPTs or those not engaged at arm's length terms. BSP Circular No. 895 likewise mandates the creation of an RPT Committee, especially for banks that are part of a conglomerate, which will monitor and evaluate RPTs and oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPT including, periodic review of RPT policies and procedures.

In addition to the required reports on DOSRI and transactions with subsidiaries and affiliates under existing regulations, universal/commercial banks which are part of conglomerates are now required to report all entities in the conglomerate structure and likewise disclose the beneficial owners of shareholdings that are in the name of PCD nominee corporation. The report on conglomerate structure shall be submitted within 30 calendar days after the end of every calendar year. Aside from this report, banks are also required under Circular No. 895 to submit a report on material exposures to related parties including the material RPTs of their non-bank financial subsidiaries and affiliates within 20 calendar days after the end of the reference quarter starting with the quarter ending 31 March 2016. In this connection, the circular provides that supervised non-bank financial subsidiaries and affiliates are expected to report their material RPTs to the parent bank, which in turn shall report the same to the BSP. The reportorial requirement on conglomerate structure is not applicable to branches of foreign banks. Moreover, the governance principles including the adoption of group-wide RPT policy shall be complied with by the branches of foreign banks only to the extent possible since these entities have a distinct organizational set-up.

BSP Circular No. 969, dated 22 August 2017, further codified the BSP's thrust to strengthen oversight over related party transactions by enhancing corporate governance guidelines which includes improvement of the duties and responsibilities of the related party transactions committee of BSP supervised financial institutions.

On 25 April 2019, the Philippine SEC issued Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly Listed Companies), mandating additional disclosure/reportorial requirements for material related party transactions ("**MRPTs**") amounting to 10% or higher of a publicly listed company's total assets. The circular requires all publicly listed companies to submit to the Philippine SEC a policy on MRPTs. Advisement Reports on MRPTs shall also be filed with the SEC in accordance with the circular within three calendar days after the execution of a covered transaction. Finally, a summary of MRPTs entered into by the company during the reporting year shall be disclosed in the company's Integrated Annual Corporate Governance Report ("**I-ACGR**") submitted annually every 30 May.

17.7 CAPITAL ADEQUACY REQUIREMENTS AND RESERVE REQUIREMENTS

The Philippines adopted capital requirements based on the Basel Capital Accord in July 2001.

On 1 July 2007, the BSP issued Circular No. 538, which is the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the BCBS containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers, and short and medium-term quantitative liquidity ratios. To align with the international standards, the BSP adopted part of the Basel Committee's eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and QBs as Hybrid Tier 1 capital and Tier 2 with the issuance of BSP Circular No. 709 effective 1 January 2011, as amended by BSP Circular Nos. 716, 768, and 781.

In January 2012, the BSP announced that the country's universal and commercial banks, including their subsidiary banks and QBs, will be required to adopt in full the capital adequacy standards under Basel III with effect from 1

January 2014. It aims to replace Basel II, to further strengthen the local bank's loss absorption capacity and encourage banks to rely more on core capital instruments like Common Equity Tier 1 and Tier 1 issues.

In January 2013, the BSP issued Circular No. 781 entitled the BASEL III Implementing Guidelines on Minimum Capital Requirements, which took effect last January 2014. Notable amendments include the following:

- Keeping minimum CAR at 10%, subject to following minimum capital ratios:
    - CET1 ratio of 6.0%;
    - Tier 1 ratio of 7.50%; and
    - Capital conservation buffer of 2.50%.
- Adopting a new categorization of capital.
- As applicable, allowing the BSP to adopt regulatory deductions in BASEL III.
- Removing existing limits on eligible Tier 1 and Total Tier 2 capital.
- By 1 January 2014, rendering ineligible existing capital instruments as of 31 December 2010 that do not meet eligibility criteria for capital instruments under the revised capital framework.
- By 1 January 2016, rendering ineligible regulatory capital instruments issued under BSP Circular No. 709 and BSP Circular No. 716 before the revised capital framework became effective.
- By subjecting covered banks and QBs to the enhanced disclosure requirements pertaining to regulatory capital.

On 14 February 2014, the BSP issued Circular No. 826 which provides for amendments to the risk disclosure requirements on loss absorbency features of capital instruments. The said circular requires the following from banks or QBs when marketing, selling and/or distributing Additional Tier 1 and Tier 2 instruments eligible as capital under BASEL III framework in the Philippines:

- The banks/QBs must subject investors to a client suitability test to determine their understanding of the specific risks related to these investments and their ability to absorb risks arising from these instruments;
- The banks/QBs must provide appropriate Risk Disclosure Statement for the issuance of Additional Tier 1 and Tier 2 capital instruments;
- The banks/QBs must secure a written certification from each investor stating that:
    - The investor has been provided a Risk Disclosure Statement which, among others, explains the concept of loss absorbency for Additional Tier 1 and Tier 2 capital instruments as well as the resulting processes should the case triggers be breached;
    - The investor has read and understood the terms and conditions of the issuance;
    - The investor is aware of the risks associated with the capital instruments; and
    - Said risks include permanent write-down or conversion of the debt instrument into common equity at a specific discount;
- The banks/QBs must make available to the BSP, as may be required, the:
    - Risk Disclosure Statement;
    - Certificate from the investor; and

      Client Suitability Test of the Investor.

For offshore issuances of Additional Tier 1 and Tier 2 capital instruments, the risk disclosure requirements will be governed by the rules and regulations of the country where these instruments are issued. The subsequent sale and/or distribution of Additional Tier 1 and Tier 2 capital instruments in the Philippines, originally issued overseas, shall comply with all the risk disclosure requirements for issuance in the Philippines.

This allowed local banks one (1) full year for a parallel run of the old and new guidelines prior to the effectiveness of the new standards in 2014, marking an accelerated implementation compared to the Basel Committee's staggered timeline that stretches from January 2013 to January 2017. On 15 January 2013, the BSP issued the implementing guidelines for the adoption on 1 January 2014 of the revised capital standards under the Basel III accord for universal and commercial banks.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for Common Equity Tier 1 ("**CET1**") capital and Tier 1 ("**T1**") capital in addition to the Capital Adequacy Ratio ("**CAR**"). The BSP maintained the minimum CAR at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum T1 ratio of 7.5%. The new guidelines also introduced a capital conservation buffer of 2.5% which shall be made up of CET1 capital.

In addition, banks which issued capital instruments from 2011 will be allowed to count these instruments as Basel III-eligible until end-2015. However, capital instruments that are not eligible in any of the three (3) components of capital were derecognized from the determination of the regulatory capital on 1 January 2014.

Under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve during a particular week on an average basis, it must pay a penalty to BSP on the amount of any deficiency.

BSP Circular No. 1092, issued on 31 July 2020, requires a commercial bank to maintain regular reserves of 12% against Philippine Peso demand, savings and time deposits, negotiable order of withdrawal accounts, deposit substitutes and certain managed funds.

On 23 March 2020, the Monetary Board authorized BSP Governor Benjamin E. Diokno to reduce the reserve requirement ratios of BSP-supervised financial institutions by up to a maximum of 400 basis points for 2020. The Monetary Board also authorized the BSP Governor to determine the timing, extent, and coverage of the reduction in the reserve requirement. The authority was granted to buttress the negative impact of the COVID-19 pandemic on the Philippine economy and followed announcements of an enhanced community lockdown on the entirety of Luzon by President Duterte. On 24 March 2020, pursuant to the authority, BSP Governor Diokno announced that the BSP was reducing the reserve requirement ratio by 200 basis points for universal/commercial banks effective 30 March 2020. Potential cuts on the reserve requirements for other banks and non-bank financial institutions would also be explored. Subsequently, BSP Circular No. 1082 was issued, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, effective reserve week of 3 April 2020 for universal and commercial banks, to 12% against demand deposits, "NOW" accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, deposit substitutes, peso deposits lodged under Due to foreign banks and peso deposits lodged under Due to Head Office/Branches/Agencies Abroad of banks. The same reserve requirements were reiterated in BSP Circular No. 1092, Series of 2020.

On 29 October 2014, the Monetary Board approved the guidelines for the implementation of higher capital requirements on D-SIBs by the BSP under Basel IIII. Banks deemed as D-SIBs by the BSP will be imposed capital surcharge to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. The assessment started in 2014 with the BSP informing banks confidentially of their D-SIB status in 2015.

Under BSP Circular No. 1051, series of 2019 issued on 27 September 2019, to determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability/financial institution infrastructure, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1.5% to 2.5%. Aside from the added capital pressure, D-SIBs may be put at an undue disadvantage compared to G-SIBs (or Global Systemically Important Banks) given that this framework was patterned for regional/global banks and thus may not be appropriate for local banks. The phased-in compliance started on 1 January 2017 and will become fully effective on 31 December 2019.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratio (computed as banks' Tier 1 capital divided by its total on-book and off-book exposure). On 9 June 2015, the BSP issued Circular No. 881

on the implementing guidelines and accordingly, amending the relevant provisions of the guidelines. Under the guidelines, universal and commercial banks are required to maintain a minimum leverage ratio of 5%, which is more stringent than the 3% minimum leverage ratio under Basel III. The guidelines also provide for a monitoring period up to end-2016 during which banks are required to submit periodic reports; however, sanctions will not be imposed on banks whose leverage ratios fall below the required 5% minimum during the period.

On 26 January 2017, the BSP issued Circular No. 943 which approved the one-year extension of the Basel III Leverage Ratio monitoring period from 31 December 2016 to 31 December 2017, and set new deadlines for the submission of the reporting and disclosure requirements. During the monitoring period, the BSP will continue to assess the calibration and treatment of the components of the leverage ratio. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to increasing regulatory burden on banks.

On 22 January 2018, the BSP issued Circular No. 990 which approved the extension of the Basel III Leverage Ratio monitoring period from 31 December 2017 to 30 June 2018, and set new deadlines for the submission of the reporting and disclosure requirements. The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on 1 July 2018.

Further, local banks face new liquidity requirements, namely, the LCR and the NFSR, under Basel III. The LCR requires banks to hold sufficient level of High-Quality Liquid Assets ("**HQLAs**") to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks' ability to absorb shocks and minimize negative spillovers to the real economy, compliance with these ratios may also further increase competition among banks for deposits as well as HQLAs. In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Starting 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100% commencing on 1 January 2019. The observation period for LCR requirement for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1035 (Amendments to the Basel III Framework on Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework), during which the LCR floor of 70% will be applied. Likewise, the observation period for NSFR for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1034 (Amendments to the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio), during which the NSFR floor of 70% will be applied. The internationally agreed start date for the phase-in of liquidity requirements is 1 January 2015.

On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' Internal Capital Adequacy Assessment Process ("**ICAAP**") submitted to the BSP every 31st of March of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the D-SIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a preemptive measure, the recovery plan should use early warning indicators with specific levels (*i.e.*, quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document which includes the first recovery plan was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year.

In addition, Basel III capital rules for banks include setting up a countercyclical capital buffer ("**CCB**") wherein banks build up the required level of capital during boom times and draw down on the buffer in the event of an adverse turn in the cycle or during periods of stress, thus helping to absorb losses. The CCB will require banks to hold additional common equity or other fully loss absorbing capital in amounts ranging from 0% to 2.5% of the risk-weighted assets. The credit-to-GDP gap, defined as the difference between the credit-to-GDP ratio and its long-term trend, has been chosen as the guide or EWI (early warning indicator) for activating the CCB. However, some economists have raised the issue that the credit-to-GDP gap is not the best EWI for banking crises or system vulnerabilities, especially for emerging markets (including the Philippines). Under the BIS, the countercyclical capital buffer will be phased in beginning on 1 January 2016 and will become fully effective on 1 January 2019.

In October 2014, the BSP issued Circular No. 855 which provides for new guidelines on sound credit risk management practices. BSP Circular No. 855 mandates banks to establish appropriate credit risk strategy and policies, processes and procedures including cash flow-based credit evaluation process, and tighter provisioning guidelines. These are seen to increase costs as banks may have to upgrade their risk management systems and provisioning requirements.

Additionally, BSP Circular No. 855 sets the collateral value ("**CV**") for a loan backed up by real estate to only 60% of its appraised value. Banks will still be allowed to lend more than 60% of the CV; however, the portion above 60% will be considered unsecured, thus requiring banks to set up loan loss provisions accordingly. The CV ruling should not be mistaken for the loanable value ("**LV**"), which is the loan amount extended by banks to its borrowers. The current industry practice is a loan-to-value ("**LTV**") ratio of 70%-80%, which some banks may continue to grant provided that they have strict and consistent lending standards, adequate capital buffer and provisions. This new ruling, along with other BSP regulations intended to avert a property bubble, could result in an overall slowdown in lending to the real estate sector as banks adjust to these rulings.

On 20 October 2014, the Monetary Board decided to increase the minimum capital requirement for all bank categories including universal, commercial, thrift, rural and cooperative banks. This is in line with the BSP's efforts of further strengthening the banking system. Under this regulation, the minimum capital for universal and commercial banks will be tiered based on network size as indicated by the number of branches. Existing banks that will not immediately meet the new minimum capital requirement may avail of a five (5)-year transition period to fully comply. Such banks will be required to submit a capital build-up program that is acceptable. Banks that fail to comply with the minimum capital requirements or fail to propose an acceptable capital build-up program face curtailment of future expansion plans. For Universal Banks, the minimum capitalization was changed from the previous ₱4.95 billion, which was applicable to all, to ₱3.0 billion for banks with Head Office only, ₱6.0 billion for banks with up to 10 branches, ₱15.0 billion for banks with 11 to 100 branches and ₱20.0 billion for banks with more than 100 branches.

To better monitor the banking industry's exposure to the property sector, the BSP in September 2012 approved the guidelines that effectively widened the scope of banks' real estate exposures ("**REEs**") to include mortgages and loans extended to the following: individuals to finance the acquisition/construction of residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included under the new guidelines. Banks were required to submit the expanded report starting end-December 2012.

Further on 27 June 2014, the BSP issued Circular No. 839 requiring banks to undergo Real Estate Stress Test ("**REST**") while setting prudential limits for banks' real estate exposures to ensure that they have adequate capital to absorb potential losses to the property sector. Universal and commercial banks ("**UKBs**") as well as thrift banks ("**TBs**") must meet a CAR of 10% of qualifying capital after adjusting for the stress test results. Further, UKBs and their thrift bank subsidiaries are required to maintain a level of CET1 capital that is at least 6% of qualifying capital after factoring in the stress scenario. In addition, banks are mandated to submit quarterly report of their real estate exposures, in line with the new REST capital requirements.

On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 23 November 2017, the BSP issued Circular No. 983 that prescribes the reduction in the reserve requirement rate on repurchase transactions, as well as sets forth the features of the repurchase program that shall be eligible for the zero-reserve rate requirement. Deposit substitutes evidenced by repurchase agreements covering government securities that are transacted in an organized market under the Government Securities Repo Program shall be subject to the reserve requirement of zero percent (0%) beginning the first week of December 2017. Recently, the Monetary Board reduced the reserve requirement ratios of selected reservable liabilities of banks in BSP Circular No. 1041, series of 2019.

17.8 LIMITATIONS ON OPERATIONS

17.8.1 The Single Borrower's Limit

Consistent with national interest, the total amount of loans, credit accommodations and guarantees that may be extended by a bank to any person or entity shall at no time exceed twenty five percent (25%) of the net worth of the bank. The ceiling may be increased as follows:

- By an additional ten percent (10%) of the net worth of such bank, so long as the additional liabilities are adequately secured by trust receipts, shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, non-perishable goods which must be fully covered by insurance;
- By an additional twenty-five percent (25%) of the net worth of such bank, provided that the additional loans, credit accommodations and guarantees are granted to entities, which act as value chain aggregators of the lending banks' clients, and/or economically-linked entities that are also actors/players in the value chain,; that the additional twenty five percent (25%) will apply only to non-DOSRI/RPT loans; and that such additional twenty-five percent (25%) shall only be for a period of three (3) years, subject to review after the said period.
- By an additional fifteen (15%) of the net worth of such bank subject to the following conditions:
    - The additional loans. credit accommodations and guarantees are for the purpose of financing eligible green or sustainable projects, including transitional activities to decarbonization, that meet any of the principles or eligible categories of projects laid out in Circular No. 1185 of the BSP (issued on 13 December 2023);
    - The lending bank shall ensure that the underlying project/activity is neither illegal nor breach any Philippine environmental laws and regulation;
    - The lending bank shall ensure that the standard prudential controls designed to safeguard its interest in the grant of financing to sponsors or owners are in place;
    - The additional fifteen percent (15%) shall apply only to non- DOSRI/subsidiary/affiliate loans, credit accommodations and guarantees;
    - The additional fifteen percent (15%) shall be allowed for a period of two (2) years from date of effectivity of Circular No. 1185; and
    - The credit risk concentration arising from total exposures to all borrowers pertaining to such eligible projects shall be considered by the bank in its internal assessment of capital adequacy relative to its overall risk profile and operating environment.

The limitations do not apply to secured obligations of the BSP or the Republic of the Philippines, those covered by assignment of deposits maintained in the lending bank and held in the Philippines, those under letters of credit to the extent covered by margin deposits and those which the Monetary Board may from time to time prescribe as non-risk items.

In an effort to mitigate the adverse effects of the COVID-19 pandemic on the operations of BSFIs, the BSP issued BSP Memorandum No. M-2020-011 dated 19 March 2020 and Memorandum No. M-2020-057 dated 21 July 2020, which granted additional operational relief to BSFIs. The reliefs include an increase in this single borrower's limit from 25% to 30% until 31 March 2021.

On 22 July 2020, the BSP issued BSP Memorandum Circular No. 1091, excluding debt securities held by market makers from the SBL. The circular also said that the debt securities will be excluded from the SBL for a period of time, such as 90 days from date of acquisition if this happened on 1 August 2020 until 31 July 2021 or not exceeding 60 days if acquired 1 August 2021 and onwards.

Except as prescribed by Monetary Board for reasons of national interest, the total amount of loan, credit accommodations and guarantees (determined on the total credit commitment) that may be extended by a bank to any person or entity shall at no time exceed 20.0% of the net worth of the bank (or 30.0% of the net worth of the bank in the event that certain types and levels of security are provided). This ceiling may be adjusted by the Monetary Board from time to time. As of 31 December 2011, the ceiling applicable to the Bank was 25.0% (or 35.0% of the net worth of the bank in the event that certain types and levels of security are provided).

The limitations shall not apply to secured obligations of the BSP or the Republic of the Philippines, those covered by assignment of deposits maintained in the lending bank and held in the Philippines, those under letters of credit to the extent covered by margin deposits and those which the Monetary Board may from time to time prescribe as non-risk items.

On 5 July 2017, the BSP issued Circular No. 965, approving the guidelines on the exclusion from the Single Borrower's Limit of banks and QBs' short-term exposures to clearing and settlement banks arising from payment transactions.

17.8.2 Limitation on DOSRI Transactions

No director or officer of any bank shall directly or indirectly, for himself or as the representative or agent of others, borrow from such bank nor shall he become a guarantor, endorser or surety for loans from such bank to others, or in the manner be an obligor or incur any contractual liability to the bank except with the written approval of the majority of all the directors of the bank, excluding the director concerned.

After due notice to the Board of Directors of the bank, the office of any officer or director who violates the DOSRI limitation may be declared vacant and such erring officer or director shall be subject to the penal provisions of the New Central Bank Act. The DOSRI account shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the bank. The limitation excludes loans, credit accommodations and guarantees secured by assets which the Monetary Board considers as non-risk.

On 2 June 2016, the Monetary Board approved the revisions to prudential policy on loans, other credit accommodations, and guarantees granted to DOSRIs. The Monetary Board approved the exclusion of loans, other credit accommodation and guarantees granted by a bank to its DOSRI for the purpose of project finance from the 30% unsecured individual ceiling during the project gestation phase, provided, that the bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

As a general rule, loan and other credit accommodation against real estate shall not exceed 60% of the appraised value of the real estate security plus 60% of the appraised value of the insured improvements, and such loans may be made to the owner of the real estate or to his assignees, except for the following which shall be allowed a maximum value of 70% of the appraised value of the insured improvements: (a) residential loans not exceeding ₱3.5 million to finance the acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government's "National Shelter Program", such as the Expanded Housing Loans Program of the Home Development Mutual Fund and the mortgage and guaranty and credit insurance program of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial position and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the title-holder of the unencumbered chattels and intangible properties or his assignee.

On 23 June 2016, the BSP issued Circular No. 914, Series of 2016 amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. Circular No. 914 has raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the Philippine Development Plan / Public Investment Program ("**PDP/PIP**") needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to conditions. Further, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and preempt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

On 27 October 2017, the BSP issued Circular No. 978 which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding loans, other credit accommodations and guarantees granted to banks' subsidiaries and affiliates. BSP Circular No. 978 excluded the following in determining compliance with the ceilings provided under Circular No. 914: (1) Loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) Interbank call loans; and (3) The portion of loans and other credit accommodations covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

17.8.3 Limitation on Investments

The total investment of a universal bank in equities of allied and non-allied enterprises shall not exceed 50% of its net worth. Moreover, the equity investment in any one enterprise whether allied or non-allied, shall not exceed 25% of the net worth of the universal bank. Net worth for this purpose is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by BSP. The Monetary Board must approve such acquisition of equities.

A universal bank can own up to 100% of the equity in a thrift bank, a rural bank or a financial or non-financial allied enterprise. A publicly listed universal bank, such as the Bank, may own up to 100% of the voting stock of only one other universal or commercial bank. However, with respect to non-allied enterprise, the equity investment in such enterprise by a universal bank shall not exceed 35% of the total equity in the enterprise nor shall it exceed 35% of the voting stock in that enterprise.

A bank's total investment in real estate and improvements including bank equipment shall not exceed 50% of the combined capital accounts. Further, the bank's investment in another corporation engaged primarily in real estate shall be considered as part of the bank's total investment in real estate, unless otherwise provided by the Monetary Board. The limitation stated above shall not apply with respect to real estate acquired by way of satisfaction of claims. However, all these properties must be disposed by the bank within a period of five (5) years or as may be prescribed by the Monetary Board. In addition, the Monetary Board recently approved BSP Circular No. 1042, series of 2019 containing the guidelines on sound risk management practices pertaining to investment activities of a bank.

17.8.4 Prohibition to act as Insurer

A bank is prohibited from directly engaging in insurance business as the insurer.

17.8.5 Permitted Services

In addition to the operations incidental to its banking functions, a bank may perform the following services:

- receive in custody funds, documents and valuable objects;
- act as financial agent and buy and sell, by order of and for the account of their customers, shares evidences of indebtedness and all types of securities;
- upon prior approval of the Monetary Board, act as the managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; and
- rent out safety deposit boxes.

The AMLA requires covered institutions such as banks including its subsidiaries and affiliates, to provide for customer identification, record keeping and reporting of covered and suspicious transactions. Under its provisions, as amended, certain financial intermediaries including banks, offshore banking units, QBs, and all other institutions including their subsidiaries and affiliates supervised and/or regulated by the BSP, and insurance companies and/or institutions regulated by the Insurance Commission, are required to submit a "covered" transaction report involving a single transaction in cash or other equivalent monetary instruments in excess of ₱0.5 million within one banking day.

Republic Act No. 10167 has expanded the coverage of the Anti-Money Laundering Council ("**AMLC**") to enable inquiries into so-called "related accounts," defined as: "funds and sources of which originated from and/or are materially linked to the monetary instrument(s) or property(ies) subject of the freeze order(s)." the high threshold level for covered transactions, the coverage of "covered institutions" and the existing Bank Secrecy Law, the amendments to the Anti-Money Laundering Act of 2001 were signed into law on 7 March 2003 under Republic Act No. 9194. The amendments included the following: (i) lowering the threshold for covered transactions to ₱500,000; (ii) authorizing the BSP to inquire or examine any deposit or investment with any banking institution without court order in the course of a periodic or special It also addressed concerns such as examination; and (iii) removing the provision prohibiting the retroactivity of the law.

On 15 February 2013, Republic Act No. 10365, which took effect on 7 March 2013, expanded the AMLA covered institutions and crimes. The revised implementing rules and regulations were published on 23 and 24 December 2016.

On 15 March 2017, the BSP issued BSP Circular No. 950 to amend the Manual in order to effectively implement the provisions of the AMLA, as amended, and the revised implementing rules and regulations of the AMLA.

On 27 November 2018, the 2018 Implementing Rules and Regulations of the Anti-Money Laundering Act of 2001 took effect. This incorporated the amendments under Republic Act No. 10972, which included casinos as covered persons. However, implementation by casinos of Anti-Money Laundering Act of 2001 will continue to be governed by the existing Casino Implementing Rules and Regulations. These implementing rules and regulations feature new rules on the AMLC's coordination with law enforcement agencies, beneficial ownership, customer due diligence, and national risk management and assessment, among others. In relation thereto, on 14 January 2019, BSP issued Circular Letter No. CL-2019-002, addressed to all BSFIs of the guidelines issued by the AMLC on digitization of customer records and identification of beneficial owners. On 29 January 2020, the AMLC issued AMLC Regulatory Issuance ("**ARI**") A, B, and C No. Series of 2020, which amends certain provisions of the 2018 Implementing Rules and Regulations of Republic Act No. 9160, as amended. The ARI added provisions on immediate family members and close associates of politically-exposed persons ("**PEP**s"), and expanded the definition of a customer or client to include juridical persons. Such resolution also provided that the suspicious transaction report shall cover all transactions, whether completed or attempted, and shall be promptly filed within the next working day from the occurrence thereof.

Covered transactions are single transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one banking day.

Suspicious transactions are transactions with covered institutions such as a bank, regardless of the amount involved, where any of the following circumstances exists:

- there is no underlying legal or trade obligation, purpose or economic justification;
- the customer or client is not properly identified;
- the amount involved is not commensurate with the business or financial capacity of the client;
- the transaction is structured to avoid being the subject of reporting requirements under the AMLA;
- there is a deviation from the client's profile or past transaction;
- the transaction is related to an unlawful activity or offence under the AMLA;
- similar or analogous transactions to the above.

Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five years from date of transaction/closure of account shall be subject to a penalty of six months to one-year imprisonment and/or fine of ₱500,000.00.

Malicious reporting of completely unwarranted or false information relative to money laundering transaction against any person is punishable by six months to four years imprisonment and a fine of one hundred thousand pesos (₱100,000.00) but not more than five hundred thousand pesos (₱500,000.00). Pursuant to the authority delegated to it by Congress under the implementing rules & regulations of Republic Act No. 9160, as amended by Republic Act No. 9194, the Anti-Money Laundering Council promulgated the Rules on the Imposition of Administrative Sanctions which took effect on 9 August 2017. The AMLC also approved the 2018 Implementing Rules and Regulations of the Anti-Money Laundering Act which took effect last 27 November 2018.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity, the media, the fact that a covered or suspicious transaction has been reported or is about to be reported, the contents of the report, or any information relating to such report. Neither may such report be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. A violation of this rule is deemed a criminal act.

Money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

1. transacts said monetary instrument or property;
2. converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
3. conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
4. attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c);
5. aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b), or (c) above; and
6. performs or fails to perform any act as a result of which the person facilitates the offense of money laundering referred to in paragraphs (a), (b), or (c) above.

Money laundering is also committed by any covered person who, knowing that a covered or suspicious transaction is required under this Act to be reported to the Anti-Money Laundering Council, fails to do so.

On 26 November 2018, the BSP issued BSP Circular No. 1022 where the BSP recognized the Philippine Identification System (PhilSys) ID card as an official document for financial transactions. The BSP also included a person's PhilSys number as part of the minimum information to be collected by financial institutions before carrying out a transaction and allowed the use of information and communication technology to "capture and record" personal data of customers.

17.9 TAXATION OF BANKS

Banks are subject to corporate income tax. The taxable income of banks from all sources within and without the Philippines is subject to income tax at the rate of 20% effective 1 July 2020 (if such banks are classifiable as domestic corporations). Effective as of the same date, only the taxable income derived by banks from Philippine sources is subject to income tax at the rate of 20% (if such banks are classifiable as resident foreign corporations).

Taxable net income refers to items of income specified under Section 32 (A) the Tax Code less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

A Minimum Corporate Income Tax ("**MCIT**") equivalent to 2% of the gross income of a bank is payable beginning on the fourth year of operations of the bank only if the MCIT is greater than the regular corporate income tax. Any excess MCIT paid over the regular corporate income tax can be carried forward as tax credit for the three immediately succeeding years. For purposes of MCIT, the bank's gross income means: (a) gross receipts less sales returns, allowances, discounts and cost of services, including interest expense; and (b) income derived from other businesses except income exempt from income tax and income subject to final tax. Under the CREATE Act, however, the MCIT rate is lowered to 1% of gross income for the period commencing 1 July 2020 and ending 30 June 2023.

An Improperly Accumulated Earning Tax ("**IAET**") equivalent to 10% of improperly accumulated taxable income of a corporation is not applicable to banks. In addition, IAET is no longer imposable in light of the CREATE Act.

Since banks are in the regular business of lending, interest income derived by banks which is generally considered passive income by non-banks, is considered ordinary income of banks subject to 30% corporate income tax. Banks may also claim interest expense as tax deduction if such expense complies with the requirements laid down in Revenue Regulations No. 13-00. The amount of interest expense which banks may claim as tax deduction shall be reduced by an amount equal to 33% of the banks' interest income that is subject to final tax.

The Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

- an individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank;

- a corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Pursuant to Revenue Regulations No. 05-99 (as amended by Revenue Regulations No. 25-02), in order for banks to claim bad debts as tax deductions, they must submit a written approval from the BSP stating that the indebtedness can be written off from the banks' books of accounts at the end of the taxable year, subject to the final determination by the BIR that bad debts being claimed by the banks are worthless and uncollectible.

The banks' passive income such as interest income earned from bank deposits is subject to final withholding tax.

Banks are subject to percentage tax or GRT which is a tax levied on the gross receipts of banks and non-bank financial intermediaries. On 13 June 2016, the BIR issued Revenue Memorandum Circular No. 62-2016 ("**RMC 62-2016**") seeking to clarify the tax treatment of GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income and should itself be subject to a GRT of either 5% or 7% depending on the provision of the Tax Code covering the type of income or activity.

Real and Other Properties Acquired ("**ROPA**") of banks are considered as ordinary assets. The income derived from their sale is subject to the regular corporate income tax. Moreover, the transaction is subject to a 6% creditable withholding tax based on the highest among the zonal value, value in the tax declaration or selling price, which shall be withheld by the buyer and can be used as a credit against the bank's taxable income in the year that the gain is realized.

The Tax Code provides for a final tax at fixed rates for the amount of interest, yield or benefit derived from deposit substitutes which shall be withheld and remitted by the payor of the said interest, yield or benefit. This rule does not apply to gains derived from trading, retirement or redemption of the debt instrument which is subject to regular income tax rates, except those instruments with maturity of more than five years.

To be considered as a deposit substitute, the debt instrument must have been issued or endorsed to 20 or more individuals at any one time at the time of the original issuance in the primary market or at the issuance of each tranche in the case of instruments sold or issued in tranches.

Interbank call loans with a maturity period of not more than five days and used to cover deficiency in reserves against deposit liabilities are not considered deposit substitutes and are not subject to documentary stamp tax ("**DST**") except if they have a maturity of more than seven days.

On 19 December 2017, the President of the Philippines signed into law, package 1 of TRAIN which took effect on 1 January 2018. The TRAIN amends certain provisions of the Tax Code. The relevant changes of the TRAIN are incorporated in the section titled "Philippine Taxation" of this Offering Circular.

President Rodrigo Duterte has signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability. The President signed on 26 March 2021 the Republic Act (RA) 11534 or the CREATE Act which introduces reforms to the corporate income tax and incentives systems. See discussion under the *Philippine Taxation* section above for some of the changes introduced by the CREATE Act.

The PIFITA, or TRAIN Package 4 was passed by the House of Representatives on third reading. As of 5 November 2024, it is undergoing committee hearings at the Senate. Once enacted, PIFITA will introduce reforms to the taxation of passive income, financial intermediaries, and financial transactions. One of the reforms introduced is the unification the tax rates of passive income through the imposition of a uniform rate of 15% (which would be a reduction from the prevailing from 20%) on interest income, dividends, and capital gains on the sale of shares of stock.

SECTION 18. OFFER PROCEDURES

18.1 METHOD OF DISTRIBUTION

The Bonds are being issued pursuant to Section 246 of the Manual of Regulations for Banks, as amended to date. The issuance of the Bonds is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) thereof.

No action has been or will be taken by the Bank or the Joint Lead Arrangers and Joint Bookrunners, in any jurisdiction (other than the Philippines), that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular, or any amendment or supplement thereto issued in connection with the offering of the Bonds, in any country or jurisdiction where action for that purpose is required.

The Joint Lead Arrangers and Joint Bookrunners are required to comply with all laws, regulations and directives as may be applicable in the Philippines, including without limitation any regulations issued by the BSP, in connection with the offering and purchase of the Bonds and any distribution and intermediation activities, whether in the primary or secondary markets, carried out by or on behalf of the Joint Lead Arrangers and Joint Bookrunners in connection therewith.

The Joint Lead Arrangers and Joint Bookrunners are third-parties in relation to the Bank, such that, (i) the Joint Lead Arrangers and Joint Bookrunners have no subsidiary/affiliate relationship with the Bank; and (ii) the Joint Lead Arrangers and Joint Bookrunners are not related in any manner to the Bank as would undermine the objective conduct of due diligence on the Bank. The Registrar and Paying Agent is likewise a third-party in relation to the Bank, such that, (i) it has no subsidiary/affiliate relationship with Bank; and (ii) it is not related in any manner to Bank as would undermine its independence.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Arrangers and Joint Bookrunners or any affiliate of the Joint Lead Arrangers and Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Arranger and Joint Bookrunner or its affiliate on behalf of the Bank in such jurisdiction.

The Joint Lead Arrangers and Joint Bookrunners and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Joint Lead Arrangers and Joint Bookrunners may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Bank or its subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Joint Lead Arrangers and Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Bank or its subsidiaries, jointly controlled entities or associated companies.

The Joint Lead Arrangers and Joint Bookrunners and/or their affiliates may purchase Bonds for their own account (including but not limited for asset management and/or proprietary purposes) and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Bank or its respective subsidiaries or associates at the same time as the offer and sale of the Bonds, or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

18.2 APPLICATIONS TO PURCHASE THE BONDS DURING THE OFFER PERIOD

Applicants may purchase the Bonds during the Offer Period by submitting fully and duly accomplished Application to Purchase ("**ATP**") forms, in triplicate, together with all the required attachments and the corresponding payments to the Selling Agent from whom such application was obtained no later than 5:00 p.m. of the last day of the Offer Period. ATPs received after said date or without the required attachments will be rejected. Only ATPs which are accompanied by payment in the form of cash or manager's checks made out to the order of Bank of Commerce, ING, PCCI Capital, Security Bank Capital, and Standard Chartered Bank debit instructions or such other forms of instructions that are acceptable to the relevant Selling Agent and which cover the entire purchase price shall be accepted. In addition to duly executed ATP forms, each applicant shall submit the following documents to the Selling Agents:

18.2.1 Documents to be provided by individuals

- Copies of at least one valid identification document ("ID") of the applicant that is acceptable to the Selling Agents and the Issuer, including those enumerated in the Application to Purchase for each Tranche; and
- two duly accomplished signature cards containing the specimen signature of the applicant.

18.2.2 Documents to be provided by corporate and institutional applicants

- an original notarized certificate of the Corporate Secretary of the applicant setting forth resolutions of its Board of Directors authorizing the purchase of the Bonds, and designating the signatories, with their specimen signatures, for the said purposes;
- copies of the applicant's articles of incorporation and by-laws (or equivalent documents) and latest amendments thereof, together with the certificate of incorporation issued by the Securities and Exchange Commission (or equivalent agency), stamped and signed as certified as true copies by such agency or by the Corporate Secretary (or duly authorized equivalent officer) of the applicant; and
- two duly accomplished signature cards containing the specimen signatures of the persons designated as authorized signatories of the applicant for purposes of investing in the Bonds, validated by the applicant's Corporate Secretary (or duly authorized equivalent officer), and further validated or signed by the relevant Selling Agent's authorized signatories whose authority and specimen signatures have been submitted to the Registrar

18.2.3 Additional documents to be provided by Tax-Exempt Holders

- a current and valid certified true copy of the tax exemption certificate, ruling, or opinion issued by the BIR confirming the Eligible Holder's exemption from taxation of interest on fixed income securities;
- an original of the duly notarized declaration warranting its tax-exempt status or entitlement to reduced treaty rates and undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of its tax exemption, and agreeing to indemnify and hold the Bank and the Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding or reduced withholding of the required tax substantially in the forms attached to the Registry and Paying Agency Agreement; and
- such other documentary requirements as may be reasonably required under the Registry and Paying Agency Agreement, or by the Registrar, the Bank and the Selling Agents as proof of the Eligible Holders' tax-exempt status or as may be required under the applicable regulations of the relevant taxing or other authorities.

In addition, the Joint Lead Arrangers and Joint Bookrunners, and the Selling Agents may each request such other documents from a proposed Holder in order to establish that he/she/it is an Eligible Holder and is not a Prohibited Holder, his/her/its exemption from taxation of interest income from fixed income securities or to comply with applicable requirements of the AMLA or the BSP Rules.

18.3 ALLOCATION AND ISSUE OF THE BONDS

Applications to purchase the Bonds shall be subject to the availability of the Bonds and acceptance by the Bank. The Joint Lead Arrangers and Joint Bookrunners, in consultation with the Bank, may accept, reject, scale down or reallocate any application to purchase the Bonds applied for.

In the event that payment supporting any ATP is returned by the drawee bank for any reason whatsoever, the ATP shall be automatically cancelled and any prior acceptance of the ATP shall be deemed revoked. If any ATP is rejected or accepted in part only, the corresponding portion of the tendered purchase price will be returned without interest by the relevant Selling Agent.

On the Issue Date, the Selling Agents shall, on behalf of the Bank, accept the relevant ATPs. The acceptance of an ATP shall ipso facto convert such ATP into a purchase agreement between the Bank and the relevant Holder.

Upon confirmation by the Bank of acceptance of the relevant applications and the respective amounts of Bonds, the Selling Agents shall issue the relevant purchase advice as applicable (the "**Purchase Advice**") to successful applicants confirming the acceptance of their offer to purchase the Bonds and consequent ownership thereof and stating the pertinent details including the amount accepted, and shall furnish a copy of the Purchase Advice to the Registrar.

The Registrar shall rely solely on the Sales Report submitted by the Selling Agents in its preparation of the Registry and the issuance of the Registry Confirmation for each Holder. Within seven (7) Banking Days from the Issue Date, the Registrar shall distribute the Registry Confirmations directly to the Holders in the mode elected by the Holder as indicated in the Sales Report.

18.4 TRANSACTIONS IN THE SECONDARY MARKET

All secondary trading of the Bonds shall be coursed the trading facilities of PDEx, as applicable, subject to the payment by the Bondholder of the applicable fees and charges of PDEx and the Registrar. Trading and transfers of Bonds shall be subject to the procedures of the BSP, the Registrar and Paying Agent, and PDEx, including, but not limited to, the guidelines on minimum trading lots, minimum holding denominations, and record dates.

The Bank shall list the Bonds on PDEx for secondary market trading. Upon listing of the Bonds, investors shall course their secondary market trades through the trading participants of PDEx for execution in the PDEx Trading Platform in accordance with the PDEx Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and must settle such trades on a Delivery versus Payment ("**DvP**") basis in accordance with PDEx Settlement Rules and Guidelines. The secondary trading of the Bonds in PDEx may be subject to such fees and charges of PDEx, the trading participants of PDEx, and other providers necessary for the completion of such trades. Transactions on the Bonds on PDEx will be subject to the duly approved and relevant rules of the exchange, including guidelines on minimum trading lots and other guidelines for holding and trading of the Bonds as may be prescribed by the BSP.

For the avoidance of doubt, the minimum denomination for the Bonds as specified in the Terms and Conditions of the Bonds and/or Pricing Supplement must be observed at all times. Consequently, no negotiation or secondary trading will be allowed if the result is that a remaining Bondholder of the Bonds will hold less than the prescribed minimum denomination.

No transfers will be effected for a period of two (2) Business Days preceding the due date for any payment of interest on the Bonds, or during the period of two (2) Business Days preceding the due date for the payment of the principal amount of the Bonds.

Secondary market trading in PDEx shall follow the applicable PDEx rules, conventions, and guidelines governing trading and settlement between bondholders of different tax status and shall be subject to the relevant fees and charges of PDEx and PDTC.

The Registrar shall register any transfer of the Bonds upon presentation to it of the following documents in form and substance acceptable to it:

- The relevant Trade- Related Transfer Form or Non-Trade Transfer Form as the case may be, duly accomplished by the transferor and endorsed by the PDEx Trading Participant;
- The relevant Purchase Advice of the buyer/transferee (with the information provided therein duly set forth in typewritten form);
- Duly accomplished Investor Registration Form of the buyer/transferee as prescribed by the Registrar as well as all supporting documents described for the original issuance of the Bonds as described above (in case of a new holder);
- Proof of the qualified tax-exempt status of the transferee, if applicable, and the covering Affidavit of Undertaking;
- The original duly endorsed signature cards of the buyer/transferee and such other original or certified true copies of other documents submitted by the buyer/transferee in support of the transfer or assignment of the Bonds in its favor;
- The appropriate secretary's certificate attesting to the board resolutions authorizing the transfers and acceptances as well as designating the authorized signatories, together with specimen signature cards duly signed by the parties, and duly authenticated by each party's corporate secretary; and
- Such other documents that may be required by the Registrar, including those for Non-Trade Transactions.

Transfers of the Bonds in violation of the restrictions on transfer under the Terms and Conditions shall be null and void and shall not be registered by the Registrar.

18.5 INTEREST AND PRINCIPAL PAYMENT

On the relevant Payment Date, the Paying Agent shall, upon receipt of the corresponding funds from the Bank, make available to the Bondholders the amounts net of taxes and fees (if any), by way of direct credits to the bank accounts through the identified Cash Settlement Banks by the Holders as reflected in the Application to Purchase.

18.6 SCHEDULE OF REGISTRY FEES

The Registrar and Paying Agent shall be entitled to charge the Bondholders and/or their counterparties such reasonable fees as the Registrar and Paying Agent shall prescribe in connection with the services that the Registrar and Paying Agent shall perform, such as, but not limited to, the opening and maintaining of accounts in favor of the Bondholders, the maintenance of the records of the Holder in the Registry, the issuance, cancellation, and replacement, when proper, of the Registry Confirmations, and the transfers of the Bonds from a purchaser or seller/transferor of the Bonds.

18.6.1 Transfer Fees in the Secondary Trading

1. Transfer Fee of ₱100.00 to be paid each by the transferring Bondholder and the buyer/transferee prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer. For transfers from a registry account to the depository, the full charge of ₱200.00 per transfer shall be charged to the transferring Bondholder.
2. Account Opening Fee of ₱100.00 to be paid upfront by a transferee who has no existing account in the Registry.
3. Such transaction fees as PDTC shall prescribe for effecting electronic settlement instructions received from the PDS Clear System if so duly authorized by a Bondholder

18.6.2 Transfer Fees due to Non-Trade Transactions

1. Transaction Fee of ₱100.00 to be paid each by the transferring Bondholder and the requesting party prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer.

2. Transaction Fee of ₱500.00 per side plus legal cost, for non-intermediated transfers (e.g. inheritance, donation, pledge).

18.6.3 Other Fees charged to the Bondholder

These fees pertain to instances when PDTC is requested to undertake the printing of non-standard reports for the Bondholders for which appropriate fees are charged to cover the related overhead costs. The fee may vary depending on the type of report, as follows:

1. Fee of ₱200.00 to be paid upon each application for a certification request of holding.
2. Fee of ₱50.00 to be paid upon each application for a monthly statement of account (in addition to the quarterly statement of account to be issued by the Registrar to each Holder free of charge).
3. Fee of ₱50.00 to be paid upon application for the issuance of a replacement Registry Confirmation for reasons such as mutilated, destroyed, stolen or lost.
4. The fee for Special Reports varies depending on request.
    A. Report without back-up file restoration is subject to a fee of ₱100.00 per request, plus ₱20.00 per page.
    B. Report requiring back-up file restoration is subject to a fee of ₱300.00 per request, plus ₱20.00 per page

SECTION 19. LEGAL MATTERS

Certain Philippine legal matters in connection with the Offer have been passed upon for the Bank by Picazo Buyco Tan Fider & Santos, Manila, Philippines, the independent legal counsel of the Bank, and for ING, PCCI Capital, Security Bank Capital, and Standard Chartered Bank by SyCip Salazar Hernandez & Gatmaitan.

The aforesaid counsels have no shareholdings in the Bank, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Bank, in accordance with the standards or independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

The aforesaid legal counsels have not acted and will not act as promoter, underwriter, voting trustee, officer or employee of the Bank.

SECTION 20. INDEPENDENT AUDITORS

The limited review financial statements as of and for the period ended 30 September 2024 and audited financial statements as of and for the years ended 31 December 2023, 2022, and 2021, respectively, were audited by R.G. Manabat & Co., independent auditors.

PARTIES TO THE OFFER

The Issuer

Bank of Commerce
San Miguel Properties Centre
7 St. Francis St.
Mandaluyong City
Philippines 1550

The Joint Lead Arrangers and Joint Bookrunners

ING Bank N.V. Manila Branch
22nd Floor ArthaLand Century Pacific Tower
5th Avenue corner 30th Street, Bonifacio Global City
Taguig, Philippines

Philippine Commercial Capital, Inc.
6th Floor PCCI Corporate Centre
118 L.P. Leviste St. Salcedo Village,
Makati City, Philippines

Security Bank Capital Investment Corporation
18F Security Bank Centre
6776 Ayala Avenue,
Makati City, Philippines

Standard Chartered Bank
20th Floor Ayala Triangle Gardens Tower 2
Paseo de Roxas corner Makati Avenue
Makati City, Philippines

Legal Counsel to the Bank

Picazo Buyco Tan Fider & Santos
Penthouse, Liberty Center – Picazo Law
104 H.V. dela Costa Street
Salcedo Village
Makati City, Philippines

Legal Counsel to the Joint Lead Arrangers And Joint Bookrunners

SyCip Salazar Hernandez & Gatmaitan
SyCipLaw Center
105 Paseo de Roxas
Makati City, Philippines

Independent Auditors

R.G. Manabat & Co.
KPMG Center
6787 Ayala Ave,
Makati, Philippines

INDEX TO FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED 31 DECEMBER 2023, 2022, AND 2021

COVER SHEET

SEC Registration Number

						2	4	2	2	1

COMPANY NAME

B A N K   O F   C O M M E R C E

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

S A N   M I G U E L   P R O P E R T I E S   C E N T R E
N O .   7   S T .   F R A N C I S   S T R E E T
M A N D A L U Y O N G   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	8982-6000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	Any day in April	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	~~Telephone Number/s~~	Mobile Number
Antonio S. Laquindanum	ASLaquindanum@bankcom.com.ph	8982-6000	N/A

CONTACT PERSON's ADDRESS

12th Floor, San Miguel Properties Centre, No. 7 St. Francis St., Mandaluyong City

Note1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated. 2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non- receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2023**

2. Commission identification number **24221**

3. BIR Tax Identification No **000 440 440**

4. Exact name of issuer as specified in its charter **BANK OF COMMERCE**

5. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**

6. Industry Classification Code: (SEC Use Only)

SAN MIGUEL PROPERTIES CENTRE, NO. 7 ST FRANCIS STREET, MANDALUYONG CITY 1550, PH

7. Address of issuer's principal office Postal Code

8. Issuer's telephone number, including area code **+63-2-8982 6000**

9. Former name, former address and former fiscal year, if changed since last report **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, 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 Stocks	1,403,013,920
Preferred Stocks	416,666,670

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:

The Philippine Stock Exchange, Inc: Common Shares

12. Indicate by check mark whether the registrant:

a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 [**X**] No [ ]

b) has been subject to such filing requirements for the past ninety (90) days.
Yes [X] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

Total number of shares held by non-affiliates	333,470,860.00
Share Price as of December 31, 2023	7.27
Aggregate value of shares held by non-affiliates	2,424,333,152.20

TABLE OF CONTENTS

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

An affiliate of San Miguel Corporation (SMC) since 2008, Bank of Commerce is a publicly-listed universal bank focused on helping its clients, communities and conglomerate partners by delivering the best choice of financial services harnessing the strengths of the SMC Group. Bank of Commerce is identified by its logo bearing the SMC symbols of escudo and cloverleaf, and by the trademark license short name "BankCom" granted by the Intellectual Property Office (IPO) in 2020. BankCom traces its origins to the Overseas Bank of Manila which opened in Binondo, Manila in 1963.

The Bank provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit cards, consumer banking, transaction banking, corporate banking, investment banking, treasury, asset management, trust and investments. In terms of service reach, the Bank has retail and corporate internet banking facilities, 140 branches and 242 automated teller machines ("ATMs") strategically located nationwide as of 31 December 2023.

Consolidated total assets amounted to Php199.71 billion, Php217.52 billion and Php231.67 billion as of 31 December 2021, 2022 and 2023 respectively. Net profit was Php1.21 billion, Php1.80 billion and ₱2.80 billion for the years ended 31 December 2021, 2022 and 2023, respectively.

BankCom, marked its 60th anniversary with a record high net income of ₱2.8 billion for the year ended 31 December 2023, outperforming the full-year 2022 profit of ₱1.8 billion by 56%. This historic high performance translated to an ROE of 9.52%, marking an improvement from the previous year's 7.01% and more than double the Bank's IPO prospectus ROE of 4.22%. The notable increase in profit was driven by the 24.37% higher net interest income of ₱8.31 billion due to higher yields and increased volume in loans and securities. Trading and investment securities gains increased by ₱39.82 million to ₱10.60 million, a turnaround from (₱29.22) million last year. Service charges, fees and commissions and revenues from the sale of foreclosed assets also increased to ₱886.38 million and ₱495.40 million, respectively, from ₱857.63 million and ₱340.45 million.

As of 31 December 2023, the Bank's Tier 1 and total capital adequacy ratio of 19.09% and 19.88%, remained well above the minimum regulatory requirement of 7.5% and 10.0%, respectively. For the year ended 31 December 2023, the Bank's return on average assets and cost-to-income ratios were 1.25% and 61.75%, respectively.

Total assets also grew by 6.51% to ₱231.68 billion at end-2023 due to higher investment securities and loans and receivables.

The Bank's net loans grew by 4.26% or ₱4.47 billion to ₱109.57 billion in 2023, from ₱105.09 billion, on account of higher corporate loans. Net NPL ratio was at 0.44% from 0.60% as of 31 December 2022, reflecting strength in asset quality due to the Bank's focused risk appetite.

RECENT DEVELOPMENTS

Subject to the approval of the stockholders during the Annual Stockholders' Meeting scheduled on April 30, 2024, and thereafter, the relevant government regulatory agencies, the Bank's Board of Directors, during its meeting on February 27, 2024, approved to amend the following provisions of the Bank's By-laws:

1. Amendment to Section 2 Article II of the Amended By-Laws of the Bank to change the schedule of annual stockholders' meeting from April to May to give the Bank ample time to

comply with the requirements prior to holding an annual stockholders' meeting following the completion of its audited financial statements.

From	To
ARTICLE II STOCKHOLDERS Section 2. Annual Meeting. – The annual meeting of the stockholders shall be held in the month of April on such day and at such time and place as the Board of Directors may determine. (As amended on 22 September 1988.)	ARTICLE II STOCKHOLDERS *Section 2. Annual Meeting. – The annual meeting of the stockholders shall be held **on the last Tuesday of May of each year, if not a legal holiday; otherwise, the next business day following**, at such time and place as the Board of Directors may determine. (As amended on 22 September 1988.) ***(*As amended on 30 April 2024).***

2. Amendment of Section 5 Article III of the Amended By-laws of the Bank to rationalize the process of determining the directors' compensation and per diem per Section 29 of the Revised Corporation Code:

From	To
ARTICLE III DIRECTORS Section 5. Compensation and Per Diems – The members of the Board of Directors, as such directors, shall be entitled to compensation the amount of which shall be fixed by the stockholders from time to time but in no case shall their total yearly compensation, as such directors, exceed ten (10%) percent of the net income before income tax of the Corporation during the preceding year. The members of the Board of Directors, the Executive Committee, other committees and the Corporate Secretary shall be entitled to per diem for every attendance in meetings the amount of which shall be fixed by the stockholders from time to time (As amended on 22 September 1988)	ARTICLE III DIRECTORS Section 5. Compensation and Per Diems – The members of the Board of Directors, as such directors, shall be entitled to compensation the amount of which shall be fixed by the stockholders from time to time but in no case shall their total yearly compensation, as such directors, exceed **two (2%)** percent of the net income before income tax of the Corporation during the preceding year. The members of the Board of Directors, the Executive Committee, **the Board Committees,** and the Corporate Secretary shall be entitled to per diem for every attendance in meetings the amount of which shall be fixed by the stockholders from time to time. **Officers of the Corporation who are members of Board Committees are not entitled to per diem.** (As amended on 22 September 1988) ***(*As amended on 30 April 2024).***

3. Amendment to Section 2 of Article VII and Section 1of Article VIII of the Amended By-Laws of the Bank to correct typographical errors

From	To
ARTICLE VII CERTIFICATE OF STOCK	ARTICLE VII CERTIFICATE OF STOCK

Section 2. Form – The Certificate of Stock shall be in such form and design as may be determined by the Board of Directors. Every certificate shall be signed by the President and countersigned by the Corporate Secretary and sealed with the corporate seal and shall state on its surface the number, date of issue, and the name of persons I whose favor it was issued; provided that, in case any stock certificate is countersigned by a duly appointed stock transfer agent, transfer clerk, or registrar, the signatures of the President, and Corporate Secretary or Assistant Corporate Secretary, upon such certificate, may be facsimiles, which can be engraved or printed on the same. In connection with the listing of the Corporation's shares on the Philippine Stock Exchange, Inc. ("PSE"), unless subsequently certificated, all the issued and outstanding shares of the Corporation will be in scripless form through the electronic book-entry system of the Corporation's stock transfer agent and lodged with the depository agent as required by the PSE. Legal title to uncertificated shares will be shown in an electronic register of shareholders which shall be maintained by the stock transfer agent of the Corporation. (As amended on 22 September 1988) (As amended on 09 November 2021)	Section 2. Form – The Certificate of Stock shall be in such form and design as may be determined by the Board of Directors. Every certificate shall be signed by the President and countersigned by the Corporate Secretary and sealed with the corporate seal and shall state on its surface the number, date of issue, and the name of persons **in** whose favor it was issued; provided that, in case any stock certificate is countersigned by a duly appointed stock transfer agent, transfer clerk, or registrar, the signatures of the President, and Corporate Secretary or Assistant Corporate Secretary, upon such certificate, may be facsimiles, which can be engraved or printed on the same. In connection with the listing of the Corporation's shares on the Philippine Stock Exchange, Inc. ("PSE"), unless subsequently certificated, all the issued and outstanding shares of the Corporation will be in scripless form through the electronic book-entry system of the Corporation's stock transfer agent and lodged with the depository agent as required by the PSE. Legal title to uncertificated shares will be shown in an electronic register of shareholders which shall be maintained by the stock transfer agent of the Corporation. (As amended on 22 September 1988) (As amended on 09 November 2021) ***(*As amended on 30 April 2024).***
ARTICLE VIII TRANSFER OF SHARES OF STOCK Section 1. Mode of Transfer – Share of stock shall be transferred by delivery of the Certificate endorsed by the power or his attorney-in-fact or other persons legally authorized to make the transfer or by written instructions to the Corporate Secretary in case of uncertificated shares, but no transfer shall be valid as against the Corporation until the transfer is recorded in the Books of the Corporation (as amended on 09 November 2021.)	ARTICLE VIII TRANSFER OF SHARES OF STOCK Section 1. Mode of Transfer – Share**s** of stock shall be transferred by delivery of the Certificate endorsed by the **person** or his attorney-in-fact or other persons legally authorized to make the transfer or by written instructions to the Corporate Secretary in case of uncertificated shares, but no transfer shall be valid as against the Corporation until the transfer is recorded in the Books of the Corporation (as amended on 09 November 2021.) ***(*As amended on 30 April 2024)***

4. Amendment to Section 1 of Article XI of the Amended By-Laws of the Bank to include the delegation by the stockholders to the board of directors the power to adopt, amend or repeal bylaws pursuant to Section 47 of the Revised Corporation Code.

From	To
ARTICLE XI AMENDMENTS Section 1. How Made. – The Stockholders, by the affirmative vote of the majority of the outstanding capital stock and majority vote of directors may amend or repeal these By-laws or adopt New By-Laws at any regular meeting, or any special meeting called for the purpose.	ARTICLE XI AMENDMENTS Section 1. How Made. – **A majority of the Board of Directors and Stockholders owning at least a majority of the outstanding capital stock of the Corporation, at a regular or special meeting duly called for the purpose may amend or repeal the By-Laws or adopt new By-Laws.** **Stockholders owning two-thirds (2/3) of the outstanding capital stock of the Corporation may delegate to the Board of Directors the power to amend or repeal the By-Laws or adopt new By-Laws: Provided, That any power delegated to the Board of Directors to amend or repeal the By-Laws or adopt new By-Laws shall be considered as revoked whenever Stockholders owning or representing a majority of the outstanding capital stock shall so vote at a regular or special meeting.** ***(*As amended on 30 April 2024)***

BANKING PRODUCTS AND ACTIVITIES

Overview

The Bank's principal areas of business are retail or branch banking, transaction banking, corporate banking, consumer loans, cards, treasury, cash management, remittance, trust services and investment banking services. These products and services are delivered through various channels such as branches, internet banking, ATM machines, and through agent partners. The list of products and services is enumerated below.

Branch Banking Products

- Savings Account with Debit Card (MasterCard)
- Savings Account with Passbook
- Savings Account Plus
- Checking Account
- Complete Checking Account
- ElitePlus Checking Account
- Executive Payroll Account

- US Dollar Savings Account
- Euro Savings Account
- Yuan Savings Account
- Japanese Yen Savings Account
- Junior Smart Savers Savings Account
- One Passbook Investment Account
- Time Deposit
- One-Year Time Deposit
- Future Secure Time Deposit
- US Dollar Time Deposit
- Euro Time Deposit
- SSS Pension Account
- US Veterans Pension Savings Account (PHP and USD)
- Payroll Savings Account
- Philippine Retirement Authority (PRA) Savings and Time Deposit Accounts (PHP and USD)
- Long Term Negotiable Certificate of Time Deposit
- Corporate Savings Account
- Corporate Savings Account Plus
- Corporate Checking Account
- Corporate Checking Account Plus with Corporate Access Number

Corporate Banking

- Back to Back Loans
- Domestic Bills Purchase
- Export Bills Purchase
- Export Packaging Credit
- Foreign Currency Denominated Loan
- Hauler's Financing Program
- Domestic and Foreign Standby LC / Bank Guarantees
- Trade Financing with Trust Receipt
- Petron Dealers' Financing Program
- P.O. Financing for Cassava Assemblers
- Small Business Loan – Term Loan
- Small Business Loan – Business Credit Line
- San Miguel Corporation (SMC) and Eagle Cement Corporation (ECC) Ecosystem Financing Program
- SMC Dealers' Financing Program
- Term Loan (Capital Expenditure Financing / Project Financing

- Working Capital Loan (Promissory Note Line)

Consumer Loans

- Home Loan
- Auto Loan
- Salary Loan

Credit Card

- Bank of Commerce Mastercard
    - Classic
    - Gold
    - Platinum
    - World

Trust Products and Services

- Unit Investment Trust Funds
    - Diversity Money Market Fund
    - Diversity Peso Bond Fund
    - Diversity Dollar Bond Fund
    - Diversity Dividend Focused Fund

  * All UITFs can be enrolled in the Easy Investment Plan (EIP) to regularly subscribe or invest

- Trust and Other Fiduciary Services
    - Personal Management Trust
    - Life Insurance Trust
    - Employee Benefit Trust
    - Trust Under Indenture
    - Collateral Trust
    - Special Purpose Trust/Other Institutional Trust
    - Safekeeping

- Investment Management Account
    - Discretionary
    - Directional / Non-Discretionary

- Other Agency Accounts
    - Facility / Loan Agency
    - Escrow Agency

    - Buyer and Seller Escrow
    - POEA Escrow
    - BIR Escrow
    - HLURB Escrow
    - Source Code Escrow
    - Other Escrow Accounts

Treasury Products

- Fixed Income Government Securities (Peso / Dollar)
- Corporate Bonds
- Foreign Exchange

Investment Banking Services

- Financial Advisory
- Issue Management, Underwriting and/or Arrangement of Debt and Equity Instruments
- Placement/Selling of Debt and Equity Instruments

Transaction Banking

- Cash Management Solutions
    - BankCom PAY
        - cashPAY
        - directPAY
        - checkPAY
        - govPAY
    - BankCom COLLECT
        - DepositCOLLECT
        - directCOLLECT
    - BankCom Business
- Digital Channels
    - BankCom [Personal] – Retail Online Banking (Web and Mobile App)
    - BancNet Point of Sale
    - Automated Teller Machines (ATM)
    - Cash Deposit Machine (CDM)
    - Cash Cards
    - Payment Solutions
- Remittance Services
    - SikapPinoy OFW Account

- SikapPinoy Asenso Program
- SikapPinoy Domestic Remit
  - Cash Pick-up at RD Pawnshop
- SikapPinoy International Remit
  - Credit to Accounts with Bank of Commerce
  - Credit to Accounts with Other Philippine Banks via PesoNet
  - Credit to Accounts with Other Philippine Banks via Instapay
  - Credit to Mobile Wallets (GCash, Maya, Coins.ph, GrabPay
  - Cash Home Delivery
  - Cash Pick-up Services via Bank of Commerce Branches from International Remittance Partners*
  - Cash Pick-up Services via Philippine Payout Partners:
    - M Lhuillier
    - Cebuana Lhuillier
    - LBC Express
    - Palawan Pawnshop
    - RD Pawnshop

- E-Government Payments of OFWs through International Remittance Partners*
  - SSS Contributions / Loan Payments
  - PhilHealth Contributions
  - Pag-IBIG Contributions / Loan Payments
- International Remittance Partners*
  - Al Ansari Exchange LLC (United Arab Emirates)
  - Arab National Bank – TeleMoney (Kingdom of Saudi Arabia)
  - Bank AlBilad – Enjaz (Kingdom of Saudi Arabia)
  - Family Express (Canada)
  - Eastern & Allied Pty Ltd – HaiHa Money Transfer (Australia)
  - MoneyGram (Global)
  - Pacific Ace Forex HK Ltd (Hong Kong)
  - Prabhu Money Transfer (Qatar)
  - TransFast (Global)
  - U Remit International Corp. (Canada)
  - Speed Money Transfer (Japan)

- International Trade Services
  - Import
    - Import Letter of Credit
    - Standby Letter of Credit (SBLC) / Bank Guarantees
    - Import Collections

- Documents Against Payment (DP)
- Documents Against Acceptance (DA)
- Trust Receipt Loan
- Payment Abstract Secure (PAS6) Enrollment and Bureau of Customs Duties & Taxes Payment
- Shipside Bond Guarantee
- Airway Bill Endorsement
- Foreign Exchange (FX) Purchase for Advance Payment of Importation
- Direct Remittance (DR)
- Open Account (OA) Arrangement

- Export
  - Export Bills for Collection
  - Export Bills Purchased
  - Export Advances
  - Export LC Advising / Confirmation / Transfer
- Domestic
  - Letter of Credit
  - Standby Letter of Credit / Bank Guarantees
  - Negotiation of Domestic Letter of Credit
- Supply Chain
  - Trade Finance Receivable

Corporate Banking Group

The Corporate Banking Group (CBG) achieved a modest 3.52% growth in its assets at end-2023 versus the previous year, amidst the resurgence of the lending environment in the local banking industry, coupled with stricter financial system regulations.

This performance was paralleled by a consistent double-digit growth in loan volume on an average daily balance (ADB) basis from 2022 to 2023.

The bulk of this expansion stemmed from significant deals with highly rated, credit-worthy companies in power and energy sectors, consumer finance, real estate, electronics and cement manufacturing.

The increased loan ADB volumes, along with higher loan rates, bolstered gross interest income. Nevertheless, this was tempered by a higher-than-expected rise in interest expense, resulting in a modest improvement in net interest income over the previous year.

In response to the high interest rate scenario, CBG capitalized on its strengths in the fee revenue business and other income streams. Through higher transaction fees, settlement gains, and dacion gains, CBG surpassed its 2022 non-interest income level by almost 50%.

Branch Banking Group

In 2023, The Bank commemorates its 60th anniversary with great enthusiasm and pride. To mark this significant milestone, Branch Banking Group (BBG) organized a series of celebratory events held in three distinct locations: Ilo-Ilo City, Mandaluyong City, and Clark Freeport Zone, Angeles, Pampanga. These events were a testament to BBG's enduring legacy and commitment to excellence.

BBG's anniversary festivities were not only a reflection of its remarkable journey but also a heartfelt expression of gratitude to its valued customers.

The BBG has demonstrated impressive growth and resilience in its financial performance, evident in its latest achievements. Notably, there was a 7.03% increase in CASA deposits, amounting to Php164.24 billion, driving the Bank's total deposits to Php185.91 billion at end-2023.

Moreover, through the collaborative efforts of various business units, BBG achieved remarkable milestones. These include the approval of 5,069 credit cards, the booking of Php1.95 billion in consumer loans, and the generation of foreign exchange gains as well as trust fees. Furthermore, BBG made strategic investments, as evidenced by the booking of Php2.26 billion Petron Preferred Shares and PHP6.72 billion San Miguel Corporation (SMC) Preferred Shares. These ventures not only demonstrate BBG's financial acumen but also underscore its adaptability in navigating unpredictable market conditions.

Overall, BBG's performance reflects its agility and effectiveness in responding to dynamic market landscapes while maintaining a strong financial footing. Such achievements reaffirm BBG's position as a leader in the banking sector and set a solid foundation for continued success in the future.

As we reflect on 60 years of success and growth, the BBG remains steadfast in its commitment to serving its customers by consistently delivering innovative products and services. Guided by the core principle of the Bank's proposition, "We think of the customer," we prioritize customer-centricity across all facets of our operations. Looking ahead, we will continue to strive to anticipate and fulfill the evolving needs of our esteemed clients, ensuring unmatched satisfaction and nurturing enduring relationships founded on trust and reliability. Here's to many more years of prosperity and partnership with BBG.

Transaction Banking Group

Transaction Banking Group (TBG) runs four businesses, namely, Cash Management, Trade, Remittance, and Digital Channels. Its key purpose is to increase overall flows from customers within the “ecosystem” by understanding their supply chain and providing electronic banking tools for it, thus becoming an avenue for incremental deposits, assets (trade finance), fees and foreign exchange (FX) to the Bank. Transaction flows which either originate or are fulfilled by these businesses generate revenue in the form of interest income and fee/non-interest income.

Cash Management and Digital Channels led TBG’s expansion in platform solutions. In financial terms, most of TBG’s income in 2023 was derived from interest income and the rest from fee revenues.

Cash Management
Cash Management solutions for corporates, such as checkPay, directPay, cashPay and govPAY, contributed significantly to TBG's deposit ADB in 2023. This was linked to the strategy of concentrating on key accounts aside from pursuing continual product development that led to the rollout of check releasing enters in 10 key cities in the Philippines, located within proximity to where a number of SMC business units operated.

Digital Channels
Similarly, BankCom experienced a double-digit growth in the retail segment particularly on domestic fund transfers, bills payments, and prepaid mobile phone reload made through its BankCom [Personal] mobile app and web channel managed by TBG's Digital Channels team.

Instapay and Pesonet transaction volume rose by 37% and transaction value by 31% year-on-year as Digital Channels bolstered product awareness through social media and maintained a conservative pricing throughout the year. Likewise, bills payments grew by nearly 20% in volume and more than 42% in value. Prepaid mobile phone reload garnered the highest growth in value at close to 50%.

The enrollment base of BankCom [Personal] has grown to 134,000 and continues to be an important source of transaction flows and deposit ADB from the retail segment. Heavier usage is expected as the QRPH functionality was deployed for peer-to-peer (P2P) and payments-to-merchants (P2M) transactions using QR codes.

Besides BankCom [Personal], the Digital Channels team also handled the rollout of new ATMs at strategic offsite locations in 2023.

Remittance
TBG's Remittance business expanded its network in 2023 by entering the Japan market, the 4th largest contributor to the Philippines' inbound remittances, following the US, Singapore, and Saudi Arabia.

BankCom launched SIKAPPINOY, an all-in-one-service program for OFWs residing in Japan which has widened the options for clients to remit money whether directly into their accounts with other banks, or into a number of e-wallets that are available in the Philippines. Prior to this, BankCom used to be present only in Australia, Middle East and certain Asian cities.

BankCom likewise rolled-out its SIKAPPINOY Asenso program (aptly named after the Filipino translation of "prosperity"), to support Japan-based OFWs and their families with practical business investments, providing them the confidence of a financially stable future. Asenso offers OFWs with over 200 franchising options in the Philippines through BankCom's partner, U-Franchise.

In 2023, TBG's Remittance business experienced a double-digit volume growth, mainly driven by the Middle East corridor.

Trade
TBG's Trade business maintained its double-digit performance in terms of trade-related contingent liabilities on the back of transaction flows, generated more than 100 new SMC ecosystem entities that deal with the SMC Group's food and beverage business units.

TBG's Trade business continues to be a key contributor to the Bank's fee business, providing about a third of its total composition.

With its key projects rolled out in 2023, TBG has prepared a lineup of features and solutions that BankCom clients can look forward to in the years ahead.

Investment Banking Group

The Investment Banking Group (IBG) generated more fee revenues of Php149 million in 2023, up from Php110 million in 2022, to posting a year-on-year growth of 35%. Adding to its banner year, were two IBG transactions recognized by Alpha Southeast Asia in the publication's 2023 Best Deals & Solutions Awards: the Php60 billion San Miguel Corporation Fixed Rate Bonds as Best Local Currency Bond Deal and the Php100 billion MRT-7 Project Finance Facility as Best Public-Private Project (PPP) & Blended Financing Infrastructure Deal. BankCom's investment banking business has shown to be in full swing as the number of capital raising transactions it has spearheaded and participated in increased significantly from the prior year.

Public Capital Raising
IBG marked its first capital market transaction for 2023 with an outstanding performance as the Joint Lead Underwriter & Joint Bookrunner that delivered the largest volume for the Php14.0 billion Petron Corporation Preferred Shares Follow-on Offering for Series 4A, 4B, and 4C (listed on the Philippine Stock Exchange on 7 July 2023). Despite challenging market conditions and competing investment opportunities, BankCom was able to deliver through its fully synched-up distribution channels and their respective operations divisions.

Following this successful run, BankCom, through IBG, was appointed as Joint Issue Manager and Joint Lead Underwriter & Joint Bookrunner for the Php34 billion San Miguel Corporation Preferred Shares Follow-on Offering for Series 2L, 2N, & 2O (listed on the Philippine Stock Exchange on 1 December 2023). BankCom was again the top performer in terms of volume generated among syndicate banks. As one of the Joint Issue Managers, BankCom spearheaded the issuance and ensured a timely listing to close the transaction before year-end.

Private Capital Raising
IBG has proven its expertise in the private capital space by arranging debt transactions for nation-building initiatives such as the 630MW power plant of Masinloc Power Partners Co. Ltd., the MRT-7 Project of SMC Mass Rail Transit 7, Inc., the Battery Energy Storage Systems of San Miguel Global Power, and the integrated port and cement production facility of Advantage Concrete Industries Corporation. Through innovative capital solutions, BankCom through IBG has provided financing for the various project sponsors in tandem with its Corporate Banking Group and alongside some of the largest banks in the country.

Continued Growth
2023 has been a year of exceptional growth in terms of deals and roles taken by IBG. The group eyes to continue this trajectory in the coming years as it builds its pipeline, expands its team, and paves its track record in other product offerings such as Advisory and Equity Capital Market transactions.

Treasury Management Group

Treasury Management Group (TMG) successfully navigated through the challenges of 2023. Its trading activity got a boost from its foreign exchange (FX) business. Gains from FX trading reached Php141 million as the previous years' efforts to expand FX flows continued to bear fruit in 2023. Competitive pricing and exemplary management of FX positions paved the way for a profitable year in FX. TMG, through its Foreign Exchange Sales Division, will endeavor to further increase volume and broaden its client base in 2024. Attention will also be given to third currencies. Vigilance in monitoring client requirements will be intensified to serve all FX needs of current clients.

Interest rates remained elevated in 2023 as inflation rose globally. Inflation pressures mounted as nations continued to feel the impact of various stimulus packages during the height of the pandemic. Domestic PH inflation peaked at 8.76% at the start of the year distorting projections for the entire year. In its bid to put a lid on inflation, the Bangko Sentral ng Pilipinas (BSP) delivered another 25-basis point hike in its policy rate in Q4 which brought the policy rate to 6.5%. Hope for rate cuts to start in 2023 eventually faded.

Consequently, TMG's fixed income business struggled due to this trend in interest rates. Despite this development, it was able to stay in the black in terms of income from sale of government securities thanks due to disciplined trading and prudence. Whatever opportunity was lacking in trading the fixed income market, TMG made up with hefty accrual income. For the year, total interest income from the Bank's securities portfolios aggregated to Php2.3 billion. It strategically took advantage of the high interest rate environment to slowly improve the yields of its Hold-to-Collect (HTC) and Hold-to-Collect and Sell (HTCS) portfolios. For 2024, TMG will continue to work on the development of bond futures to give it opportunity to express its views despite a rising interest rate environment. At the same time, it will keep on looking for opportunities to lock-in high yielding assets while yields are still on the high side.

TMG also helped Investment Banking Group in distributing the latter's primary issuances. The Group's Treasury Marketing and Sales Division (TMSD) was able to sell as much as Php5.4 billion. Anticipating further expansion in this area and aspiring to grow its fixed income flows business, it on-boarded a new Head for TMSD. For 2024, TMSD envisions to lay the ground work to build a strong fixed income flows business. This year, it plans to intensify its partnership with the Branch Banking Group and Corporate Banking Group to spot potential fixed income business for fresh and old accounts. Work on expanding product offerings to provide more value for clients will also be undertaken.

Moreover, TMG adopted a proactive approach to liquidity and asset liability management (ALM), thus ensured the continued stability and profitability of the Bank's balance sheet. Effective liquidity management involved monitoring and managing cash flows and maintaining a sufficient level of liquid assets while effective ALM involved maximizing profits while managing interest rate and liquidity risks on both the asset and liability sides of the balance sheet. In 2023, the strong loan growth and high interest rates primarily boosted net interest margin amid post-pandemic economic recovery. In addition, excess liquidity was deployed into assets with more favorable yields which helped drive increases in asset yields (up 179 bps) and ultimately, interest income. Funding costs, on the other hand, rose considerably (up 116 bps) given the elevated interest rate environment as well as to stem deposit outflows and support asset expansion. Nonetheless, the benefit from growing the balance sheet fully offset the increased funding costs. Consequently, the Bank's net interest income surged by 24.166% to Php8.310 billion in 2023 from a year ago, accounting for 83% share of total revenues and contributed largely to the Bank's record high net income of Php2.870 billion for the year. For 2024, to ensure the achievement of the NII target, TMG will focus on reducing funding costs, maintaining a balanced mix of earning assets and interest-bearing liabilities and capitalizing on opportunities arising from the Bank's solid balance sheet to counter the drag in net interest income caused by expected declining asset yields.

Consumer Group

For three straight years since the pandemic, Consumer Group (CoG) recorded improvements in its operating results characterized by year-on-year growth in interest income, non-interest income, and net profits. Throughout 2023, CoG focused on prudent lending practices and enhancing risk management strategies, which resulted in a notable reduction in non-performing loans. This improvement in asset quality reflected the Group's commitment to maintaining a healthy loan portfolio and mitigating credit risks effectively.

Despite the economic uncertainties, the consumer loan portfolio saw steady growth, driven by strategic product offerings and targeted marketing initiatives. The calibrated approach to lending proved to be a successful blueprint to drive improvements in revenues and asset quality.

Looking ahead to 2024, CoG is optimistic about the growth potential in the consumer lending market. With the Philippine economy poised for recovery and consumer confidence on the rise, CoG anticipates increased demand for credit products. CoG remains dedicated to delivering innovative solutions, expanding its market reach, and fostering long-term relationships with customers to capitalize on these opportunities.

In conclusion, 2023 has been a year of resilience and progress for BankCom. With a strengthened asset quality, a growing consumer loan portfolio, and a promising outlook for the future, the Bank is well-positioned to navigate the evolving landscape and sustain the growth in the years to come.

Trust Services Group

BankCom's Trust Services Group (TSG) maintained its Assets Under Management (AUM) at Php70.21 billion. The synergy between TSG and BBG has started to unlock numerous opportunities for SMC ecosystem clients to seek the Bank's trust products and services. It has completed its UITF Certification Program, with 170 certified UITF salespersons covering BanckCom's 140 branch network.

BankCom's Investment Management Account was stable at Php65.58 million, while Other Fiduciary Accounts AUM grew 8.6% to Php3.32 billion.

TSG continues to expand its reach in order to meet its 2024 target of a 20% compounded annual growth rate (CAGR) increase in both AUM and revenues. It has rolled out initiatives to create value for clients and key stakeholders by providing employees, suppliers, distributors, and consumers with relevant and appropriate programs to protect and grow their savings through prudent and informed investing.

Credit Card Group

Credit Card billings hit a record high of Php5.3 billion, reflecting the active cardholder base and successful marketing campaigns launched throughout the year. The continued growth in its revenues is an indication of growing consumer spend and confidence in the market. The consistent growth of billings and revenues is expected to continue as we build better card products and features. With the support of digital development and enhancement, BankCom is now able to provide online access to credit card accounts, a result of the continued efforts of Credit Card Group (CCG) to build a stronger cards business.

Debit cards also performed better than the previous year, reaching Php2.0 billion in retail billings and generating Php13.0 million in commission revenue. Debit card usage campaigns focused on online use, creating better customer product understanding, building the easy, convenient, and safe way to pay.

The Cards business will continue to grow guided by a seasoned and adaptive management team, and most importantly, with the customers always in mind.

Digital Services Group

Collaboration with strategic technology partners was forged or renewed in 2023 as this year marked a pivotal milestone in executing its technology strategy aligned with the overall business goals of growth as BankCom celebrates its 60 years of service.

Key highlights of the digital transformation projects include the implementation kickoff of BankCom's next generation corebanking system with Infosys' Finacle that will run on IBM's LinuxOne platform, deployment of NCR automated teller and cash recycling machines, the upgrading of its Corporate Internet Banking system with Solutions Exchange Inc., the expansion of the platform of BPC Technologies to include Fraud Management, to name a few. All these initiatives are aimed at improving operational efficiencies, enhancing customer experience, and driving growth and innovation.

Cybersecurity and Risk Management remain to be a priority IT investment to mitigate threats and ensure data protection and compliance with regulations. Performance Metrics and indicators related to IT performance, such as system uptime, response times, and user satisfaction including client facing systems were closely monitored for improvement. IT Talent Development and Management required innovation as well for retention and skills development through training opportunities and hands-on skills enhancement. The journey on data maturity continues levelling up from awareness to proficiency as transactional data are harnessed for actionable insights.

Definitely, BankCom will continue to leverage technologies to stay competitive and achieve strategic objectives.

Human Resource Management and Development Division

In the past year, the Human Resource Management and Development Division (HRMDD) has made significant strides in improving employee retention through various initiatives.

To mitigate attrition and enhance employee satisfaction, HRMDD, through management's and Board's support, initiated salary adjustments resulting from the engagement of Willis Towers Watson (WTW). By conducting thorough market research and benchmarking analyses, HRMDD and WTW identified areas where adjustments were necessary to remain competitive in the talent market. These adjustments were complemented by enhancements to employee benefits.

To address vacancies brought about by the high attrition in 2022 and ensure the steady influx of talent, HRMDD enhanced its recruitment strategies. The employee referral program incentives were significantly increased to encourage employees to refer qualified candidates. HRMDD continued to participate in job fairs to connect with potential candidates and maximize the visibility of the Bank and its job opportunities. Furthermore, it leveraged the Bank's social media and website to reach a wider audience and attract top talent to join the Bank. These initiatives improved the overall hiring numbers for the year.

Acknowledging the importance of employee appreciation in fostering a positive work culture, HRMDD organized various activities and events throughout the year to celebrate the hard work and dedication of employees. The donuts and coffee as well as the block screening events were a welcome treat for our hardworking employees. HRMDD spearheaded the Bank's Christmas Party and the celebration of the Bank's 60th Anniversary. This is the first bank-wide face to face activity since the pandemic. BankCom employees also participated in San Miguel Corporation's (SMC) sports tournaments where BankCom finished as champion of badminton and darts and runner-up for chess, bowling, and billiards. These initiatives not only boosted employee morale but also reinforced a sense of belonging and camaraderie within the organization as well as the SMC group.

Promoting employee well-being was also a focus of HRMDD where regular infographics related to physical, mental and emotional health were shared with the employees. HRMDD, through its wellness partners, provided counseling services to employees upon request to ensure their well-being are prioritized.

Investing in employee development, HRMDD implemented comprehensive training programs aimed at enhancing skills, knowledge, professional conduct, and others, to pave the way for career growth opportunities. These programs covered various areas such as leadership development, technical skills training and personal development workshops. HRMDD partnered with the Bank's subject matter experts on the conduct of in-house and e-learning programs and with external providers such as Bankers Institute of the Philippines (BAIPHIL), Ateneo Graduate School of Business and Asian Institute of Management, among others. By empowering employees with the necessary tools and resources to succeed, BankCom fostered a culture of continuous learning and professional growth within the organization.

Recognizing the evolving nature of the business environment, HRMDD in coordination with the concerned units, continued to review and update job roles and responsibilities. This proactive approach ensures that the workforce remains agile and adaptable to changing industry trends and business needs. By aligning job roles with the strategic objectives of the organization, we optimize employee productivity and performance, driving overall business success.

One of the major accomplishments of HRMDD and the Bank's Management Panel was the successful negotiation and implementation of the collective bargaining agreement. This not only ensured fair and equitable treatment of employees but also strengthened the relationship between the organization and its workforce. Through transparent communication and collaborative efforts, the Bank of Commerce Employees Union (BCEU) and Management were able to reach mutually beneficial terms that align with the organization's goals while addressing the need and concerns of employees.

Management and HRMDD remain committed to continuously enhancing employee experience and driving positive organizational outcomes for all.

CUSTOMERS

The Bank is not dependent upon a single customer, the loss of which would have a material adverse effect on the registrant. There is no single customer that accounts for at least 20% of the Bank's total loan portfolio.

EMPLOYEES AND LABOR RELATIONS

As of 31 December 2023, the Bank had a total of 1,976 employees, 979 of which are engaged in a professional management capacity and classified as bank officers, and 997 were classified as rank-and-file employees.

The Bank fosters positive relations with and among its employees. It ensures that appropriate training and employee relations activities are available to employees at all levels.

The Bank's staff employees are members of the Bank of Commerce Employees Union ("BCEU"), except for employees holding confidential positions and belonging to the Information Technology Services Division. BCEU has been the sole and exclusive bargaining representative for all the regular rank-and-file employees of the Bank since 22 July 1986. The Bank and BCEU have a Collective Bargaining Agreement ("CBA") that governs the terms and conditions of employment of the staff. The existing CBA is valid until expired on 30 June 2025.

As of 31 December 2023, BCEU has a total of 781 members. None of the Bank's employees are on strike or have been on strike in the past three (3) years. To the best knowledge of the Bank, as of the date of this filing, there are no outstanding threats to strike from BCEU or any outstanding dispute with the BCEU.

The following table presents the number of employees by category as of the dates indicated:

	As of 31 December	
	2022	2023
Rank and File	959	997
Officers	906	979
Total	**1,865**	**1,976**

Significant Employees

While the Bank values the contribution of each employee, the Bank believes that there is no employee as of the date of this filing that whose resignation or loss would have a material adverse impact on the business.

Retirement Plan

The mandatory retirement age for a Bank employee is 60. The Bank has a funded non-contributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than ten (10) years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least ten (10) years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits, such retirement benefits shall be subject to the pertinent requirements of the BIR.

An employee who has at least 5 years of service as a regular employee, shall be eligible to the resignation benefits if he resigns, subject to the pertinent requirements of the BIR.

The Bank's retirement plan is registered with the BIR as a tax-qualified plan and complies with the minimum retirement benefit specified under the law. The retirement fund is managed and administered by the Bank's Trust Services Division which is covered by an Investment Management Account.

Compensation Policy

The Bank observes overall compensation program on par with industry standards and aligned with the requirements of labor laws, rules, and regulations. The program considers performance and is commensurate with the individual's qualifications, experience, and expertise. Corollary to this, the Bank utilizes data gathered from industry survey to ensure that remuneration packages of the employees are within industry standards. Likewise, employee performance is recognized through periodic performance assessments. This process provides the measure for commensurate salary increases and performance bonuses.

Insurance Policy

The Bank provides its regular employees with group life insurance and medical and hospitalization insurance coverage in line with good business practice and in accordance with Philippine standards. Insurance premium payments for these policies are paid entirely by the Bank.

BRANCH NETWORK

As of December 31 2023, the Bank has a total branch network of 140 branches nationwide, 62 in Metro Manila and 78 across various cities and provinces. As of year-end, three (3) out five (5) branches approved for relocation were completed, and the other two are set for Q1 and Q2 of 2024. Some branches have been renovated to reflect the Bank's new standard look and feel, while some branches were strategically repositioned to sites that have more business potential and market accessibility.

The following table illustrates the coverage of the Bank's network in recent years and sets forth the number of branches as of 31 December 2022 and 2023:

	As of 31 December	
	2022	**2023**
Metro Manila	62	62
Luzon	43	43
Visayas	22	22
Mindanao	13	13
Total Bank Branches	**140**	**140**

Moving forward, the Bank aims to expand its reach, gain more market share, and secure its customer base through a coordinated physical and digital strategy which uses relevant, cost-effective technologies to enable a more segment-driven delivery of branch banking services.

ATM NETWORK

As of end-2023, the Bank has completed re-fleeting its ATM network. The new machines offer advanced security features and a user-friendly touch screen interface that aim to provide an enhanced banking experience that matches the evolving needs of its valued clients.

The ATM re-fleeting project is one of the priority items under the Bank's 5-year IT investment and digitalization program. Almost 300 combined ATMs and cash recycling machines (CRMs) are to be installed within the Bank's branches and strategic off-site locations.

The new ATMs supplied by NCR Corporation, the world's leading enterprise provider of software, hardware and services for banks and other industries, feature enhanced security measures to protect customer transactions and personal information, thereby providing peace of mind to users. Moreover, the user-friendly touch screen interface of the ATMs simplifies the banking process, enabling customers to conveniently perform various transactions such as withdrawals, balance inquiries, fund transfers, among others.

The following table shows the strategic and geographical locations of the ATMs:

	As of 31 December	
	2022	2023
Metro Manila	111	103
Luzon	92	90
Visayas	34	33
Mindanao	22	16
Total ATMs	**259**	**242**

CORPORATE AND SOCIAL RESPONSIBILITY

Throughout the year, the Bank has exemplified its dedication to Corporate Social Responsibility (CSR), emphasizing not only its financial performance but also its role in fostering positive impacts within the communities it operates and contributing to broader societal welfare in support of nation-building initiatives. The Bank's CSR initiatives underscore its proactive engagement in community affairs, striving to be an integral part of problem-solving endeavors. This year's initiatives include:

Navotas Coastal Clean-up. In September, BankCom employees participated in the annual Coastal Cleanup organized by the San Miguel Foundation Inc. (SMFI) at the Tanza Marine Tree Park in Navotas. The event aims to address the pressing issue of marine pollution. With 600 volunteers, including BankCom employees, the cleanup gathered 2,276 kilograms in just six (6) hours, underscoring the foundation's commitment and marking a notable victory for ocean and waterway preservation efforts.

One Good Deed Day. During Team Malasakit's annual "One Good Deed Day" initiative in December, BankCom employees showed their enthusiasm by actively participating in this yearly observation. "One Good Deed Day" is an annual outreach program that pulls together volunteers from San Miguel Corporation to do one act of kindness each in their respective communities. This one-day event highlights the importance of financial contributions as well as the physical act of being with the beneficiaries. Through this initiative, BankCom employees demonstrated their commitment to making a difference by generating monetary donations totaling P37,900 and providing P15,000 worth of in-kind donations, including Christmas baskets and toys for children.

Mt. Purro Nature Reserve Seed Potting Activity. BankCom's commitment to protecting the environment and engaging with the community was put into action when members of its Senior Executive Team and branch and head office employees participated in a seed potting activity at the picturesque Mt. Purro Nature Reserve in Antipolo in December. Split into two batches, they collectively potted a total of 300 seeds, highlighting their dedication to nurturing sustainable ecosystems and safeguarding natural habitats. This initiative not only had a tangible impact on the environment but also promoted a sense of unity, purpose, and shared responsibility among BankCom's employees.

Joining BankCom in this partnership for the environment were the administration and faculty of Diliman Preparatory School and Diliman College led by their president and former Philippine Senator, Ms. Anna Dominique ML. Coseteng.

Showing strong leadership, BankCom's President and CEO, Mr. Michelangelo R. Aguilar, pledged to make this initiative an annual event, emphasizing the Bank's ongoing commitment to environmental stewardship.

BankCom Financial Literacy Program. With the goal of leading in pursuing financial literacy within the San Miguel Group, BankCom led by its Consumer Protection Department, working together with Branch Banking Group and Trust Services Group, rolled out its FinLit Program in different locations and across various consumer segments this year. Focusing on educating people about important financial concepts such as saving through different bank products, understanding factors to consider before borrowing money, and highlighting the importance of online banking, BankCom successfully reached nearly 2,000 individuals nationwide, comprising of students and school faculty, government employees, and employees of SMC andother private entities.

Sponsorships for a Cause. This year, BankCom has been actively involved in sponsoring initiatives aimed at supporting various social causes including education, children's rights, and healthcare. This involvement began in April with a donation to the Rotary Club of Makati Dasmarinas (RCMD). The funds were designated for medical assistance, counseling services, basic needs provision, and environmental care. The Bank contributed to San Roque National High School's Brigada Eskwela program in October. This program, conducted annually, seeks to improve Philippine public school facilities by engaging the community in volunteer efforts. The goal is to create safe and conducive learning environments for students through collective action. In November, a sum was given to PhilAm International Nourishment of Youth, Inc. (P.I.N.O.Y., Inc.), an organization committed to enhancing the lives of underprivileged and abused children through various means including educational support, counseling, and recreational programs.

Item 2. PROPERTIES

The Bank’s head office is located at San Miguel Properties Centre, No. 7, St. Francis Street, Mandaluyong City. Its Main Office Branch is located in the same building.

The Bank leases the premises occupied by most of its branches and area offices. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 3% to 10%.

The Bank leases out some properties as office space. These non-cancellable have remaining lease terms ranging from 1 to 10 years.

Location	As of 31 December	
	2022	2023
Owned Branches		
Metro Manila	4	4
Luzon	3	3
Visayas	1	1
Mindanao	1	1
TOTAL	**9**	**9**
Leased Branches		
Metro Manila	58	58
Luzon	40	40
Visayas	21	21
Mindanao	12	12
TOTAL	**131**	**131**

In addition, the Bank has a total of 2,344 Real and Other Properties Acquired for settlement of loans through foreclosure or dacion en pago broken down as follows:

Property Type	Count as of 31 December 2023
Condominium	199
Condominium and Parking	9
Condominium Parking	53
Land	1,732
Land and Building	331
Townhouse	20
TOTAL	**2,344**

Item 3. LEGAL PROCEEDINGS

The Bank is involved in various pending legal proceedings, claims and investigations. Summaries of the more significant of these cases are set out below. Management nonetheless believes that none of the proceedings presently involving the Bank will (even if resolved against the Bank) have a material adverse effect on the Bank's operations, properties, assets, conditions (financial or otherwise), results of operations or profits, or on its ability to discharge its obligations.

Anti-Money Laundering Council – Violation of AMLA

The Bank allegedly submitted covered transaction reports ("CTR") to the Anti-Money Laundering Council ("AMLC") beyond the 5-day reglementary period. The AMLC Secretariat thus charged the Bank with "non-compliance with the requirement to report covered and suspicious transactions," sanctioned as a "major violation" under the Rules on the Imposition of Administrative Sanctions (RIAS) under Republic Act No. 9160, as amended. The Bank responded to the AMLC's charge and explained that it should not be held liable under the RIAS because it had filed CTRs and substantially complied with the requirements of Philippine anti-money laundering laws and regulations. Additionally, the Bank pointed out that it implemented improvements to its reporting system.

Notably, a majority of the universal and commercial banks in the Philippines are faced with the same predicament. While the case was pending, the AMLC issued the Rules of Procedure in Administrative Cases (“RPAC”) which repealed the RIAS. The RPAC, under Rule 2 Section 3 (e), allows the striking out of a case (as if no case was filed) upon payment of the appropriate assessment, which ranges from ₱5,000,000.00 to ₱10,000,000.00. The Bank filed a manifestation and motion proposing to avail itself of this benefit under Rule 2 Section 3(e) of the RPAC, that AMLC accepted. AMLC also acknowledged payment from the Bank of the assessed amount of P5,000,000.00 and ordered the case to be stricken off the record.

Presidential Commission on Good Government - Reconveyance of Assets

The Presidential Commission on Good Government (“PCGG”) brought an action before the Sandiganbayan for reconveyance of assets relative to alleged ill-gotten wealth of former President Ferdinand Marcos claimed to have been deposited with Traders Royal Bank (TRB). The Bank was impleaded as additional defendant in an amended complaint as successor-in-interest of TRB, citing their Purchase & Sale Agreement (“PSA”). The Bank raised the defense that it did not acquire the disputed assets which were specifically excluded from the assets acquired and/or liabilities assumed from TRB under the PSA. The Sandiganbayan rendered a decision finding TRB liable for the alleged ill-gotten wealth of the former President but dismissed the case insofar as the Bank is concerned, affirming the Bank’s position on exclusion of the disputed assets from the PSA and declaring that there was no merger between the two banks. The PCGG filed a motion for partial reconsideration with respect to the dismissal of the case in favor of the Bank. The Sandiganbayan denied the Motion for Partial Reconsideration filed by the PCGG, and maintained its decision absolving the Bank from PCGG’s claim on the alleged ill-gotten wealth. PCGG filed a petition for review with the Supreme Court and the bank filed its comment thereto.

College Assurance Plan Philippines Inc. - Corporate Rehabilitation

The controversy originated from proceedings for corporate rehabilitation of College Assurance Plan Philippines Inc. (“CAPPI”). Trustee, Philippine Veterans Bank (“PVB”), and CAPPI claimed “interest” or dividends on the Bank's preferred shares that it redeemed from CAPPI, insisting that interest thereon is due. The Bank countered that payment of dividends requires BSP approval and that is not liable to pay “interest” or dividends in the absence of retained earnings. Pending resolution of the issue, an escrow fund was set up with PVB-Trust. The BSP subsequently disapproved the issuance of dividends by the Bank. Notwithstanding, the trial court ordered PVB-Trust to release funds from the escrow for payment of the interest “due and payable” on the redeemed preferred shares. Before the Bank received the order, PVB-Trust released the corresponding amount to CAPPI. The Bank elevated the matter to the Court of Appeals which decided in its favor, ordering CAPPI to return the amount it received from PVB. CAPPI and PVB filed separate petitions before the Supreme Court assailing the decision of the Court of Appeals. The Bank received the Supreme Court decision reversing the Court of Appeals and declaring the validity of the release of funds from escrow that was implemented pursuant to the court order. The Bank filed a motion for reconsideration of the Supreme Court’s decision. The decision of the Supreme Court will not have a material adverse effect on the Bank’s business operation or financial position since this civil action filed by the Bank is for the return of the funds subject of the case that were in escrow and previously released by PVB-Trust.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDINGS

On April 25, 2023, the stockholders of the Bank held a special meeting, where 81.91% of the outstanding capital stock present or represented by proxy approved the following:

1. Minutes of the Regular Meeting of Stockholders on April 29, 2022
2. Management Report of the Bank for the Year ended December 31, 2022
3. Ratification of all the acts of the Board of Directors and Officers since the 2022 Annual Stockholders' Meeting
4. Confirmation of the Bank's Significant Transaction with DOSRI and Related Parties
5. Approval of Director's Fees
6. Amendment to Article Seventh of the Amended Articles of Incorporation of the Bank to Increase the Authorized Capital Stock
7. Amendments to Section 2 Article II and Sections 1, 4, 5, 8, and 9 Article III of the Amended By-laws of the Bank
8. Appointment of External Auditors; and
9. Election of the Board of Directors

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Stock Price

The Bank's common shares were listed on March 31, 2022 and traded at the Philippine Stock Exchange (PSE). The high and low prices for each quarter of 2023 are as follows:

		Q1	Last Practiceable Trading Date	Q2	Last Practiceable Trading Date	Q3	Last Practiceable Trading Date	Q4	Last Practiceable Trading Date
2023	High	7.99	3.31.23	6.89	6.30.23	7.50	9.29.23	7.27	12.29.23
	Low	7.80	3.31.23	6.72	6.30.23	7.25	9.29.23	7.00	12.29.23

Source: Philippine Stock Exchange

As of February 29, 2024, the closing price of the Bank's common shares is pegged at Php6.26.

HOLDERS OF SECURITIES

The authorized common and shares as of December 31, 2023 amounted to ₱17 billion and ₱4.6 billion, respectively.

CORPORATE NAME:	BANK OF COMMERCE			
CAPITAL STRUCTURE				
AUTHORIZED CAPITAL STOCK				
	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (Php) No. of Shares X Par/Stated Value
	Common	1,702,511,470	10.00	17,025,114,700.00
	Preferred	455,000,000	10.00	4,550,000,000.00
TOTAL		**2,157,511,470**		**21,575,114,700.00**

SHAREHOLDERS

The following table sets out the 20 largest shareholders of the Bank as of December 31, 2023:

	Title of Class of Securities	Name of Record Owner	Citizenship	Number of Shares Held	% of ownership
1	Common	SMC Equivest Corporation	Filipino	68,305,560	26.6515%
	Preferred			416,666,670	
2	Common	San Miguel Properties, Inc. (SMPI)	Filipino	447,711,800	24.6039%
3	Common	San Miguel Corporation Retirement Plan	Filipino	432,626,860	23.7749%
4	Common	PCD Nominee Corporation	Filipino	153,046,054	8.4106%
5	Common	PCD Nominee Corporation	Non-Filipino	140,277,966	7.7089%
6	Common	Caritas Health Shield, Inc.	Filipino	109,666,640	6.0267%
7	Common	AlexCorp Profits Limited, Inc.	BVI	14,749,100	0.8105%
8	Common	Q-Tech Alliance Holdings, Inc.	Filipino	12,171,660	0.6689%
9	Common	PVB-TMG as Trustee for Comprehensive Annuity Plan Pension Trust Fund	Filipino	4,980,980	0.2737%
10	Common	PVB-TMG as Trustee for College Assurance Plan Phils., Inc. Retirement Fund	Filipino	3,673,860	0.2019%
11	Common	Comprehensive Annuity Plan Pension Trust Fund	Filipino	3,626,870	0.1993%
12	Common	Cabien Corporation	Filipino	3,600,650	0.1979%
13	Common	RDA Holdings	Filipino	2,163,850	0.1189%
14	Common	JGF Holdings, Inc.	Filipino	2,163,850	0.1189%
15	Common	BIC Management and Consultancy, Inc.	Filipino	1,476,350	0.0811%
16	Common	Bank of Commerce - Trust Services Group as Trustee for Bank of Commerce Retirement Plan	Filipino	730,670	0.0402%
17	Common	Ester Reyes Querido	Filipino	674,800	0.0371%
18	Common	Antonio Tan Tan	Filipino	414,900	0.0228%
19	Common	Rockshed Management, Inc.	Filipino	187,600	0.0103%
20	Common	Commerce & Trade Insurance Brokerage Inc.	Filipino	147,190	0.0081%

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets out the shareholding interests of the Bank's directors and senior management as of December 31, 2023:

DIRECTORS

Title of Class	Name of Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership		% of Total Outstanding Shares
Common	Francis C. Chua	Chairman	Filipino	Direct	10	NIL
Common	Benedicta Du-Baladad	Vice-Chairperson	Filipino	Direct	10	NIL
Common	Michelangelo R. Aguilar	President and CEO / Director	Filipino	Direct	10	NIL
				Indirect	40,100	NIL
Common	Roberto C. Benares	Director	Filipino	Direct	10	NIL
Common	Fe B. Barin	Director	Filipino	Direct	10	NIL
Common	Marito L. Platon	Director	Filipino	Direct	10	NIL
Common	Mariano T. Katipunan, Jr.	Director	Filipino	Direct	10	NIL
Common	Alexander R. Magno	Director	Filipino	Direct	10	NIL
Common	Melinda Gonzales-Manto	Director	Filipino	Direct	10	NIL
				Indirect	83,300	NIL
Common	Jose Carmelo C. Nograles	Independent Director	Filipino	Direct	10	NIL
Common	Rebecca Maria A. Ynares	Independent Director	Filipino	Direct	10	NIL
Common	Ricardo D. Fernandez	Independent Director	Filipino	Direct	10	NIL
Common	Daniel Gabriel M. Montecillo	Independent Director	Filipino	Direct	100	NIL
Common	Simon R. Paterno	Independent Director	Filipino	Direct	100	NIL
Common	Leonardo J. Matignas, Jr.	Independent Director	Filipino	Direct	100	NIL
	TOTAL				**123,820**	NIL

Key Officers

Title of Class	Name of Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership		% of Total Outstanding Shares
Common	Michelangelo R. Aguilar	-same as above-				
Common	Evita C. Caballa	Corporate Secretary	Filipino	Direct	10	NIL
Common	Felipe Martin F. Timbol	Treasurer / Head, Treasury Management Group	Filipino	Indirect	110,500	NIL
Common	Mary Assumpta Gail C. Bautista	Head, Transaction Banking Group	Filipino	Indirect	10,100	NIL
Common	Gamalielh Ariel O. Benavides	Chief Trust Officer	Filipino	Indirect	100	NIL
Common	Manuel A. Castaneda III	Head, Corporate Banking Group	Filipino	Indirect	20,100	NIL
Common	Maria Ana P. dela Paz	Head, Credit Group	Filipino	Indirect	8,100	NIL
Common	Ma. Katrina A. Felix	Head, Credit Card Group	Filipino	Indirect	30,100	NIL
Common	Louella P. Ira	Asst. Corporate Secretary / Head, Legal Services Division	Filipino	Indirect	8,500	NIL
Common	Antonio S. Laquindanum	Chief Financial Officer/Head, Finance and Controllership Group	Filipino	Indirect	60,000	NIL
Common	Marie Kristin G. Mayo	Head, Human Resources Management and Development Division	Filipino	Indirect	5,100	NIL
Common	Reginald C. Nery	Chief Audit Executive	Filipino	Indirect	100,100	NIL
Common	Jeremy H. Reyes	Chief Risk Officer	Filipino	Indirect	5,100	NIL
Common	Jay S. Velasco	Head, Operations Group	Filipino	Indirect	8,100	NIL
Common	Jose Mari M. Zerna	Head, Consumer Group	Filipino	Indirect	8,100	NIL
Common	Marie Suzanne S. Sevilla	Chief Information Officer/Head, Digital Services Group	Filipino	NONE		NIL
Common	Fancisco Raymund P. Gonzales	Corporate Communication & Consumer Protection Division Head	Filipino	Indirect	20,100	NIL
Common	Gregorio M. Yaranon	Chief Compliance Officer	Filipino	NONE		NIL
Common	Luis Martin E. Villalon	Head, Investment Banking Group	Filipino	Indirect	15,600	NIL
	TOTAL				**409,710**	NIL

Voting trust holders of 5% or more

The Bank is not aware of shareholders holding any Voting Trust Agreement for shares constituting 5.0% or more of the outstanding capital stock, or any such similar agreement.

Change in control of the registrant since beginning of last fiscal year

There has been no change in the control of the Bank since the beginning of its last fiscal year.
Dividends

The Board will periodically review the amount of dividends to be paid and the frequency of dividend payment in light of the Bank's earnings, financial condition, cash flows, capital requirements and other considerations while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Bank can operate on a standalone basis. The Bank will also need to verify that it has all the required approvals from regulatory bodies before issuing dividends.

Dividends shall be declared and paid out of the Bank's unrestricted retained earnings which shall be payable in cash, property, or stock to all shareholders on the basis of the outstanding capital stock held by them. Unless otherwise required by law, the Board, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- The level of the Bank's earnings, cash flow, return on equity and retained earnings;
- Its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- The projected levels of capital expenditures and other investment programs;
- Restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements;
- The classes of shares held by the shareholders; and/or
- Such other factors as the Board deems appropriate.

The Bank cannot provide any assurance that it will pay any dividends in the future.

Currently, the Bank does not have a formal dividend policy approved by the Board.

The Bank has not had any dividend declarations within the last two years.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Statement of Income for the Year Ended December 31, 2023 vs December 31, 2022

For the year ending December 31, 2023, Bank of Commerce posted a Net Income of Php2.80 billion, 55.67% higher than the Php1.80 billion in the same period in 2022. The growth was backed by growth in core lending business, service charges, fees, and commissions, and gains on foreclosure and sale of property and equipment and foreclosed assets.

Net Interest Income increased by 24.16% to Php8.30 billion, from Php6.68 billion in the previous year. Interest income on loans and receivables amounted to Php8.24 billion, Php2.78 billion higher than the Php5.47 billion the prior year. Interest Income on Loans benefitted from the high interest rate environment and volume growth. Interest income on investment securities and financial assets grew by 34.56% to Php2.27 billion owing increase in securities. Interest income on interbank loans receivable and securities purchased under resale agreements rose to Php875.71 million, almost 2x the Php539.16 million. Interest income on due from BSP and other banks also grew by 35.67% to Php372.91 million from the Php274.86 million.

Interest Expense totaled Php3.47 billion, 2.7x the Php1.28 billion in the same period last year on account of higher cost of funds as interest expense on deposit liabilities increased by Php1.94 billion to Php2.97 billion. Interest on bonds payable increased more than 2x to Php412.99 million due to the maiden issuance of Php7.5 billion 2-year bonds. Meanwhile interest expense on bills payable and lease liabilities also grew by 4.37% and 16.46%, respectively, to Php49.10 million and Php32.82 million from obtaining deposit substitutes.

Net Interest Income rose by 24.16% to Php8.30 billion, up from end-2022's Php6.68 billion as Interest Income outpaced the growth in Interest Expenses. This translated to a net interest margin ratio of 4.28%, higher than the previous year's 3.73%.

Total Other Income rose to Php1.68 billion, 17.04% or Php244.41 million greater than Php1.43 billion last year. Service charges, fees and commissions grew by Php28.75 million to Php886.38 million, owing to the investment banking, credit card and trust. Trading and investment securities gains posted Php10.60 million, recovering Php39.82 million from the loss sustained last year. Foreign exchange gains, slowed down by 6.12% to Php141.12 million, from the prior year's Php150.32 million. Gains on foreclosure, and sale of property and equipment and foreclosed assets increased to Php495.40 million, 45.51% up from Php340.45 million on the back of 4.3x rise in foreclosure related revenues. Miscellaneous income picked up by 26.13% to Php145.28 million due to higher recovery on charged-off assets.

Total Expenses, excluding provision for credit and impairment losses, was up by 12.32% to Php6.16 billion. Compensation and fringe benefits increased to Php2.26 billion, 18.56% higher than Php1.90 billion mainly due to the 111 (from 1,865 in 2022) additional manpower. Taxes and licenses increased by 12.23% to Php1.06 billion mainly due to growth in revenues. Rent and utilities increased by Php16.15 million to Php647.70 million owing to the rise in security, repairs and maintenance, power, light and water expenses. Depreciation and amortization grew by 13.37% to Php489.38 million due to higher depreciation expense on foreclosed assets and computer equipment. Service fees and commissions increased by 42.48% to Php417.92 million due to higher commissions and other transaction fees. Subscriptions also grew 1.5x to Php188.45 million driven by higher IT related subscriptions. Management and professional fees went up by 29.76% to Php140.88, while Amortization of Software costs increased modestly by 5.03% to Php76.74 million.

On the other hand, Insurance registered a 0.94% drop to Php345.08 million on the back of lower PDIC insurance on peso deposits. Entertainment and recreation expenses likewise declined by 84.07% to Php12.14 million as the Bank focused on business related entertainment and recreation expense savings to offset increased spending on ATMs/Computer equipment, IT software, and employee compensation. Miscellaneous expenses declined by 4.90% to Php519.79 million from Php546.58 million on account of lower legal expenses.

Provisions for credit and impairment losses amounted to Php78.85 million, substantially lower than last year's Php166.21 million, reflecting strength in asset quality due to the Bank's focused risk appetite.

The Bank's share in the net loss of associate is at Php0.78 million in 2023, almost 6x the Php0.13 million last year.

Income Tax Expense posted Php933.89 million, 40.15% up from the Php666.36 million in 2022.

Statement of Comprehensive Income for the Year Ended December 31, 2023 vs December 31, 2022

The Bank posted a Total Comprehensive Income of Php2.82 billion, 2x the Php1.41 billion recorded in 2022. The increase resulted from higher profit in 2023 and net change in net unrealized losses of debt securities at FVOCI amounting to Php308.41million owing to the high interest rate environment.

Statement of Condition as of December 31, 2023 vs December 31, 2022

The Bank's Total Assets at end-2023 grew by 6.51% or Php14.15 billion to Php231.67 billion, primarily driven by the expansion in loans and other receivables, investment securities as well as interbank loans receivables.

Loans and Receivables-net, accounting for almost 50% of total assets, rose by Php4.47 billion to Php109.57 billion mainly driven by the increase in corporate loans. The Bank's loan-to-deposit ratio was recorded at 69.67%.

Investment Securities also grew by 9.45% to Php63.91 billion, from Php58.39 billion on the back of growths in financial assets at fair value through other comprehensive income and investment securities at amortized cost.

Interbank Loans Receivable amounted to Php20.11 billion, 9.43% higher than Php18.38 billion at end-2022. Cash and Other Cash Items increased by 27.99% to Php3.50 billion. Due from Bangko Sentral ng Pilipinas (BSP) and Other Banks reached Php25.33 billion, up by 2.46% from last year's Php24.72 billion.

Property and Equipment and Investment Properties grew by Php365.78 million and Php276.14 million, respectively, to Php1.79 billion and Php3.68 billion. The increases were due to new ATMs and additional office equipment, such as, but not limited to, computers. Moreover, Other Assets posted Php3.27 billion, 20.18% more than the Php2.72 billion last year, on account on higher prepaid tax.

On the other hand, Investment in Associate and Deferred Tax Assets registered 10.09% and 22.34% declines to Php35.53 million and Php475.33 million, respectively.

Deposit Liabilities, comprising 80.25% of the total assets, increased by 5.47% to Php185.91 billion supported by the 7.03%. Expansion in deposits came from demand and savings accounts but was softened by the 6.49% decrease in time deposits. Bonds payable remained at Php7.48 billion. Accrued Interest, Taxes and Other Expenses and Manager's Checks both increased by Php221.42 million and Php1.19 billion, respectively, to Php1.39 billion and Php1.85 billion. Other Liabilities, meanwhile, rose by Php242.85 million to Php4.19 billion at end-2023.

The Bank's capital base was at Php30.85 billion as of December 31, 2023, 10.06% higher than the Php28.03 billion in the previous year, boosted by the better than expected net income as of end-2023.

Key performance indicators of the Bank are as follows:

	2023	**2022**
Return on Average Assets	1.25%	0.86%
Return on Average Equity	9.52%	7.01%
Cost-to-Income Ratio	61.75%	67.56%
Net Non-Performing Loan Ratio	0.44%	0.60%
Capital Adequacy Ratio	19.98%	17.97%

The manner by which the Bank calculates the above indicators is as follows:

Return on Average Assets: Net income divided by average total resources for the period indicated

Return on Average Equity: Net income divided by average total capital funds for the period indicated

Cost-to-Income Ratio: Total operating expenses divided by the sum of net interest income and other income

Net Non-Performing Loan Ratio: (Total non-performing loans less specific loan loss reserves for NPL) divided by (total loans inclusive of interbank loans receivables)

Capital Adequacy Ratio: Total qualifying capital divided by total risk-weighted assets (inclusive of credit, market, and operational risk charge)

Statement of Income for the Year Ended December 31, 2022 vs December 31, 2021

For the year ending December 31, 2022, Bank of Commerce posted a Net Income of Php1.80 billion, 49.18% increase from the Php1.21 billion for the same period last year. The growth was primarily driven by higher net interest income, service charges, fees, and commissions, foreign exchange and gains on foreclosure and sale of property and equipment and foreclosed assets.

Total Interest Income amounted to Php7.97 billion, 30.69% up from Php6.10 billion last year. Interest income on loans and receivables increased by 27.56% or Php1.18 billion to Php5.47 billion amid the rising yields and average volume of loans. Interest income on investment securities went up by 33.21% or Php420.4 million to Php1.69 billion resulting from the additional purchase of securities. Interest income on interbank loans receivable and securities purchased under resale agreements increased to Php539.16 million, 70.47% up from the Php316.28 million. Interest income on due from BSP and other banks likewise grew by 20.32% to Php274.86 million from the Php228.43 million.

Total Interest Expense increased to Php1.28 billion, 84.13% up from the Php696.99 million in the same period last year mainly due to higher interest expense on deposit liabilities, up by 60.30% to Php1.03 billion owing to higher interest rates. Interest on bonds payable amounted to Php173.78 million resulting from the maiden issuance of Php7.5 billion 2-year bonds. Meanwhile interest expense on bills payable and others also rose by 181.83% to Php47.04 million on account of interest expense related to ROPA. On the other hand, interest expense on lease liabilities declined by 19.57% to Php28.18 million.

Net Interest Income for 2022 increased to Php6.68 billion, up 23.79% from last year’s Php5.40 billion as the core business performance outpaced the growth in interest expense.

Total Other Income reached Php1.43 billion, 73.58% more than the previous year. The growth is primarily driven by the 61.47% surge in service charges, fees and commissions to Php857.63 million due to higher commission from investment banking fees, income from trade and digital transactions. Foreign exchange gains posted Php150.32 million, 3.11x upgrade from last year’s Php48.37 million. This growth was driven primarily by an increased volume of customer foreign exchange transactions as the Bank promoted this service with existing depositors. Gains on foreclosure, and sale of property and equipment and foreclosed assets grew by 23.81% to Php340.45 million arising from higher sales of foreclosed assets. Miscellaneous income increased 2.28x to Php115.18 million on account of higher recovery on charged-off assets. Meanwhile, trading and investment securities registered a loss of Php29.22 million, an improvement from 2021’s loss of Php78.71 million.

Total Expenses, excluding provision for credit and impairment losses went up by 9.07% to Php5.48 billion. Compensation and fringe benefits increased 4.6% to Php1.90 billion as the Bank worked to keep its salaries competitive even as the total workforce remained relatively flat at 1,865 (vs 1,873 in 2021). Taxes and licenses went up by 18.07% to Php947.18 million from increased business volume and higher documentary stamp taxes. Rent and utilities increased by18.65% to Php631.55 million arising from higher security, power, light and water expenses. Meanwhile, depreciation and amortization declined by 6.67% to Php431.66 million due to lower depreciation expense on foreclosed assets. Insurance, on the other hand, grew by 4.04% to Php348.36 million from higher PDIC insurance on higher deposit volume. Service fees and commissions and subscription fees also increased by 27.7% and 13.83%, respectively, to Php293.33 million and Php122.54 million due to higher IT fees, commissions and subscriptions. Entertainment and recreation expenses declined by 21.73% to Php76.23 million. Management and professional fees and amortization of software costs went up by 27.7% and 36.33%, respectively, to Php108.57 million and Php73.07 million. Miscellaneous expenses amounted to Php546.58 million, 8.92% up from Php501.81 million due to higher forms and supplies, fuel and lubricants, marketing and other expenses.

The Bank booked provision for credit and impairment losses of Php166.21 million for the year 2022 to provide adequate reserves for its significant loan portfolio growth.

The Bank's share in the net loss of associate is at Php0.13 million in 2022, 87.18% lower than the prior year's Php1.04 million.

Income Tax Expense amounted to Php666.36 million, 6.84% more than the Php623.69 million the previous year.

Statement of Comprehensive Income for the Year Ended December 31, 2022 vs December 31, 2021

The Bank posted a total comprehensive income of Php1.41 billion for 2022, 17.85% higher than Php1.2 billion recorded in the same period last year. This was primarily driven by the higher net income in 2022, partly offset by the net change in net unrealized losses of debt securities at FVOCI at Php578.94 million due to the interest rate environment. Remeasurement losses on defined benefit plan decreased to Php184.82 million based on actuarial adjustments.

Statement of Condition as of December 31, 2022 vs December 31, 2021

The Bank's Total Assets at end-2022 amounted to Php217.52 billion, 8.92% higher than last year's Php199.71 billion mainly from the increase in loans and other receivables, investment securities and was partially offset by the lower interbank loans receivables.

Loans and Receivables, net of allowance for credit losses and unearned interest income, representing 48.31% of total assets, increased by 41.3% to Php105.09 billion from Php74.37 billion in the same period last year, driven by accelerated growth in corporate loans. The Bank's loan-to-deposit ratio was recorded at 70.3%.

Investment securities at amortized cost, likewise, increased by 21.67% to Php52.21 billion. Financial assets at fair value increased by 2.25% to Php6.19 billion due to higher financial assets at FVOCI which grew by Php749.93 million, tempered by lower financial assets at FVTPL which decreased by Php613.61million.

Cash and Other Cash Items and Due from BSP accounts both went down by 0.46% and 47.81%, respectively, to Php2.74 billion and Php23.68 billion. Interbank loans receivable dropped by 3.94% to

Php18.38 billion in 2022. On the other hand, due from other banks marginally increased by 0.46% to Php1.04 billion.

Investment in Associate amounted to Php39.52 million, P0.14 million down from Php39.66 million in the prior year. Property and Equipment declined by 3.19% to Php1.43 billion from Php1.47 billion in 2021. Investment Properties and deferred tax assets also decreased to Php3.40 billion and Php612.09 million, respectively, from Php3.45 billion and Php743.51 million. Other Assets, however, went up by 13.96% to Php2.72 billion from Php2.39 billion in 2021.

Deposit Liabilities, which accounted for 81.04% of the total liabilities, expanded by 2.65% to Php176.27 billion in 2022 boosted mainly by higher time deposits. Bonds payable amounted to Php7.44 billion as a result of the Bank's bond issuance on July 2022. Accrued Interest, Taxes and Other Expenses and Other Liabilities also rose from Php1.02 billion and Php2.66 billion, respectively, higher by 14.11% and 48.35%. Manager's check, however, dropped by 30.48% to Php661.45 million from Php951.46 million in the prior year.

The Bank's capital base stood at Php28.03 billion as of December 31, 2022, 19.98% higher than the Php23.36 billion last year, spurred by the proceeds from the Initial Public Offering in the first quarter of 2022.

Statement of Income for the Year Ended December 31, 2021 vs December 31, 2020

For the year ending December 31, 2021, Bank of Commerce earned Php1.21 billion in net income. The increase was mainly due to higher net interest income brought about by lower interest expenses and service charges, fees, and commissions.

Total Interest Income was down by 2.94% at ₱6.10 billion from ₱6.28 billion last year. Interest income on loans and receivables declined by 11.48% to Php4.28 billion mainly due to the lower interest rate environment. On the other hand, interest income on investment securities at fair value through other comprehensive income (FVOCI) and at amortized cost went up by 36.13% to Php1.25 billion primarily from the additional purchases of investment securities at amortized cost. Interest income on interbank loans receivable and securities purchased under resale agreements increased by 32.87% to Php316.28 million, meanwhile interest income on due from BSP and other banks decreased by 13.97% to Php228.43 million. Interest income on financial assets at fair value through profit or loss (FVTPL) declined by 15.13% to Php14.42 million.

Total Interest Expense went down by 40.52% to Php696.99 million from the Php1.17 billion in the same period last year, primarily due to lower interest expense on deposit liabilities which decreased by 42.78% to Php645.26 million. Interest expense on lease liabilities also went down by 18.38% to Php35.03 million. On the other hand, interest expense on bills payable increased to Php16.69 million, mainly due to tax accruals.

Given the more significant decline of Interest Expenses, Net Interest Income for 2021 increased to Php5.40 billion, up 5.67% from the previous year's Php5.11 billion.

Total Other Income was at Php826.34 million, 53.19% lower than the previous year. This is owing to a loss of Php78.71 million in trading and investment securities for 2021, compared to the gain of Php1.15 billion the previous year. Meanwhile, service charges, fees and commissions increased by 19.45% to Php531.13 million. Gains on foreclosure, and sale of property and equipment and foreclosed assets rose by 3.68x to Php274.99 million as a result of higher sale of foreclosed assets. Foreign exchange gains and miscellaneous income fell by 1.04% and 22.7%, respectively, to Php48.37 million and Php50.57 million.

Total Expenses, excluding provision for credit and impairment losses went up by 3.27% to Php5.03 billion. Compensation and fringe benefits slightly went up by 0.09% to Php1.82 billion as a result of the provisions on the collective bargaining agreement (CBA). Taxes and licenses decreased by 3.37% to Php802.19 million from lower documentary stamp taxes. Rent and utilities increased by 11.74% to Php532.28 million. Depreciation and amortization declined by 18.55% to Php462.53 million from lower depreciation expense on foreclosed assets. Insurance, on the other hand, grew by 19.31% to Php334.83 million on account of higher PDIC insurance from higher deposit volume. Service fees and commissions and subscription fees also increased by 25.27% and 11.44%, respectively, to Php229.71 million and Php107.65 million as a result of new subscriptions on systems. Entertainment and recreation expenses declined by 9.24% to Php97.39 million. Management and professional fees and amortization of software costs went up by 7.01% and 16.74%, respectively, to Php85.02 million and Php53.6 million. Miscellaneous expenses also increased by 31.45% to Php501.81 million from Php381.76 million.

As a result of the reversal of provisions, the Bank's provision for credit and impairment losses is at negative Php634.82 million for the year 2021.

The Bank recorded its share in the net loss of associate at Php1.04 million in 2021, 38.01% higher than the previous year of Php0.75 million.

Income Tax Expense amounted to Php623.69 million, 142.56% higher from Php257.12 million the previous year.

Statement of Comprehensive Income for the Year Ended December 31, 2021 vs December 31, 2020

The Bank posted a total comprehensive income of Php1.2 billion for 2021, 78.09% higher than Php671.47 million posted in the same period a year ago. This was primarily driven by the higher net income in 2021 which is partially offset by the net change in net unrealized losses of debt securities at FVOCI at Php320.19 million. Remeasurement losses on defined benefit plan increased to Php186.54 million based on actuarial adjustments.

Statement of Condition as of December 31, 2021 vs December 31, 2020

The Bank ended 2021 with total assets amounting to Php199.71 billion, 16.85% higher than previous year's Php170.92 billion mainly from the increase in investment securities at amortized cost alongside with the increase in loans and other receivables, and these were partially offset by the decrease in investment securities at fair value and lower interbank loans receivables.

Cash and Other Cash Items and Due from BSP accounts went up by 13.52% and 14.72%, respectively, to Php2.75 billion and Php45.37 billion. Due from other banks also increased by 1.58% to Php1.04 billion. Interbank loans receivable however went down by 13.25% to Php19.13 billion in 2021.

Financial assets at fair value declined by 63.75% to Php6.05 billion driven by the sale of financial assets at FVTPL and FVOCI which decreased to Php994.61 million and Php5.06 billion, respectively. Investment securities at amortized cost, on the other hand, increased by 3.69x to Php42.91 billion.

Loans and other receivables amounted to Php74.37 billion, 3.83% higher than the same period last year largely driven by increase in corporate loans. The Bank's loan-to-deposit ratio was recorded at 43.9%.

Investment in Associate continued its downtrend to Php39.66 million from Php40.69 million the previous year. Property and Equipment decreased by 11.27% to Php1.47 billion from Php1.66 billion in 2020. Investment Properties also went down to Php3.45 billion from Php3.62 billion. From

Php955.38 million in 2020, deferred tax assets fell by 22.18% to Php743.51 million. Other Assets, on the other hand, increased by 12.16% to Php2.39 billion from Php2.13 billion in 2020.

Total liabilities increased to Php176.35 billion as of December 31, 2021, driven by the 15.16% increase in deposit liabilities. Increase in deposit liabilities to Php171.71 billion in 2021 was driven by higher demand and savings volumes which were up by 22.8% and 30.01%, respectively, to Php48.7 billion and Php108.87 billion, respectively. Manager's Checks and Accrued Interest, Taxes and Other Expenses also went up by 9.35% and 14.47%, respectively, to Php951.46 million and Php1.02 billion. Other liabilities, on the other hand, fell by 18.96% to Php2.66 billion from Php3.29 billion the previous year.

The Bank's total capital funds rose by 39.34% to Php23.36 billion as of December 31, 2021 from Php16.77 billion the previous year, owing to a Php5.5 billion capital infusion in 2021.

Plans for 2024

Amid assumptions of continuing elevated interest rates to manage inflation, the Bank remains focused on achieving its goals by sustaining and keeping healthy financial position and results by providing meaningful customer banking experience, operational efficiency, and developing and retaining its employees.

As economic activities rebound, the Bank seeks to continue supporting customers' growing needs. Priority strategies include strengthening core business income, optimizing cross-selling activities, ramping up participation in capital markets, and boosting business units' operational efficiency through digitalization.

Item 7. FINANCIAL STATEMENTS

The consolidated financial statements and schedules are filed as part of this Form 17-A. See attachment for further information.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTINGAND FINACIAL DISCLOSURES

There are no disagreements with the Bank's external auditor on accounting and financial disclosure.

External Audit Fees

The aggregate fees billed and paid for each of the last two fiscal years for professional services rendered by the Bank's external auditor, R.G. Manabat & Co. are summarized below (inclusive of out-of-pocket expenses and value-added tax):

Nature of Services Rendered		Aggregate Fees (in millions)	
		2023	**2022**
Audit and Audit-Related Fees	Annual and interim audit of the Combined and FCDU Financial Statements in connection with statutory and regulatory findings; annual audit of the Combined Financial Statements of the trust and managed funds of the Trust Services Group; limited review of interim Combined Financial Statements	P7.30	P5.80
Tax Fees		-	-
All Other Fees	Agreed-upon procedures relative to the initial public offering (IPO) of shares, issuance of bonds and program report on the use of proceeds from IPO of shares.	-	3.51
Total Fees		P7.30	P9.31

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXEVUTIVE OFFICERS OF THE ISSUER

DIRECTORS

The Board of Directors of the Bank (the "Bank's Board") is the body ultimately responsible for the management of the Bank. The Bank's Board is composed of fifteen (15) directors, five of whom are independent directors. The Board is a healthy mix of individuals with diverse experiences, backgrounds, and perspectives. The membership of the Board is a combination of executive and non-executive directors such that no director or small group of directors dominates the decision-making process. All directors were chosen based on their qualifications, namely, integrity, probity, market reputation, conduct and behavior, relevant education and training, physical and mental fitness, knowledge, and experience. All directors possess such qualifications and stature that enable each of them to effectively participate in the deliberations of the Board.

Directors are elected by the shareholders for a period of one year. Generally, there are no restrictions on re- election. However, beginning on 2 January 2012, the SEC set a limit on the term of independent directors serving in listed, public, and mutual fund companies. An independent director may only serve as such for a maximum cumulative period of nine years after which the independent director shall be barred perpetually from being elected as independent director in the same company. The chairman has a casting vote in resolutions of the Bank's Board which must be passed by majority vote.

The following table sets forth the incumbent and nominee directors and board advisors of the Bank as of 31 December 2023, their respective periods of service, directorships in other reporting companies and positions held in the last five (5) years:

Name	Position	Years of Service As of 31 December 2023
Board of Directors		
Francis C. Chua	Chairman, Non-Executive Director	15 yrs. & 7 mos.
Benedicta Du-Baladad	Vice-Chairperson Non-Executive Director	9 yrs. & 11mos.
Michelangelo R. Aguilar	President and CEO, Executive Director	5 yrs. & 5 mos.
Roberto C. Benares	Former President and CEO, Non-Executive Director	10 yrs. & 8 mos.
Fe B. Barin	Non-Executive Director	9 yrs. & 8 mos.
Marito L. Platon	Non-Executive Director	13 yrs. & 8 mos.
Mariano T. Katipunan, Jr.	Non-Executive Director	5 yrs. & 8 mos. 2nd appointment as Caritas nominee, previously for 2yrs – 1st appointment as Caritas nominee
Alexander R. Magno	Non-Executive Director	9 yrs. & 5 mos.
Melinda S. Gonzales-Manto	Non-Executive Director	9 yrs. as Independent Director; 1 year and 8 months as Non-Executive Director since elected on April 29, 2022
Jose C. Nograles	Independent Director	8 yrs. & 8 mos.
Rebecca Maria A. Ynares	Independent Director	7 yrs. & 5mos
Ricardo D. Fernandez	Independent Director	3 yrs.
Daniel Gabriel M. Montecillo	Independent Director	1 year and 8 mos. (elected on April 29, 2022)
Simon R. Paterno	Independent Director	1 year and 7 mos. (elected on June 1, 2022)
Leonardo J. Matignas, Jr.	Independent Director	6 mos. (elected on June 27, 2023)
Board Appointees:		
Jose T. Pardo	Chairman of the Board of Advisors	18 yrs. & 4 mos. as Director, 10 yrs. as Chairman of the Board, and 1 year and 10 months as Chairman of the Board of Advisor since February 16, 2022
Aurora T. Calderon	Board Advisor	13 yrs. & 5mos
Ferdinand K. Constantino	Board Advisor	2 yrs. as Director and 13 yrs. and 7 mos. as Advisor
Cecile L. Ang	Board Advisor	8 yrs. & 2 mos.
Antonio M. Cailao	Board Advisor	5 yrs. & 6 mos.
Evita C. Caballa	Corporate Secretary	2 yrs. as Asst. Corporate Secretary; 13 yrs. & 8 mos. as Corporate

		Secretary and 3 yrs. & 3 mos. as Director

FRANCIS C. CHUA
Chairman, Non-Executive Director
Filipino, 75 years old

Ambassador Francis C. Chua has been a member of the Board of Directors of the Bank since 20 May 2008, sat as Vice Chairman from 2013 to 2022, and became Chairman effective on 16 February 2022. Mr. Chua used to chair the Executive Committee (ExCom) of the Bank when he was Vice Chairman of the Board. With his constant feedback and insights on best banking practices, he has been instrumental in promoting the Bank in the business community and in marketing its products and services. Amb. Chua continuously serves as Chairman Emeritus in the Philippine Chamber of Commerce and Industry, Inc. (PCCI), President Emeritus of the Federation of Filipino Chinese Chamber of Commerce and Industry, Inc., Trustee of Universidad De Manila (UDM) and as Consul General conferred by the Honorary Consulate General of the Republic of Peru in Manila since 2006. He was also a Board Adviser of the Office of Alternative Dispute Resolution under the Department of Justice. He was the Special Adviser on Economic Affairs under the Office of the Speaker of the House of Representatives, Congress of the Philippines in 1997. He was Honorary Trade and Investment Representative of the Department of Trade and Industry from 2002-2009, appointed Commissioner in the Constitutional Commission from 2005-2006, Board of Trustee of Technical Education and Skills Development Authority (TESDA), and Special Envoy on Trade and Investment (China) of the Office of the President from 2007-2010. He was also Governor (2002) and a member of the Board of Directors of the Philippine Stock Exchange from 2010-2020 where he served as the Chairman of the Committee of Demutualization. He demutualized the PSE with the unanimous support of its members.

He currently serves as Chairman of BA Securities Inc., and a member of the Board of Directors of DITO Telecommunity Corporation, National Grid Corporation of the Philippines (NGCP), Global Ferronickel, Inc., and Platinum Group Metals Corp. He holds the Chairmanship of CLMC Group of Companies and serves as Vice Chairman of Negros Navigation/2Go. He was the Vice Chairman of Basic Energy and Mabuhay Satellite Corp., and President of the Philippine Satellite Corp. He founded Phil China Chamber of Commerce, Philippine Silkroad International Chamber of Commerce and Industry. He currently owns Philippine Union Realty Development Corporation, Philippine Nail and Wire Corp and BA Securities Inc. He obtained his degree in B.S. Industrial Engineering (Cum Laude) from the University of the Philippines and was conferred Doctor in Humanities from Central Luzon State University.

BENEDICTA A. DU-BALADAD
Vice-Chairperson, Non-Executive Director
Filipino, 62 years old

Atty. Benedicta A. Du-Baladad has been a member of the Board of Directors of the Bank since 31 January 2014. She is the Vice Chairperson of the Board of Directors, Chairperson of the Executive Committee and a member of the Trust and Investments Committee. She was previously a member of the Bank's Board Risk Oversight Committee (BROC) from 2014-2017, as well as the Audit Committee until April 2022. She is the Founding Partner and CEO of Du-Baladad and Associates (BDB Law), a law firm specializing in taxation and related corporate services. Ms. Du-Baladad has over 30 years of practice in the field of taxation, 17 years of which was spent with the Bureau of Internal Revenue (BIR) working on tax administration policy development and in operations. In 2001, she joined the private sector and is now on her 16th year of private practice. She has authored three (3) books on the taxation of the financial sector.

She was the lead tax and legal consultant of the Philippine Government's Department of Finance (DOF) on its program to reform the taxation of capital income and financial intermediation services. She has been the Co-Chair of the Capital Markets Development Council (CMDC) in the Philippines from 2019 to 2022. Ms. Du-Baladad holds leadership role in major professional and business organizations in the country such as the Management Association of the Philippines (MAP) as 2023 President, the Financial Executives of the Philippines (FINEX) as past President, the Philippine Chamber of Commerce and Industry as Chair of the Tax

Committee, the Tax Management Association of the Philippines (TMAP) as past President, and the Women Business Council of the Philippines (Womenbiz) as Vice President. She is currently a Professorial lecturer in taxation at the University of Santo Tomas (UST) and the University of the Philippines (UP). She was also a Partner and Head of Tax Compliance and Advisory of Punongbayan & Araullo from 2001 to 2009. Prior to that, she was an officer of the Bureau of Internal Revenue where she worked from 1984 to 2001. Ms. Du-Baladad is a Certified Public Accountant, graduated Magna Cum Laude with a bachelor's degree in accountancy from Saint Louis University, Baguio, Philippines (1982), and holds a Bachelor of Laws degree from the University of Santo Tomas, Manila, Philippines (1989). Her educational background includes Advanced Management Program at Wharton School of the University of Pennsylvania, Pennsylvania, USA (2007) and Master of Laws and International Tax Program at the Harvard University, Cambridge, MA, USA. She is a fellow at the Institute of Corporate Directors. She is a regular columnist of the Business Mirror's 'Tax Law for Business'.

MICHELANGELO R. AGUILAR
President and CEO, Executive Director
Filipino, 67 years old

Mr. Michelangelo R. Aguilar was elected member of the Board of Directors and appointed President and Chief Executive Officer (CEO) of the Bank on 16 July 2018. He is a member of the Bank's Executive Committee (ExCom), Trust and Investment Committee (TIC), IT Steering Committee (ITSC) and Underwriting Committee (UWCom). On April 25 2023, he became the Chairman of the UWCom.

Mr. Aguilar is also a member of the Board of Directors and an Officer of the Bankers Association of the Philippines (BAP) for the ensuing term March 2023 to March 2024. He serves in two BAP committees, i.e., BAP Open Market Committee where he sits as Chairman, and the Executive Committee. He is likewise a member of the Board of Directors of BancNet, Inc. for the ensuing term March 2023 to March 2024.

Mr. Aguilar has over 40 years of banking experience in the areas of Corporate and Investment Banking, Global Markets and Treasury. He has 22 years of experience with international banks starting his career as an Executive Trainee at Citibank Philippines and rising through the ranks in the areas of Banking Operations, Treasury and Sovereign Risk as Assistant Manager, Manager, and Assistant Vice President. He held senior positions as Country Treasurer and then as Managing Director and Head of Wholesale Bank at Standard Chartered Philippines. For 13 years prior to joining the Bank, he was Treasurer and Head of Corporate Banking in Solid Bank Corporation and Rizal Commercial Banking Corporation, respectively. He was also a Director of RCBC Rental Corporation and RCBC Leasing and Finance Corporation. He graduated with a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and later acquired a master's degree in business management from the Asian Institute of Management. He is a licensed Mechanical Engineer and a Certified Treasury Professional by the Bankers Association of the Philippines (BAP).

ROBERTO C. BENARES
Former President and CEO, Non-Executive Director
Filipino, 71 years old

Mr. Roberto C. Benares has been elected as member of the Board of Directors of the Bank since 30 April 2013. He assumed his position as President and CEO of Bank of Commerce on 1 August 2013 and was succeeded by Mr. Michelangelo R. Aguilar on 16 July 2018. He currently sits as Director and chairs the Information Technology Steering Committee (ITSC). He is also a member of the Executive Committee (ExCom) and the Underwriting Committee (UWCom). Director Benares used to sit as a member of the Board Risk Oversight Committee (BROC) until April 2023. During his tenure as President and CEO, he took the lead in strengthening the Bank by framing its superior service culture to achieve its recent milestones.

Previously, Mr. Benares was the Managing Director of Maybank ATR Kim Eng Capital Partners, Inc. He started his banking career at Bancom Development Corp. as Assistant Treasurer prior to holding the position of Vice President of Account Management at United Coconut Planters Bank. He also served as Managing Director at Asian Alliance and Executive Vice President at Insular Investment & Trust Corporation, and Vice President at

Philamlife. He holds a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and has a master's degree in business management at the Asian Institute of Management.

FE B. BARIN
Non-Executive Director
Filipino, 90 years old

Mrs. Fe B. Barin has been a member of the Board of Directors since April 24, 2014. Mrs. Barin's career in the government service has been in the regulatory and supervisory agencies. She spent a total of fifty-three (53) years of service in the government, forty-four of which in the then Central Bank of the Philippines and the Bangko Sentral ng Pilipinas where she served as Member of the Monetary Board from 2002 to 2004. She was the first Chairperson of the Energy Regulatory Commission created under the EPIRA in 2001, which position she occupied from August 2001 to September 2002 prior to her appointment as Monetary Board member. In Sept. 2004, she was appointed Chairperson of the Securities and Exchange Commission for a seven-year term ending 2011. As Chairperson of the SEC, she was ex Officio member of the Anti-Money Laundering Council and Chairperson of the Credit Information Corporation. She also served as Assistant Legal Counsel in the Philippine Deposit Insurance Corporation on secondment from the then Central Bank.

Mrs. Barin graduated from the College of Law, University of the Philippines, passed the Bar examinations given the same year and admitted to the Philippine Bar in 1957.

She is a Lifetime Fellow of the Institute of Corporate Directors and one of the Institute's Teaching Fellows, a Fellow of the Institute for Solidarity in Asia, and a founding member of the Judicial Reform Initiative, all non-stock nonprofit associations. She is also a member of the Board of Directors of the General Milling Corporation and Chairman of the Board of Directors of Barbor Equity, Inc., a family-owned corporation engaged in Agri business.

MARITO L. PLATON
Non-Executive Director
Filipino, 71 years old

Mr. Marito L. Platon was elected last 30 April 2010 as member of the Board of Directors of the Bank. He is currently a member of the Executive Committee (ExCom), Information Technology Steering Committee (ITSC), and Underwriting Committee. He was previously a member of the Board Risk Oversight Committee (BROC) (former Chairman), Audit Committee, Corporate Governance Committee (CGCom), and the Related Party Transactions Committee (RPTCom). Mr. Platon has been the driving force behind the consistent growth of the Bank's business in partnership with clients.

Mr. Platon has 27 years of treasury and corporate finance experience at San Miguel Corporation and Coca-Cola Bottlers Philippines, Inc. (CCBPI) as Vice-President and Treasurer supervising various departments/functions in the areas of Treasury management and operations, funds planning and loans management, banking relationship, working capital management, capital budgeting and project coordination, tax administration and management, insurance and risk management, credit and collection, systems design and development, and provident fund operations as he was also the former Managing Trustee of the CCBPI Retirement Plan. Aside from formerly holding directorship and/or management positions in various companies or undertakings involved in investment banking, corporate leasing, internal auditing, security services, aquaculture operations, food retailing, among others, including education as former Chairman at non-sectarian Institute for Esoteric Studies, he was also formerly director and CFO of CCBPI's real estate companies Marangal Properties, Inc. and Luzviminda Landholdings, Inc. Mr. Platon likewise has over 30 years of rural banking experience being former Chairman and President of Rural Bank of Talisay (Batangas), Inc. Currently, he serves as Chairman and President of Villa Maria Resorts and Development Corporation, a tourism and property development family-owned corporation. A Fellow at the Institute of Corporate Directors, Mr. Platon graduated in 1973 at De La Salle University with a degree in Bachelor of Science, Major in Accounting.

MARIANO T. KATIPUNAN, JR.
Non-Executive Director
Filipino, 72 years old

Mr. Mariano T. Katipunan, Jr. was first elected into the Board of Directors of the Bank in May 2015 as nominee of Caritas Health Shield, Inc. He also served as a member of the Bank's Audit and Corporate Governance committees. He was replaced by Mr. Ronnie U. Collado in June 2017. He was elected again as Director in April 2018. He is currently a member of the Bank's IT Steering Committee (ITSC) and Trust and Investment Committee (TIC).

Mr. Katipunan brings with him an extensive experience in finance and controllership having been Treasurer and Chief Finance Officer of Caritas Health Shield since its inception in 1995. He oversaw the company's financial position, including its trust fund/reserves and overseas investments. He was elected President and Chief Executive Officer in April 2018. Mr. Katipunan has likewise been Managing Director of Megacenter Diagnostics Corp. since its establishment in 1994. He was an Investment Account Officer of Equitable Financial Services in Edison, New Jersey from 1984 to 1986. He was Vice President & Division Head for Account Management Group at the International Corporate Bank in Makati from 1977 to 1983. He also previously handled account management at Citytrust Banking Corporation and market research at Far East Bank and Trust Company. Mr. Katipunan was an instructor in Business Management and Finance at the Ateneo de Manila University and in Economics and Mathematics at St. Theresa's College in Quezon City. He holds a degree in Bachelor of Arts in Economics (Honors Course) and graduated with Honors in 1972 from the Ateneo de Manila University. In addition, he has a master's degree in business management from the Asian Institute of Management (1975). He underwent training at the Foreign Exchange/Bullion Trading & Money Market departments of the Swiss Bank Corporation in New York City from 1983 to 1984 and at Citibank, N.A. in Binondo, Manila under its Executive Development Program in 1975.

ALEXANDER R. MAGNO
Non-Executive Director
Filipino, 69 years old

Mr. Alexander R. Magno became a member of the Board of Directors of the Bank on 1 August 2014 and currently sits as a member of the Executive Committee (ExCom) and the Nominations, Compensation, and Remuneration Committee (NCRC). He used to be a member of the Bank's Trust and Investment Committee (TIC) until April 2023.

Mr. Magno is a columnist of the Philippine Star and consults for both the Department of Finance and the Steel Asia Manufacturing Corporation. Mr. Magno's career best describes him as a policy advocate, public intellectual and an activist. He served as a member of the Board of the Development Bank of the Philippines, helping supervise such programs as the Nautical Highway System from 2001 to 2010. He was Director of Steel Asia Manufacturing from 1995 to 1999 and a professor at the University of the Philippines from 1976 to 2018. After the EDSA Revolution, he served as interim director of the President's Center for Special Studies, a think tank put together during the Marcos period which supplied regular briefing papers for President Corazon C. Aquino. He helped establish the Foundation for Economic Freedom (FEF), a research and advocacy institution proposing market-driven economic policies providing research for key liberalization policies including the Liberalization of the Retail Trade, the Electricity Power Industry Reform Act, and the Procurement Law. He consulted for the privatization program of the Metropolitan Waterworks and Sewerage System (MWSS) and the liberalization of the telecommunications sector. In 2005, he was appointed Commissioner of the Consultative Commission on Charter Change and served as a commissioner of the EDSA People Power Commission.

His social activism during the martial law led to his career as an instructor of political science at UP Diliman. Mr. Magno supported student representation in 1975, winning a seat at the UP Student Conference and served as Vice Chairman of the organization. Mr. Magno had regular editorial columns at the Manila Times, the Manila Chronicle, and the Manila Standard. He remains an important columnist at the Philippine Star since 2003 and his columns became main reference points for building democratic and reformist public opinion.

MELINDA S. GONZALES-MANTO
Non-Executive Director
Filipino, 71 years old

Ms. Melinda S. Gonzales-Manto (Linda) has been a member of the Board of Directors of the Bank since January 2014. She currently serves as member of the Related Party Transactions Committee (RPTCom), Board Risk Oversight Committee (BROC) and the Audit Committee (former Chairperson).

Ms. Manto likewise sits in the board of Eagle Cement Corporation (Eagle Cement), Petrogen Insurance Corporation (Petrogen) and RSA Foundation, Inc. She functions as Chairman of the Audit Committee and member of the Corporate Governance Committee and Related Party Transactions Committee of Eagle Cement. She chairs the Audit and Risk Oversight Committee and sits as member of the Corporate Governance Committee and Related Party Transactions Committee of Petrogen. She has been appointed as the Lead Independent Director of Eagle Cement and Petrogen.

Ms. Manto is presently a stockholder, director and the Vice-President of Linferd & Company, Inc. and ACB Corabern Holdings Corporation. She is also the Resident Agent of some multinational companies in the country and the Treasurer of a foreign company doing business in the Philippines. She was formerly a board member of the GSIS Family Bank.

Ms. Manto started her career in SyCip, Gorres, Velayo & Co. (SGV). She is a celebrated accountant and is looked up to as an expert in assurance and business advisory. Her areas of specialization include retail, manufacturing, food processing and distribution, real estate, radio and television broadcasting, technology, steam power generation, agribusiness, semiconductors, and electronics. She is highly respected as well in initial public offerings, due diligence engagements, and mergers and acquisitions. Her stint in the audit corporate world lasted for more than three decades. She retired as a Partner in the Assurance and Advisory Business Services Division of SGV. While in SGV, she served as the Head of the Consumer Products Industry for Asia and the Pacific of SGV/Ernst & Young Philippines and SGV/Arthur Andersen. Wanting to expand her horizon, she also functioned as a board member and auditor of the Philippine Retailers Association for almost a decade. She was previously assigned to the Cincinnati Office of Arthur Andersen in Ohio where she spearheaded the audit engagements of manufacturing and retail clients.

Ms. Manto finished elementary and high school as valedictorian and graduated cum laude with a degree of Bachelor of Science in Business Administration, major in Accounting at the Philippine School of Business Administration. She is a Certified Public Accountant and a lifetime member of the Philippine Institute of Certified Public Accountants. She completed the Management Development Program at the Asian Institute of Management and had computer training at the Institute of Advanced Computer Technology.

JOSE CARMELO C. NOGRALES
Non-Executive Director
Filipino, 74 years old

Mr. Jose C. Nograles has been an elected member of the Board of Directors of the Bank since 20 April 2015. He chairs the Bank's Board Risk Oversight Committee (BROC) and serves as a member of the following Committees: Corporate Governance Committee (CGCom) and Nomination, Compensation and Remuneration Committee (NCRC). He used to be a member of the Bank's Audit Committee until April 2023.

Mr. Nograles continues to be a strict advocate of the Bank's conscientious and efficient use of resources towards sustainable care for the environment. A seasoned investment banker and economist, Jose C. Nograles was President of the Philippine Deposit Insurance Corporation (PDIC) from January 2008 to May 2011 where he led PDIC's transformation to a more responsive and innovative institution. Previously, he was the Senior Executive Vice President of the Land Bank of the Philippines (LBP). In 2005, he headed LBP's Operations and Corporate Services Sector. Five years earlier, as Senior Vice President and Treasurer, he organized LBP's combined Treasury and Investment Banking. He was also concurrently Board Vice-Chairman and President of

Land Bank Insurance Brokerage Inc., LBP's subsidiary engaged in insurance brokerage and foreign exchange trading.

Mr. Nograles started his career in 1969 as part of the management services staff of SGV and Company. By 1973, he worked in government as a Senior Consultant to former Secretary Arturo R. Tanco, Jr. of the Department of Agriculture and Natural Resources. After three years, he rejoined the private sector as General Manager of Sarmiento Management Corporation. He moved to Anflo Management & Investment Corporation as Vice President in 1977 to head its Automotive Group of car dealerships and the Corporate Planning Department. He later founded his family's realty company engaged in commercial building and hotel operations in Davao City in 1980. In 1984, he was appointed Assistant Minister for Planning and Project Management of the Ministry of Natural Resources. In 1991, he joined Columbian Autocar Corporation as Vice President and General Manager that introduced the Kia brand in the Philippines. He obtained his BA in Economics with honors (Cum Laude) from the Ateneo de Manila University in 1969 and his master's degree in business administration from the Asian Institute of Management in 1973. He is a fellow of the Institute of Corporate Directors.

Mr. Nograles is currently an advisor to the Board of Amalgamated Investment Bancorporation, an investment banking firm. He is also an independent director of DragonFi Securities Corporation, a brokerage services company.

REBECCA MARIA A. YNARES
Independent Director
Filipino, 47 years old

Ms. Rebecca Maria A. Ynares has been a member of the Board of Directors of the Bank since July 2016. She currently serves as Chairperson of the Nominations, Compensation and Remuneration Committee and a member of the Related Party Transactions Committee (RPTCom) and Audit Committee. She was also a member of the Board Risk Oversight Committee (BROC) until April 2023.

Ms. Ynares manages the following family-owned endeavors TJCMB Enterprises, a warehousing and logistics company; Tutoring Club Franchise Philippines; and Octagon Realty and Development Corporation, where she is also the Corporate Secretary and account management lead. Ms. Ynares spearheads various sustainability and environment restoration initiatives in the Province of Rizal, including the Save Hinulugang Taktak and Ynares Eco System (YES) Programs. With the ongoing YES program, she continues to lead on projects such as installation of wastewater clean-up systems, tree-planting activities, medical missions with the Provincial Health Office, feeding programs with the Department of Social Welfare and Development (DSWD), and Youth Program. She lends support to other projects devoted to finding the right balance between the diligent care of the ecosystem and economic viability of affected businesses in Rizal. On top of her advocacies as a dedicated socio-economic philanthropist, Ms. Ynares is a member of the Philippine Red Cross-Rizal Chapter and is an avid resource speaker in various trainings and seminars in the province.

Previously, she served as a financial analyst for the Bahay Co. Real Estate Agents in Burlingame, California, USA from 2005 until 2007. She started her investment, banking, and finance career at the Asia United Bank (AUB) on the areas of branch operations, marketing and investment portfolio management. Ms. Ynares holds a degree in Bachelor of Science in Business Administration and Computer Applications from De La Salle University (1999) and Associate for Arts for Professional Designation Fashion & Merchandising in San Francisco, California (2002).

RICARDO D. FERNANDEZ
Independent Director
Filipino, 70 years old

Mr. Ricardo D. Fernandez was elected as an Independent Director of the Bank effective 1 January 2021. He is currently the Chairman of the Related Party Transactions Committee (RPTCom), and a member of the Corporate Governance Committee (CGCom) and the Nomination, Compensation and Remuneration Committee (NCRC). He has worked in the investment banking industry for 40 years. Mr. Fernandez was employed at

Unicapital Incorporated (UI) from 1995 to 2019, where he was appointed as President from 1997 to March 2019, became a Consultant until December 2019, and Director until March 2020. From 1980 to 1995, he was employed at Multinational Investment Bancorporation (MIB). He graduated from the De La Salle University with degrees in Behavioral Science and Business Management. He also holds a master's degree in business administration from the University of the Philippines.

DANIEL GABRIEL M. MONTECILLO
Independent Director
Filipino, 67 years old

Mr. Montecillo is an independent board director, consultant, leadership speaker and facilitator, executive coach. He currently chairs the Bank's Corporate Governance Committee. He is also a member of the Audit Committee and Board Risk Oversight Committee. Mr. Montecillo was the chairperson of the Bank's Underwriting Committee (UWCom) from its inception in 2022 up to April 2023.

Mr. Montecillo is currently a senior consultant to the International Finance Corporation and a CXO facilitator of Deloitte University Asia Pacific in Singapore. He was a former facilitator in the Leadership Acceleration Program of Ayala University; a guest lecturer at the Asian Institute of Management. He received his certification as an Associate Certified Coach (ACC) from the International Coaching Federation (ICF) and ESG Certification from Competent Boards in Canada.

He retired as Executive Vice President and Group Head of the Corporate Client Segment of BPI in 2018, where he was responsible for nationwide banking coverage of the firm's corporate clients and a member of its Management, Credit, Asset & Liability, and Investment Management Committees. Immediately prior to this role, he was President of BPI Capital Corporation and Chairman of BPI Securities Corporation, the bank's investment banking and securities subsidiaries. He served for 4 ½ years.

During his time at BPI, he was responsible for the reorganization of the corporate bank into two significant business initiatives: the Corporate Bank for large multinationals and domestic corporates, and the Business Bank, which services the small and medium-sized corporates in the country.

While at BPI Capital, he recast the investment bank into the leading domestic firm in the industry and competed successfully for business with the country's top corporates against the established international investment banking firms in the country. During his tenure, the firm won several international awards for excellence. During his tenure, among the more notable Philippine corporates that the firm took to the public equity capital markets are Max's Group, Store Specialists, and Metro Retail Stores Group.

Prior to returning to the Philippines, he spent 17 years in Hong Kong where he was CEO and founding equity partner of Diamond Dragon Advisors for three years, Asia's first private equity fundraising firm and before that, CEO of Fidelis Holdings for three years. Fidelis was the international real estate investment company of the Ayala Group of Companies.

He has 21 years of international investment banking experience, having worked in New York and Hong Kong at Bankers Trust, Credit Suisse, and Morgan Stanley. During this time, he was part of and managed business development and transaction teams in corporate, real estate and leveraged finance, derivatives, private equity, mergers & acquisitions, and equity and debt capital markets.

He is an independent director of Ayala Land, Inc. (ALI); RASLAG Corporation (ASLAG), a renewable energy company; Metro Pacific Health (MPH), a holding company with interests in 23 hospitals nationwide; Maybank Investment Banking Group (Philippines), Inc., a subsidiary of Maybank of Malaysia; and Marsh Philippines, a subsidiary of Marsh & McLennan. He is chairman of the audit committees of both Maybank Investment Banking Group (Philippines) and RASLAG; chairman of the corporate governance and ESG committees of MPH; and a member of audit, risk, and corporate governance committees in the various companies as well.

Dennis is a fellow of the Institute of Corporate Directors (Philippines), where he is also chairman of the sustainability committee; a board trustee of the United Nations Global Compact Network (Philippine chapter); a member of the International Coaching Federation (ICF); and an associate member of the Singapore Institute of Directors (SID). He is also a director of the global board of International Care Ministries, an NGO devoted to the rural ultra poor in the Philippines.

He has an MBA and MA from Stanford University in California, USA, and bachelor's degrees in management of financial Institutions and Behavioral Sciences (*magna cum laude*) from De La Salle University in the Philippines.

SIMON R. PATERNO
Independent Director
Filipino, 65 years old

Mr. Simon Paterno is Founder and CEO of ZQR Corporation, a start-up platform that improves the experience of document exchanges between enterprises and their customers.

Mr. Paterno's immediate previous engagement was EVP and Head of Products and Alternative Channels at Bank of the Philippine Islands from 2014-2019. In that position, he managed all of the bank's profit centers outside of Treasury, including the bank's digital channels. This included supervision of insurance (BPI-MS), merchant acquiring (Chairman of BPI Global Payments), leasing, investment banking, and microfinance (Chairman of BPI BanKo).

Mr. Paterno represented CIMB in the Philippines in its search for a bank investment and in originating investment banking deals. He joined the group in late 2012 as the CEO-designate of Bank of Commerce, which was targeted for acquisition by CIMB. The deal was canceled in 2013.

Mr. Paterno was Managing Director and Country Manager of Credit Suisse from 2004 to 2012. He also founded and served as Chairman of Credit Suisse Securities Philippines, Inc., the firm's securities broker/dealer subsidiary.

Mr. Paterno served as President/CEO of the Development Bank of the Philippines, the government-owned commercial bank, from 2002 to 2004. At the DBP, he pioneered work on the maritime Ro-Ro network that links the archipelago. He was concurrently Chairman of the LGU Guarantee Corporation and other DBP subsidiaries. In 2003, DBP was named 6th Best Employer by Hewitt Associates and Strongest Bank in the Philippines (Based on financial and operational measures, asset quality, and year-on-year improvements in profits and assets) by Asian Banker.

Mr. Paterno spent 18 years with J.P. Morgan & Co., with stints in New York and Hong Kong. In 1997, he was named a Managing Director, with responsibility for coverage of Asian sovereign clients during the Asian financial crisis. He led the project teams that advised the Indonesian Bank Restructuring Agency (IBRA) and its Malaysian counterpart, Danaharta. In mid-1998, he returned to Manila to head J.P. Morgan's Philippine business, and following the merger with Chase Manhattan Bank, worked as Head of Philippine Investment Banking until 2002.

At J.P. Morgan, he worked on some of the most significant sovereign financing transactions including the country's restructuring of its foreign debt in 1991, the return to capital markets in 1992, the Brady exchanges in 1994, and while at Credit Suisse, the Domestic Bond Exchanges and the Debt Exchange Warrants transactions that won Best Liability Management awards for 2006 and 2008. His M&A transaction experience includes mergers that formed the 3 largest Philippine banks in the Philippines, the largest cement company mergers, and the restructuring of San Miguel Corporation's ownership. Under his leadership, J.P. Morgan was named Best Investment Bank in the Philippines by The Asset in 2001 and Credit Suisse was named Best Investment Bank in the Philippines by FinanceAsia in 2009.

In 1999, he received the TOYM (The Outstanding Young Men) Award for his work in Investment Banking. In 2005, he served as President of the Management Association of the Philippines, an organization of the country's top CEO's. He has served on the Board of Directors of the Bankers Association of the Philippines. He serves as Vice Chairman of the Foundation for Economic Freedom, a reform-oriented advocacy group of the country's top economists, as Board member of the Ateneo Alumni Association and as Chairman of the Ateneo Scholarship Foundation. He is currently President of the ALFM Family of Mutual Funds. He is also an adviser to Packworks, a start-up enabling sari-sari stores.

Mr. Paterno is a member of Bank's Audit Committee, Related Party Transactions Committee (RPTCom), and Corporate Governance Committee. He used to be a member of the Information Technology Steering Committee (ITSC) until April 2023.

Mr. Paterno received his MBA from Stanford University in 1984 and his AB Honors Program in Economics, cum laude, from the Ateneo de Manila University in 1980.

LEONARDO J. MATIGNAS, JR., CPA, CFE, CIA, CRMA, MM, FCPA Australia
Independent Director
Filipino, 62 years old

Mr. Leonardo J. Matignas, Jr. is a former Partner of SGV & Co. (a member practice of Ernst & Young) and its former Chief Risk Officer. He recently retired last June 30, 2022. He was also Ernst & Young's ASEAN Risk Management Leader until his retirement last June. He is a multi-awarded and internationally recognized authority on Enterprise Risk Management (ERM). Aside from being a Philippine CPA, he also holds a Fellow CPA Australia (FCPA) title which is the highest rank in CPA Australia and is recognized globally. He is also a Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), and has Certification in Risk Management Assurance (CRMA)--all of which are global certifications.

Over the course of his 40-year career, he had started service lines that paved the way for CPAs to venture into other avenues such as forensic accounting, risk-based auditing, and in risk management, either as a risk owner or risk champion. He was also very instrumental in SGV's accreditation by the Securities and Exchange Commission as an institutional training provider for Corporate Governance, for which he was the lead lecturer.

Leo holds a Bachelor of Science degree in Commerce, Magna Cum Laude, from San Sebastian College and completed his master's in management degree- International from the University of Phoenix. He is a Certified Public Accountant and has also completed Management Development Program at the Asian Institute of Management. In 2021, he completed an executive program, "Journey to the Boardroom" conducted by the Harvard Business Publishing Corporate Learning in collaboration with Ernst & Young.

His recognitions and awards include the following:

- One of the Top 100 notable CPAs in the 100 years in the history of the Philippine Accountancy Profession conferred by the Professional Regulation of the Board of Accountancy in celebration of its centennial anniversary. The award was given last March 17, 2023 at the Manila Hotel.
- 2022 Honorary Lifetime Member Award recipient from the Philippine Institute of Certified Public Accountants (PICPA) given during PICPA's Annual Convention in Cebu in November of this year.
- 2019 Winner of the Search for Outstanding Contribution in Internal Audit (SOCIA) in Asia Pacific by the Asian Confederation of Institute of Internal Auditors (ACIIA) which was awarded in Tokyo, Japan. First Filipino recipient of this award.
- First SOCIA PH awardee given by The Institute of Internal Auditors-Philippines (IIA-P) 2018
- Recognized by the Philippines' Professional Regulations Commission for his contributions to the accounting profession in 2015
- 2014 Outstanding CPA in Public Practice by PICPA
- Past President, Asian Confederation of Institute of Internal Auditors. He is the first Filipino elected to this post by internal auditors in Asia Pacific (2009).
- Past President, Institute of Internal Auditors (IIA)-Philippines (2007)
- Past President and Founding Member of the Association of Certified Fraud Examiners (ACFE) – Philippine Chapter (2005)
- 2011 National Awardee for PICPA Professional Development- International
- Instrumental for the SGV's accreditation by the Philippines Securities and Exchange Commission (SEC) as Training provider for Corporate Governance by the SEC, for which is he was the lead facilitator.

- One of the Ten Values Champions in the Far East by Ernst & Young in 2008.
- 2005 – National Awardee for professional Development, PICPA
- The only Filipino speaker in the World Congress of Accountants in Kuala Lumpur, Malaysia
- Featured in the leading business magazine of Malaysia that highlighted his forensic accounting skills and experience.
- Speaker/moderator in the 2011 IIA International Conference held in Kuala Lumpur, Malaysia.
- Received four (4) plaques of recognition from the Philippine SEC for his role in the SEC Roadshow in promoting the first code of corporate governance.
- Part of the SEC task force in drafting the blueprint of the New Code of Corporate Governance for Publicly listed companies where he actively shared his expertise in Enterprise Risk Management. The new code was released in 2016.
- Currently a member of the Quality Assurance Review Council of the Philippine Institute of Certified Public Accountants (PICPA), the accredited integrated professional organization of certified public accountants by the PRC and BOA.

Before he retired in June of this year, Leo released his book, "A Practical Approach to Enterprise Risk Management". This is the first book on ERM written by a Filipino author for the Filipinos.

In November, 2023, Mr. Matignas released his second book, "Piercing the Numbers- *Fraud and Forensics*.

He currently sits as an independent director in the board of PNB Holdings Corporation (a real estate corporation) and the Chairman of its Audit and Risk Management Committee.

Mr. Matignas is currently the Chairperson of the Bank's Audit Committee. He is also a member of the Related Party Transactions Committee (RPTCom) and Board Risk Oversight Committee (BROC).

SENIOR EXECUTIVE TEAM

The members of senior executive team, subject to the control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors. The following is a list of the Bank's executive officers as of December 31, 2023:

SENIOR EXECUTIVE TEAM	
Joel T. Carranto 53, Filipino *Senior Vice President* *Branch Banking Group Head*	• Maybank Philippines Inc – *Former Community Distribution Head* • Security Bank – *Former Area Business Manager/Region Head OIC* • Premiere Development Bank – *Former Branch Banking Group Head* • Eastwest Bank – *Former Branch Manager* • AMWAL – *Former Sr. Financial Sales Consultant* • RCBC – *Former Branch Center Manager, Former Account Officer, Former Senior Marketing Assistant, Former Branch Officer-at-Large, Former Branch Operations officer, Former Teller, Former Bookkeeper*
Mary Assumpta Gail C. Bautista 49, Filipino *Senior Vice President*	• AV Santiago Development Corp – Treasurer • Deutsche Bank - *Former Vice President/ Former Corporate Cash Management Head, Senior Relationship Manager* • BDO/Equitable PCI Bank - *Former Cash Management Sales and Marketing Department Head*

Transaction Banking Group Head	• Standard Chartered Bank (Singapore) - *Former Regional Product Manager* • Standard Chartered Bank (Philippines) – Former Product Manager • Citibank N.A. Philippines – Assistant Product Manager, Former Program Administrator
Gamalielh Ariel O. Benavides 57, Filipino *Senior Vice President* *Chief Trust Officer*	• Bacolod Cupcake Café, Inc. – Director • Sunlife of Canada Philippines, Inc. – *Former Licensed Insurance Agent* • BDO Private Bank, Inc. - *Former Senior Vice President / Business Development & Marketing Strategy Head, Former Trust Officer* • Banco Santander Philippines, Inc. – *Former Trust & Investment Services Head/ Vice President, Former Product Development, Assistant Vice President* • Abacus Securities Corporation – *Former Operations Head* • Citibank N.A. Philippines Branch – *Former Securities Services Unit Head, Former Official Assistant, Treasury, Treasury Operations* • Citibank N.A. Singapore Branch – *Former Manager*
Manuel A. Castañeda III 53, Filipino *Executive Vice President* *Corporate Banking Group Head*	• Bank of Commerce – Former Corporate Banking Group 1 Head • Producers Savings Bank - *Former President, CEO and Director* • Maybank Philippines - *Former Global Banking Head* • Unionbank of the Philippines - *Former Commercial Banking 1 Head* • International Exchange Bank - *Former Corporate Banking Team 1 and Project Finance Head and Former Relationship Manager & Head of Project Finance* • AsiaTrust Development Bank – *Former Unit Head, Investment Banking Group and Former Unit Head Portfolio Management* • BPI Express Card Corp. – *Former Merchant Assistant*
Maria Ana P. dela Paz 49, Filipino *First Vice President* *Credit Group Head*	• Bank of Commerce - *Former Credit Evaluation and Review Division Head* • Planters Development Bank - *Former Department Head, Former Product Officer, Former Account Officer, Former Project Officer*
Ma. Katrina A. Felix 55, Filipino *Senior Vice President* *Credit Card Group Head*	• Franzen Foundation Inc – *Trustee* • AKEAN Landholdings Inc – *Director* • Prudentialife Plan Group Inc – *Director* • Prudentialife Memorial Park – *Director* • Prudentialife Tarlac Memorial Park – *Director* • Best Inc- *Former Director* • Finscore Inc (sister company of Cash Credit) - *Former President* • Cash Credit/ CC Mobile Financial Services Phil. – *Former Country Manager* • Prudential Financial Services- *Former President & Managing Director, Former Chief Operating Officer* • Prudential Life Plan, Inc. – *Former Vice President Personnel Department*

	• Bank of America NT & SA Manila – *Former Operations Manager, MIS Department*
Louella P. Ira 52, Filipino *First Vice President* *Legal Services Division Head*	• Bank of Commerce - *Former Legal Services-Operations Department Head* • Metropolitan Bank & Trust Co- *Former Legal Officer* • Metrobank Card Corporation – *Former Assistant Corporate Secretary* • Insular Life & Assurance Co. – *Former Legal officer* • Padilla Jimenez Kintanar & Asuncion – *Former Associate*
Antonio S. Laquindanum 46, Filipino *Executive Vice President* *Chief Financial Officer*	• Lake Champlain Holdings - Director • Australia and New Zealand Banking Group - *Former CFO Philippines and Acting COO, Former Philippine Head of Finance and Administration* • Ernst & Young, LLP (USA) – *Former Manager* • Accenture – Former *Senior Consultant/Senior Team Lead*
Marie Kristin G. Mayo 55, Filipino *First Vice President* *Human Resource Mgt. and Dev't. Division Head*	• Bank of Commerce - *Former Recruitment Head* • The Royal Bank of Scotland (ABN AMRO Bank, Inc.) - *Former HR Head* • My Resource Solutions - *Former HR and Admin Manager* • Photokina Marketing Corporation - *Former HR Supervisor* • LTS Philippines Corporation – *Former Personnel Specialist* • Phil. Long Distance Tel. Co. – *Former Engineering Assistant*
Reginald C. Nery 66, Filipino *Senior Vice President* *Chief Audit Executive*	• Bank of Commerce – *Former Officer-in-Charge, Compliance Division, Former Chief Audit Executive* • Project Management Institute Philippine Chapter - *Board of Trustee (Treasurer)* • Diaz Murillo Dalupan and Company, CPAs - *Former Partner and Head (Technology Performance and Governance)* • RCNERY and Associates - *Former President and Principal Consultant* • KPMG ManabatSanAgustin& Company (Formerly LayaMananghaya& Company) - *Former Partner and Head (Performance and Technology)*
Jeremy H. Reyes 45, Filipino *First Vice President* *Chief Risk Officer*	• Bank of Commerce - *Former Internal Audit Division Quality Assurance Review Dept. Head* • HSBC – *Former Commercial Banking Business Risk & Control Management Head, Former Assistant Vice President, Management Internal, Former Assistant Manager, Credit Administration* • HSBC Savings - *Former Deputy Head of Audit*
Felipe Martin F. Timbol 54, Filipino *Executive Vice President* *Treasurer/ Treasury Management Group Head*	• Bank of Commerce –*Former Treasury Management Sector Head, and Former Treasury & Fee Based Business Sector Head* • Rizal Commercial Banking Corp. – *Former Vice President/Fund Management Group Head* • Eastwest Banking Corporation - *Former Sr. Asst. Vice President/Treasury Department* • Bank of Southeast Asia – Former Assistant Manager/Trust Department

	• United Coconut Planters Bank – *Former Senior Trader, Former Senior Analyst, and Former General Teller*
Jay S. Velasco 51, Filipino *Senior Vice President* *Operations* *Group Head*	• San Miguel Properties Centre Condominium Corp. – Director/President • Bank of Commerce - *Former Loans Operations Division Head and Former Head Office Operations Support Division Head* • Tiaong Rural Bank - *Former Chief Operations Officer* • PS Bank - *Former Head Office Operations Division Head, Former Centralized Branch Operations & Support Division Head, Former Process Services Division Head* • BPI - *Former Funds Transfer Dept. Head, Former Central Clearing Unit Head, Former Central Clearing Unit Officer, Former Transit Center Officer, and Former Verification Officer* • DBS Bank Philippines – *Former Central Clearing Unit Head, Former ATM Center Head, Former Processing Center Head, and Former Centralized Verification Head*
Jose Mari **M. Zerna** 48, Filipino *First Vice President* *Consumer Banking* *Group Head*	• Bank of Commerce - *Former Chief Risk Officer and Former Credit Risk Management Dept. Head* • ANZ Banking Group Limited – *Former Account Officer* • BPI Capital Corporation – *Former Corporate Finance Officer* • Bank of the Philippine Islands – *Former Account Officer (Institutional Banking Group)* • Reuters Limited - *Former Treasury Applications Specialist* • Misys Banking Systems Inc - *Former Senior Functional Consultant* • Citytrust Bank and Trust – *Former Management Trainee*
Francisco Raymund P. Gonzales 52, Filipino *Assistant Vice President* *Corporate Communication & Consumer Protection Division Head*	• Bank of Commerce – *Former Product Development & Customer Protection Department Head* • ChinaBank – *Former Product Manager* • Metrobank – *Former Product Manager* • AB Capital and Investment Corp. – *Former Deal Officer* • Citytrust / BPI – *Former CorPlan Officer* • Punongbayan and Araullo – *Former Consulting Staff*
Gregorio M. Yaranon Jr. 53, Filipino Senior Vice President *Chief Compliance Officer*	• City Savings Bank – *Former Chief Compliance Officer* • CIMB Bank Philippines Inc. – *Former Chief Compliance & Legal Officer* • CIMB Bank Berhad (Malaysia) – *Former Consultant for Compliance & Legal* • Maybank Philippines Inc – *Former Chief Compliance Officer* • Unionbank – *Former Security Officer, Former Litigation Lawyer, Former HR Legal Officer/Industrial & Labor Relations Manager, and Former Compliance Officer*
Luis Martin E. Villalon 51, Filipino First Vice President *Investment Banking Group*	• First Metro – *Former Head of Coverage Team 1 and Former Deputy Head of Equity Capital Markets* • Ampersand Capital Incorporated – *Former Head of Capital Markets* • Philippine Commercial Capital Inc – *Former Head of Capital Markets*

	• SB Capital Investment Corporation – *Former Investment Banking Director* • HSBC (New York Office) – *Former Vice President of Global Corporate Banking* • Citibank (New York Office) – *Former Assistant Vice President of Corporate and Investment Banking* • Houlihan Lokey Howard And Zukin – *Former Technical Assistant*
Marie Suzanne Sison-Sevilla 60, Filipino *Chief Information Officer/Digital Services Group Head*	• IT Managed Services Inc. (ITMSI) – *Director* • Intelligent E-Processes Technologies Corporation (IETC) – *Director* • PROSYNC Retirement Fund – *Trustee* • Fiesta Pacific Asia, Inc. – *Director* • Process Synergy Inc. (PROSYNC) – *Director* • SMITS Retirement Fund – *Trustee* • SMITS Inc. – *Director* • Bell Telecommunications Philippines Inc. – *Former Chief Information Officer and Information Technology Head* • Philippine Airlines – *Former Head of Information Services Department* • Bank of Commerce – *Former Information Technology Services Division Head* • Personas Creadoras – *Former Freelance Independent IT Management Consultant* • IBM Philippines – *Former Manager*

SIGNIFICANT EMPLOYEE

The Bank has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

FAMILY RELATIONSHIPS

Mr. Roberto C. Benares, Director and former President of the Bank, is related within the third civil degree of affinity to Mr. Jose T. Pardo, Advisor to the Board of Directors. Mr. Benares is married to Mr. Pardo's niece. Other than this, no other family relationships among the directors or senior executives, either by consanguinity or affinity.

INVOLVEMENT IN LEGAL PROCEEDINGS

To the best of its knowledge, the Bank is not aware of any of the following events having occurred during the past five (5) years up to the date of this Definitive Information Statement that are material to an evaluation of the ability or integrity of any Director, nominee for election as Director or Senior Executive of the Bank:

a. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

b. any conviction by final judgment, including the nature of the offence, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

c. being subject to 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 his involvement in any type of business, securities, commodities or banking activities;

d. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

PARENT COMPANIES

As of December 31, 2023, San Miguel Properties, Inc. owns and controls 447,711,800 common shares comprising 31.9107% of the capital stock of the Bank entitled to vote, and San Miguel Corporation Retirement Plan owns and controls 432,626,860 common shares comprising 30.8355% of the capital stock of the Bank entitled to vote.

Item 10. EXECUTIVE COMPENSATION

DISCLOSURE AND TRANSPARENCY

The Bank recognizes the need to report material information in a complete, accurate and timely manner thru easily accessible medium of communications.

SENIOR EXECUTIVE OFFICERS

The following table sets out the Bank's President and Chief Executive Officer and the four (4) most highly compensated executive officers of the Bank for the years ended 31 December 2021 to 2023:

Name	Position	Applicable Fiscal Year 2021-2023
Michelangelo R. Aguilar	President and CEO	2021 to 2023
Felipe Martin F. Timbol	Executive Vice President	2021 to 2023
Manuel A. Castañeda III	Executive Vice President	2021 to 2023
Antonio S. Laquindanum	Executive Vice President	2022 to 2023
Reginald C. Nery	Senior Vice President	2023
Donald Benjamin G. Limcaco	Senior Vice President	2021 to 2022
Anna Marie A. Cruz	Senior Vice President	2021

The following table identifies and summarizes the aggregate compensation of the Bank's President and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other officers as a group, for the years ended 31 December 2021 to 2023:

	Year	Salary (in ₱)	Bonus (in ₱)	Other Annual Compensation	TOTAL (in ₱)
President and the four (4) most highly compensated executive officers named above	2021	62,768,112.00	13,650,338.00	-	76,418,450.00
	2022	68,198,220.00	14,206,139.00	-	82,404,359.00
	2023	73,027,452.00	19,724,205.00	-	92,751,657.00
Aggregate compensation paid to all Senior Executive Officers as a group	2021	127,037,423.00	25,311,898.00	8,205,954.00	160,555,275.00
	2022	139,743,732.00	25,732,146.00	9,995,938.00	175,471,816.00
	2023	156,518,884.00	27,152,295.00	17,461,473.00	201,132,652.00

The senior executive team officers receive salaries and bonuses that are included in the amounts stated above. The Bank has a salary structure in place that is used in determining the remuneration of all employees. Remuneration of executive officers is determined by their current pay, performance, the Bank's performance, and salary scale. Aside from the foregoing, they have no other compensation plan or arrangement with the Bank.

STANDARD ARRANGEMENTS

Other than payment of a reasonable per diem and bonuses which ranges from P20,000 to P40,000 for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director. In accordance with the By-Laws, the members of the Board of Directors, the Executive Committee, other committees, and the Corporate Secretary shall be entitled to per diem for every attendance in meetings, the amount of which shall be fixed by the stockholders from time to time.

For the last three fiscal years, the following are the aggregate compensations of the directors:

2021	23,828,947.55
2022	17,567,836.10
2023	35,985,350.58

The Directors' Fees are subject to the approval of the stockholders in accordance with the Bank's By-laws.

EMPLOYMENT CONTRACT BETWEEN THE BANK AND KEY MANAGEMENT PERSONNEL

There are no special employment contracts between the Bank and Senior Management.

WARRANTS AND OPTIONS HELD BY THE KEY MANAGEMENT PERSONNEL AND DIRECTORS

There are no outstanding warrants or options held by Key Management Personnel, and all officers and directors as a group.

COMPENSATION PLANS

There is no action to be taken at the 2024 Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets out the record and beneficial owners of more than 5.0% of the Bank's voting securities known to the Bank as of December 31, 2023:

Title of Class	Name and Address of Record Owners and Relationship with the Bank	Name of Beneficial Owner and Relationship with Record Owner	Ctizenship	Number of Shares	% of Ownership (Total Outstanding)	% of Ownership (Common)
Common	SMC Equivest Corporation	San Miguel Corporation (SMC) owns 100% of the outstanding common stock of SMC Equivest and 99.86% of SMPI. Top Frontier Investments Holding owns 42% of SMC. Messrs. Iñigo Zobel, Filipino, Director of SMC, and Ramon S. Ang, Filipino, President and CEO of SMC and Chairman and President of SMPI, are beneficial owners of 59.96% and 26.03%, respectively, of the outstanding Holding owns 42% of SMC.	Filipino	68,305,560	26.6515%	4.8685%
Preferred				416,666,670		N/A
Common	San Miguel Properties, Inc. (SMPI)		Filipino	447,711,800	24.6039%	31.9107%
Common	San Miguel Corporation Retirement Plan	Various employees of San Miguel Corporation	Filipino	432,626,860	23.7749%	30.8355%
Common	PCD Nominee Corporation	Various Individuals/Entities	Filipino	153,023,854	8.4094%	10.9068%
Common	PCD Nominee Corporation	Various Individuals/Entities	Non-Filipino	140,298,366	7.7101%	9.9998%

Common	Caritas Health Shield, Inc.	Various employees of San Miguel Corporation Various Individuals/Entities Mariano T. Katipunan, Jr., Filipino, President and CEO and Edgar De Asis, Filipino, FVP, Finance, are officers and beneficial owners of Caritas Health Shield, Inc.	Filipino	109,666,640	6.0267%	7.8165%

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Bank has various transactions with its related parties and with certain directors, officers, stockholders, and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks. The Bank is in full compliance with the BSP regulations on DOSRI loans and transactions. As of December 31, 2023 and 2022, DOSRI loans of the Bank amounted to P0.2 million and P0.3 million, respectively. Details on related party transactions are further explained in Note 33 of the Audited Financial Statements. The Bank is not a subsidiary of any corporation.

PART IV – CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

On 27 October 2020, the Board adopted the Manual on Corporate Governance ("Manual"), which institutionalizes the principles of good corporate governance in the entire organization. The Bank believes that it is a necessary component of sound strategic business management, hence, we undertake efforts to create awareness within the organization. The Manual is reviewed and updated annually to capture current and best practices. Proposed amendments thereof are presented to and approved by the Board as reviewed and endorsed by the Corporate Governance Committee.

In adopting the Manual, the Board and its members acknowledge the responsibility in governing the conduct of the business of the Bank, the Board Committees, in focusing on specific board functions to aid in the optimal performance of its roles and responsibilities, and the officers, in ensuring adherence to corporate principles and best practices.

Board committees have been established with focused oversight on internal control, risk management, and performance monitoring. As of date, the Bank has nine board-level committees: (1) Executive Committee; (2) Trust and Investment Committee; (3) Audit Committee; (4) Board Risk Oversight Committee; (5) Corporate Governance Committee; (6) Nomination, Compensation and Remuneration Committee; (7) Related Party Transactions Committee; (8) Information Technology Steering Committee; and (9) Underwriting Committee. To ensure independent judgment on significant corporate matters, and that key issues and strategies are objectively reviewed and constructively challenged, five (5) of the nine (9) committees are headed by independent directors, namely, Audit, Board Risk Oversight, Corporate Governance, Nomination, Compensation and Remuneration; and

Related Party Transaction. Board-level committee memberships were also evaluated and calibrated to improve on the committees' focused oversight and high-level engagement with management. The respective charters stating the committee purpose, membership, structure, operations, reporting processes and other information, are posted in the company website.

Annual performance reviews are conducted by all members of the Board, as follows:

1. Self-assessment
   This is a yearly self-assessment undertaken by each member of the Board.

2. Peer Assessment
   This is a yearly performance evaluation done by each member of the Board on the performance of his peers (BOD members).

3. Board Committee Assessment
   This is a yearly evaluation done by the Chairman of each Board Committee on the Board Committee he presides. Each member of the Board Committee also assesses the performance of said Committee.

4. Board Assessment
   This is a yearly evaluation undertaken by each member of the Board on the performance of the Board.

Results of these assessments are reported to Corporate Governance Committee and the Board and shared with Nomination Compensation Remuneration Committee (NCRC) for consideration in the re-election of each member of the Board. It also serves as basis in the training needs of each member of the Board.

With respect to Board Advisors, annual evaluation is also done by the members of the Board on the performance of the Board Advisors. The same is reported to the Corporate Governance Committee and the Board and shared with the NCRC for consideration in the renewal of the Board Advisors.

Moreover, the Bank's Internal Audit Division performs periodic corporate governance audit to review and evaluate the Bank's adherence to the guiding principles of the Bangko Sentral ng Pilipinas (BSP), and alignment with international best practices on Corporate Governance Principles for Banks by Basel Committee on Banking Supervision (BCBS) every three (3) years. The last audit of the Corporate Governance was part of the 2022 Audit Plan. It was outsourced to Isla Lipana (PWC), the report of which was released on January 21, 2023. The next audit is scheduled in 2025.

The Bank has fully complied with the requirement on Corporate Governance consistent with the best practices. It has been responsive to newly issued circulars and memos by BSP as well as the comments and suggestions of BSP examiners with respect to governance structures, policies, procedures, and practices.

There are no known deviations or recorded deviations from the Corporate Governance framework of the Bank. The last two internal audit reports on corporate governance undertaken yielded an "Outstanding" audit rating, which means that no significant risks and concerns were noted, and controls were functioning as intended.

MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS

There is no action to be taken at the 2024 Annual Stockholders' Meeting with respect to any transaction involving mergers, consolidations, acquisitions, and similar matters.

ACQUISITION OR DISPOSITION OF PROPERTY

There is no action to be taken at the 2024 Annual Stockholders' Meeting with respect to the acquisition or disposition of any property.

RESTATEMENT OF ACCOUNTS

There is no action to be taken at the 2024 Annual Stockholders' Meeting with respect to the restatement of any asset, capital or surplus account of the Bank.

PART IV – EXHIBITS AND SHEDULES

Item 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

EXHIBITS

ANNEX A: LIST OF PROPERTIES OWNED OR LEASED BY THE BANK
- Please see attached file

ANNEX B: AUDIT FINANCIAL STATEMENT
- Please see attached file

REPORTS ON SEC FORM

- Please see attached file

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 MANDALUYONG CITY on 11 APR 2024.

BANK OF COMMERCE
Issuer

By:

MICHELANGELO R. AGUILAR
President & CEO

ANTONIO S. LAQUINDANUM
EVP/CFO/CIO

EVITA C. CABALLA
Corporate Secretary

11 APR 2024

SUBSCRIBED AND SWORN to before me this _____ day of _________ 20__ affiant(s) exhibiting to me their evidence of identity as follows:

Names	Identification No.	Place of Issue	Valid Until
Michelangelo R. Aguilar	Passport No. P8692960A	DFA NCR East	September 9, 2028
Antonio S. Laquindanum	Passport No. P7572781B	DFA Manila	September 9, 2031
Evita C. Caballa	Passport No. P6253175A	DFA NCR East	March 1, 2028

Notary Public

Doc. No.: 90
Page No.: 19
Book No.: I
Series: 2024

RENIER ARIES A. RAZON
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0709-24
UNTIL 31 DECEMBER 2025
SMPC. # 7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5425494 / 03 JAN 2024 / MANDALUYONG CITY
IBP OR No. 324802 / 05 DEC 2023
ROLL OF ATTORNEYS NO. 80940

ANNEX A: LIST OF PROPERTIES OWNED OR LEASED BY THE BANK

I. PROPERTIES OWNED BY THE BANK

NO.	NAME OF BRANCH/ PROPERTY	LOCATION	TITLE NO.
1	**BATANGAS P. BURGOS BRANCH**	P. Burgos St., Barangay Poblacion, Batangas City	**T-40683**
2	**BROADCAST CITY BRANCH**	Capitol Hills Drive, Broadcast City Compound, Capitol Hills, Brgy. Old Balara, Quezon City	**T-225837**
3	**AYALA BRANCH**	6764 Phil. First Bldg, Ayala Avenue, Makati City	**47437**
4	**MARAMAG BRANCH**	Sayre Highway, Maramag, Bukidnon	**T-36212**
5	**CARMEN BRANCH**	Mc-Arthur Highway, Carmen, Rosales, Pangasinan	**T-30890**
6	**IBA ZAMBALES BRANCH**	Brgy. Zone II, Iba, Zambales	**T-45802**
7	**KABANKALAN BRANCH**	Guanzon Street and J. Cordova Street, Barangay 1, Kabankalan City, Neg. Occ.	**T-104029 / T-104030**
8	**GREENHILLS BRANCH**	Eisenhower Condominium, Eisenhower St., Greenhills, San Juan	**9397-R**
9	**SMPC - HEAD OFFICE**	SMPC No. 7 St., Francis Street., Mandaluyong City	**several CCTs**
		1-A	008-2011000095
		1-B	008-2011000096
		1-C	008-2011000097
		7-A	008-2012000219
		7-B	008-2012000218
		12-A	008-2011000098
		12-B	008-2011000099
		17-A	008-2011000100
		17-B	008-2011000101
		18-A	008-2011002076
		18-B	008-2011002077
		21-A	008-2011000102
		21-B	008-2011000103
		22-A	008-2011000104
		22-B	008-2011000105
		24-A	008-2011000106
		24-B	008-2011000107
		25	008-2011000108
		26	008-2011000109

II. PROPERTIES LEASED BY THE BANK

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term Start	Lease Term End
METRO MANILA				
Aduana	G/F FEMII Building, A. Soriano St., Brgy. 656, Intramuros, Manila	175,267.76	03/1/2023	02/28/2028
Alabang	Unit-6 El Molito-II Building, Madrigal Avenue cor. Alabang-Zapote Road, Brgy. Ayala Alabang, Muntinlupa City.	414,668.28	03/15/2022	03/14/2025
Banawe	No. 128-B, WAS Building, Banawe Street, Brgy. Tatalon, Quezon City.	167,071.59	04/03/2020	04/02/2025
Bel-Air Petron	363 Sen. Gil Puyat Ave., Brgy. Bel-Air, Makati City.	235,200.00	09/22/2021	09/21/2026
BF Homes	33 President's Ave., Brgy. B.F. Homes, Paranaque City.	222,442.16	04/04/2022	04/03/2027
Bicutan	G/F Filhome Builders Building, No. 68 Dona Soledad Ave., Betterliving Subdivision, Brgy. Don Bosco, Paranaque City.	77,792.40	07/01/2022	06/30/2027
Jupiter	64/66 Jupiter St., Brgy. Bel-Air, Makati City	91,194.43	03/17/2011	03/16/2026
Caloocan	100 8th Avenue cor. A. Del Mundo St., Brgy 058, Caloocan City.	94,913.21	08/01/2020	07/31/2025
Commonwealth	G/F Verde Oro Building, 535 Commonwealth Ave., Matandang Balara, Quezon City.	198,144.33	03/01/2022	02/28/2027
Concepcion	No. 52 A.M. PACLEB Building, Bayan-Bayanan Avenue, Brgy. Concepcion Uno, Marikina City.	151,200.00	08/23/2020	08/22/2025
Cubao	Unit 1, G/F Harvester Corporate Center, P. Tuazon Cor. 7th & 8th Ave., Brgy. Socorro, Cubao, Quezon City	458,640.00	08/01/2022	07/31/2027
Dasmariñas-Binondo	G/F, 304 STP Building, Dasmarinas cor. Marquina Sts., Brgy. 291, Binondo, Manila.	150,090.72	09/01/2020	08/31/2025
Del Monte	G/F Bank of Commerce Building, Del Monte Ave. cor. D. Tuazon St., Brgy. Maharlika, Quezon City	190,591.38	06/18/2019	06/17/2029
Dela Costa-Alfaro	G/F 100 Don Chua Lamko Building, H.V. Dela Costa cor. Leviste St., Salcedo Village, Brgy. Bel-Air, Makati City	238,563.36	11/01/2023	10/31/2028
Diliman	Commonwealth Ave., Cor. Masaya St., Brgy. Old Capitol Site, Quezon City	453,789.00	05/01/2020	04/30/2025
Eastwood-Petron	No. 188 E. Rodriguez Jr. Avenue (C-5), Brgy. Bagumbayan, Quezon City.	198,110.07	02/15/2021	02/14/2024

Sto. Cristo	G/F Kim Siu Ching Foundation Building, 471-483 Sto. Cristo cor. Jaboneros St., Brgy. 281 Binondo Manila	189,792.25	08/01/2023	07/31/2025
Ermita	1312 A. Mabini St., Brgy. 669, Ermita, Manila	184,800.00	10/01/2023	09/30/2028
E. Rodriguez	No. 84 Hemady St., New Manila, Brgy. Mariana, Quezon City.	223,440.00	01/01/2023	12/31/2027
Fort Bonifacio Global City	G/F Kensington Place, Burgos Circle, Brgy. Fort Bonifacio, Taguig City.	404,546.87	10/01/2022	09/30/2027
Grace Park	G/F No. 554 HGL Building, EDSA Cor. Biglang Awa Street, Brgy. 95, Caloocan City.	185,956.49	11/01/2013	10/31/2023
Juan Luna	No. 465 MCU Building, Juan Luna Street, Brgy. 287, Binondo, Manila.	330,950.02	09/19/2020	09/18/2025
Tomas Morato	Tomas Morato Ave., cor. Dr. Lascano St., Brgy. Sacred Heart, Quezon City	240,000.00	10/23/2022	10/22/2027
Katipunan-Petron	Katipunan Ave., cor. Mangyan Road, La Vista, Brgy. Pansol, Quezon City.	197,594.04	10/28/2021	2/14/2024
Las Pinas	G/F Pelayo Building, Alabang-Zapote Road, Manuela Subdivision, Brgy. Pamplona-III, Las Piñas City.	149,410.80	04/01/2023	03/31/2028
Makati Avenue-Zuellig	Unit 2, G/F Zuellig Building, Makati Ave., Cor. Paseo De Roxas & Sta. Potenciana Sts., Brgy. Bel-Air, Makati City.	530,140.80	01/01/2020	12/31/2026
Magallanes	G/F Tritan Plaza Building, San Antonio St., Paseo de Magallanes, Brgy. Magallanes, Makati City.	123,200.00	09/30/2023	09/29/2028
Malabon	29 Gov. Pascual Ave., Brgy. Acacia, Malabon City.	174,900.00	06/01/2016	05/31/2024
Malabon-Gen. Luna	No. 55 Gen. Luna St., Brgy. San Agustin, Malabon City.	105,025.98	03/01/2023	02/28/2033
Marcos Highway	Unit # 10, No. 4 Thaddeus Arcade, Gil Fernando Avenue corner Pitpitan Street, Brgy. San Roque, Marikina City.	197,829.59	09/01/2023	08/31/2028
Marikina	No. 258 J.P. Rizal St., Brgy. Sta. Elena, Marikina City	250,943.76	02/17/2023	02/16/2028
NAIA	IPT Building., Arrival Lobby, Terminal 1, Brgy. Sto. Nino, Pasay City.	20,334.00	01/01/2024	12/31/2024
NAIA Terminal-3	Stall No. 14, Arrival Lobby, NAIA Terminal 3, Brgy. 183, Pasay City.	34,692.00	01/01/2024	12/31/2024
Pasay Road	1006 Cedar Executive Building, A. Arnaiz Ave., San Lorenzo Village, Brgy. San Lorenzo, Makati City	496,163.21	11/01/2019	10/31/2024
Pasig	G/F Renaissance 2000 Tower, Meralco Ave., Brgy. San Antonio, Pasig City.	658,755.22	01/03/2024	01/02/2029

Pasong Tamo Ext.	2295 OPVI Centre, Pasong Tamo Extension, Brgy. Magallanes, Makati City	180,698.13	12/27/2022	12/26/2027
Port Area	G/F/ Mary Bachrach Building, 25th Cor. Delgado Sts., Brgy. 653, Port Area, Manila	111,865.60	09/01/1997	05/31/2012
Quezon Avenue	No. 8 Sto. Domingo Church Compound, Biak-Na-Bato St cor. Quezon Ave., Brgy. Sto. Domingo, Quezon City.	257,814.79	11/28/2019	11/27/2024
Quiapo	No. 609 Sales St., Brgy. 309, Quiapo, Manila.	168,652.61	03/01/2022	08/31/2027
Rockwell	P1 - Concourse Level, The Powerplant Mall, Rockwell Center, Brgy. Poblacion, Makati City	307,554.72	07/01/2023	06/30/2025
Fairview-Petron	G/F Petron Station, Commonwealth Avenue, Brgy. Fairview, Quezon City.	86,201.10	09/01/2022	08/31/2025
Ninoy Aquino Avenue	Unit W & Y, No. 707 Columbia Airfreight Complex, Ninoy Aquino Ave., Brgy. Sto. Nino, Paranaque City.	214,663.68	06/16/2023	06/15/2025
Salcedo	G/F Aguirre Building, Tordesillas cor. H.V. Dela Costa St., Salcedo Village, Brgy. Bel-Air, Makati City.	183,253.82	01/05/2024	01/04/2029
Soler	1004 Reina Regente cor. Soler St., Brgy. 292 Binondo, Manila	176,400.00	05/21/2022	05/20/2027
Resorts World	Unit R3, GF Star Cruises Centre, 100 Andrews Avenue, Newport City Brgy. 183, Pasay City	371,069.75	04/01/2020	03/31/2025
Sucat	8338 Fortuna-II Bldg., Dr. A. Santos Ave., Brgy. San Isidro, Paranaque City.	110,544.00	06/19/2022	06/18/2027
Taft Avenue	G/F Mirasol Building, 854 G. Apacible St., cor. Taft Ave., Brgy. 676, Ermita, Manila	153,052.10	12/21/2021	12/20/2028
Taft-PGH	G/F Mirasol Building, 854 G. Apacible St., cor. Taft Ave., Brgy. 676, Ermita, Manila	169,035.16	08/01/2020	07/31/2025
Tutuban	G/F, Units LS-CM19 & 20, Centermall-II, Tutuban Center, C.M. Recto Ave., Brgy. 248, Binondo, Manila	134,840.16	01/01/2024	12/31/2024
UN Avenue	No. 429 Victoria Building, United Nations Avenue, Brgy. 666, Ermita, Manila.	296,800.00	11/16/2023	11/15/2028
Valenzuela	Units 12 & 13, Puregold Shopping Complex, McArthur Highway, Brgy. Dalandan, Valenzuela City.	108,451.99	01/15/2019	01/14/2024
Visayas Avenue	15 Visayas Avenue Extension, Brgy. Culiat, Quezon City.	110,250.00	06/01/2020	05/31/2025
Wack-Wack Petron	No. 553 Shaw Blvd., Brgy. Wack-Wack, Greenhills East, Mandaluyong City, Manila.	204,389.41	06/01/2011	05/31/2026
West Avenue	68 West Ave., Brgy. West Triangle, Quezon City	123,484.33	040/1/2015	06/30/2023

West Triangle	1451 Quezon Ave., cor. Examiner St., Brgy. West Triangle, Quezon City.	272,538.56	01/01/2024	12/31/2028
Bonifacio High Street	G/F Active Fun Building, 9th Avenue corner 28th Street, Brgy. Fort Bonifacio, Taguig City	804,973.16	05/01/2014	04/30/2024
Pasig Boulevard	152 Pasig Boulevard, Brgy. Bagong Ilog, Pasig City.	157,595.25	10/16/2019	10/15/2024
Dela Rosa	G/F King's Court Building-II, 2129 Chino Roces Ave., Cor. Dela Rosa Street, Pio Del Pilar, Makati City	283,587.29	09/16/2019	09/15/2024

LUZON

Baguio	G/F YMCA Baguio Building, Post Office Loop (Upper Session Road), Brgy. Session Road, Baguio City, Benguet.	219,587.85	06/01/2019	05/31/2024
Laoag	Rizal corner Gen. Hizon St., Brgy. 7-A, Laoag City, Ilocos Norte.	151,071.22	05/16/2016	05/15/2025
Candon	National Highway, Brgy. San Jose, Candon City, Ilocos Sur.	218,162.77	10/01/2021	09/30/2026
Dagupan	Eastgate Plaza Building, A.B. Fernandez Avenue, Dagupan City, Pangasinan.	94,080.00	04/01/2023	03/31/2028
La Union	Northway Plaza, National Highway, Bgy Sevilla, San Fernando City, La Union.	111,860.69	12/01/2019	11/30/2024
Urdaneta	The Pentagon Building, McArthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan.	114,354.24	03/01/2023	02/28/2028
Vigan	G/F Plaza Maestro Commercial Complex, Florentino Cor. Jacinto Streets, Brgy. 1, Vigan City, Ilocos Sur.	202,676.13	02/19/2019	02/18/2024
Tuguegarao	Luna corner Burgos Sts, Centro 6, Tuguegarao City, Cagayan	198,016.00	07/01/2023	06/30/2028
Santiago City, Isabela	G/F Oryza Hotel, Maharlika Highway, Bgy Villasis, Santiago City, Isabela.	123,480.00	09/17/2021	09/16/2026
Cauayan City, Isabela	G/F, Majesty Commercial Building, National Highway, Brgy. San Fermin, Cauayan, Isabela.	71,029.99	09/10/2021	09/8/2026
Angeles	McArthur Highway Cor. B. Aquino Street, Brgy. Lourdes Sur East, Angeles City, Pampanga.	206,171.62	03/18/2021	03/17/2026
Balanga	P. Paterno Street, Brgy. Poblacion, Balanga City, Bataan.	160,909.17	02/23/2021	02/22/2026
Balibago	McArthur Highway Cor. Victor Street, Brgy. Balibago, Angeles City, Pampanga.	152,497.43	02/01/2015	01/31/2025
Baliuag	G/F Doña Victoria Building, Gil Carlos Cor. Año Streets, Brgy. Poblacion, Baliuag, Bulacan.	306,641.10	09/09/2020	09/8/2028
Cabanatuan	G/F V. P Building, Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City, Nueva Ecija.	167,435.07	10/27/2023	10/26/2025

Malolos	Paseo Del Congreso, Brgy. Caingin, Malolos City, Bulacan.	100,800.00	03/20/2022	03/19/2027
San Fernando, Pampanga	G/F Insular Life Building, McArthur Highway, Brgy. Dolores, San Fernando, Pampanga.	264,921.20	06/16/2022	06/15/2027
Sta. Cruz	National Road Cor. Misola St., Brgy. Poblacion South, Sta. Cruz, Zambales.	41,160.00	02/17/2020	02/16/2030
Subic Freeport	G/F, The Venue, Annex Building, Rizal Nighway, Subic Bay Freeport Zone 2222, Olongapo City, Zambales.	103,287.60	08/01/2020	07/31/2025
Tarlac	Block 4, Unit 110-112, G/F, Rising Sun Building, McArthur Highway, Brgy. San Nicolas, Tarlac City.	99,243.65	03/01/2019	02/28/2024
Angeles Nepomart	G/F ENTEC Building, Teresa Avenue, Nepo Mart Complex, Bgy Cutcut, Angeles City, Pampanga	117,052.74	07/15/2021	07/14/2026
Baliuag DRT Highway	3006 Augustine Square Commercial Complex, Doña Remedios Trinidad (DRT) Highway, Brgy. Pinagbarilan, Baliuag, Bulacan.	74,834.39	06/01/2021	05/31/2026
San Jose Del Monte	G/F Block 2, Lot 12, Quirino Highway, Cor. Diamond Crest Village, Brgy. San Manuel, San Jose Del Monte City, Bulacan.	121,874.76	10/01/2022	09/30/2027
Clark Freeport (formerly Mabalacat)	Unit 5A, Ground floor, Clark Center 14, Clark Center, Jose Abad Santos Ave., Clark Freeport Zone, Mabalacat City, Pampanga	115,500.00	09/01/2023	08/31/2028
Sta. Maria, Bulacan	G/F Jover Building, Narra Street, Bgy Sta. Clara, Sta. Maria, Bulacan.	81,000.00	06/16/2023	06/15/2028
San Fernando Sindalan	Jumbo Jenra, McArthur Highway, Bgy Sindalan, San Fernando City, Pampanga.	153,153.78	04/04/2019	04/3/2027
Batangas-Caedo	G/F Caedo Commercial Complex, Brgy. Calicanto, Batangas City.	112,000.00	04/01/2021	05/31/2026
Cainta	No. 40 Felix Ave., Brgy. San Isidro, Cainta, Rizal.	136,500.47	01/25/2024	01/24/2025
Calamba	Unit 6 & 7, New Parian Business Center, National Road, Brgy. Parian, Calamba City, Laguna.	178,682.11	01/01/2022	12/31/2032
Dasmariñas-Cavite	G/F Veluz-Frances Plaza Building, Aguinaldo Highway, Brgy. Zone 1, Dasmariñas City, Cavite.	103,723.20	07/01/2023	06/30/2028
Lipa	# 7 Bank of Commerce Building, CM Recto Avenue, Bgy 9-A, Lipa City, Batangas.	122,350.97	11/01/2022	10/31/2027
Lucena	G/F Bank of Commerce Building, Quezon Avenue cor. Lakandula Street, Brgy. IX, Lucena City, Quezon.	158,731.86	12/16/2020	12/15/2025
Imus	G/F Lot 3 Block 1, Aguinaldo Highway, Brgy. Anabu 1-B, Imus City, Cavite.	95,295.69	03/01/2022	02/28/2027

San Pedro	G/F Pacita Commercial Complex, National Highway, Brgy. Nueva, San Pedro Laguna.	215,529.05	06/21/2019	06/20/2024
Sta. Rosa	Shop 1-A, Paseo-III, Embarcadero Lane, Paseo De Santa Rosa, Brgy. Don Jose, Sta. Rosa City, Laguna	208,916.00	09/16/2023	09/15/2026
Tanauan	G-04 The Citywalk, No. 2 President Laurel Highway, Brgy. Darasa, Tanauan City, Batangas.	71,090.63	01/01/2022	12/31/2026
Calapan	G/F Leona Yap Ong Building, J.P. Rizal Street, Brgy. San Vicente Central, Calapan City, Oriental Mindoro.	180,047.09	05/20/2023	05/19/2028
Puerto Princesa	J.P. Rizal Avenue, Brgy. Manggahan, Puerto Princesa City, Palawan.	150,268.16	04/01/2023	03/31/2028
Legazpi City	G/F Diabetes One Stop Center, LANDCO Business Park, Brgy. Capantawan, Legazpi City, Albay.	123,200.00	07/01/2023	06/30/2028
Naga	G/F No. 258 Romar Building-1, Elias Angeles Street, Brgy. Dinaga, Naga City, Camarines Sur.	133,358.40	06/13/2022	06/12/2027

VISAYAS

Bacolod-Araneta	G/F Yusay Arcade, Araneta Street, Brgy. 15, Bacolod City, Negros Occidental.	188,153.28	12/005/2023	12/04/2028
Bacolod-Lacson	Corner 12th & Lacson Streets, Brgy. 4, Bacolod City, Negros Occidental.	247,665.60	03/15/2020	03/14/2025
Estancia	Clement Street, Brgy. 25, Estancia, Iloilo City.	58,800.00	01/30/2020	01/29/2025
Iloilo Iznart	G/F TCT Building, Iznart Street, Brgy. Danao, Iloilo City.	149,351.53	06/01/2019	05/31/2024
Iloilo - J.M. Basa	G/F TTW Building J.M. Basa & Mapa Sts., Brgy. Ortiz, Iloilo City.	187,881.29	10/29/2020	10/28/2025
Kalibo	No. 1280 Garcia Building, C. Laserna Street, Brgy. Poblacion, Kalibo, Aklan.	131,445.58	05/26/2022	05/25/2027
Roxas City	G/F Gaisano Arcade, Arnaldo Boulevard, Brgy. Baybay, Roxas City, Capiz.	82,753.06	01/01/2024	12/31/2028
Iloilo Atria	F&B 2, UPMC Building, Atria Park District, Bgy San Rafael, Iloilo City.	100,517.38	04/11/2021	12/31/2022
Bacolod Capitol	GR 04 & 05, 888 Chinatown Premier Mall, Cottage Road corner Gatuslao St., Brgy. 8, Bacolod City, Negros Occidental.	84,867.62	06/01/2021	05/31/2026
Cebu Banilad	First Jomica Realty & Development Bldg., No. 888 A. S. Fortuna St., Bgy Banilad, Mandaue City, Cebu	142,584.96	09/01/2021	08/31/2026
Cebu-Main	Cebu Woman's Club Building, B. Rodriguez St. Cor. Osmeña Blvd., Brgy. Sambag-II, Cebu City.	389,487.92	05/01/2023	04/30/2028

Cebu F. Cabahug	Units 5 & 6 GPH Central, F. Cabahug corner Pres. Roxas Sts., Bgy Kasambagan, Cebu City	101,285.70	02/01/2023	01/31/2028
Cebu Sto. Niño - Magallanes	G/F Unit 2, Martina Sugbo Building, P Burgos corner Magallanes Sts., Bgy Sto. Nino, Cebu City	218,736.00	02/01/2023	01/31/2028
Mandaue-NRA	G/F Mantawe Ave., North Reclamation Area, Brgy. Tipolo, Mandaue	185,534.50	10/16/2019	10/15/2024
Dumaguete	Rusiana Building, North Road, Capitol Area (National Highway), Barangay Daro, Dumaguete City	93,188.81	06/17/2019	06/16/2029
Lapu-Lapu	Unit 3-5 AJS Building, M.L. Quezon National Highway, Brgy. Pusok, Lapu-Lapu City, Mactan, Cebu	117,250.34	09/03/2022	09/2/2027
Mandaue	G/F Entienza Building, National Highway, Brgy. Bakilid, Mandaue City, Cebu.	163,570.39	09/15/2023	12/31/2024
Tagbilaran	G/F 0025 Karan's Building, B. Inting St., 2nd district, Bgy Poblacion 2, Tagbilaran City	115,470.05	02/01/2020	01/31/2025
Cebu Talisay	PCJ Building, National Highway, Bulacao, Talisay City, Metro Cebu	84,125.25	07/18/2023	07/17/2028
Ormoc	G/F H. Serafica Building, Real Street, Brgy. District 24, Ormoc City, Leyte	160,912.49	03/01/2020	01/31/2025
Tacloban	Door Nos. 12 & 13, RUL Building, Justice Romualdez St., Brgy. 15, Tacloban City	97,558.97	12/01/2020	11/30/2025

MINDANAO

Zamboanga Veterans	Veterans Avenue cor. Camachile Street, Brgy. Zone 3, Zamboanga City, Zamboanga Del Sur.	140,000.36	04/01/2023	03/31/2028
Pagadian	F. S. Pajares Avenue, Brgy. Gatas, Pagadian City, Zamboanga del Sur.	83,433.41	04/08/2018	04/07/2028
Cagayan De Oro-Velez	Don A. Velez-Akut Streets, Brgy. 16, Cagayan De Oro City, Misamis Oriental.	323,967.61	09/05/2010	09/04/2025
Cagayan De Oro-Lapasan	Suites 6 & 7, Gateway Tower-1, Limketkai Center, Lapasan Highway, Brgy. Lapasan, Cagayan De Oro City	247,212.81	05/01/2020	04/30/1930
Cagayan De Oro Carmen	Eric Tan Building, Vamenta Boulevard, Brgy. Carmen, Cagayan De Oro City.	102,093.26	03/03/2023	03/02/2028
Iligan City	M. Badelles corner De Leon Street, Barangay Poblacion, Iligan City, Lanao del Norte.	98,000.00	12/31/2021	12/30/2026
Davao-City Hall	G/F Valgoson's Realty Building, City Hall Drive, Brgy. 2-A, Davao City, Davao Del Sur.	198,995.62	080/1/2019	07/31/2029
Davao Lanang	Consuelo Bldg, Km. 7, Lanang, Davao City	198,500.00	07/16/2023	07/15/2028

Davao-Rizal	G/F CAP Development Center Building, Rizal Street, Brgy. 3-A, Davao City, Davao Del Sur.	122,629.02	06/01/2022	05/31/2032
Tagum City	Units 104-105 PLJ Building, Apokon Road, Magugpo Poblacion, Tagum City, Davao del Norte.	90,193.73	06/28/2021	06/27/2026
General Santos	Ground floor C. Czar & Co. Bldg., Santiago Blvd, Dadiangas East, General Santos City, South Cotabato	128,700.00	07/01/2023	06/30/2023
Butuan	G/F Cesia Building, Montilla Boulevard, Brgy. Urduja, Butuan City, Agusan Del Norte.	162,976.09	08/01/2019	07/31/2024

From: eafs@bir.gov.ph
Sent: Wednesday, 27 March 2024 4:10 pm
To: Tax Department

Subject: Your BIR AFS eSubmission uploads were received

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Transaction Code: **AFS-0-4YM2ZTST0Q3Q2VXV4QMPVW4WM075B9B9A7**
Submission Date/Time: **Mar 27, 2024 04:10 PM**
Company TIN: **000-440-440**

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Bank of Commerce** (the "**Bank**") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standard Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

FRANCIS C. CHUA
Chairman of the Board

MICHELANGELO R. AGUILAR
President and Chief Executive Officer

ANTONIO S. LAQUINDANUM
Executive Vice President and Chief Financial Officer

Signed this 19th day of March 2024

SUBSCRIBED AND SWORN to before me this MAR 2 2 2024, affiants exhibiting their Passport ID as follows:

Names	Identification No.	Place of Issue	Valid Until
Francis C. Chua	Senior Citizen ID No. GGG-001082	San Juan, Metro Manila	N/A
Michelangelo R. Aguilar	Passport No. P8692960A	DFA NCR East	September 9, 2028
Antonio S. Laquindanum	Passport No. P7572781B	DFA Manila	September 9, 2031

Doc. No. 210
Page No. 43
Book No. III
Series of 2024

ALYSSA MAE G. CAYABA
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0676-23
UNTIL 31 DECEMBER 2024
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5425492 / 03 JAN 2024 / MANDALUYONG CITY
IBP OR No. 332593 / 20 DEC 2023
ROLL OF ATTORNEYS NO. 73447

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 4 2 2 1

C O M P A N Y   N A M E

B A N K   O F   C O M M E R C E

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

San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

C O M P A N Y   I N F O R M A T I O N

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	8982-6000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
155	Any day in April	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Antonio S. Laquindanum	ASLaquindanum@bankcom.com.ph	8982-6000	N/A

CONTACT PERSON's ADDRESS

12th Floor, San Miguel Properties Centre, No. 7 St. Francis St., Mandaluyong City

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

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

BANK OF COMMERCE

FINANCIAL STATEMENTS
As of December 31, 2023 and 2022 and
For the Years Ended December 31, 2023, 2022 and 2021

With Independent Auditors Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Commerce (the "Bank"), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Allowance for Expected Credit Losses (ECL) for Loans and Receivables

The risk

The Bank's recognition of allowance for ECL for its loans and receivables is significant to our audit as it involves the exercise of significant management judgment. In calculating ECL, key areas of judgment include: determining the method to estimate ECL; defining default; identifying exposures with significant increase in credit risk; determining assumptions to be used in the ECL model such as expected recoveries from defaulted accounts and amount and timing of future cash flows; and incorporating forward-looking information, rising interest rates, and inflation, among others.

Loans and receivables and the corresponding allowance for credit losses as at December 31, 2023 amounted to P112.59 billion and P3.02 billion, respectively. Provision for credit and impairment losses in 2023 amounted to P113.62 million. The disclosures in relation to the allowance for credit losses are included in Notes 12 and 17 of the financial statements.

Our response

We obtained an understanding of the Bank's ECL methodologies and models for loans and receivables, as approved by the Credit Committee and the Board of Directors, and evaluated whether those are (a) established and implemented consistently in accordance with the underlying principles of PFRS 9, *Financial Instruments;*
(b) appropriate in the context of the Bank's lending activities and asset portfolio; and
(c) supported with processes and controls including documentations that capture in sufficient detail the judgment and estimation applied in the development of the ECL model.

We have performed the following procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of loans and other receivables:

- We evaluated the governance over the development, validation and approval of the ECL model including continuous reassessment performed by the Bank;
- We tested the design, implementation and operating effectiveness of key controls in the ECL process. This includes appropriate classification of loan to stages and assignment of loan risk rating, approval of restructured loans, review of underlying collateral valuation, and the calculation and recognition of the ECL allowance;
- We assessed whether the loans are classified to the appropriate stage, and challenged the criteria used to categorize the loan to respective stages;

- On a sample basis, we performed an independent credit review in order to evaluate the appropriateness and adequacy of the risk rating review and credit review processes done by the Bank including its documentation. Accounts selected for review were based on a set of criteria designed to capture the items with high risk of material misstatement in the Bank's loan portfolios;

- We assessed the appropriateness and adequacy of the inputs and assumptions as well as the formulae used in the development of the ECL models, including the determination of the probability of default, loss given default and exposure at default;

- We performed model re-assessment through a series of statistical tests on the time series regression analysis and interpreted the results with the aim to verify, primarily, statistical significance;

- For forward-looking information used, we evaluated whether the historical and projected macro-economic factors (i.e. Remittances, Loan Performances, BVAL Rates, Value of Production Index, Stock Exchange Index, Exports, Consumer Outlook, Foreign exchange rates, and Gross Domestic Product), were appropriate and sufficient. This included assessing the level of significance of the correlation of the forward-looking information to the default rates, as well as the impact of these variables in the ECL. We also reviewed management's use of expert credit judgment on the assessment of other macroeconomic factors as inputs in the ECL models;

- On selected non-performing accounts, we evaluated management's forecast of recoverable cash flows based on agreed restructuring plan, collateral valuation and estimates of recovery from other sources;

- We have tested the completeness and reliability of data used in the ECL calculations through reconciliation of the ECL schedules with source systems and examination of relevant data elements to source documents;

- We have assessed the appropriateness and adequacy of the disclosures made in the financial statements; and

- We involved our Information Technology specialists to assist in testing the relevant automated control environments and application controls and, Financial Risk Management specialists to assess the Bank's ECL models and assumptions.

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, 2023, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

When we read the other information reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and determine whether the other information needs to be revised.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074

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 38 to the financial statements is presented for purposes of filing with the BSP and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Bank. 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 auditors' report is Vanessa P. Macamos.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075185
Issued January 2, 2024 at Makati City

March 19, 2024
Makati City, Metro Manila

BANK OF COMMERCE
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2023	2022
ASSETS			
Cash and Other Cash Items		**P3,500,645,345**	P2,735,170,691
Due from Bangko Sentral ng Pilipinas	*18*	**24,271,918,477**	23,675,469,821
Due from Other Banks		**1,055,354,600**	1,044,255,360
Interbank Loans Receivable and Securities Purchased under Resale Agreements	*8*	**20,111,780,623**	18,378,744,387
Financial Assets at Fair Value through Profit or Loss	*9*	**398,792,440**	381,001,468
Financial Assets at Fair Value through Other Comprehensive Income	*10*	**11,043,804,828**	5,805,050,520
Investment Securities at Amortized Cost	*11*	**52,471,103,294**	52,208,769,061
Loans and Receivables	*12*	**109,566,176,319**	105,091,228,764
Investment in an Associate	*13*	**35,533,764**	39,522,627
Property, Equipment and Right-of-Use Assets	*14*	**1,791,195,950**	1,425,418,610
Investment Properties	*15*	**3,676,126,498**	3,399,986,749
Deferred Tax Assets	*32*	**475,332,923**	612,090,088
Other Assets	*16*	**3,270,214,009**	2,721,190,526
		P231,667,979,070	P217,517,898,672
LIABILITIES AND EQUITY			
Deposit Liabilities	*18*		
Demand		**P54,569,494,343**	P51,792,969,578
Savings		**109,667,913,265**	101,651,552,858
Time		**16,638,541,473**	17,793,297,530
Long-term negotiable certificates		**5,029,420,000**	5,029,420,000
		185,905,369,081	176,267,239,966
Financial Liabilities at Fair Value through Profit or Loss	*9*	**6,201,649**	283,329
Bonds Payable	*20*	**7,478,265,064**	7,442,251,269
Manager's Checks		**1,846,499,855**	661,453,914
Accrued Interest, Taxes and Other Expenses	*21*	**1,387,189,325**	1,165,765,820
Other Liabilities	*22*	**4,193,181,203**	3,950,329,366
Total Liabilities		**200,816,706,177**	189,487,323,664
Equity			
Capital stock	*24*	**18,196,805,900**	18,196,805,900
Paid-in surplus	*24*	**7,229,275,360**	7,229,275,360
Surplus reserves	*25*	**1,095,004,461**	983,407,496
Retained earnings	*24*	**5,123,378,774**	2,425,229,109
Net unrealized losses on financial assets at fair value through other comprehensive income	*10*	**(421,192,531)**	(730,966,925)
Remeasurement losses on retirement liability	*29*	**(365,718,897)**	(77,723,200)
Share in other comprehensive loss of an associate	*13*	**(4,537,968)**	(1,331,685)
Cumulative translation adjustment		**(1,742,206)**	5,878,953
Total Equity		**30,851,272,893**	28,030,575,008
		P231,667,979,070	P217,517,898,672

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF INCOME

		Years Ended December 31		
	Note	**2023**	2022	2021
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	*12*	**P8,244,672,503**	P5,465,228,886	P4,284,455,772
Investment securities at fair value through other comprehensive income and at amortized cost	*26*	**2,247,720,169**	1,681,784,534	1,251,563,739
Interbank loans receivable and securities purchased under resale agreements	*8*	**875,706,076**	539,158,895	316,281,375
Due from Bangko Sentral ng Pilipinas and other banks	*18*	**372,909,945**	274,855,345	228,434,625
Other interest income:				
Financial assets at fair value through profit or loss	*26*	**21,561,207**	4,603,469	14,420,446
		11,762,569,900	7,965,631,129	6,095,155,957
INTEREST EXPENSE				
Deposit liabilities	*18*	**2,971,181,154**	1,034,350,259	645,260,590
Bonds payable	*20*	**412,986,306**	173,783,546	-
Lease liabilities	*30*	**32,817,258**	28,177,821	35,033,242
Bills payable and other borrowings	*19*	**49,098,268**	47,041,557	16,691,365
		3,466,082,986	1,283,353,183	696,985,197
NET INTEREST INCOME		**8,296,486,914**	6,682,277,946	5,398,170,760
Service charges, fees and commissions	*27*	**886,379,485**	857,631,877	531,127,752
Gains on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16*	**495,400,228**	340,449,070	274,985,810
Foreign exchange gains - net		**141,121,355**	150,319,774	48,367,204
Trading and investment securities gains (losses) - net	*28*	**10,598,350**	(29,216,561)	(78,709,145)
Miscellaneous	*31*	**145,276,382**	115,179,381	50,565,323
TOTAL OPERATING INCOME		**9,975,262,714**	8,116,641,487	6,224,507,704
Compensation and fringe benefits	*29*	**2,258,396,096**	1,904,811,525	1,820,969,091
Taxes and licenses	*32*	**1,063,031,768**	947,182,470	802,193,452
Rent and utilities	*30*	**647,697,989**	631,549,967	532,283,906
Depreciation and amortization	*14, 15, 16*	**489,379,046**	431,663,464	462,532,885
Service fees and commissions	*27*	**417,924,021**	293,329,555	229,706,473
Insurance	*18*	**345,083,471**	348,354,755	334,825,533
Subscription fees		**188,452,835**	122,534,992	107,646,170
Management and professional fees		**140,883,712**	108,572,826	85,022,359
Provision for (reversal of) credit and impairment losses	*17*	**78,844,599**	166,210,318	(634,819,513)
Amortization of software costs	*16*	**76,741,228**	73,068,105	53,595,136
Entertainment and recreation		**12,142,020**	76,226,795	97,393,528
Miscellaneous	*31*	**519,792,983**	546,579,681	501,811,576
TOTAL OPERATING EXPENSES		**P6,238,369,768**	P5,650,084,453	P4,393,160,596

Forward

		Years Ended December 31		
	Note	**2023**	2022	2021
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		**P3,736,892,946**	P2,466,557,034	P1,831,347,108
SHARE IN NET LOSS OF AN ASSOCIATE	*13*	**782,580**	133,185	1,039,285
INCOME BEFORE INCOME TAX EXPENSE		**3,736,110,366**	2,466,423,849	1,830,307,823
INCOME TAX EXPENSE	*32*	**933,891,191**	666,355,249	623,688,658
NET INCOME		**P2,802,219,175**	P1,800,068,600	P1,206,619,165
Earnings Per Share Attributable to Equity Holders of the Bank	*36*			
Basic		**P1.86**	P1.24	P1.02
Diluted		**1.54**	1.03	0.93

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2023**	2022	2021
NET INCOME		**P2,802,219,175**	P1,800,068,600	P1,206,619,165
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified to profit or loss				
Net change in remeasurement losses on retirement liability	*29*	**(287,995,697)**	184,824,187	186,540,613
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	*10*	**15,857,461**	4,413,992	31,555,000
		(272,138,236)	189,238,179	218,095,613
Items that may be reclassified to profit or loss				
Net change in fair value of debt securities at FVOCI	*10*	**308,408,749**	(578,936,156)	(320,194,577)
Net movement in cumulative translation adjustment		**(7,621,159)**	(1,131,861)	22,414,831
Net change in fair value of debt securities at FVOCI taken to profit or loss	*10*	**(6,964,361)**	-	68,883,753
Share in other comprehensive income (loss) of an associate	*13*	**(3,206,283)**	(5,777)	13,468
		290,616,946	(580,073,794)	(228,882,525)
		18,478,710	(390,835,615)	(10,786,912)
TOTAL COMPREHENSIVE INCOME		**P2,820,697,885**	P1,409,232,985	P1,195,832,253

See Notes to the Financial Statements.

BANK OF COMMERCE

STATEMENTS OF CHANGES IN EQUITY

										Years Ended December 31
	Note	**Capital Stock** (Note 24)	**Paid-in Surplus** (Note 24)	**Surplus Reserves** (Note 25)	**Retained Earnings** (Note 24)	**Remeasurement Losses on Retirement Liability** (Note 29)	**Net Unrealized Losses on Financial Assets at FVOCI** (Note 10)	**Cumulative Translation Adjustment**	**Share in Other Comprehensive Loss of an Associate** (Note 13)	**Total Equity**
Balance as at December 31, 2022		**P18,196,805,900**	**P7,229,275,360**	**P983,407,496**	**P2,425,229,109**	**(P77,723,200)**	**(P730,966,925)**	**P5,878,953**	**(P1,331,685)**	**P28,030,575,008**
Net income for the year		**-**	**-**	**-**	**2,802,219,175**	**-**	**-**	**-**	**-**	**2,802,219,175**
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		**-**	**-**	**-**	**-**	**(287,995,697)**		**-**	**-**	**(287,995,697)**
Net change in fair value of equity securities at FVOCI		**-**	**-**	**-**	**-**	**-**	**15,857,461**	**-**	**-**	**15,857,461**
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		**-**	**-**	**-**	**-**	**-**	**308,408,749**	**-**	**-**	**308,408,749**
Net change in fair value of debt securities at FVOCI taken to profit or loss		**-**	**-**	**-**	**-**	**-**	**(6,964,361)**	**-**	**-**	**(6,964,361)**
Net movement in cumulative translation adjustment		**-**	**-**	**-**	**-**	**-**	**-**	**(7,621,159)**	**-**	**(7,621,159)**
Share in other comprehensive loss of an associate		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,206,283)**	**(3,206,283)**
Total comprehensive income for the year		**-**	**-**	**-**	**2,802,219,175**	**(287,995,697)**	**317,301,849**	**(7,621,159)**	**(3,206,283)**	**2,820,697,885**
Issuance of common stock		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transactions within equity:										
Transfer to surplus reserves	*25*	**-**	**-**	**111,596,965**	**(111,596,965)**	**-**	**-**	**-**	**-**	**-**
Transfer of gain on equity securities at FVOCI realized through disposal	*10*	**-**	**-**	**-**	**7,527,455**	**-**	**(7,527,455)**	**-**	**-**	**-**
		-	**-**	**111,596,965**	**(104,069,510)**	**-**	**(7,527,455)**	**-**	**-**	**-**
Balance as at December 31, 2023		**P18,196,805,900**	**P7,229,275,360**	**P1,095,004,461**	**P5,123,378,774**	**(P365,718,897)**	**(P421,192,531)**	**(P1,742,206)**	**(P4,537,968)**	**P30,851,272,893**

Forward

Years Ended December 31

	Note	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2021		P15,390,777,900	P6,776,694,869	P755,806,267	P852,471,738	(P262,547,387)	(P156,154,761)	P7,010,814	(P1,325,908)	P23,362,733,532
Net income for the year		-	-	-	1,800,068,600	-	-	-	-	1,800,068,600
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	184,824,187	-	-	-	184,824,187
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	4,413,992	-	-	4,413,992
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(578,936,156)	-	-	(578,936,156)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	-	-	-	-
Net movement in cumulative translation adjustment		-	-	-	-	-	-	(1,131,861)	-	(1,131,861)
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	(5,777)	(5,777)
Total comprehensive income for the year		-	-	-	1,800,068,600	184,824,187	(574,522,164)	(1,131,861)	(5,777)	1,409,232,985
Issuance of common stock	*24*	2,806,028,000	452,580,491	-	-	-	-	-	-	3,258,608,491
Transactions within equity:										
Transfer to surplus reserves	*25*	-	-	227,601,229	(227,601,229)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	*10*	-	-	-	290,000	-	(290,000)	-	-	-
		2,806,028,000	452,580,491	227,601,229	(227,311,229)	-	(290,000)	-	-	3,258,608,491
Balance as at December 31, 2022		P18,196,805,900	P7,229,275,360	P983,407,496	P2,425,229,109	(P77,723,200)	(P730,966,925)	P5,878,953	(P1,331,685)	P28,030,575,008

Forward

Years Ended December 31

	Note	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2020		P11,224,111,200	P5,594,079,646	P395,602,340	(P51,156,715)	(P449,088,000)	P69,657,563	(P15,404,017)	(P1,339,376)	P16,766,462,641
Net income for the year		-	-	-	1,206,619,165	-	-	-	-	1,206,619,165
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	186,540,613	-	-	-	186,540,613
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	31,555,000	-	-	31,555,000
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(320,194,577)	-	-	(320,194,577)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	68,883,753	-	-	68,883,753
Net movement in cumulative translation adjustment		-	-	-	-	-	-	22,414,831	-	22,414,831
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	13,468	13,468
Total comprehensive income for the year		-	-	-	1,206,619,165	186,540,613	(219,755,824)	22,414,831	13,468	1,195,832,253
Issuance of preferred stock	*24*	4,166,666,700	1,233,771,938	-	-	-	-	-	-	5,400,438,638
Transactions within equity:										
Transfer to surplus reserves	*25*	-	-	360,203,927	(360,203,927)	-	-	-	-	-
Application of paid-in surplus against deficit	*24*	-	(51,156,715)	-	51,156,715	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	*10*	-	-	-	6,056,500	-	(6,056,500)	-	-	-
		4,166,666,700	1,182,615,223	360,203,927	(302,990,712)	-	(6,056,500)	-	-	5,400,438,638
Balance as at December 31, 2021		P15,390,777,900	P6,776,694,869	P755,806,267	P852,471,738	(P262,547,387)	(P156,154,761)	P7,010,814	(P1,325,908)	P23,362,733,532

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

			Years Ended December 31	
	Note	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax expense		**P3,736,110,366**	P2,466,423,849	P1,830,307,823
Adjustments for:				
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16*	**(495,400,228)**	(340,449,070)	(274,985,810)
Depreciation and amortization	*14, 15, 16*	**489,379,046**	431,663,464	462,532,885
Interest expense on bonds payable	*20*	**412,986,306**	173,783,546	-
Provision for (reversal of) credit and impairment losses	*17*	**78,844,599**	166,210,318	(634,819,513)
Amortization of software costs	*16*	**76,741,228**	73,068,105	53,595,136
Interest expense on lease liabilities	*30*	**32,817,258**	28,177,821	35,033,242
Unrealized loss (gain) on financial assets at fair value through profit or loss (FVPL)	*28*	**(22,810,265)**	(3,032,696)	4,189,634
Loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI)	*28*	**(6,964,361)**	-	68,883,753
Share in net loss of an associate	*13*	**782,580**	133,185	1,039,285
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Interbank loans receivables	*8*	**-**	-	106,515,133
Financial assets at FVPL		**10,937,613**	616,927,329	266,617,062
Loans and receivables		**(4,762,183,490)**	(31,013,170,773)	(2,049,407,264)
Other assets		**(478,780,746)**	(147,949,840)	(254,234,814)
Increase (decrease) in:				
Deposit liabilities		**9,638,129,115**	4,553,416,726	22,608,212,154
Manager's checks		**1,185,045,941**	(290,006,583)	81,380,889
Accrued interest, taxes and other expenses		**217,489,398**	130,239,910	90,609,895
Other liabilities		**(64,244,233)**	1,483,681,802	(386,245,709)
Net cash generated from (absorbed by) operations		**10,048,880,127**	(21,670,882,907)	22,009,223,781
Income taxes paid		**(793,239,655)**	(573,609,991)	(366,872,337)
Net cash provided by (used in) operating activities		**9,255,640,472**	(22,244,492,898)	21,642,351,444

Forward

	Note	2023	2022	2021
			Years Ended December 31	
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of:				
Investment securities at amortized cost		**P84,500,327,600**	P59,895,050,000	P15,166,197,000
Financial assets at FVOCI		**5,963,068,067**	578,775,000	17,433,761,770
Investment properties		**238,440,930**	299,555,213	308,006,196
Property and equipment		**49,279,179**	52,892,081	45,240,223
Additions to:				
Investment securities at amortized cost		**(84,762,807,309)**	(69,194,981,330)	(48,933,469,733)
Financial assets at FVOCI		**(10,877,648,681)**	(1,903,195,601)	(7,358,521,216)
Property and equipment	*14*	**(466,379,345)**	(182,356,128)	(156,995,689)
Software costs	*16*	**(149,908,692)**	(100,896,635)	(48,972,849)
Investment properties		**(21,025,497)**	(4,932,730)	(1,098,889)
Net cash used in investing activities		**(5,526,653,748)**	(10,560,090,130)	(23,545,853,187)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of interest on bonds	*20*	**(376,972,511)**	(106,595,991)	-
Payment of lease liability	*35*	**(238,014,973)**	(231,255,989)	(223,485,330)
Issuance of bonds payable	*35*	**-**	7,427,633,892	-
Issuance of common stock		**-**	3,258,608,491	-
Issuance of preferred stock		**-**	-	5,452,543,902
Settlement of bills payable	*35*	**-**	-	(18,675)
Net cash provided by (used in) financing activities		**(614,987,484)**	10,348,390,403	5,229,039,897
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**(7,624,444)**	(1,082,325)	22,456,631
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,106,374,796**	(22,457,274,950)	3,347,994,785
CASH AND CASH EQUIVALENTS - GROSS AT BEGINNING OF YEAR				
Cash and other cash items		**2,735,170,691**	2,747,780,890	2,420,504,742
Due from Bangko Sentral ng Pilipinas		**23,678,666,441**	45,373,267,996	39,552,550,316
Due from other banks		**1,044,396,366**	1,039,596,824	1,023,393,720
Interbank loans receivable and securities purchased under resale agreements		**18,381,225,853**	19,136,088,591	21,952,290,738
		45,839,459,351	68,296,734,301	64,948,739,516
CASH AND CASH EQUIVALENTS - GROSS AT END OF YEAR				
Cash and other cash items		**3,500,645,345**	2,735,170,691	2,747,780,890
Due from Bangko Sentral ng Pilipinas		**24,275,195,629**	23,678,666,441	45,373,267,996
Due from other banks		**1,055,497,093**	1,044,396,366	1,039,596,824
Interbank loans receivable and securities purchased under resale agreements		**20,114,496,080**	18,381,225,853	19,136,088,591
		P48,945,834,147	P45,839,459,351	P68,296,734,301

Forward

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM INTEREST AND DIVIDENDS			
Operating Activities			
Interest received	**P9,505,491,715**	P6,152,214,757	P5,013,594,767
Interest paid	**2,883,397,684**	978,496,764	659,753,395
Investing Activities			
Interest received	**P2,189,348,496**	P1,614,378,153	P988,560,088
Dividends received	**5,604,161**	1,612,352	5,709,161
Financing Activities			
Interest paid	**P409,789,769**	P135,099,012	P35,396,571

See Notes to the Financial Statements.

BANK OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Bank of Commerce (the Bank) is a domestic corporation registered with the Securities and Exchange Commission (SEC) on December 16, 1963. The Bank's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on March 31, 2022, as approved by the SEC on February 15, 2022. The Bangko Sentral ng Pilipinas (BSP) approved the upgrade of the Bank's banking license from commercial bank to universal bank on December 23, 2021. On August 11, 2022, the SEC approved the application of the Bank to act as underwriter of securities engaged in dealing government securities. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. On November 2, 2022, the Bank officially started operations as a universal bank.

The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, credit card and trust services. The Bank's principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 140 branches nationwide as at December 31, 2023, 2022 and 2021.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 31.91% and 30.84% ownership of the Bank's issued common shares, respectively, as at December 31, 2023 and December 31, 2022. Each of these shareholders has significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank's issued non-voting preferred shares as at December 31, 2023 and 2022.

The Bank's original authority for its banking license was approved under Monetary Board (MB) Resolution No. 1045 dated October 4, 1963 as *The Overseas Bank of Manila*. The Bank received its Foreign Currency Deposit Unit (the "FCDU") license and launched its FCDU operations on September 23, 1983. The Bank received its Expanded FCDU license on March 10, 2010. The Bank was renamed Commercial Bank of Manila, Inc. on October 20, 1980, further renamed Boston Bank of the Philippines on July 27, 1988, and finally, Bank of Commerce on November 28, 1991.

Under Section 11, Corporate Term of the Revised Corporation Code issued on February 23, 2019, a corporation shall have perpetual existence unless its articles of incorporation provides otherwise. On January 30, 2020, the Board of Directors (BOD) approved the Amended Articles of Incorporation to reflect that the Bank's term of existence shall be perpetual. The said amendment was approved by the SEC on June 9, 2020.

The financial statements of the Bank were endorsed by the Audit Committee to BOD for its approval on March 19, 2024. The financial statements were approved and authorized for issue by the BOD on March 19, 2024.

2. Basis of Preparation

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRSs, which are adopted and issued by the Philippine Financial Reporting Standards Council, consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

Basis of Measurement

The financial statements of the Bank have been prepared on a historical cost basis, except for the following items:

Items	Measurement Bases
Financial assets and liabilities at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Lease liability	Present value of remaining lease payments, discounted using the Bank's incremental borrowing rate
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The financial statements include accounts maintained in the Regular Banking Unit (the RBU) and the FCDU. The functional currency of the RBU and the FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP as discussed in Note 3. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

All values are rounded to the nearest peso unless otherwise stated.

Presentation of Financial Statements

The Bank presents its statements of financial position broadly in the order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

3. Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the adoption of the following amended standards and framework, which became effective beginning January 1, 2023. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- *Disclosure of Accounting Policies (Amendments to PAS 1, Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures, assisting companies to provide useful, entity-specific accounting policy information that users need to understand other income in the financial statements.

  The Bank reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in Note 3, Material Accounting Policies in certain instances in line with the amendments.

Foreign Currency Transactions and Translation

Foreign exchange differences arising from foreign currency transactions and revaluation and translation of foreign currency-denominated assets and liabilities to functional currency are credited to or charged as part of "Foreign exchange gains - net" account in the statements of income, except for differences arising from the re-translations of equity securities at FVOCI which are recognized directly in "Net change in fair value on equity securities at FVOCI" in other comprehensive income (OCI).

The books of accounts of the FCDU of the Bank are maintained in USD with various transactions in foreign currencies. The foreign currency-denominated income and expenses in the books of accounts are translated into their USD equivalent based on the exchange rates prevailing at the time of transaction. The foreign currency-denominated assets and liabilities at the reporting dates are translated into USD using the Banking Association of the Philippines (BAP) closing rate prevailing at the reporting date.

The foreign currency-denominated monetary assets and liabilities in the RBU are translated to PHP based on the BAP closing rate prevailing at the end of the year. Foreign currency-denominated income and expenses are translated to PHP at the exchange rates prevailing at transaction dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

For reporting purposes, the FCDU income and expenses are translated to their equivalent in PHP based on the BAP weighted average rate (WAR) for the year. The assets and liabilities of the FCDU at the reporting date are translated into PHP using BAP closing rate at the reporting date. The exchange differences arising from translation (i.e., BAP WAR and BAP closing rate) of FCDU accounts to PHP as presentation currency are taken directly to OCI under “Net movement in cumulative translation adjustment” in the statements of comprehensive income. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statements of income.

Financial Instruments - Initial Recognition

- *Date of Recognition*
  Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Deposit liabilities, bills payable, and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

  Derivatives are recognized on trade date basis. Trade date is the date when an entity commits itself to purchase or sell an asset. Trade date accounting refers to: (a) the recognition of an asset to be received or the liability to be paid on the trade date, and (b) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on trade date.

- *Initial Recognition of Financial Instruments*
  All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, initial measurement includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Bank’s business model for managing them.

The Bank’s business model for managing financial assets refers to how it manages its financials 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.

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

Business Model Assessment
The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level, not on an instrument-by-instrument basis, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity'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 in which those risks are managed;

- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

SPPI Test
As part of the Bank's classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

To make the SPPI assessment, the Bank 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 solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Bank's measurement categories for financial assets are described below:

(i) *Financial Assets at FVPL*
Financial assets at FVPL include financial assets held for trading purposes, financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value. Equity securities are classified as financial assets at FVPL, unless the Bank designates an equity security that is not held for trading as at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, as described in succeeding sections, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are initially recognized and subsequently measured at fair value in the statements of financial position, with transaction costs recognized in the statements of income. Gains and losses arising from changes in the fair value of financial assets at FVPL and gains and losses arising from disposals of these securities are recognized under "Trading and investment securities gains (losses) - net" account in the statements of income. Interest earned or incurred is recorded as interest income or interest expense, respectively, while dividend income is recorded under "Miscellaneous income" account in the statements of income when the right to receive payment has been established.

Financial assets at FVPL include government and private debt securities held for trading, derivative instruments and debt securities that do not meet the SPPI test. Most of the Bank's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also take positions with the expectation of profiting from favorable movements in prices, rates or indices. The Bank is a counterparty to derivative contracts, such as currency forwards and warrants.

(ii) *Financial Assets at Amortized Cost*
The Bank measures debt financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset 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. They are subsequently measured at amortized cost using the effective interest method less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under “Interest income” account in the statements of income. Gains and losses are recognized in the statements of income when the financial asset is derecognized, modified or impaired, as well as through the amortization process. The losses arising from expected credit losses (ECL) is recognized under “Provision for credit and impairment losses” account, while reversals of ECL are recognized under “Reversal of credit and impairment losses” account. The two accounts are netted off in the statements of income. The effects of revaluation on foreign-currency denominated financial assets are recognized under “Foreign exchange gains - net” account in the statements of income.

The Bank’s financial assets at amortized cost include cash and other cash items (COCI), exclusive of cash on hand, amounts due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA), investment securities at amortized cost, loans and receivables from customers, sales contract receivables, unquoted debt securities, accrued interest receivable, accounts receivable and other receivables.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As at December 31, 2023 and 2022, the Bank has not made such designation.

(iii) Financial Assets at FVOCI

- *Debt Securities*

  The Bank measures debt securities at FVOCI if both of the following conditions are met:

  - the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

  - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

  Debt securities at FVOCI are subsequently measured at fair value with unrealized gains and losses arising from fair valuation recognized in OCI under the “Net unrealized losses on financial assets at FVOCI” account in the equity section of the statements of financial position. Interest income and foreign exchange gains and losses are recognized in the statements of income in the same manner as for financial assets measured at amortized cost. The ECL arising from impairment of such investments are recognized in the statements of income with a corresponding charge to “Provision for credit and impairment losses” account if the resulting ECL is impairment losses and to “Reversal of credit and impairment losses” account if the resulting ECL is reversal of impairment. Other fair value changes to measure the instrument at fair value is recognized in OCI.

  Upon derecognition, the cumulative gains or losses previously recognized in OCI are recognized under “Trading and investment securities gains (losses) - net” account in the statements of income.

- *Equity Securities*
  At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity securities as at FVOCI. Designation as at FVOCI is not permitted if the equity security is held for trading.

  Equity securities designated at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in OCI under "Net unrealized losses on financial assets at FVOCI" account in the equity section of the statements of financial position. Dividends earned on holding equity securities designated at FVOCI are recognized in the statements of income as "Miscellaneous income" when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in OCI is reclassified to "Retained earnings" account in the equity section of the statements of financial position. Equity securities designated at FVOCI are not subject to impairment assessment.

  The Bank designated all equity securities that are not held for trading as at FVOCI on initial application of PFRS 9, Financial Instruments.

Financial Liabilities
The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or at FVPL.

Financial liabilities are classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities measured at FVPL. Financial liabilities measured at FVPL consists of: (a) financial liabilities held-for-trading, including derivative liabilities that are not accounted for as hedging instruments; and (b) financial liabilities designated at fair value through profit or loss.

The Bank may, at initial recognition, irrevocably designate financial liabilities as measured at FVPL.

The Bank's financial liabilities at amortized cost include deposit liabilities, bills payable, bonds payable, manager's checks, lease liabilities, accrued interest and other expenses (except accrued employee and other benefits and accrued taxes payable) and other liabilities (except withholding tax payable, retirement liability and ECL on off-balance sheet exposures).

Financial liabilities at FVPL include derivative liabilities held-for-trading arising from cross-currency swap and forward contracts. Similar to derivative assets, any gains or losses arising from changes in fair values of derivative liabilities are taken directly to "Foreign exchange gains - net" account in the statements of income. Derivatives are carried as liabilities when the fair value is negative.

Reclassification of Financial Assets and Liabilities
The Bank can reclassify financial assets if the objective of its business model for managing the financial asset changes. Reclassification of financial assets designated at FVPL or equity securities at FVOCI at initial recognition is not permitted.

A change in the objective of the Bank's business model will be effected only at the beginning of the next reporting period following the change in the business model.

Financial liabilities are not reclassified.

<u>Modifications of Financial Assets and Financial Liabilities</u>

Financial Assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expire. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in the statements of income and expenses as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

To determine whether a modification of a financial asset is substantial or non-substantial, the guidance set out in this policy should be applied. Where it is not clear whether a “substantial modification” has occurred based on the application of this guidance, a 10.0% net present value change (equivalent to the PFRS 9 - test for financial liabilities) should be applied as a backstop.

In some cases, whether or not a modification is substantial will be clear with little or no analysis while in others, a high degree of judgment may be required.

The modification of a financial asset could involve one or both of the following:

(a) Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;

(b) Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

Based on the Bank’s policy, the delineation between substantial and non-substantial modifications should focus on category (a) modifications, specifically changes in credit limit, tenor, currency or SPPI characteristics.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original EIR of the asset and recognizes the resulting adjustment as a modification gain or loss in the statements of income.

For floating-rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such modification is carried out because of the financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial Liabilities
The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in the statements of income. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original EIR and the resulting gain or loss is recognized in the statements of income. For floating-rate financial liabilities, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining terms of the modified financial liability by re-computing the EIR on the instrument.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or

- the Bank has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of ownership of the asset; or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control of the asset.

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another financial liability 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 in the respective carrying amounts is recognized in the statements of income.

Impairment of Financial Assets
The Bank recognizes ECL for loan and other debt financial assets at amortized cost and at FVOCI, together with loans commitments and financial guarantee contracts. No impairment loss is recognized on equity securities.

Expected Credit Loss Methodology
The Bank measures ECL in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. PFRS 9 requires a loss allowance to be recognized at an amount equal to either the 12-month ECL or lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

Staging Assessment
For non-impaired financial instruments:

- Stage 1: Comprised of performing financial instruments which have not experienced SICR since initial recognition or have low credit risk as of reporting date. This stage recognizes a 12-month ECL for the financial instruments categorized under this group.

- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

  For credit-impaired financial instruments:

- Stage 3: Comprised of non-performing financial instruments with one or more loss events occurring since the original recognition or assets with objective evidence of impairment at reporting date and matured accounts with outstanding balances. Financial instruments falling within this stage have objective evidence of impairment thus requiring the recognition of lifetime ECL.

Definition of "Default" and "Cure"
The Bank generally classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (i.e., breach of covenant) and quantitative (i.e., overdue status and non-payment on another obligation of the same borrower/issuer to the Bank). An instrument is considered to be no longer in default (i.e., to have cured) when there is sufficient evidence to support that full collection of principal and interests is probable and payments are received for at least six (6) months. This definition is consistent with the definition of non-performing loans (NPL) under Section 304 of the Manual of Regulations for Banks (MORB), *Past Due Accounts and Non-Performing Loans*.

Credit Risk at Initial Recognition
The Bank makes full use of its Internal Credit Risk Rating System (ICRRS) for corporate loans and credit scorecards for consumer loans to determine the credit risk of exposures at initial recognition. The ICRRS is devised to assess the level of risk associated with each borrower using a combination of both quantitative and qualitative factors. Subsequent credit assessments and approvals are also considered in determining the credit risk. On the other hand, credit scorecard is a tool used to evaluate the credit risk associated to individual customers. Customer-specific factors and internal data are taken into consideration to calculate a credit score. The credit decision is based on the output of the credit score and policy rules.

Significant Increase in Credit Risk
The definition of a SICR varies by portfolio where the determination of the change in credit risk includes both the quantitative and qualitative factors.

The Bank applies the movement in its Corporate Loan account's credit risk rating and assessment of breach in watchlist triggers to indicate a possible significant credit downgrade or upgrade through a risk rating matrix. For the remaining portfolios, the Bank considers that a SICR occurs no later than when an asset is more than 30 days past due. The total number of days past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Furthermore, the Bank's internal credit assessment may consider a counterparty to have a SICR since initial recognition if it is identified to have well-defined credit weaknesses. These may include adverse changes in the financial, managerial, economic and/or political nature of a business. Credit weakness can be established by an unsatisfactory track record that merits close monitoring and attention from management.

If there is evidence that there is no longer a SICR relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. For unrated financial instruments, the SICR is measured using the number of days past due which is also consistent with the staging criteria presented above.

ECL Parameters and Methodologies
ECL is a function of the following credit risk parameters:

(a) Probability of Default (PD)
The PD is the measure of likelihood that a borrower will be unable to settle his obligation/s on time and in full over a given time period, either over the next 12 months (12-month PD) or over the remaining life (Lifetime PD) of the loan obligation. The Bank currently uses its ICRRS, behavioral scorecard and other relevant drivers of default to segment exposures with homogenous risk characteristics.

Point-in-Time (PiT) PD calibration is done to reflect the current trends in business and credit cycle. Macroeconomic forecasts are incorporated to come up with PiT PDs that are unbiased and forward-looking projections of future default risk.

(b) Loss Given Default (LGD)
LGD measures the percentage amount of credit losses incurred and not recovered at the time of default. LGD estimation is based on historical cash flow recoveries. Calculation of the LGD is adjusted for some assets to consider cashflow recoveries on collateral. For some financial assets, the Bank supplemented internal assessments with regulatory thresholds to arrive at the LGD assumption.

LGD estimation also considers the present value calculation and cost adjustment in determining the recoveries.

(c) Exposure at Default (EAD)
EAD is defined as the outstanding amount of credit exposure at the time of default. EAD is estimated by modelling the historical data on both the actual drawn and undrawn amounts for each credit facility. When estimating EAD, several factors are taken into account, including the length of time for which the estimation is being made, the predicted cash flows until the point of default, total loan tenure, and the remaining duration of the loan. This provides a more robust estimate of the total amount the Bank is exposed to.

Forward-looking Information
The Bank incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL.

The Bank enhanced its ECL methodology by incorporating multiple future macroeconomic expectations in order to estimate credit losses on the basis of probability-weighted outcomes. The Bank has performed statistical analysis of historical data to determine which macroeconomic variables (MEVs) are correlated with the performance of specific loan portfolios. The MEVs considered were obtained using publicly available sources such as BSP and Philippine Statistical Association. A broad range of forward looking information are assessed as economic inputs. Based on historical data analysis, the Bank found significant relationships between MEVs and credit risk which vary by product type. Forward looking MEVs used include Remittances, Loan Performances, BVAL rates, Value of Production Index (VAPI), Stock Exchange Index, Exports, Consumer Outlook, Foreign Exchange rates and Gross Domestic Product (GDP) (Agriculture). The selected MEVs were confirmed using experienced credit judgment.

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 this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Restructured Loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. When the loan has been restructured but not derecognized, the Bank also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Write-offs
Financial assets are written off either partially or in full when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included under "Miscellaneous income" account in the statements of income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

'Day 1' Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) as part of current operations in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized as part of current operations in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

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

As at December 31, 2023 and 2022, the Bank did not have any financial instrument that qualified for offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include COCI, amounts due from BSP and other banks and interbank loans receivable and SPURA with original maturities of three months or less from dates of placement and that are subject to insignificant risk of changes in value.

COCI consist of cash on hand and checks and other cash items. Cash on hand refers to the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATMs).

Repurchase and Reverse Repurchase Agreements

Securities sold under repurchase agreements (SSURA) at a specified future date ("repos") are not derecognized from the statements of financial position. The corresponding cash received, including accrued interest, is recognized in the statements of financial position as liability of the Bank, reflecting the economic substance of such transaction.

Conversely, SPURA to resell at a specified future date ("reverse repos") are not recognized in the statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Bank is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the statements of income and is amortized over the life of the agreement using the effective interest method.

Financial Guarantees and Undrawn Loan Commitments

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

In the ordinary course of business, the Bank issues financial guarantees in favor of other parties. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee in accordance with PFRS 15. The financial guarantee is subsequently carried at the higher of the amount of loss allowance determined in accordance with the ECL model and the amount initially recognized, less when appropriate, the cumulative amount of income recognized in accordance with PFRS 15.

Investment in an Associate

An associate is an entity over which the Bank has significant influence but no control. This is a rebuttable presumption in case the equity interest of the Bank in an entity is between 20.0% and 50.0%. The Bank's equity investment in BIC Management and Consultancy, Inc. (formerly Bancommerce Investment Corporation) (BIC) represents 24.26% of BIC's capital stock. Accordingly, the Bank's equity investment in BIC is treated as an investment in an associate accounted for under the equity method of accounting since there is no indication of control.

Under the equity method, an investment in an associate is carried in the statements of financial position at cost plus post-acquisition changes in the Bank's share in the net assets of the associate. The Bank's share in an associate's post-acquisition profits or losses is recognized in the statements of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in equity.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the Bank's interest in the associate.

The reporting period of BIC is on a calendar year basis. BIC's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Property and Equipment

Land is stated at cost less any impairment in value. Depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any costs that are directly attributable in bringing the property and equipment to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put to operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in the increase in the future economic benefits 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 and amortization are calculated on a straight-line basis over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the terms of the related lease, whichever is shorter.

The estimated useful lives of property and equipment are as follows:

	Years
Building	50
Furniture, fixtures and equipment	3 - 7
Leasehold improvements	5 - 15

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period the asset is derecognized.

The asset's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each reporting date.

Investment Properties

Investment properties are composed of assets acquired from foreclosure or *dacion en pago* and land and building that are vacant and no longer used for administrative purposes (previously owner-occupied property), and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is initially recognized at the fair value of the asset acquired unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as “Gain on foreclosure” under “Gain on foreclosure and sale of property and equipment and foreclosed assets - net” account in the statements of income. Foreclosed properties are classified under “Investment properties” upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff’s Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

The Bank applies the cost model in subsequently measuring its investment properties. Land is carried at cost less any impairment in value and depreciable properties acquired are carried at cost. Cost is the fair value of the asset at acquisition date, less any accumulated depreciation and any impairment in value. Transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of cost of the investment properties.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or 10 years, whichever is lower. The estimated useful life 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.

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

Repairs and maintenance costs relating to investment properties are normally charged to statements of income in the period in which the costs are incurred.

An investment property is derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property is recognized in the statements of income under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” account in the period of derecognition.

Other Properties Acquired

Other properties acquired, included under “Other assets” account in the statements of financial position, include chattel mortgage properties foreclosed in settlement of loan receivables. The Bank applies the cost model of accounting for these assets. Under the cost model, these assets are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or three years, whichever is lower. The estimated useful life 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 other properties acquired.

The carrying values of the other properties acquired 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 assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Intangible Assets

Intangible assets consist of software costs and branch licenses. Intangible assets acquired separately, included under "Other assets" account in the statements of financial position, are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. Internally generated intangible assets are not capitalized but recognized in the statements of income in the period when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statements of income under the expense category consistent with the function of the intangible asset. 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 statements of income in the period when the asset is derecognized.

Branch Licenses

Branch licenses are granted by the BSP and capitalized on the basis of the costs incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

Software Costs

Software costs include costs incurred relative to the purchase of the Bank's software and are amortized on a straight-line basis over 5 years. Software costs are carried at cost less accumulated amortization and any impairment in value.

Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Property, Equipment and Right-of-Use Assets, Investment Properties, Other Properties Acquired and Intangible Assets under "Other Assets"

At each reporting date, the Bank assesses whether there is any indication of impairment on investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

The net recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or cash-generating unit) exceeds its net recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, 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 (or cash-generating unit).

An impairment loss is charged against operations in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income.

After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurement

The Bank measures financial instruments, such as, financial assets and liabilities at FVPL, financial assets at FVOCI and net retirement liability which is measured at present value of the defined benefit obligation less fair value of plan assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 6.

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 to the Bank.

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 best economic interest.

The 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.

Fair Value Hierarchy

The majority of valuation models deploys only observable market data as inputs. This has not changed as a result of COVID-19, however the Bank has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

The Bank evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the reporting date.

For certain financial instruments, the Bank may use data that is not readily observable in current markets. If the Bank uses unobservable market data, then the Bank needs to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, the Bank derives unobservable inputs from other relevant market data and compares them to observed transaction prices where available.

The Bank 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 - inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank 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 reporting period.

External appraisers are involved for valuation of significant assets such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. In particular, the external appraisers must hold a recognized and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

Valuation from external appraisers are subject to quality assurance by the Bank to ensure that the minimum requirements and standards for appraisals are met. The minimum requirements and standards entail consistency and accuracy of the information in the appraisal reports. The appraisal undertaking must comply with the provisions of the Philippine Valuation Standards (PVS). Market value is defined by PVS as the estimated amount for which a property can be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 6.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable.

Determining whether the Bank is acting as a Principal or an Agent
The Bank assesses its revenue arrangements against the following indicators to determine whether it is acting as a principal or an agent:

- whether the Bank has primary responsibility for providing the services;
- whether the Bank has discretion in establishing prices; and
- whether the Bank has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.

The Bank has determined that it is acting as a principal in its revenue arrangements except for activities where the Bank acts in a fiduciary or custodian capacity such as nominee, trustee, or agent. Income from fiduciary and custodianship activities are included under “Service charges, fees and commission” account in the statements of income.

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

Revenues Within the Scope of PFRS 15

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

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. This arises from deposit-related processing transactions and charges from late payments on loans and drawing against insufficient funds of depositors.

Fees and Commissions

(i) Fee Income Earned from Services that are Provided over a Certain Period of Time
Fees earned for the provision of services over a period of time are accrued over that period. These include guarantee fees, credit related fees, investment fund fees, custodian fees, fiduciary fees, portfolio and other management fees. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period. If a drawdown is expected and the commitment expires without the Bank making the loan, the commitment fees are recognized as fee income on expiry of the scheduled drawdown.

(ii) Fee Income Earned from Providing Transaction Services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as underwriting fees and brokerage fees for the arrangement of the acquisition of shares or other securities are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statements of income when the syndication has been completed and the Bank retains no part of the loans for itself or retains a part of the loan at the same EIR as the other participants.

Discounts Earned and Awards Revenue on Credit Cards
Discounts received are taken up as income upon receipt from member establishments of charges arising from credit availments by the Bank’s cardholders. These discounts are computed based on certain agreed rates and are deducted from the amounts remitted to the member establishments. These also include interchange income from transactions processed by Mastercard, a card network, and fees from cash advance transactions of cardholders.

The amount allocated to the loyalty program is deferred and recognized as revenue when the award credits expire or the likelihood of the customer redeeming the loyalty points becomes remote. Award credits under customer loyalty program are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated based on the estimated stand-alone selling prices. Income generated from customer loyalty program is included under 'Service charges, fees and commissions' in the statements of income.

Other Income
Income from the sale of services is recognized upon completion of the service. Income from sale of properties is recognized when control over properties transfers to the recipients, measured as the difference between the transaction price and the properties' carrying amounts and presented under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income.

Revenues Outside the Scope of PFRS 15

Interest Income
Interest income is recognized in the statements of income for all financial assets measured at amortized cost and debt securities at FVOCI as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses. The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently, except for repricing loans. The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in the statements of income as interest income or expense.

Interest on interest-bearing financial assets at FVPL is recognized based on the contractual rate.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Bank 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 Bank reverts to calculating interest income on a gross basis.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statements of financial position. The unearned discount is taken up to interest income over the installment term and is computed using the effective interest method.

Trading and Investment Securities Gains or Losses
Trading and investment securities gains or losses represent results arising from disposal of debt securities at FVOCI and trading activities (realized gains and losses) and from the changes in fair value of financial assets and liabilities at FVPL (unrealized gains or losses).

Dividends
Dividends are recognized when received or when the Bank’s right to receive the dividends is established.

Rental Income
Payments received under operating lease arrangements are recognized in the statements of income on a straight-line basis over the term of the lease.

Recovery on Charged-off Assets
Income arising from collections on accounts or recoveries from impairment of items previously written off is recognized in the statement of income in the year of recovery.

Expense Recognition
Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen to the Bank and can be measured reliably.

Interest Expense
Interest expense for all interest-bearing financial liabilities is recognized in “Interest expense” account in the statements of income using the EIR of the financial liabilities to which they relate.

Other Expenses
Other expenses include losses and expenses that arise in the ordinary course of business of the Bank and are recognized when incurred.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has presented legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits
The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

The retirement benefits liability recognized in the statements of financial position in respect of the defined benefits retirement plan is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on high quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement liability.

Remeasurements of the defined benefit liability, which include actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Bank determines the net interest expense (income) on the retirement benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement benefit liability (asset), taking into account any changes in the retirement liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income. The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Equity

"Capital Stock" is recorded at par for all shares issued and outstanding.

"Paid-in Surplus" represents the proceeds in excess of par value. Incremental costs incurred which are directly attributable to the issuance of new shares are charged to "Paid-in surplus".

"Retained Earnings (Deficit)" represents the accumulated earnings (losses) of the Bank.

"Surplus Reserves" represent the appropriation of retained earnings in relation to allowance for credit losses which are less than the 1.0% general provision prescribed by the BSP for regulatory purposes, 10.0% of the Bank's profit from trust business, and self-insurance of the Bank.

Leases

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

Bank as Lessee

At the commencement or upon modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises, the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and any impairment losses, adjusted for certain remeasurements of the lease liability. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove any improvements made. The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase, extension or termination option is reasonably certain not to be exercised or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents the right-of-use assets in “Property, Equipment and Right-of-Use Assets” while lease liabilities are included under “Other liabilities” in the statements of financial position.

Short-term Leases and Leases of Low-value Assets
The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Bank recognizes the lease payments associated with these leases as a rent expense on a straight-line basis over the lease term.

Bank as a Lessor
At the inception or upon modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank is a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

Income Tax Expense

Current Tax

Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises 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.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year 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 reporting date. These reflect uncertainty related to income taxes, if there is any.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank 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 charged to current operations, 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Assets and Liabilities

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

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

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

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 Bank acts in a fiduciary capacity such as nominee, trustee or agent.

4. Critical Judgments and Estimates

The preparation of financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

a) Leases

Bank as Lessee
The Bank leases properties, land and buildings for the premises it uses for its operations.

The Bank recognizes right-of-use assets and lease liabilities for most leases - on-balance sheet leases. However, the Bank has elected not to recognize right-of-use assets and lease liabilities for leases involving assets of low value. The same policy is likewise applied for short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight- line basis over the lease term.

Significant judgment is exercised by the Bank in determining the discount rate to be used in calculating the present value of right-of-use assets and lease liabilities. The discount rate is represented by the incremental borrowing rate which is Bloomberg Valuation (BVAL) rate and credit spread as determined by the Bank.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in Notes 14 and 22, respectively.

Bank as Lessor
The Bank has entered into commercial property lease agreements for its property and equipment, and investment properties. The Bank has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

In determining whether or not a lease should be treated as an operating lease, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer of executory costs, among others, are considered.

b) Business Model Assessment

The Bank manages its financial assets based on the business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investing and trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to, taking into consideration the objectives of each business model established by the Bank. The level of aggregation at which the business model is applied is based on the specific activities being undertaken by each business unit of the Bank to achieve its stated objectives and other relevant factors such as risks affecting the business model, key performance indicators in evaluating the business model, and how managers of the business are compensated.

The Bank assesses the performance of each business model by considering the activities undertaken by the business models, placing the appropriate key performance indicators and monitoring the frequency of sales activities. PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers facts and circumstances present to assess whether an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a hold-to-collect business model and whether the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

c) Testing the Cash Flow Characteristics of Financial Assets

In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e., cash flows that are non-SPPI, does not meet the amortized cost and FVOCI criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

d) Functional Currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates,* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- the currency that mainly influences sales prices for financial instruments and services;
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstance relevant to the Bank, the functional currency of the Bank's RBU book of accounts and FCDU book of accounts have been determined to be PHP and USD, respectively.

PHP and USD are the currencies of the primary economic environment in which the Bank operates. These are the currencies that mainly influence the income and costs arising from the Bank operations.

e) Provisions and Contingencies

The Bank, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between provisions and contingencies (see Note 38).

Estimates

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

(i) Expected Credit Losses on Financial Assets, Loan Commitments and Financial Guarantees

The Bank reviews its financial assets at amortized cost and debt securities at FVOCI, loan commitments and financial guarantees to assess the amount of credit losses to be recognized in the statements of financial position at least on an annual basis or more frequently, as deemed necessary. The measurement of ECL under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of a SICR. These estimates are driven by a number of factors, changes to which can result in different levels of allowances.

The ECL methodology of the Bank is regularly recalibrated to improve the accuracy of the ECL models using updated data. Significant factors affecting the estimates on the enhanced ECL model include:

- The default and credit impaired financial assets are aligned across all credit portfolios;
- PD segmentation is based on the staging criteria (i.e., delinquency age buckets, internal credit risk ratings and loan status);
- The LGD takes into account post-default relevant information such as cost of recoveries and curing rate. LGD is adjusted to its present value of expected cash flows using risk-adjusted interest rate. The final LGD estimates are pooled by collateral type;
- EAD estimates consider (a) time horizon for which EAD needs to be estimated, (b) projected cash flows until the estimated point of default and (c) remaining loan term;
- The Bank uses three economic scenarios to arrive at probability-weighted ECL estimates. These scenarios represent a most likely outcome (that is, the ‘Baseline’ or central scenario) and two less likely scenarios on the either side of the central (that is, the ‘Optimistic’ and ‘Pessimistic’, respectively). The scenario weights are developed based on the relative frequency distribution of historical GDP data. Both the ‘Optimistic’ and ‘Pessimistic’ scenarios reflect the lower and upper levels whereas the ‘Baseline’ scenario represents the central distribution; and
- The impact of Covid-19 has been appropriately incorporated in the impairment allowance calculation using more recent data. The Bank has updated the macroeconomic expectations in the model to consider the effects of Covid-19 pandemic situation.

In 2022, the ECL methodology of the Bank was validated by an external validator. Changes brought upon by the model validation are the following:

- The PD calculation template was aligned with the model documentation;
- The migration rates used for the LGD calculation of the Corporate, Auto, Housing, Salary, Personal and Benefit loans were also aligned with the model documentation; and
- Aligned the logical trend of Optimistic, Baseline, and Pessimistic scenarios using historical data.

In 2023, the Bank recalibrated the ECL framework. Updates on the ECL parameters involved the following:

- The most recent data were applied for PD, LGD and EAD.
- The following information were incorporated in LGD:
  - Recovery information for Corporate & Consumer
  - Collection fees for Auto and Housing
- Additional PD and EAD segmentation were considered.
- Account-level discounting factor was applied.
- The Macroeconomic Factors (MEF) were tested and updated based on the recalibration. The updated MEFs include Remittances, Loan Performances, BVAL rates, VAPI, Stock Exchange Index, Exports, Consumer Outlook, FX rates, and GDP (Agriculture).

Refer to Notes 3 and 5 for the detailed discussions of the inputs, assumptions and estimation uncertainty used in measuring ECL under PFRS 9. The related allowance for credit losses subject to ECL are disclosed in Note 17.

(ii) Fair Value of Financial Instruments

Where the fair values of financial assets and liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(iii) Impairment of Investment in an Associate and Non-financial Assets

<u>Investment in an Associate, Property, Equipment and Right-of-Use Asset, Investment Properties, Other Properties Acquired, and Intangible Assets under "Other Assets"</u>

The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

a) significant underperformance relative to expected historical or projected future operating results;

b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and

c) significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its net recoverable amount. Net recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying values of investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets under "Other Assets" are disclosed in Notes 13, 14, 15 and 16, respectively.

(iv) Estimated Useful Lives of Property and Equipment, Investment Properties, Other Properties Acquired and Software Costs

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from property and equipment and computer software.

The estimated useful lives of property and equipment, investment properties, other properties acquired and software costs are disclosed in Note 3.

(v) Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that sufficient taxable income will be available against which the related tax benefits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the forecasted timing and amount of future taxable income together with future tax planning strategies.

The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized and the unrecognized deferred tax assets are disclosed in Note 32.

(vi) Present Value of Retirement Benefit Obligation

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date. The present value of the Bank's retirement obligation and the fair value of plan assets are disclosed in Note 29.

(vii) Contingencies

The Bank is currently involved in various legal proceedings. The probable costs for the resolution of these proceedings has been estimated by management, in consultation with the legal counsels handling the Bank's legal defense in these matters, and is based upon an analysis of potential results.

Management currently does not believe that these proceedings will have a material adverse effect on the Bank's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 38).

5. Financial Risk Management Objectives and Policies

Introduction
The business of banking involves financial risks which must be measured, monitored and managed by an effective risk management system embedded throughout the whole organization. Effective risk management ensures that financial risks are properly identified, assessed, measured and managed. The diligent monitoring and management of all financial risks, notably credit, interest rate risk in the banking book (IRRBB), market and liquidity risk require the development of a risk-conscious culture that will influence daily business activities and decision-making.

The Bank believes that effective risk management will not only minimize potential or actual losses but will also optimize earnings by correctly pricing its products and services commensurate to the risks taken. Its risk mission and objectives are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

Risk Management Structure
The BOD is ultimately responsible for identifying and controlling risks. However, there are separate independent units at the BOD and management levels, which are responsible for managing and monitoring financial risk.

Board of Directors
The BOD is primarily responsible for the sound governance of the Bank, promotion of the highest standards of ethics and integrity. It approves and oversees the implementation of the Bank’s strategic objectives and establishes and maintains sound risk management system for the whole institution. The BOD approves and reviews the institutional tolerance for risks, business strategies and risk philosophy.

Executive Committee (Excom)
The Excom is primarily responsible for the evaluation, approval and/or endorsement to the BOD for approval, credit and real and other properties acquired (ROPA) sales proposals from Management. The Excom also evaluates and recommends for BOD approval new, amended or enhanced Bank policies, products or services. The Excom may also act on such specific matters within the competence of the BOD, as may be delegated by majority vote of the BOD, except on certain matters expressly reserved by law for stockholders’ and/or for the BOD' action.

Corporate Governance Committee
The Corporate Governance Committee is tasked to assist the BOD in fulfilling its corporate governance responsibilities and in providing oversight in the implementation of the Bank’s Compliance System. It is responsible for ensuring due observance of corporate governance principles and guidelines across the Bank.

Related Party Transactions Committee (RPTCom)
The RPTCom assists the BOD in fulfilling its responsibility of ensuring that transactions with related parties are arm’s length. It covers proper identification of related parties, recording and vetting of transactions with them including disclosures in financial reports, which must be consistent with relevant legal and regulatory requirements, and Bank policies.

Audit Committee
The Audit Committee represents and assists the BOD in its general oversight of the Bank's financial reporting policies, practices and control and internal and external audit functions. It oversees the relationship with the independent external auditors, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditors, and the experience of the Committee's members in business, financial and accounting matters.

Board Risk Oversight Committee (BROC)
The BROC, a sub-committee of the BOD, oversees the Bank's risk management system. It has the power to approve procedures for implementing risk and capital management policies. The BROC shall assist the BOD with its oversight function to identify and evaluate risk exposures, develop risk management strategies, implement and periodically review the risk management framework and promote a risk management culture in the Bank.

Risk Management Division (RSK)
The RSK is responsible for the creation and oversight of the Bank's corporate risk policy. It is responsible for making recommendations to the BOD on corporate policies and guidelines for risk measurement, management and reporting. It also reviews the system of risk limits, compliance to said limits and validates the reports of the risk-taking personnel. The RSK reports to the BROC.

Senior Executive Team (SET)
The SET brings together the Chief Executive Officer, Group Heads and select Division Heads of the Bank to discuss and take up policy and strategic issues vital to the Bank's business, shareholders, employees and long term viability.

Asset Liability Management Committee (ALCO)
The ALCO is responsible for setting, developing and implementing the Bank's Asset Liability Management (ALM) and hedging policy. It also reviews the allocation of resources, pricing of products and foreign exchange position of the Bank.

Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)
The ICAAPcom is responsible for overseeing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

Credit and Collections Committee (Crecom)
The Crecom plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan (whether short or long) within its authority and to endorse those credit proposals which are beyond its authority to the Excom and/or the BOD. It has likewise the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations. On top of these, the Crecom studies and deliberates proposals intended to adopt new credit policies or to amend existing ones or to offer new loan products or programs, prior to endorsement to the SET and Excom for approval.

Internal Audit Division
Internal Audit Division is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to examine, evaluate and improve the effectiveness of risk management, internal control and governance processes of the Bank. The Internal Audit Division reports to the Audit Committee.

Legal Services Division
The primary functions of the Bank's Legal Services Division are composed of rendering legal advice and document review to ensure that relevant laws are disseminated and complied with, the Bank's interest is duly protected, and identified risks are either eliminated or minimized and imparted to responsible units of the Bank. The Division also handles cases filed for and against the Bank.

Compliance Division
The Compliance Division is responsible for coordinating, monitoring and facilitating the Bank's compliance with regulatory requirements. It is responsible for implementing the Bank's Compliance Program and the Money Laundering and Terrorist Financing Prevention Program .

Risk Measurement and Reporting Systems
The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by the RSK.

Market risks are measured by mark-to-market and Value-at-Risk (VAR) analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit risks are measured via risk classifications of accounts using ICRRS together with BSP risk classification of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowance for losses including changes thereon, when necessary. All risk information is processed, analyzed and consolidated for proper reporting to the BOD through the BROC and Audit Committee, as well as the SET and various management committees of the Bank.

Actual and estimated risk exposures/losses at Treasury, Corporate, Consumer Business and Credit Cards, Operations and Information Technology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and back-testing results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, service level of major information technology systems and ATMs.

Risk Mitigation
To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency and interest rate risk. The Bank also observes limits on positions, losses, and market sensitivities to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes.

Risk Concentration

The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposure status and act upon limit breaches whenever necessary.

Credit Risk

The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management, and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

There has been no material change on the Bank's exposure to credit risk or the manner in which it manages and measures the risk.

Derivative Financial Instruments

The Bank enters into currency forward contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. These derivatives are accounted for as non-hedges, with the fair value changes being reported in the statements of income for the period under "Foreign exchange gains - net" account. Credit risk, in respect of derivative financial instruments, is limited to those with positive fair values, which are reported as "Financial assets at FVPL" account in the statements of financial position.

Credit-related Commitment Risks

The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

Credit Risk Exposures

The table below shows the Bank's maximum exposure on receivables from customers and sales contract receivables, net of unearned interest income and allowance for credit losses, before and after collateral to credit risk as at December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	**After Financial Effect of Collateral or Credit Enhancement**	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	**P80,465,866,990**	**P72,479,226,327**	P85,853,607,701	P80,428,467,579
Agri-agra loans	**11,478,913,064**	**11,221,920,766**	2,508,188,756	2,422,186,023
Housing loans	**8,256,741,837**	**2,913,703,470**	8,050,636,414	2,971,809,373
Auto loans	**3,880,015,183**	**1,352,091,080**	3,248,375,385	1,559,773,409
Bills purchased, import bills and trust receipts	**959,027,056**	**959,027,056**	1,293,445,667	1,293,445,667
Direct advances	**453,960,006**	**1,644,710**	468,677,985	-
Others	**2,084,429,902**	**2,084,264,623**	1,874,451,667	1,874,451,667
	107,578,954,038	**91,011,878,032**	103,297,383,575	90,550,133,718
Sales contract receivables	**331,532,289**	**-**	325,652,637	-
	P107,910,486,327	**P91,011,878,032**	P103,623,036,212	P90,550,133,718

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2023 and 2022.

As at December 31, 2023 and 2022, fair value of collaterals held for loans and receivables amounted to P105.5 billion and P78.5 billion, respectively.

The table below shows the Bank's maximum exposures, net of unearned interest income, relating to financial assets carried under Stage 3 as at December 31, 2023 and 2022:

	December 31, 2023			
	Maximum Exposure			
	Before Collateral	**Financial Effect of Collateral or Credit Enhancement**	**After Financial Effect of Collateral or Credit Enhancement**	**Expected Credit Loss**
Receivables from customers:				
Term loans	**P443,679,697**	**P209,080,940**	**P234,598,757**	**P407,680,265**
Agri-agra loans	**185,707,842**	**6,232,700**	**179,475,142**	**185,707,842**
Housing loans	**543,308,772**	**477,362,994**	**65,945,778**	**172,339,550**
Auto loans	**350,702,965**	**341,795,414**	**8,907,551**	**232,543,078**
Bills purchased, import bills and trust receipts	**89,469,843**	**-**	**89,469,843**	**89,469,843**
Direct advances	**121,241,742**	**-**	**121,241,742**	**121,241,742**
Others	**253,848,484**	**183,895**	**253,664,589**	**186,626,571**
	1,987,959,345	**1,034,655,943**	**953,303,402**	**1,395,608,891**
Sales contract receivables	**100,875,387**	**47,192,830**	**53,682,557**	**54,151,486**
	P2,088,834,732	**P1,081,848,773**	**P1,006,985,959**	**P1,449,760,377**

	December 31, 2022			
	Maximum Exposure			
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P470,461,970	P128,734,453	P341,727,517	P465,848,155
Agri-agra loans	17,663,370	14,362,060	3,301,310	17,663,370
Housing loans	746,112,810	593,276,797	152,836,013	144,275,644
Auto loans	409,506,693	395,813,302	13,693,391	341,667,642
Bills purchased, import bills and trust receipts	88,174,014	7,656,284	80,517,730	88,174,014
Direct advances	133,007,418	-	133,007,418	133,007,418
Others	684,459,703	183,895	684,275,808	612,085,091
	2,549,385,978	1,140,026,791	1,409,359,187	1,802,721,334
Sales contract receivables	115,356,863	61,674,306	53,682,557	54,296,300
	P2,664,742,841	P1,201,701,097	P1,463,041,744	P1,857,017,634

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2023 and 2022.

Collaterals and Other Credit Enhancements
The amount and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. Guidelines are implemented regarding the acceptability of types of collateral valuation and parameters.

The main types of collaterals obtained are as follows:

- For securities lending and reverse repurchase transactions: cash or securities;

- For commercial lending: mortgages over real properties, inventory and trade receivables and chattel mortgages; and

- For retail lending: mortgages over real properties and financed vehicles.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, in the event that the value of the collateral depreciates due to various factors affecting the collateral.

It is the Bank’s policy to dispose repossessed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank’s accredited brokers and/or formulating programs to attract buyers like offering fixed interest rates for an extended period of time and reduced rates for down payment as compared to prevailing market rates, among others.

Credit Quality Per Class of Financial Assets
The credit quality of financial assets is assessed and managed by the Bank using both external and internal credit ratings. The Bank's ICRRS is an established tool used to evaluate the Credit Risk associated with each borrower. The ICRRS assigns a score to each account based on a combination of quantitative and qualitative factors. The scores assigned to each obligor is equivalent to the risk associated to each individual. The scoring model is reviewed and validated by external parties regularly to ensure that the model is risk ranking properly. The risk rating is used as one of the measures of the Bank's risk appetite and as a factor in impairment calculation.

Based on the evaluation of the facility risk factor (FRF), the borrower risk rating (BRR) can be upgraded or downgraded to come up with the final credit risk rating (CRR). Such CRR is eventually used in the determination of the ECL.

BRR Disclosure
In compliance with BSP, the Bank implemented a credit risk classification that is compliant with global rating standards. The BRR is the evaluation of the credit worthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. The BRR measures the borrower's credit quality by looking into three major aspects, namely, financial condition, industry analysis and management quality. The financial condition is assessed by the Bank through financial ratio analysis based on the latest available financial information of the borrower. The Bank performs industry analysis by reviewing actual and expected significant changes in the political, regulatory, and technological environment of the borrower or in its business activities. Management quality is assessed by reviewing the experience and quality of management and management's business strategy. In addition, management's business planning and management of banking relationship are also considered. Each section is given the following point allocation:

Section	Maximum Points	Section Rating
Financial Condition	240	40%
Industry Analysis	210	30%
Management Quality	150	30%
TOTAL	**600**	**100%**

There are several rating factors per section which can earn points depending on the four (4) quality judgment levels as follows:

Good	- 30 points
Satisfactory	- 20 points
Still acceptable	- 10 points
Poor	- 0 point

If there is no available information for a specific factor, a rating of "Poor" will be given.

The BRR is used to determine the credit quality of the Bank's corporate accounts. Loan accounts are classified according to a 1 -10 rating scale based on BRR results, as follows:

	Final Score	Equivalent Risk Rating	Calculated BRR
High Grade	>177	Excellent	1
	150 - 176	Strong	2
	123 - 149	Good	3
Standard Grade	96 - 122	Satisfactory	4
	68 - 95	Acceptable	5
	<68	Watchlist	6
Substandard Grade		Special Mention	7
		Substandard	8
Impaired		Substandard	8
		Doubtful	9
		Loss	10

High Grade or accounts with BRR of 1-3 are loans where the risk of the Bank are good to excellent in terms of risk quality and where the likelihood of the non-payment of obligation is less likely to happen.

Standard Grade or accounts with BRR of 4-6 are loans where the risk of the Bank ranges from satisfactory to acceptable with some form of weakness and where repayment capacity needs to be watched.

Substandard Grade or accounts with BRR of 7-8 are loans still in current status but observed to have potential weaknesses and require a closer observation than the accounts under the Standard rating since if weaknesses are uncorrected, repayment of the loan may be affected increasing the credit risk to the Bank.

Past due but not impaired are those accounts for which contractual principal and interest payments were past due but the Bank still believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Impaired accounts are loans classified by the Bank as Substandard, Doubtful and Loss where there are experiences of past due accounts and there are well-defined weaknesses where collection or liquidation of obligation may be or is already jeopardized.

Consumer loans portfolio and credit card receivables undergo credit scoring, which results in applications either being referred for further manual evaluation or declined. Receivables considered outside the main business lines of the Bank are considered unrated accounts, which include benefit loans, accounts receivable, accrued interest receivables, sales contract receivables and returned checks and other cash items (RCOCI).

The BRR can be subject to an upgrade/downgrade on the basis of the following:

Group Affiliation:

(a) When a borrower belongs to a group of companies, it can be upgraded up to the rating of the parent company provided that the parent company has a BRR of 4 or better.

(b) If the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.

(c) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.

(d) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.

(e) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

FRF:

(a) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.

(b) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

The adjustment on the BRR based on the FRF will be based on the following:

Upgrade	The facility is cash collateralized or covered by marketable securities
	Full collateralization of other assets
	3rd party guarantees in accordance with the BRR of the guarantor an upgrade should be set to the BRR of the guarantor
Downgrade	Borrower is a potential candidate for a downgrade if the facility is clean or a major part of the facilities are pledged to other creditors

The following table shows the credit quality of loans and receivables, excluding unquoted debt securities (gross of allowance for credit losses and net of unearned interest income) as at December 31, 2023 and 2022 (amounts in thousands).

	December 31, 2023										
	Term Loans	**Housing Loans**	**Auto Loans**	**Bills Purchased, Import Bills and Trust Receipts**	**Direct Advances**	**Agri Agra Loans**	**Others***	**Total Receivables from Customers**	**Sales Contract Receivables**	**Other Receivables****	**Total**
Stage 1											
Neither past due nor impaired:											
High grade	P28,024,849	P -	P339	P672,648	P442,426	P -	P -	P29,140,262	P -	P767,219	P29,907,481
Standard grade	52,189,800	-	26,565	288,581	9,996	11,489,607	-	64,004,549	-	413,571	64,418,120
Subject to scoring and unrated	-	7,739,774	3,696,107	-	-	-	1,985,562	13,421,443	282,515	459,924	14,163,882
	80,214,649	7,739,774	3,723,011	961,229	452,422	11,489,607	1,985,562	106,566,254	282,515	1,640,714	108,489,483
Stage 2											
Neither past due nor impaired:											
Standard grade	3,370	-	-	-	-	4,731	-	8,101	-	32	8,133
Substandard grade	535,173	-	-	-	1,674	-	-	536,847	-	3,384	540,231
Past due but not impaired	-	171,144	46,914	-	-	-	88,814	306,872	5,171	27,021	339,064
Impaired	-	-	-	-	-	1,500	-	1,500	-	1	1,501
	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
Stage 3											
Impaired	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	827,152	2,915,987
	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	827,152	2,915,987
	P81,196,872	P8,454,227	P4,120,628	P1,050,699	P575,338	P11,681,546	P2,328,224	P109,407,534	P388,561	P2,498,304	P112,294,399

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2022										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P32,370,341	P -	P1,099	P979,105	P466,443	P346,095	P -	P34,163,083	P -	P719,404	P34,882,487
Standard grade	52,782,106	-	24,605	219,323	-	2,032,048	-	55,058,082	-	277,124	55,335,206
Subject to scoring and unrated	-	7,294,257	3,089,406	97,976	-	-	1,808,374	12,290,013	263,227	450,648	13,003,888
	85,152,447	7,294,257	3,115,110	1,296,404	466,443	2,378,143	1,808,374	101,511,178	263,227	1,447,176	103,221,581
Stage 2											
Neither past due nor impaired:											
Standard grade	329,863	-	-	-	-	-	-	329,863	-	4,196	334,059
Substandard grade	81,637	-	-	-	2,641	134,258	-	218,536	-	962	219,498
Past due but not impaired	-	182,084	127,407	-	-	-	65,034	374,525	4,038	27,341	405,904
Impaired	548,625	-	-	-	-	7,818	-	556,443	-	3,464	559,907
	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
Stage 3											
Impaired	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	854,554	3,519,297
	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	854,554	3,519,297
	P86,583,034	P8,222,454	P3,652,024	P1,384,578	P602,091	P2,537,882	P2,557,868	P105,539,931	P382,622	P2,337,693	P108,260,246

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2023 and 2022 (amounts in thousands).

	December 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	**P391,758**	**P -**	**P -**	**P391,758**
Standard grade	**23,941,997**	**-**	**-**	**23,941,997**
Subject to scoring*	**3,600,977**	**-**	**-**	**3,600,977**
	P27,934,732	**P -**	**P -**	**P27,934,732**

Comprised of unused credit card lines.

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P1,586,005	P -	P -	P1,586,005
Standard grade	21,522,712	-	-	21,522,712
Subject to scoring*	3,601,178	-	-	3,601,178
	P26,709,895	P -	P -	P26,709,895

Comprised of unused credit card lines.

Sensitivity of ECL to Future Economic Conditions

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

	December 31, 2023			
	Change in MEF		**Impact on ECL**	
	Increase	**Decrease**	**Impact of 1% Increase in MEF**	**Impact of 1% Decrease in MEF**
Corporate MEF				
Lag 3 of the quarterly change of the Overseas Filipino personal remittance*				
Lag 12 of the annual change of the ratio: (Gross NPL/Total Loans)				
Philippine Treasury Reference Rates - PM (PDST-R2) Tenor-6M lagged over 12 months	**1%**	**1%**	**-0.05%**	**0.05%**
Lag 9 of the annual change of the VaPI of Key Manufacturing Indices by Industry (2018 values of growth rates)*				
Auto MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-pattern variable of the month-end Philippine Stock Exchange Index lagged over 3 months*				
Exports of Goods and Services, current prices (in million Philippine Pesos) lagged over 6 months.*	**1%**	**1%**	**-0.02%**	**0.02%**
Philippine Treasury Reference Rates -PM (PDST-R2) Tenor-1M lagged over 11 Months.				
Housing MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
C Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*				
9-month lag of the annual change of the current prices of the Exports of Goods and Services*	**1%**	**1%**	**-0.001%**	**0.001%**
Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 3 months				
Salary MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*	**1%**	**1%**	**-0.001%**	**0.001%**
12-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				

These variables have a negative relationship with default

	December 31, 2022			
	Change in MEF		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEF	Impact of 1% Decrease in MEF
Corporate MEF				
Wholesale Price Index: Year-on-year change, lagged for 6 months 2Y Interest Rates: Year-on-year (quarterly average) change, lagged for 9 months Stock Index (PSEI)*	1%	1%	5.18%	-3.62%
Auto MEF				
Stock Index (PSEI)* USD/PHP Exchange Rate: Lagged for 12 months	1%	1%	0.12%	-0.11%
Housing MEF				
USD/PHP Exchange Rate: Lagged for 9 months Consumer Price Index: Year-on-year change, lagged for 12 months Stock Index (PSEI)*	1%	1%	0.61%	-0.47%
Salary MEF				
Cash Remittances: Quarterly Average Ratio, lagged for 3 months* 3Y Interest Rates: Lagged for 12 Months Stock Index (PSEI): Lagged for 3 months*	1%	1%	-0.07%	0.07%

These variables have a negative relationship with default

Loans with Renegotiated Terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates receivable from customers in financial difficulties to maximize collection opportunities and minimize the risk of default. The carrying amounts per class of loans and receivables whose terms have been renegotiated are as follows:

	2023	2022
Term loans	**P796,146,616**	P774,912,259
Agri-Agra loans	**132,758,283**	159,738,819
Housing loans	**33,325,362**	47,758,907
Auto loans	**341,434**	617,479
Others	**82,594,485**	75,456,193
	P1,045,166,180	P1,058,483,657

For financial assets such as amounts due from BSP and other banks, interbank loans receivable and SPURA, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost, and unquoted debt securities classified as loans, the credit quality is assessed using external credit rating (such as Standard & Poor's, Fitch, Moody's, etc.) of the respective counterparties considering relevant BSP mandates, as follows:

	December 31, 2023		
	AA - A	**BBB and Below or Unrated**	**Total**
Loans and advances to banks: **			
Due from BSP	**P24,275,195,629**	**P -**	**P24,275,195,629**
Due from other banks	**504,166,331**	**551,330,762**	**1,055,497,093**
Interbank loans receivable and SPURA	**20,114,496,080**	**-**	**20,114,496,080**
	44,893,858,040	**551,330,762**	**45,445,188,802**
Financial assets at FVPL:			
Private debt securities	**-**	**190,504,814**	**190,504,814**
Government securities held-for-trading	**96,719,128**	**83,883,498**	**180,602,626**
Derivative assets*	**-**	**27,685,000**	**27,685,000**
	96,719,128	**302,073,312**	**398,792,440**
Financial assets at FVOCI:			
Government securities**	**-**	**10,850,047,722**	**10,850,047,722**
Equity securities	**-**	**193,757,106**	**193,757,106**
	-	**11,043,804,828**	**11,043,804,828**
Investment securities at amortized cost:			
Government securities**	**-**	**50,311,649,891**	**50,311,649,891**
Private debt securities**	**-**	**2,165,662,758**	**2,165,662,758**
	-	**52,477,312,649**	**52,477,312,649**
Loans and receivables - gross:			
Unquoted debt securities***	**-**	**291,578,212**	**291,578,212**
	P44,990,577,168	**P64,666,099,763**	**P109,656,676,931**

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1 in 2023*
****Accounts are impaired and carried at Stage 3 in 2023*

	December 31, 2022		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P23,678,666,441	P -	P23,678,666,441
Due from other banks	562,517,326	481,879,040	1,044,396,366
Interbank loans receivable and SPURA	18,381,225,853	-	18,381,225,853
	42,622,409,620	481,879,040	43,104,288,660
Financial assets at FVPL:			
Private debt securities	-	344,809,237	344,809,237
Government securities held-for-trading	-	7,258,797	7,258,797
Derivative assets*	-	28,933,434	28,933,434
	-	381,001,468	381,001,468
Financial assets at FVOCI:			
Government securities**	-	5,619,271,980	5,619,271,980
Equity securities	-	185,778,540	185,778,540
	-	5,805,050,520	5,805,050,520
Investment securities at amortized cost:			
Government securities**	5,573,045,203	43,877,476,613	49,450,521,816
Private debt securities**	1,131,471,358	1,632,844,687	2,764,316,045
	6,704,516,561	45,510,321,300	52,214,837,861
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,213	291,578,213
	P49,326,926,181	P52,469,830,541	P101,796,756,722

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1 in 2022*
****Accounts are impaired and carried at Stage 3 in 2022*

Aging Analysis of Past Due but not Impaired

The table below shows the aging of past due but not impaired loans and receivables as at December 31, 2023 and 2022.

	December 31, 2023			
	1 - 30 Days	**31 - 60 Days**	**61 - 90 Days**	**Total**
Receivable from customers (gross):				
Housing loans	**P21,420,752**	**P86,393,824**	**P63,329,410**	**P171,143,986**
Auto loans	**31,415**	**34,781,613**	**12,100,719**	**46,913,747**
Others	**44,493,128**	**40,144,605**	**4,176,718**	**88,814,451**
Sales contract receivables	**-**	**3,491,830**	**1,679,150**	**5,170,980**
Other receivables*	**300,075**	**20,832,308**	**5,555,872**	**26,688,255**
	P66,245,370	**P185,644,180**	**P86,841,869**	**P338,731,419**

** Comprised of accrued interest receivables, accounts receivables, and RCOCI*

	December 31, 2022			
	1 - 30 Days	31 - 60 Days	61 - 90 Days	Total
Receivable from customers (gross):				
Housing loans	P7,502,766	P117,540,395	P57,041,326	P182,084,487
Auto loans	304,994	82,232,033	44,870,404	127,407,431
Others	27,455,097	30,326,359	7,252,677	65,034,133
Sales contract receivables	-	1,077,598	2,959,821	4,037,419
Other receivables*	111,258	21,429,780	5,800,524	27,341,562
	P35,374,115	P252,606,165	P117,924,752	P405,905,032

** Comprised of accrued interest receivables, accounts receivables, and RCOCI*

Impairment Assessment

The Bank recognizes credit losses on financial assets at amortized cost and debt securities at FVOCI based on whether it has had a significant increase in credit risk since initial recognition. ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk.

Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2023 and 2022 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2023					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Deposit liabilities:						
Demand	**P54,569,494**	**P -**	**P -**	**P -**	**P -**	**P54,569,494**
Savings	**41,230,115**	**66,890,815**	**1,734,937**	**-**	**-**	**109,855,867**
Time	**16,157**	**14,695,940**	**1,575,014**	**446,877**	**-**	**16,733,988**
Long-term negotiable certificates	**-**	**55,952**	**170,372**	**5,190,990**	**-**	**5,417,314**
Financial liabilities at FVPL	**-**	**6,202**	**-**	**-**	**-**	**6,202**
Bonds payable	**-**	**93,196**	**7,625,657**	**-**	**-**	**7,718,853**
Manager's checks	**-**	**1,846,500**	**-**	**-**	**-**	**1,846,500**
Accrued interest and other expenses*	**-**	**1,047,574**	**-**	**-**	**-**	**1,047,574**
Lease liabilities	**-**	**38,696**	**172,936**	**422,940**	**35,149**	**669,721**
Other liabilities**	**-**	**951,269**	**2,039,295**	**-**	**290,118**	**3,280,682**
Total Undiscounted Financial Liabilities	**P95,815,766**	**P85,626,144**	**P13,318,211**	**P6,060,807**	**P325,267**	**P201,146,195**

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures*

	December 31, 2022					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	P51,792,970	P -	P -	P -	P -	P51,792,970
Savings	44,346,299	55,343,320	2,080,915	-	-	101,770,534
Time	18,985	15,249,042	1,777,238	847,661	-	17,892,926
Long-term negotiable certificates	-	55,952	170,372	5,417,314	-	5,643,638
Financial liabilities at FVPL	-	283	-	-	-	283
Bonds payable	-	93,196	283,777	7,718,853	-	8,095,826
Manager's checks	-	661,454	-	-	-	661,454
Accrued interest and other expenses*	-	791,326	-	-	-	791,326
Lease liabilities	-	37,862	159,856	315,455	25,397	538,570
Other liabilities**	-	1,251,721	1,760,517	-	282,393	3,294,631
Total Undiscounted Financial Liabilities	P96,158,254	P73,484,156	P6,232,675	P14,299,283	P307,790	P190,482,158

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures*

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments (amounts in thousands):

	December 31, 2023				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Commitments	**P3,600,977**	**P5,204,466**	**P6,350,066**	**P12,779,223**	**P27,934,732**
Contingent liabilities	**66,885,084**	**5,371,330**	**2,192,872**	**3,323,586**	**77,772,872**
	P70,486,061	**P10,575,796**	**P8,542,938**	**P16,102,809**	**P105,707,604**

	December 31, 2022				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,601,178	P12,598,713	P8,447,129	P2,062,875	P26,709,895
Contingent liabilities	67,818,593	2,192,776	3,343,696	3,054,409	76,409,474
	P71,419,771	P14,791,489	P11,790,825	P 5,117,284	P103,119,369

Interest Rate Risk in the Banking Book

The loans provided by the Bank to its borrowers are mostly funded by the deposits of its branch and corporate customers. The difference in the interest revenues from loans and the interest expense in servicing deposits provide the bulk of the Bank's Net Interest Income (NII). Aside from loans, interest revenue is also generated from holdings in debt securities, repurchase agreements (repo), and other interest-bearing assets. Occasionally, the Bank taps interbank loans and other sources of funding to supplement deposits, which are subject to additional interest expense.

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate fund raisers (e.g., branch deposits). FTP helps units evaluate profitability and calculate returns upon deal origination. Furthermore, the FTP framework insulates them from interest rate risk. The Central Funding Unit (CFU), under the Treasury Management Group, manages the Bank's overall IRRBB. CFU is the first line of defense for both IRRBB and Liquidity Risk. While the Bank does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively manages IRRBB by growing its sources of stable funds to match long-term assets.

The FTP policy is properly documented and is transparent to all parties. The FTP interest rates are anchored by widely-used and market-driven benchmark rates such as BVAL and BSP interest rate corridor rates for Peso; USD Secured Overnight Financing Rates and USD-denominated bonds issued by the Philippines for USD. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

The NII, and ultimately earnings and capital, is vulnerable to adverse fluctuations in interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions, if more applicable.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered "liability sensitive" since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

RSK monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented to ALCO and BROC on a monthly basis. To ensure that the Bank's net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank's risk appetite statements.

Non-maturing fixed-rate deposits or current-savings accounts (CASA) are split into three classifications: 1) stable and core deposits; 2) stable-but-non-core deposits and; 3) non-stable deposits. The volatile or non-stable portion of the non-maturing deposits/CASA is slotted in the shortest time-bucket (i.e., less than one month). Stable-but-non-core portion is slotted based on an assumed repricing approximation. Stable-and-core portion is slotted in the 3 to 5-year bucket. The IRRBB model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements on existing loans and deposits. More (less) prepayment is expected if interest rates decline (increase), while more (less) pre-termination is expected if interest rates increase (less).

Earnings at risk is simulated on a monthly basis and subject to a limit approved by the Board. The report is also accompanied by stress testing with scenarios such as: 1) standard parallel yield curve shifts; 2) BSP-prescribed yield curve shifts; 3) steepening and inversion of the curves; and 4) timing mismatch in assets and liabilities repricing. Internal Audit conducts a regular validation of the IRRBB models and parameters in addition to the risk-based full scope audit of RSK, which includes a review and evaluation of the processes and controls, including governance and risk management activities.

The table below sets forth the Bank's interest rate repricing gap as at December 31, 2023 and 2022 (amounts in millions).

	December 31, 2023								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P3,501	P3,501
Due from BSP	8,473	-	-	-	-	-	-	15,799	24,272
Due from other banks	-	-	-	-	-	-	-	3,068	3,068
Interbank loans receivable	17,973	128	-	-	-	-	-	(2)	18,099
Financial assets at FVPL	-	-	-	-	-	-	-	399	399
Financial assets at FVOCI	243	353	1,239	2,598	6,923	-	-	(468)	10,888
Investment securities at AC	12,835	3,728	682	-	14,720	10,705	10,240	(343)	52,567
Loans - net	33,245	26,033	7,569	7,929	12,790	17,675	24	2,314	107,579
Other resources	236	33	-	-	-	-	-	9,632	9,901
	P73,005	P30,275	P9,490	P10,527	P34,433	P28,380	P10,264	P33,900	P230,274
Liabilities and Equity									
Deposit liabilities:	P71,562	P17,602	P16,618	P908	P5,343	P73,872	P -	P -	P185,905
Demand deposits	6,423	-	6,990	-	-	41,157	-	-	54,570
Savings deposits	1,037	-	7,563	-	-	32,619	-	-	41,219
Time deposits	64,102	17,602	2,065	908	314	96	-	-	85,087
Long-term negotiable certificates	-	-	-	-	5,029	-	-	-	5,029
Bonds payable	-	-	-	7,478	-	-	-	-	7,478
Other liabilities	-	-	-	-	-	-	-	7,420	7,420
	71,562	17,602	16,618	8,386	5,343	73,872	-	7,420	200,803
Capital funds	-	-	-	-	-	-	-	29,471	29,471
	P71,562	P17,602	P16,618	P8,386	P5,343	P73,872	P -	P36,891	P230,274
Total periodic gap	P1,443	P12,673	(P7,128)	P2,141	P29,090	(P45,492)	P10,264	(P2,991)	P -

	December 31, 2022								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P2,735	P2,735
Due from BSP	6,096	-	-	-	-	-	-	17,579	23,675
Due from other banks	-	-	-	-	-	-	-	4,761	4,761
Interbank loans receivable	14,664	-	-	-	-	-	-	(2)	14,662
Financial assets at FVPL	-	-	-	-	-	-	-	381	381
Financial assets at FVOCI	369	430	1,998	2,250	1,355	-	-	(783)	5,619
Investment securities at AC	6,697	2,040	3,051	3,616	9,625	15,299	12,392	(346)	52,374
Loans - net	34,468	15,534	8,479	11,592	13,484	12,281	4,732	2,727	103,297
Other resources	247	5	-	-	-	-	-	8,687	8,939
	P62,541	P18,009	P13,528	P17,458	P24,464	P27,580	P17,124	P35,739	P216,443
Liabilities and Equity									
Deposit liabilities:	P69,553	P14,024	P18,688	P1,289	P5,648	P67,065	P -	P -	P176,267
Demand deposits	7,521	-	7,025	-	-	37,247	-	-	51,793
Savings deposits	5,194	-	9,475	-	-	29,674	-	-	44,343
Time deposits	56,838	14,024	2,188	1,289	619	144	-	-	75,102
Long-term negotiable certificates	-	-	-	-	5,029	-	-	-	5,029
Bonds payable	-	-	-	-	7,442	-	-	-	7,442
Other liabilities	-	-	-	-	-	-	-	5,930	5,930
	69,553	14,024	18,688	1,289	13,090	67,065	-	5,930	189,639
Capital funds	-	-	-	-	-	-	-	26,804	26,804
	P69,553	P14,024	P18,688	P1,289	P13,090	P67,065	P -	P32,734	P216,443
Total periodic gap	(P7,012)	P3,985	(P5,160)	P16,169	P11,374	(P39,485)	P17,124	P3,005	P -

The Bank manages interest rate risk separately for its RBU and FCDU books. The interest rate risk of the RBU of the Bank from its accounts is managed in PHP while the FCDU of the Bank, regardless of original currency, is managed in USD. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's results of operations and OCI:

	December 31, 2023			
Currency	**Changes in Interest Rates (In Basis Points)**	**Sensitivity of Net Interest Income (In Millions)**	**Sensitivity of Trading Gains - net on FA at FVPL (In Millions)**	**Sensitivity of OCI (In Millions)**
PHP	**+200**	**P147.58**	**(P5.67)**	**(P960.56)**
USD	**+100**	**(0.35)**	**(9.43)**	**(79.95)**
PHP	**-200**	**(147.58)**	**5.67**	**960.56**
USD	**-100**	**0.35**	**9.43**	**79.95**

	December 31, 2022			
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity of OCI (In Millions)
PHP	+200	P201.26	(P0.25)	(P490.44)
USD	+100	1.76	(3.38)	(73.93)
PHP	-200	(201.26)	0.25	490.44
USD	-100	(1.76)	3.38	73.93

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and liabilities held as at December 31, 2023 and 2022.

The sensitivity of "Trading and investment securities gains (losses) - net" and OCI is calculated by revaluing fixed-rate financial assets at FVPL and debt securities at FVOCI, respectively, as at December 31, 2023 and 2022. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Market Risk

Market risk arises from the potential decline in earnings and capital due to adverse changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to two sources of market risk, namely: 1) market price risk in the trading book; and 2) foreign exchange risk from open foreign currency exposures. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first two.

There has been no material change to the Bank's exposure to market risk or the manner in which it manages and measures the risk.

Market Price Risk in the Trading Book

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank's RSK simulates the trading book's VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, monthly and yearly losses.

Value-at-Risk Methodology

VAR serves as the Bank's key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk. The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank's VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

The table below summarizes the results of the Bank's VAR calculations as at December 31, 2023 and 2022.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
2023				
As at December 31, 2023	**P1,950,756**	**P1,471,726**	**P50,010,354**	**P53,432,836**
Average	**1,618,958**	**2,794,146**	**51,444,695**	**54,952,559**
Highest	**7,728,518**	**9,254,465**	**67,024,351**	**69,553,970**
Lowest	**268,678**	**78,190**	**39,722,601**	**41,246,030**
2022				
As at December 31, 2022	944,454	84,887	55,262,009	55,452,704
Average	2,381,036	1,147,342	48,111,020	48,504,463
Highest	12,183,300	2,585,544	73,264,380	72,311,569
Lowest	140,229	83,357	37,230,085	36,648,881

Currency Risk
The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure based on its assets and liabilities is within conservative limits for a financial institution engaged in a type of business similar to that of the Bank.

Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolios in the FCDU. Banks are required by BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

Similar to market price risk in the trading book, the Bank employs limits and a VAR model to manage the risk that possible interest or currency movements pose. Such limits are prudently set and the position status is monitored on a daily basis.

The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2023 and 2022. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (based on USD equivalents in thousands):

	December 31, 2023			
	USD	**Euro**	**Others**	**Total**
Assets				
Due from other banks	**$1,065**	**$1,188**	**$822**	**$3,075**
Interbank loans	**3,550**	**-**	**-**	**3,550**
Financial assets at FVPL	**-**	**1,747**	**-**	**1,747**
Loans and receivables	**1,950**	**20**	**-**	**1,970**
Total Assets	**6,565**	**2,955**	**822**	**10,342**
Liabilities				
Deposit liabilities	**-**	**736**	**2**	**738**
Other liabilities	**1,028**	**73**	**2**	**1,103**
Total Liabilities	**1,028**	**809**	**4**	**1,841**
Net Exposure	**$5,537**	**$2,146**	**$818**	**$8,501**
Amount in PHP	**P306,584**	**P118,824**	**P45,293**	**P470,701**

	December 31, 2022			
	USD	Euro	Others	Total
Assets				
Due from other banks	$614	$530	$388	$1,532
Interbank loans	9,449	-	-	9,449
Loans and receivables	1,764	-	-	1,764
Total Assets	11,827	530	388	12,745
Liabilities				
Deposit liabilities	-	1,260	-	1,260
Other liabilities	1,573	55	9	1,637
Total Liabilities	1,573	1,315	9	2,897
Net Exposure	$10,254	($785)	$379	$9,848
Amount in PHP	P571,712	(P43,768)	P21,131	P549,075

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2023 and 2022 based on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Changes in currency rates are based on the historical movements of each currency for the same period:

	Philippine Peso Appreciates by	**Effect on Profit before Tax (In Millions)**	**Philippine Peso Depreciates by**	**Effect on Profit before Tax (In Millions)**
December 31, 2023				
Currency:				
USD	**P1.00**	**(P5.54)**	**(P1.00)**	**P5.54**
Euro	**0.50**	**(1.07)**	**(0.50)**	**1.07**
Others	**0.40**	**(0.33)**	**(0.40)**	**0.33**

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2022				
Currency:				
USD	P1.00	(P10.25)	(P1.00)	P10.25
Euro	0.50	0.39	(0.50)	(0.39)
Others	0.40	(0.15)	(0.40)	0.15

Given the nature and amount of the Bank’s equity investments portfolio in 2023 and 2022, management believes the Bank’s exposure to currency risk is considered minimal.

Equity Price Risk
Given the nature and amount of the Bank’s equity investments portfolio in 2023 and 2022, management believes the Bank’s exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

COCI, Due from BSP and Other Banks and Interbank Loans Receivable and SPURA - Fair values approximate carrying amounts given the short-term nature of the instruments.

Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost) - Fair values are generally based on quoted market prices. If not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using discounted cash flow methodology.

Equity Securities (Financial Assets at FVOCI) - Fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers.

Derivative Instruments (Financial Assets and Financial Liabilities at FVPL) - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Loans and Receivables - The estimated fair values of long-term receivables from customers and sales contract receivables are equal to the estimated future cash flows expected to be received which are discounted using current market rates (i.e., BVAL and USD Secured Overnight Financing Rates). Fair value of short-term receivable from customers, sales contract receivables, accounts receivables, accrued interest receivables, and RCOCI approximates carrying amounts given the short-term nature of the accounts.

Investment Properties - Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit Liabilities - Fair values of long-term time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD Secured Overnight Financing Rates) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term time deposits approximate fair value. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bonds and Bills Payable - For long-term bonds and bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD Secured Overnight Financing Rate and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bonds and bills payable approximate fair value.

Manager's Checks, Accrued Interest and Other Expenses and Other Liabilities (excluding non-financial liabilities) - Carrying amounts approximate fair values due to the short-term nature of the accounts. Due to preferred shareholders is determined to be long term in nature due to a pending dispute which affects maturity. Fair value cannot be estimated reliably due to lack of available supportable data.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	December 31, 2023				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	**P180,603**	**P61,208**	**P119,395**	**P -**	**P180,603**
Private debt securities	**190,505**	**-**	**-**	**190,505**	**190,505**
Derivative assets	**27,685**	**-**	**27,685**	**-**	**27,685**
Financial assets at FVOCI:					
Government securities	**10,850,048**	**4,088,139**	**6,761,909**	**-**	**10,850,048**
Equity securities	**193,757**	**155,300**	**-**	**38,457**	**193,757**
	P11,442,598	**P4,304,647**	**P6,908,989**	**P228,962**	**P11,442,598**
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	**P6,202**	**P -**	**P6,202**	**P -**	**P6,202**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	**P50,305,668**	**P20,087,916**	**P28,833,159**	**P -**	**P48,921,075**
Private debt securities	**2,165,435**	**343,612**	**1,629,236**	**-**	**1,972,848**
Loans and receivables:					
Receivables from customers	**107,624,342**	**-**	**-**	**110,630,437**	**110,630,437**
Less unearned interest	**45,388**	**-**	**-**	**45,388**	**45,388**
	107,578,954	**-**	**-**	**110,585,049**	**110,585,049**
Sales contract receivables	**331,532**	**-**	**-**	**345,450**	**345,450**
	160,381,589	**20,431,528**	**30,462,395**	**110,930,499**	**161,824,422**
Non-financial Assets					
Investment properties	**3,676,126**	**-**	**-**	**10,514,333**	**10,514,333**
	P164,057,715	**P20,431,528**	**P30,462,395**	**P121,444,832**	**P172,338,755**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	**P16,638,541**	**P -**	**P16,609,959**	**P -**	**P16,609,959**
Long-term negotiable certificates	**5,029,420**	**-**	**4,909,268**	**-**	**4,909,268**
Bonds payable	**7,478,265**	**-**	**7,500,000**	**-**	**7,500,000**
	P29,146,226	**P -**	**P29,019,227**	**P -**	**P29,019,227**

	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	P7,259	P3,569	P3,690	P -	P7,259
Private debt securities	344,809	-	-	344,809	344,809
Derivative assets	28,933	-	28,933	-	28,933
Financial assets at FVOCI:					
Government securities	5,619,272	511,282	5,107,990	-	5,619,272
Equity securities	185,779	147,253	-	38,526	185,779
	P6,186,052	P662,104	P5,140,613	P383,335	P6,186,052
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	P283	P -	P283	P -	P283
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	P49,444,750	P12,626,246	P34,050,746	P -	P46,676,992
Private debt securities	2,764,019	375,615	2,035,004	-	2,410,619
Loans and receivables:					
Receivables from customers	103,340,539	-	-	102,468,646	102,468,646
Less unearned interest	43,155	-	-	43,155	43,155
	103,297,384	-	-	102,425,491	102,425,491
Sales contract receivables	325,653	-	-	380,020	380,020
	155,831,806	13,001,861	36,085,750	102,805,511	151,893,122
Non-financial Assets					
Investment properties	3,399,987	-	-	9,969,666	9,969,666
	P159,231,793	P13,001,861	P36,085,750	P112,775,177	P161,862,788
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	P17,793,298	P -	P17,735,829	P -	P17,735,829
Long-term negotiable certificates	5,029,420	-	4,787,902	-	4,787,902
Bonds payable	7,442,251	-	7,386,764	-	7,386,764
	P30,264,969	P -	P29,910,495	P -	P29,910,495

In 2023 and 2022, due to changes in market conditions for certain government securities measured at FVOCI, quoted prices in active markets were not available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVOCI, with carrying amounts of P327.4 million and P306.1 million in 2023 and 2022, respectively, were transferred from Level 1 to Level 2 of the fair value hierarchy.

In 2023, securities at FVOCI, with carrying amount of P394.3 million were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available. There have been no transfers from Level 2 to Level 1 of the fair value hierarchy in 2022.

In 2023 and 2022, there have been no transfers into and out of Level 3 of the fair value hierarchy.

An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. The fair value of the Level 3 instruments is based on cost which approximates its fair value.

The carrying values of the financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at December 31, 2023 and 2022.

7. Segment Reporting

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to SET who is responsible for allocating resources to the segments and assessing their performance. Segment performance is evaluated based on net income before provision/reversal of credit and impairment losses, share in net loss of an associate, and income tax expense. The Bank's business segments follow:

Treasury Management Group - principally provides money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks.

Corporate Banking Group - principally handles loans and other credit facilities for corporate institutional, and middle market clients.

Branch Banking Group - principally supervises customers' deposits and offers standard customer transactional services through the branch network.

Consumer Group - principally manages home, automobile, and salary loans for individual customers.

Others - includes but not limited to Credit Cards, Transaction Banking, Investment Banking, Trust, and Acquired Assets. Other operations of the Bank also include operations and financial control groups.

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. The Bank has no significant customers which contributes 10.00% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the years ended December 31, 2023, 2022 and 2021 for statements of income items, and as at December 31, 2023 and December 31, 2022 for statements of financial position items follow (amounts in millions):

	December 31, 2023					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Income						
Net interest income:						
Third party	**P2,908**	**P7,049**	**(P2,707)**	**P958**	**P88**	**P8,296**
Intersegment	**(2,269)**	**(5,723)**	**7,021**	**(662)**	**1,633**	**-**
Net interest income	**639**	**1,326**	**4,314**	**296**	**1,721**	**8,296**
Non-interest income	**140**	**73**	**96**	**52**	**1,318**	**1,679**
Total revenues	**779**	**1,399**	**4,410**	**348**	**3,039**	**9,975**
Other expenses	**357**	**364**	**2,171**	**184**	**3,083**	**6,159**
Income (losses) before provision for credit losses and income tax expense	**P422**	**P1,035**	**P2,239**	**P164**	**(P44)**	**P3,816**
Provision for credit and impairment losses						**P79**
Share in net loss of an associate						**1**
Income tax expense						**934**
Net income						**P2,802**
Other Segment Information						
Capital expenditures	**P6**	**P8**	**P156**	**P3**	**P226**	**P399**
Depreciation and amortization	**P4**	**P4**	**P59**	**P7**	**P415**	**P489**

	December 31, 2023					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Financial Position						
Total assets	**P89,494**	**P96,924**	**P23,438**	**P13,022**	**P8,790**	**P231,668**
Total liabilities	**6,344**	**48**	**187,210**	**134**	**7,081**	**200,817**

	December 31, 2022					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,171	P4,448	(P880)	P896	P47	P6,682
Intersegment	(1,602)	(3,157)	5,306	(542)	(5)	-
Net interest income	569	1,291	4,426	354	42	6,682
Non-interest income	116	154	89	40	1,035	1,434
Total revenues	685	1,445	4,515	394	1,077	8,116
Other expenses	222	258	2,098	157	2,749	5,484
Income (losses) before provision for credit losses and income tax expense	P463	P1,187	P2,417	P237	(P1,672)	P2,632
Provision for credit and impairment losses						P166
Share in net loss of an associate						-
Income tax expense						666
Net income						P1,800
Other Segment Information						
Capital expenditures	P6	P6	P57	P7	P86	P162
Depreciation and amortization	P4	P3	P53	P7	P365	P432

	December 31, 2022					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Financial Position						
Total assets	P80,035	P93,631	P23,810	P12,063	P7,979	P217,518
Total liabilities	9,995	35	172,912	116	6,429	189,487

	December 31, 2021					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P1,614	P3,328	(P560)	P896	P120	P5,398
Intersegment	(1,256)	(1,321)	3,879	(629)	(673)	-
Net interest income	358	2,007	3,319	267	(553)	5,398
Non-interest income	(29)	40	83	31	702	827
Total revenues	329	2,047	3,402	298	149	6,225
Other expenses	147	199	2,040	146	2,496	5,028
Income (losses) before provision for credit losses and income tax expense	P182	P1,848	P1,362	P152	(P2,347)	P1,197
Reversal of credit and impairment losses						(P635)
Share in net loss of an associate						1
Income tax expense						624
Net income						P1,207
Other Segment Information						
Capital expenditures	P1	P7	P52	P2	P53	P115
Depreciation and amortization	P4	P3	P63	P7	P386	P463

Non-Interest income consists of trading and investment securities gains (losses), service charges, fees and commissions, foreign exchange gains, gain on foreclosure, and sale of property and equipment and foreclosed assets and miscellaneous income.

Other expenses consist of compensation and fringe benefits, taxes and licenses, rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, entertainment and recreation, management and professional fees, amortization of software costs and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	Note	**2023**	2022
SPURA		**P17,973,348,893**	P14,538,857,444
Interbank loans receivable		**2,141,147,187**	3,842,368,409
		20,114,496,080	18,381,225,853
Less allowance for credit losses	*17*	**2,715,457**	2,481,466
		P20,111,780,623	P18,378,744,387

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

Interbank loans receivable consists of short-term loans granted to other banks.

Interest income on SPURA and interbank loans receivable follows:

	2023	2022	2021
SPURA	**P746,318,560**	P475,286,408	P316,263,835
Interbank loans receivable	**129,387,516**	63,872,487	17,540
	P875,706,076	P539,158,895	P316,281,375

SPURA bears interest rates ranging from 5.5% to 6.4% in 2023, from 2.0% to 5.5% in 2022 and interest rate of 2.0% in 2021.

Peso-denominated interbank loans receivable bear interest rates ranging from 5.5% to 6.5% in 2023 and 1.8% to 5.0% in 2022. No short-term peso-denominated loans were granted by the Bank to other banks in 2021. Dollar-denominated interbank loans receivable bear interest rates ranging from 3.0% to 5.6%, from 0.5% to 3.8%, and from 0.1% to 0.5% in 2023, 2022 and 2021, respectively.

9. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2023	2022
Private debt securities	**P190,504,814**	P344,809,237
Government securities held-for-trading	**180,602,626**	7,258,797
Derivative assets	**27,685,000**	28,933,434
	P398,792,440	P381,001,468

Private debt securities pertain to investment in MRT III bonds that does not qualify as SPPI, thus, mandatorily classified and measured as financial assets at FVPL.

As at December 31, 2023, 2022 and 2021, financial assets at FVPL are adjusted for unrealized gain of P22.8 million and P3.0 million and unrealized loss of P4.2 million, respectively (see Note 28).

Derivative Financial Instruments
This includes warrants amounting to $0.05 million acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding of certain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

Forward swaps refer to spot purchase of sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future. As at December 31, 2023, these pertain to two contracts with notional amount of $1.0 million each, two contracts with notional amount of $5.0 million each and two contracts with notional amount of $10.0 million each. The Bank has one contract with notional amount of $1.0 million and three contracts with notional amount of $0.5 million each as at December 31, 2022.

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount and leverage exposure. The leverage exposure is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The leverage exposure indicates the volume of transactions outstanding as at December 31, 2023 and 2022 and is not indicative of either market risk or credit risk.

	December 31, 2023			December 31, 2022		
	Derivative Assets	**Notional Amount**	**Leverage Exposure**	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	**P27,685,000**	**$50,000**	**$ -**	P27,877,500	$50,000	$ -
Forwards	**-**	**-**	**-**	1,055,934	1,000,000	-
	P27,685,000	**$50,000**	**$ -**	P28,933,434	$1,050,000	$ -

	December 31, 2023			December 31, 2022		
	Derivative Liabilities	**Notional Amount**	**Leverage Exposure**	Derivative Liabilities	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Forwards	**P6,201,649**	**$32,000,000**	**$ -**	P283,329	$1,500,000	$ -

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	2023	2022
Government securities	**P10,850,047,722**	P5,619,271,980
Equity securities	**193,757,106**	185,778,540
	P11,043,804,828	P5,805,050,520

As at December 31, 2023 and 2022, the ECL allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P1.1 million and P0.6 million, respectively (see Note 17).

Equity Securities
This account consists of ordinary shares from a foreign financial institution and a telecommunications company and club shares. The Bank has designated these equity securities at FVOCI.

Equity securities include the Bank's 3.07% equity interest in Banco National de Guinea Equatorial (BANGE) as part of its partnership with the National Government of the Republic of Equatorial Guinea. The carrying amount of the equity securities amounted to P19.4 million and P18.8 million, respectively, as at December 31, 2023 and 2022. Dividend income received from BANGE in 2023 amounted to P4.0 million, booked under "Miscellaneous Income" in the statements of income (see Note 31). No dividend was received from BANGE in 2022 and 2021.

In 2023, 2022 and 2021, the Bank disposed club shares with carrying value of P0.9 million, P0.8 million and P10.6 million, respectively, and transferred to "Retained earnings" account the realized gain of P7.5 million, P0.3 million and P6.1 million in 2023, 2022 and 2021, respectively.

Dividend income from equity securities at FVOCI amounted to P5.6 million, P1.6 million, and P5.7 million in 2023, 2022 and 2021, respectively (see Note 31).

Net Unrealized Losses on Financial Assets at FVOCI

The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

	Note	**2023**	2022	2021
Balance at beginning of year		**(P730,966,925)**	(P156,154,761)	P69,657,563
Net unrealized gains (losses) recognized as OCI		**324,174,117**	(574,495,027)	(293,920,562)
ECL on debt securities at FVOCI	*17*	**455,690**	(27,137)	(1,108,339)
Realized losses (gains) taken to profit or loss	*28*	**(6,964,361)**	-	68,883,753
Effect of tax	*32*	**(363,597)**	-	6,389,324
Net change in unrealized gains (losses) recorded in OCI		**317,301,849**	(574,522,164)	(219,755,824)
Realized gains taken to retained earnings		**(7,527,455)**	(290,000)	(6,056,500)
Balance at end of year		**(P421,192,531)**	(P730,966,925)	(P156,154,761)

11. Investment Securities at Amortized Cost

This account consists of:

	Note	**2023**	2022
Government securities		**P50,311,649,891**	P49,450,521,816
Private debt securities	*33*	**2,165,662,758**	2,764,316,045
		52,477,312,649	52,214,837,861
Less allowance for credit losses	*17*	**6,209,355**	6,068,800
		P52,471,103,294	P52,208,769,061

No investment securities at amortized cost were sold in 2023 and 2022.

12. Loans and Receivables

This account consists of:

	Note	2023	2022
Receivables from customers:			
Term loans		**P81,196,871,925**	P86,583,033,586
Agri-agra loans		**11,681,545,957**	2,537,887,089
Housing loans		**8,454,302,941**	8,222,608,912
Auto loans		**4,123,415,068**	3,652,024,507
Bills purchased, import bills and trust receipts	*22*	**1,050,698,899**	1,384,577,563
Direct advances		**577,211,848**	605,327,618
Others		**2,368,875,299**	2,597,626,608
		109,452,921,937	105,583,085,883
Less unearned interest income		**45,387,843**	43,154,930
		109,407,534,094	105,539,930,953
Accrued interest receivable:			
Loans and receivables		**946,846,228**	848,790,235
Trading and investment securities		**483,609,311**	422,998,451
Interbank loans receivable and SPURA		**8,257,598**	5,715,175
Due from BSP and other banks		**4,357,778**	2,193,333
Accounts receivable		**1,055,139,512**	1,057,747,032
Sales contract receivables		**388,560,627**	382,621,585
Unquoted debt securities		**291,578,212**	291,578,213
RCOCI		**93,452**	249,146
		112,585,976,812	108,551,824,123
Less allowance for credit losses	*17*	**3,019,800,493**	3,460,595,359
		P109,566,176,319	P105,091,228,764

Bills purchased, import bills and trust receipts include bills purchased with contra account in "Bills purchased - contra" under "Other Liabilities" amounting to P1.0 billion and P1.3 Billion as at December 31, 2023 and 2022, respectively (see Notes 22 and 33). Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the Bank to its clients.

Other receivables from customers pertain to consumer loans such as benefit loans, salary loans, and credit cards.

Accounts receivable mainly consist of amounts due from customers and other parties under open-account arrangements, advances for buyers of foreclosed properties, receivables from employees and other miscellaneous receivables.

Sales contract receivables arise mainly from the sale of foreclosed properties booked under "Investment properties" accounts.

On March 25, 2020, Republic Act (RA) No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1”) was enacted. Bayanihan 1 provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest falling due within the enhanced community quarantine period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, RA No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2”), was enacted. Under Bayanihan 2, a one-time 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 interest, penalties, fees and other charges, thereby extending the maturity of the said loans.

Based on the Bank’s assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. The impact of loan modifications amounted to a loss of P29.6 million in 2020. In 2023, 2022 and 2021, accretion of loan modification that were recorded in “Interest income” in the statements of income amounted to P3.4 million, P5.1 million and P7.0 million, respectively.

BSP Regulatory Reporting
As at December 31, 2023 and 2022, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2023		2022	
	Amount	**%**	Amount	%
Loans secured by:				
Deed of pledge	**P7,983,973**	**7.3**	P7,905,090	7.5
Real estate	**6,564,727**	**6.0**	5,345,891	5.1
Deposit hold-out	**5,194,467**	**4.8**	5,283,140	5.0
Continuing surety agreement	**4,306,977**	**3.9**	4,754,637	4.5
Chattel	**2,280,780**	**2.1**	2,314,566	2.2
Deed of assignment	**1,362,971**	**1.2**	1,136,920	1.1
Corporate guaranty	**1,331,763**	**1.2**	1,564,374	1.5
Mortgage trust indenture	**-**	**-**	809,900	0.8
Certificate of participation	**-**	**-**	800,000	0.7
Others*	**31,992,124**	**29.2**	17,756,186	16.8
	61,017,782	**55.7**	47,670,704	45.2
Unsecured	**48,435,140**	**44.3**	57,912,382	54.8
	P109,452,922	**100.0**	P105,583,086	100.0

**Others include post-dated checks and various collaterals on omnibus loan and security agreement*

As at December 31, 2023 and 2022, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2023		2022	
	Amount	**%**	Amount	%
Electricity, gas, steam, and air-conditioning supply	**P39,122,670**	**35.8**	P30,518,493	28.9
Real estate activities	**18,848,608**	**17.2**	24,139,201	22.9
Construction	**11,705,416**	**10.7**	6,278,239	5.9
Manufacturing	**10,917,610**	**10.0**	13,275,801	12.6
Wholesale and retail trade, repair of motor vehicles and motorcycles	**5,957,919**	**5.4**	4,889,646	4.6
Information and communication	**4,973,415**	**4.6**	9,528,617	9.0
Financial and insurance activities	**2,554,721**	**2.3**	1,311,410	1.3
Agriculture, forestry and fishing	**1,898,948**	**1.7**	2,394,508	2.3
Mining and quarrying	**1,882,580**	**1.7**	1,895,670	1.8
Accommodation and food service activities	**1,549,064**	**1.4**	1,285,650	1.2
Water supply, sewerage, waste management and remediation activities	**1,380,895**	**1.3**	1,401,877	1.3
Transportation and storage	**1,328,555**	**1.2**	1,372,692	1.3
Administrative and support service activities	**541,078**	**0.5**	711,460	0.7
Others*	**6,791,443**	**6.2**	6,579,822	6.2
	P109,452,922	**100.0**	P105,583,086	100.0

**Others include Professional Activities, Education, Personal Consumption and other various activities*

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio or 10.0% of Tier 1 capital.

As at December 31, 2023, the table above includes one industry group (electricity, gas, steam and air-conditioning supply) above the 30.0% of the total loan portfolio. However, the Bank has internal sub-classifications for renewable and non-renewable energy under electricity and power industry with separate limits (for renewable energy- 25.0% of the total loan portfolio, non-renewable energy- 30.0%). Existing exposures as at December 31, 2023 for this industry are within the acceptable levels (for renewable energy- 14.9% of the total loan portfolio, non-renewable energy- 20.8%). As at December 31, 2022, the Bank does not have credit concentration in any particular industry that exceeds 30.0% of total loan portfolio.

As at December 31, 2023, 10.0% of the Tier 1 capital amounted to P2.7 billion and the table above includes the six industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Construction, Manufacturing, Wholesale and retail trade, repair of motor vehicles and motorcycles and Information and communications) exceeding this level as of that date.

The table also includes the six industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Manufacturing, Construction, Wholesale and retail trade, repair of motor vehicles and motorcycles and Information and communications) above the 10.0% of Tier 1 capital (P2.5 billion) as at December 31, 2022.

The BROC and CRECOM constantly monitor these credit risk concentrations to ensure these are within the risk appetite of the Bank. Limits are set to allow SET to highlight any possible issues and to actively direct loans to preferred industries when faced with emerging concentration and potential industry decline.

Under 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, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or 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.

As at December 31, 2023 and 2022, the breakdown of receivables from customers as to status, is as follows (amounts in thousands):

	December 31, 2023		
	Performing	**Non-performing**	**Total**
Corporate	**P92,720,144**	**P782,498**	**P93,502,642**
Consumers	**12,359,497**	**911,470**	**13,270,967**
Credit card	**1,361,326**	**217,212**	**1,578,538**
Others	**1,004,755**	**50,632**	**1,055,387**
	P107,445,722	**P1,961,812**	**P109,407,534**

	December 31, 2022		
	Performing	Non-performing	Total
Corporate	P89,160,116	P644,853	P89,804,969
Consumers	11,338,496	1,221,937	12,560,433
Credit card	1,216,190	596,107	1,812,297
Others	1,306,849	55,383	1,362,232
	P103,021,651	P2,518,280	P105,539,931

As at December 31, 2023 and 2022, the NPLs of the Bank, as reported to BSP, are as follows (in thousands):

	2023	2022
Gross NPLs	**P1,961,812**	P2,518,280
Less deductions as required by BSP	**1,394,550**	1,793,731
Net NPLs	**P567,262**	P724,549

Gross and net NPL ratios of the Bank are 1.54% and 0.44%, respectively, as at December 31, 2023 and 2.10% and 0.60%, respectively, as at December 31, 2022.

As at December 31, 2023 and 2022, restructured loans amounted to P1.0 billion and P1.1 billion, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2023 and 2022, restructured receivables from customers considered as NPLs amounted P456.9 million and P340.9 million, respectively.

On March 14, 2020, the BSP issued BSP Memorandum No. M-2020-008 Regulatory Reliefs for BSP-supervised financial institutions Affected by the COVID-19, as amended by M-2020-0032 dated April 27, 2020 and M-2020-0022 dated April 8, 2020. The said memorandum provides for certain temporary regulatory relief measures for financial institutions supervised by the BSP, as follows:

- Staggered booking of allowance for credit losses over a maximum of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of March 8, 2020, subject to prior approval of the BSP;

- Exclusion from the computation of past due and non-performing classification, the loans by borrowers in affected areas which should have been reclassified as past due as of March 8, 2020, including those loans becoming past due or non-performing six months thereafter, subject to the following: (a) such loans shall be reported to the BSP; (b) the exclusion shall be allowed from March 8, 2020 until December 31, 2021; and (c) BSP documentary requirements for restructuring of loans may be waived provided that the Bank will adopt appropriate and prudent operational control measures;

- Non-imposition of monetary penalties for delays incurred in the submission of all supervisory reports to BSP due to be submitted from March 8, 2020 up to six months thereafter;

- Non-imposition of penalties on legal reserve deficiencies computed under Section 255 of the MORB starting from reserve week following March 8, 2020 up to six months thereafter, subject to prior approval of the BSP;

- Increase in the Single Borrower's Limit from 25.0% to 30.0% until March 31, 2021;

- Allowance of (a) loans to Micro, Small and Medium Enterprises and (b) loans to critically-impacted large enterprises as alternative mode of compliance with reserve requirements until December 31, 2021; and

- Provision of financial assistance to officers affected by the present health emergency, for the grant of loans, advances or any other forms of credit accommodations, subject to the submission by the Bank of a request for BSP approval within 30 calendar days from the approval thereof of the BOD.

As of December 31, 2023 and 2022, there has been no availment of the reliefs provided by BSP.

Interest Income on Loans and Receivables

This account consists of:

	2023	2022	2021
Receivables from customers:			
Term loans	**P6,145,776,140**	P4,258,299,628	P3,135,826,861
Agri-agra loans	**817,533,328**	117,546,235	38,283,650
Housing loans	**566,980,066**	533,304,245	551,299,617
Auto loans	**297,279,192**	247,631,545	264,452,515
Direct advances	**18,960,417**	15,944,868	18,021,144
Bills purchased, import bills and trust receipts	**1,704,583**	5,908,431	1,008,184
Others	**371,451,465**	264,901,980	250,289,916
	8,219,685,191	5,443,536,932	4,259,181,887
Sales contract receivable	**24,987,312**	21,691,954	25,273,885
	P8,244,672,503	P5,465,228,886	P4,284,455,772

**Others pertain to interest income from consumer loans such as benefit loans, salary loans, and credit cards.*

As at December 31, 2023, 2022 and 2021, 60.3%, 55.7% and 48.0%, respectively, of the total receivables from customers were subject to periodic interest repricing.

Peso-denominated loans earn annual fixed interest rates ranging from 2.5% to 28.8% in 2023, from 1.6% to 54% in 2022, and from 1.0% to 54.0% in 2021. Dollar-denominated loans earn annual fixed interest rates ranging from 3.5% to 9.8% in 2023, 3.3% to 8.7% in 2022, and from 1.2% to 8.0% in 2021.

Sales contract receivables bear fixed interest rates ranging from 5.3% to 11.6% in 2023, 2022, and 2021.

13. Investment in an Associate

The movements in Bank's equity investment in BIC follow:

	Note	**2023**	2022	2021
Acquisition cost (24.26%-owned)		**P75,395,200**	P75,395,200	P75,395,200
Accumulated equity in net loss and OCI:				
Balance at beginning of year		**(29,946,787)**	(29,807,825)	(28,782,008)
Share in net loss		**(782,580)**	(133,185)	(1,039,285)
Share in other comprehensive income (loss)		**(3,206,283)**	(5,777)	13,468
Balance at end of year		**(33,935,650)**	(29,946,787)	(29,807,825)
Allowance for impairment loss	*17*	**(5,925,786)**	(5,925,786)	(5,925,786)
	33	**P35,533,764**	P39,522,627	P39,661,589

The following table shows the summarized financial information of BIC:

	2023**	2022*	2021*
Assets	**P159,026,783**	P162,417,769	P175,203,784
Liabilities	**(12,556,199)**	(12,566,028)	(12,041,307)
Net assets	**146,470,584**	149,851,741	163,162,477
Revenues	**1,128,538**	4,110,788	1,740,041
Net loss for the year	**(3,334,297)**	(117,445)	(2,791,998)
Other comprehensive loss	**(46,858)**	(13,193,291)	57,793
Total comprehensive loss	**(3,381,155)**	(13,310,736)	(2,734,205)

** Based on 2021 and 2022 audited financial statements*
*** Based on 2023 unaudited financial information*

As at December 31, 2023 and 2022, the Bank's subscribed capital stock in BIC amounted to P75.8 million out of BIC's outstanding capital stock of P312.5 million.

14. Property, Equipment and Right-of-Use Assets

The movements in property and equipment and right-of-use assets follow:

		December 31, 2023					
	Note	**Land**	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-Use Assets** (Note 30)	**Total**
Cost							
Balance at January 1		**P41,569,630**	**P875,749,388**	**P1,628,976,165**	**P869,866,640**	**P1,035,535,118**	**P4,451,696,941**
Additions		**-**	**26,016,819**	**398,797,324**	**41,565,202**	**313,175,775**	**779,555,120**
Disposals		**-**	**-**	**(109,168,787)**	**-**	**(211,938,770)**	**(321,107,557)**
Balance at December 31		**41,569,630**	**901,766,207**	**1,918,604,702**	**911,431,842**	**1,136,772,123**	**4,910,144,504**
Less Accumulated Depreciation and Amortization							
Balance at January 1		**-**	**288,710,154**	**1,308,085,343**	**821,224,328**	**602,102,604**	**3,020,122,429**
Depreciation and amortization		**-**	**23,170,050**	**120,668,429**	**21,850,272**	**200,613,240**	**366,301,991**
Disposals		**-**	**-**	**(60,799,574)**	**-**	**(211,938,770)**	**(272,738,344)**
Balance at December 31		**-**	**311,880,204**	**1,367,954,198**	**843,074,600**	**590,777,074**	**3,113,686,076**
Allowance for impairment losses	*17*	**5,022,885**	**239,593**	**-**	**-**	**-**	**5,262,478**
Net Book Value at December 31		**P36,546,745**	**P589,646,410**	**P550,650,504**	**P68,357,242**	**P545,995,049**	**P1,791,195,950**

		December 31, 2022					
	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost							
Balance at January 1		P41,569,630	P872,187,818	P1,570,377,529	P853,087,118	P972,959,420	P4,310,181,515
Additions		-	3,561,570	162,015,036	16,779,522	159,277,079	341,633,207
Disposals		-	-	(103,416,400)	-	(96,701,381)	(200,117,781)
Balance at December 31		41,569,630	875,749,388	1,628,976,165	869,866,640	1,035,535,118	4,451,696,941
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	265,538,777	1,261,865,760	799,505,168	504,717,541	2,831,627,246
Depreciation and amortization		-	23,171,377	96,886,118	21,719,160	194,086,444	335,863,099
Disposals		-	-	(50,666,535)	-	(96,701,381)	(147,367,916)
Balance at December 31		-	288,710,154	1,308,085,343	821,224,328	602,102,604	3,020,122,429
Allowance for impairment losses	*17*	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31		P36,546,745	P585,906,217	P320,890,822	P48,642,312	P433,432,514	P1,425,418,610

		December 31, 2021					
	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost							
Balance at January 1		P41,569,630	P854,170,133	P1,540,355,955	P829,058,742	P940,405,219	P4,205,559,679
Additions		-	18,017,685	114,949,628	24,028,376	45,242,843	202,238,532
Disposals		-	-	(85,117,636)	-	(12,688,642)	(97,806,278)
Reclassification	*16*	-	-	189,582	-	-	189,582
Balance at December 31		41,569,630	872,187,818	1,570,377,529	853,087,118	972,959,420	4,310,181,515
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	242,821,509	1,197,935,505	775,846,438	323,398,988	2,540,002,440
Depreciation and amortization		-	22,717,268	104,126,463	23,658,730	194,007,195	344,509,656
Disposals		-	-	(40,196,208)	-	(12,688,642)	(52,884,850)
Balance at December 31		-	265,538,777	1,261,865,760	799,505,168	504,717,541	2,831,627,246
Allowance for impairment losses	*17*	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31		P36,546,745	P605,516,024	P308,511,769	P53,581,950	P468,241,879	P1,472,398,367

In 2023, 2022 and 2021, the net gains on sale of property and equipment included under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” account in the statements of income amounted to P0.9 million, P0.1 million, and P0.3 million, respectively.

As at December 31, 2023 and 2022, the cost of fully depreciated property and equipment still in use amounted to P1.8 billion.

15. Investment Properties

The movements in investment properties follow:

		December 31, 2023		
	Note	**Land**	**Buildings**	**Total**
Balance at January 1		**P3,194,101,578**	**P1,232,705,893**	**P4,426,807,471**
Additions		**358,235,659**	**230,367,748**	**588,603,407**
Disposals		**(137,068,053)**	**(63,508,658)**	**(200,576,711)**
Write-off		**(10,535,811)**	**(1,697,532)**	**(12,233,343)**
Balance at December 31		**3,404,733,373**	**1,397,867,451**	**4,802,600,824**
Less Accumulated Depreciation				
Balance at January 1		**-**	**824,917,030**	**824,917,030**
Depreciation		**-**	**103,128,616**	**103,128,616**
Disposal		**-**	**(49,972,740)**	**(49,972,740)**
Write-off		**-**	**(1,556,456)**	**(1,556,456)**
Balance at December 31		**-**	**876,516,450**	**876,516,450**
Less Allowance for Impairment Losses	*17*	**245,057,307**	**4,900,569**	**249,957,876**
		P3,159,676,066	**P516,450,432**	**P3,676,126,498**

		December 31, 2022		
	Note	Land	Buildings	Total
Balance at January 1		P3,223,880,496	P1,194,131,603	P4,418,012,099
Additions		84,976,590	84,393,604	169,370,194
Disposals		(114,755,508)	(45,819,314)	(160,574,822)
Balance at December 31		3,194,101,578	1,232,705,893	4,426,807,471
Less Accumulated Depreciation				
Balance at January 1		-	778,421,466	778,421,466
Depreciation		-	81,156,976	81,156,976
Disposal		-	(34,661,412)	(34,661,412)
Balance at December 31		-	824,917,030	824,917,030
Less Allowance for Impairment Losses	*17*	198,932,553	2,971,139	201,903,692
		P2,995,169,025	P404,817,724	P3,399,986,749

	Note	December 31, 2021 Land	Buildings	Total
Balance at January 1		P3,354,902,161	P1,177,252,394	P4,532,154,555
Additions		6,038,866	58,065,161	64,104,027
Disposals		(137,060,531)	(41,185,952)	(178,246,483)
Balance at December 31		3,223,880,496	1,194,131,603	4,418,012,099
Less Accumulated Depreciation				
Balance at January 1		-	727,351,651	727,351,651
Depreciation		-	75,962,263	75,962,263
Disposal		-	(24,892,448)	(24,892,448)
Balance at December 31		-	778,421,466	778,421,466
Less Allowance for Impairment Losses	*17*	185,103,589	6,172,509	191,276,098
		P3,038,776,907	P409,537,628	P3,448,314,535

As at December 31, 2023 and 2022, the aggregate market value of investment properties amounted to P10.5 billion and P10.0 billion , respectively. Information about the fair value measurement of investment properties is presented in Note 6.

Gain on foreclosure and sale of investment properties included under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” consists of the following:

	2023	2022	2021
Gain on foreclosure	**P284,652,924**	P63,491,307	P3,877,212
Gain on assets sold	**196,428,853**	262,092,188	258,763,846
	P481,081,777	P325,583,495	P262,641,058

In 2022 and 2021, rental income on investment properties (included in “Miscellaneous income” account in the statements of income) amounted P0.6 million, and P0.1 million, respectively (see Note 31). No rental income on investment properties was received in 2023.

Direct operating expenses on investment properties that generated rental income (included under “Rent and utilities” account, “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account and “Taxes and licenses” account in the statements of income) amounted to P0.01 million and P0.02 million in 2022 and 2021, respectively. No direct operating expenses on investment properties that generated rental income were incurred in 2023. Direct operating expenses on investment properties such as security and insurance expenses, included under “Rent and utilities” account, litigation expenses, included under “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account, and real estate taxes, included under “Taxes and licenses” account in the statements of income, that did not generate rental income in 2023, 2022, and 2021 amounted to P83.7 million, P91.6 million, and P74.0 million, respectively (see Note 31).

16. Other Assets

This account consists of:

	Note	2023	2022
Miscellaneous assets - TRB	*34*	**P4,348,092,231**	P4,431,521,641
Creditable withholding tax		**2,099,842,660**	1,773,453,565
Intangible assets*		**369,413,076**	386,524,308
Sinking fund	*24*	**290,118,112**	282,393,274
Documentary stamps		**135,513,421**	99,711,061
Prepaid expenses		**89,947,796**	48,103,886
Other properties acquired*		**73,493,952**	43,126,160
Retirement assets	*29*	**-**	73,147,902
Others		**301,848,371**	195,037,847
		7,708,269,619	7,333,019,644
Less allowance for impairment losses	*17*	**4,438,055,610**	4,611,829,118
		P3,270,214,009	P2,721,190,526

**net of accumulated amortization/depreciation, gross of allowance for impairment losses*

Miscellaneous Assets - TRB
This account includes non-performing assets (NPAs) amounting to P4.3 billion and P4.4 billion, respectively, as at December 31, 2023 and 2022 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 34). Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion and P4.4 billion, respectively, as at December 31, 2023 and 2022, were charged in full in the period incurred.

For its separate prudential reporting to BSP, the Bank was allowed under the MB Resolution No. 1751, dated November 8, 2001, as further amended by MB Resolution No. 489, dated April 3, 2003 and pursuant to MB Resolution No. 1950, dated November 21, 2013, to defer the full recognition of the impairment losses. The Bank annually recognizes provisions for impairment losses to gradually meet the foregoing provisioning requirement based on the net yield earned by the Bank from the Financial Assistance Agreement (FAA) with Philippine Deposit Insurance Corporation (PDIC) until November 29, 2013 when the collateralized government securities was sold and the obligation was fully settled. In 2022, the Bank recognized P1.3 billion provisions for prudential reporting to BSP to fully recognize the impairment losses on the NPAs. In 2021, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million (see Note 34).

Intangible Assets
Intangible assets consist of:

	Note	2023	2022
Software costs*		**P309,413,076**	P326,524,308
Branch licenses		**60,000,000**	60,000,000
		369,413,076	386,524,308
Less allowance for impairment losses	*17*	**-**	90,278,696
		P369,413,076	P296,245,612

**net of accumulated amortization, gross of allowance for impairment losses*

Movements in software costs follow:

	2023	2022	2021
Cost			
Balance at January 1	**P1,027,748,294**	P926,851,659	P877,878,810
Additions	**149,908,692**	100,896,635	48,972,849
Write-off	**(102,752,784)**	-	-
Balance at end of year	**1,074,904,202**	1,027,748,294	926,851,659
Less Accumulated Amortization			
Balance at January 1	**701,223,986**	628,155,881	574,560,745
Amortization for the year	**76,741,228**	73,068,105	53,595,136
Write-off	**(12,474,088)**	-	-
Balance at end of year	**765,491,126**	701,223,986	628,155,881
Less Allowance for Impairment Losses	**-**	90,278,696	90,278,696
Net Book Value	**P309,413,076**	P236,245,612	P208,417,082

<u>Other Properties Acquired</u>
Movements in the other properties acquired follow:

	Note	2023	2022	2021
Cost				
Balance at January 1		**P245,108,000**	P220,284,000	P225,430,172
Additions		**86,927,784**	87,394,500	41,210,000
Disposals		**(48,626,500)**	(62,570,500)	(44,651,000)
Reclassification	*14*	**-**	-	(1,705,172)
Balance at end of year		**283,409,284**	245,108,000	220,284,000
Less Accumulated Depreciation				
Balance at January 1		**201,981,840**	199,868,958	174,388,936
Depreciation for the year		**19,948,439**	14,643,389	42,060,966
Disposals		**(12,014,947)**	(12,530,507)	(15,065,354)
Reclassification	*14*	**-**	-	(1,515,590)
Balance at end of year		**209,915,332**	201,981,840	199,868,958
Less Allowance for Impairment Losses		**-**	96,485	-
Net Book Value		**P73,493,952**	P43,029,675	P20,415,042

In 2023, 2022 and 2021, gain on foreclosure amounted to P4.7 million, P3.5 million and P1.2 million, respectively. Gain on sale of other properties acquired under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" amounted to P8.7 million, P11.2 million, and P10.3 million in 2023, 2022 and 2021, respectively.

Others include security deposit, unused supplies and forms and petty cash fund.

17. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2023, 2022 and 2021 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2023					
	Due from BSP	**Due from Other Banks**	**Interbank Loans Receivable and SPURA** (Note 8)	**Financial Assets at FVOCI** (Note 10)	**Investment Securities at Amortized Cost** (Note 11)	**Total**
ECL allowance, January 1, 2023	**P3,197**	**P141**	**P2,481**	**P634**	**P6,069**	**P12,522**
Provision for credit and impairment losses for the year	**80**	**2**	**238**	**456**	**145**	**921**
Foreign exchange differences	**-**	**(1)**	**(4)**	**-**	**(5)**	**(10)**
ECL allowance, December 31, 2023	**P3,277**	**P142**	**P2,715**	**P1,090**	**P6,209**	**P13,433**

	December 31, 2022					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2022	P6,125	P141	P2,583	P662	P5,761	P15,272
Provision for (reversal of) credit and impairment losses for the year	(2,928)	(7)	(144)	(37)	220	(2,896)
Foreign exchange differences	-	7	42	9	88	146
ECL allowance, December 31, 2022	P3,197	P141	P2,481	P634	P6,069	P12,522

	December 31, 2021					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2021	P5,340	P138	P2,978	P1,770	P1,231	P11,457
Provision for (reversal of) credit and impairment losses for the year	785	(3)	(431)	(1,138)	4,493	3,706
Foreign exchange differences	-	6	36	30	37	109
ECL allowance, December 31, 2021	P6,125	P141	P2,583	P662	P5,761	P15,272

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2023, 2022 and 2021.

The ECL allowance on financial assets at FVOCI is included in the "Net unrealized losses on financial assets at FVOCI" account in the statements of financial position (see Note 10).

As at December 31, 2023 and 2022, ECL on off-balance sheet exposures amounted to P23.7 million and P33.8 million, respectively, (see Note 22). In 2023, 2022 and 2021, the Bank recognized provision for (reversal of) ECL on loan commitment and financial guarantees amounting to (P10.0 million), (P36.9 million), and P38.5 million, respectively.

In 2023 and 2022, the Bank recognized a provision (reversal) of allowance for credit losses on loans and receivables amounting to (P238.9 million) and P74.6 million, which is included under "Provision for (reversal of) credit and impairment losses" account in the statements of income, as a result of the recalibration of its existing ECL framework to incorporate the most recent data and developments in the macroeconomic environment of the Bank (see Notes 3 and 4). The amount of the effect in future periods is not disclosed because estimating the impact is impracticable.

The table below summarizes the movements in ECL allowances on loans and receivables in 2023, 2022 and 2021 (amounts in thousands).

	December 31, 2023										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2023	P180,639	P18,421	P35,735	P2,958	P120	P5,126	P57,970	P300,969	P2,632	P6,360	P309,961
Provision for credit and impairment losses	41,589	11,126	(25,378)	4,267	16	66,261	(15,519)	82,362	266	777	83,405
Transfer from Stage 1	(31,876)	(22,190)	(6,572)	(5,023)	(29)	(54,499)	(2,743)	(122,932)	(108)	(2,040)	(125,080)
Transfer from Stage 2	214	306	161	-	-	-	15	696	9	12	717
Transfer from Stage 3	-	200	2	-	-	-	3	205	26	3	234
Foreign exchange differences	(95)	-	-	-	-	(39)	(19)	(153)	-	(1)	(154)
	190,471	7,863	3,948	2,202	107	16,849	39,707	261,147	2,825	5,111	269,083
Stage 2											
ECL Loans, January 1, 2023	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Provision for credit and impairment losses	50,129	(658)	(20,901)	-	(286)	124,381	3,572	156,237	(26)	6,945	163,156
Transfer from Stage 1	-	11,620	3,158	-	29	49	968	15,824	49	527	16,400
Transfer from Stage 2	(214)	(4,525)	(4,489)	-	-	(131,258)	(461)	(140,947)	(12)	(4,610)	(145,569)
Transfer from Stage 3	-	1,724	108	-	-	-	24	1,856	2	44	1,902
Foreign exchange differences	-	-	-	-	-	-	(3)	(3)	-	(2)	(5)
	132,854	17,282	4,122	-	29	76	17,461	171,824	52	23,606	195,482
Stage 3											
ECL Loans, January 1, 2023	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Provision for credit and impairment losses	(36,546)	20,645	(107,031)	-	-	(17,663)	38,990	(101,605)	(181)	(31,153)	(132,939)
Transfer from Stage 1	31,876	10,570	3,414	5,023	-	54,450	1,775	107,108	59	1,513	108,680
Transfer from Stage 2	-	4,219	4,328	-	-	131,258	446	140,251	3	4,598	144,852
Transfer from Stage 3	-	(1,924)	(110)	-	-	-	(27)	(2,061)	(28)	(47)	(2,136)
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(491)	(24)	-	(351)	-	-	(166)	(1,032)	-	(713)	(1,745)
	407,680	172,340	232,543	89,470	121,242	185,708	186,626	1,395,609	54,151	1,105,475	2,555,235
Total											
ECL Loans, January 1, 2023	729,426	171,818	403,649	91,132	133,413	29,693	683,416	2,242,547	56,969	1,161,079	3,460,595
Provision for credit and impairment losses	55,172	31,113	(153,310)	4,267	(270)	172,979	27,043	136,994	59	(23,431)	113,622
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(586)	(24)	-	(351)	-	(39)	(188)	(1,188)	-	(716)	(1,904)
	P731,005	P197,485	P240,613	P91,672	P121,378	P202,633	P243,794	P1,828,580	P57,028	P1,134,192	P3,019,800

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2022										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2022	P99,790	P16,284	P33,420	P288	P3,416	P1,789	P11,915	P166,902	P2,623	P2,601	P172,126
Provision for credit and impairment losses	129,550	19,453	25,643	10,326	(3,024)	9,156	50,053	241,157	(5)	7,680	248,832
Transfer from Stage 1	(51,207)	(19,948)	(26,590)	(7,656)	(286)	(5,967)	(4,064)	(115,718)	(147)	(4,107)	(119,972)
Transfer from Stage 2	1,775	2,100	2,685	-	-	-	20	6,580	71	153	6,804
Transfer from Stage 3	-	530	577	-	-	-	2	1,109	90	28	1,227
Foreign exchange differences	731	2	-	-	14	148	44	939	-	5	944
	180,639	18,421	35,735	2,958	120	5,126	57,970	300,969	2,632	6,360	309,961
Stage 2											
ECL Loans, January 1, 2022	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Provision for credit and impairment losses	61,651	(1,163)	(23,883)	-	-	(3,734)	9,063	41,934	(35)	(2,516)	39,383
Transfer from Stage 1	51,207	5,830	16,608	-	286	5,967	764	80,662	31	1,456	82,149
Transfer from Stage 2	(69,829)	(18,530)	(17,918)	-	-	-	(473)	(106,750)	(125)	(5,936)	(112,811)
Transfer from Stage 3	-	430	2,619	-	-	-	64	3,113	8	165	3,286
Foreign exchange differences	986	-	-	-	-	-	15	1,001	-	42	1,043
	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Stage 3											
ECL Loans, January 1, 2022	623,300	136,588	446,902	76,426	163,188	17,663	601,570	2,065,637	54,719	1,104,169	3,224,525
Provision for credit and impairment losses	10,624	(19,544)	(100,930)	(249)	(30,181)	-	22,215	(118,065)	(493)	29,822	(88,736)
Transfer from Stage 1	-	14,118	9,982	7,656	-	-	3,300	35,056	116	2,651	37,823
Transfer from Stage 2	68,054	16,430	15,233	-	-	-	453	100,170	54	5,783	106,007
Transfer from Stage 3	-	(960)	(3,196)	-	-	-	(66)	(4,222)	(98)	(193)	(4,513)
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	3,751	80	-	4,341	-	-	1,969	10,141	-	8,728	18,869
	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Total											
ECL Loans, January 1, 2022	762,014	175,426	529,142	76,714	166,604	24,123	617,413	2,351,436	57,502	1,134,261	3,543,199
Provision for credit and impairment losses	201,825	(1,254)	(99,170)	10,077	(33,205)	5,422	81,331	165,026	(533)	34,986	199,479
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	5,468	82	-	4,341	14	148	2,028	12,081	-	8,775	20,856
	P729,426	P171,818	P403,649	P91,132	P133,413	P29,693	P683,416	P2,242,547	P56,969	P1,161,079	P3,460,595

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2021										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2021	P629,890	P199,431	P79,230	P7,401	P380	P1,642	P19,744	P937,718	P2,872	P16,292	P956,882
Provision for credit and impairment losses	(457,085)	(151,063)	35,763	(7,113)	3,029	4,311	17,659	(554,499)	(120)	(8,078)	(562,697)
Transfer from Stage 1	(76,052)	(35,299)	(87,484)	-	-	(4,190)	(25,575)	(228,600)	(253)	(5,856)	(234,709)
Transfer from Stage 2	1,217	2,472	5,437	-	-	-	64	9,190	4	206	9,400
Transfer from Stage 3	-	736	474	-	-	-	2	1,212	120	27	1,359
Foreign exchange differences	1,820	7	-	-	7	26	21	1,881	-	10	1,891
	99,790	16,284	33,420	288	3,416	1,789	11,915	166,902	2,623	2,601	172,126
Stage 2											
ECL Loans, January 1, 2021	49,354	88,482	28,776	-	7,059	1,207	5,714	180,592	153	31,627	212,372
Provision for credit and impairment losses	(47,694)	(58,919)	72,494	-	(7,244)	(726)	(2,641)	(44,730)	(52)	3,309	(41,473)
Transfer from Stage 1	37,999	12,455	28,461	-	-	4,190	1,480	84,585	110	2,048	86,743
Transfer from Stage 2	(1,217)	(22,255)	(82,928)	-	-	-	(676)	(107,076)	(101)	(9,727)	(116,904)
Transfer from Stage 3	-	2,791	2,017	-	-	-	44	4,852	50	176	5,078
Foreign exchange differences	482	-	-	-	185	-	7	674	-	58	732
	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Stage 3											
ECL Loans, January 1, 2021	593,711	305,220	252,160	73,710	163,188	17,663	559,082	1,964,734	54,709	1,043,361	3,062,804
Provision for credit and impairment losses	(10,209)	(207,100)	73,070	-	-	-	16,410	(127,829)	(60)	43,377	(84,512)
Transfer from Stage 1	38,053	22,844	59,023	-	-	-	24,095	144,015	143	3,808	147,966
Transfer from Stage 2	-	19,783	77,491	-	-	-	612	97,886	97	9,521	107,504
Transfer from Stage 3	-	(3,527)	(2,491)	-	-	-	(46)	(6,064)	(170)	(203)	(6,437)
Movement due to foreclosure/settlement	-	(632)	(12,351)	-	-	-	-	(12,983)	-	(1,080)	(14,063)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	1,745	-	-	2,716	-	-	1,417	5,878	-	5,385	11,263
	623,300	136,588	446,902	76,426	163,188	17,663	601,570	2,065,637	54,719	1,104,169	3,224,525
Total											
ECL Loans, January 1, 2021	1,272,955	593,133	360,166	81,111	170,627	20,512	584,540	3,083,044	57,734	1,091,280	4,232,058
Provision for credit and impairment losses	(514,988)	(417,082)	181,327	(7,113)	(4,215)	3,585	31,428	(727,058)	(232)	38,608	(688,682)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(632)	(12,351)	-	-	-	-	(12,983)	-	(1,080)	(14,063)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	4,047	7	-	2,716	192	26	1,445	8,433	-	5,453	13,886
	P762,014	P175,426	P529,142	P76,714	P166,604	P24,123	P617,413	P2,351,436	P57,502	P1,134,261	P3,543,199

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

The table below summarizes the movements in the gross carrying amounts of financial assets, other than loans and receivables, in 2023 and 2022 (amounts in thousands).

	December 31, 2023				
	Due from BSP	**Due from Other Banks**	**Interbank Loans Receivable and SPURA** (Note 8)	**Financial Assets at FVOCI** (Note 10)	**Investment Securities at Amortized Cost** (Note 11)
Gross carrying amount, January 1, 2023	**P23,678,666**	**P1,044,396**	**P18,381,226**	**P5,805,051**	**P52,214,838**
New assets purchased or originated	**857,132,081**	**1,060**	**3,147,361,092**	**10,911,008**	**84,806,044**
Assets derecognized or repaid	**(854,932,081)**	**(36,818)**	**(3,143,921,917)**	**(5,963,068)**	**(84,500,328)**
Other movements*	**(1,603,470)**	**46,859**	**(1,705,905)**	**290,814**	**(43,241)**
Gross carrying amount, December 31, 2023	**P24,275,196**	**P1,055,497**	**P20,114,496**	**P11,043,805**	**P52,477,313**

**Includes movements in outstanding balances and foreign exchange differences*

	December 31, 2022				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2022	P45,373,268	P1,039,597	P19,136,089	P5,055,117	P42,914,819
New assets purchased or originated	2,091,303,161	9,000	3,857,811,621	1,851,124	68,974,516
Assets derecognized or repaid	(2,113,643,161)	(17,460)	(3,859,072,152)	(578,775)	(59,895,050)
Other movements*	645,398	13,259	505,668	(522,415)	220,553
Gross carrying amount, December 31, 2022	P23,678,666	P1,044,396	P18,381,226	P5,805,051	P52,214,838

**Includes movements in outstanding balances and foreign exchange differences*

The table below summarizes the movements in the gross carrying amounts on loans and receivables in 2023 and 2022 (amounts in thousands).

	December 31, 2023										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2023	P85,152,447	P7,294,257	P3,115,110	P1,296,404	P466,443	P2,378,143	P1,808,374	P101,511,178	P263,227	P1,447,176	P103,221,581
New assets purchased or originated	39,963,570	1,369,112	1,913,726	14,983	382,112	10,075,693	531,274	54,250,470	154,270	742,125	55,146,865
Assets derecognized or repaid	(38,249,631)	(207,780)	(294,754)	(89,151)	(368,013)	(703,054)	(202,065)	(40,114,448)	(21,574)	(528,704)	(40,664,726)
Transfer from Stage 1	(61,876)	(180,668)	(48,317)	(5,023)	(1,674)	(59,181)	(13,235)	(369,974)	(10,881)	(87,181)	(468,036)
Transfer from Stage 2	142,500	88,312	35,256	-	-	-	1,862	267,930	953	3,985	272,868
Transfer from Stage 3	-	55,462	1,399	-	-	-	561	57,422	2,588	821	60,831
Other movements***	(6,732,361)	(678,921)	(999,409)	(255,984)	(26,446)	(201,994)	(141,209)	(9,036,324)	(106,068)	62,492	(9,079,900)
	80,214,649	7,739,774	3,723,011	961,229	452,422	11,489,607	1,985,562	106,566,254	282,515	1,640,714	108,489,483
Stage 2											
Gross carrying amount, January 1, 2023	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(257,858)	(13,444)	(24,725)	-	(2,641)	(2,865)	(4,586)	(306,119)	(1,971)	(20,706)	(328,796)
Transfer from Stage 1	-	116,055	35,704	-	1,674	4,731	8,807	166,971	4,884	25,258	197,113
Transfer from Stage 2	(142,500)	(114,102)	(45,545)	-	-	(131,258)	(2,727)	(436,132)	(1,228)	(9,353)	(446,713)
Transfer from Stage 3	-	16,910	1,164	-	-	-	160	18,234	165	437	18,836
Other movements***	(21,224)	(16,359)	(47,091)	-	-	(6,453)	22,126	(69,001)	(717)	(1,161)	(70,879)
	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
Stage 3											
Gross carrying amount, January 1, 2023	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	1,146,132	3,810,875
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(41,455)	(202,381)	(65,757)	-	-	(17,663)	(4,724)	(331,980)	(13,939)	(91,894)	(437,813)
Transfer from Stage 1	61,876	64,613	12,613	5,023	-	54,450	4,428	203,003	5,997	61,923	270,923
Transfer from Stage 2	-	25,790	10,289	-	-	131,258	865	168,202	275	5,368	173,845
Transfer from Stage 3	-	(72,372)	(2,563)	-	-	-	(721)	(75,656)	(2,753)	(1,258)	(79,667)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Other movements***	(3,776)	(18,454)	(13,386)	(351)	-	-	36,017	50	(4,062)	(141)	(4,153)
	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	1,118,730	3,207,565
Total											
Gross carrying amount, January 1, 2023	86,583,034	8,222,454	3,652,024	1,384,578	602,091	2,537,882	2,557,868	105,539,931	382,622	2,629,271	108,551,824
New assets purchased or originated	39,963,570	1,369,112	1,913,726	14,983	382,112	10,075,693	531,274	54,250,470	154,270	742,125	55,146,865
Assets derecognized or repaid	(38,548,944)	(423,605)	(385,236)	(89,151)	(370,654)	(723,582)	(211,375)	(40,752,547)	(37,484)	(641,304)	(41,431,335)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Other movements***	(6,757,361)	(713,734)	(1,059,886)	(256,335)	(26,446)	(208,447)	(83,066)	(9,105,275)	(110,847)	61,190	(9,154,932)
	P81,196,872	P8,454,227	P4,120,628	P1,050,699	P575,338	P11,681,546	P2,328,224	P109,407,534	P388,561	P2,789,882	P112,585,977

Comprised of benefit loans, salary loans and credit cards.
***Comprised of accrued interest receivables, accounts receivables and RCOCI*
****Includes movements in outstanding balances and foreign exchange differences*

	December 31, 2022										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount,											
January 1, 2022	P57,073,351	P6,984,226	P2,715,136	P386,926	P372,833	P1,060,369	P1,617,776	P70,210,617	P262,286	P881,155	P71,354,058
New assets purchased or originated	59,565,438	1,055,254	1,561,940	55,882	440,427	2,511,679	495,969	65,686,589	111,117	858,580	66,656,286
Assets derecognized or repaid	(29,147,125)	(334,957)	(302,838)	(23,532)	(317,000)	(960,369)	(200,211)	(31,286,032)	(37,124)	(233,131)	(31,556,287)
Transfer from Stage 1	(709,377)	(218,605)	(95,866)	(7,656)	(2,641)	(128,187)	(15,008)	(1,177,340)	(14,709)	(116,537)	(1,308,586)
Transfer from Stage 2	800,000	348,743	83,342	-	-	-	1,893	1,233,978	7,053	12,578	1,253,609
Transfer from Stage 3	-	83,204	16,981	-	-	-	412	100,597	9,047	1,603	111,247
Other movements***	(2,429,840)	(623,608)	(863,585)	884,784	(27,176)	(105,349)	(92,457)	(3,257,231)	(74,443)	42,928	(3,288,746)
	85,152,447	7,294,257	3,115,110	1,296,404	466,443	2,378,143	1,808,374	101,511,178	263,227	1,447,176	103,221,581
Stage 2											
Gross carrying amount,											
January 1, 2022	1,333,746	576,085	245,887	-	-	162,944	47,968	2,366,630	16,048	55,843	2,438,521
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(14,805)	(23,119)	(29,703)	-	-	(142,679)	(8,050)	(218,356)	(1,664)	(23,316)	(243,336)
Transfer from Stage 1	709,377	117,357	81,360	-	2,641	128,187	8,870	1,047,792	3,051	30,459	1,081,302
Transfer from Stage 2	(868,053)	(451,978)	(104,322)	-	-	-	(2,638)	(1,426,991)	(12,421)	(19,678)	(1,459,090)
Transfer from Stage 3	-	8,865	12,573	-	-	-	639	22,077	798	911	23,786
Other movements***	(200,140)	(45,126)	(78,388)	-	-	(6,376)	18,245	(311,785)	(1,774)	(8,256)	(321,815)
	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
Stage 3											
Gross carrying amount,											
January 1, 2022	643,154	768,754	582,133	76,426	163,188	17,663	618,220	2,869,538	130,631	1,124,576	4,124,745
New assets purchased or originated	-	-	-	-	-	-	-	-	-		
Assets derecognized or repaid	(26,831)	(112,509)	(133,647)	-	-	-	(8,818)	(281,805)	(15,430)	(61,187)	(358,422)
Transfer from Stage 1	-	101,248	14,506	7,656	-	-	6,138	129,548	11,658	86,078	227,284
Transfer from Stage 2	68,053	103,235	20,980	-	-	-	745	193,013	5,368	7,100	205,481
Transfer from Stage 3	-	(92,069)	(29,554)	-	-	-	(1,051)	(122,674)	(9,845)	(2,514)	(135,033)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Other movements***	25,967	(22,546)	(44,911)	4,092	(30,181)	-	86,582	19,003	(7,025)	7,373	19,351
	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	1,146,132	3,810,875
Total											
Gross carrying amount,											
January 1, 2022	59,050,251	8,329,065	3,543,156	463,352	536,021	1,240,976	2,283,964	75,446,785	408,965	2,061,574	77,917,324
New assets purchased or originated	59,565,438	1,055,254	1,561,940	55,882	440,427	2,511,679	495,969	65,686,589	111,117	858,580	66,656,286
Assets derecognized or repaid	(29,188,761)	(470,585)	(466,188)	(23,532)	(317,000)	(1,103,048)	(217,079)	(31,786,193)	(54,218)	(317,634)	(32,158,045)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Other movements***	(2,604,013)	(691,280)	(986,884)	888,876	(57,357)	(111,725)	12,370	(3,550,013)	(83,242)	42,045	(3,591,210)
	P86,583,034	P8,222,454	P3,652,024	P1,384,578	P602,091	P2,537,882	P2,557,868	P105,539,931	P382,622	P2,629,271	P108,551,824

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*
****Includes movements in outstanding balances and foreign exchange differences*

Movements in allowance for impairment losses as at December 31, 2023, 2022 and 2021 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

	December 31, 2023				
	Investment in Associate (Note 13)	**Property and Equipment** (Note 14)	**Investment Properties** (Note 15)	**Other Assets** (Note 16)	**Total**
Balance at beginning of year	**P5,926**	**P6,156**	**P201,904**	**P4,611,829**	**P4,825,815**
Provision for impairment losses for the year	**-**	**(894)**	**58,731**	**(83,494)**	**(25,657)**
Write-off	**-**	**-**	**(10,677)**	**(90,279)**	**(100,956)**
Balance at end of year	**P5,926**	**P5,262**	**P249,958**	**P4,438,056**	**P4,699,202**

	December 31, 2022				
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P191,276	P4,615,905	P4,819,263
Provision for impairment losses for the year	-	-	10,628	(4,076)	6,552
Balance at end of year	P5,926	P6,156	P201,904	P4,611,829	P4,825,815

	December 31, 2021				
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P179,816	P4,615,724	P4,807,622
Provision for impairment losses for the year	-	-	11,460	181	11,641
Balance at end of year	P5,926	P6,156	P191,276	P4,615,905	P4,819,263

18. Deposit Liabilities

Long-term Negotiable Certificates of Time Deposit (LTNCTD)
On March 17, 2020, the Bank issued unsecured LTNCTD with 4.5% fixed interest rate at par value of P5.0 billion and maturing on September 17, 2025. The issuance of the LTNCTD was approved by the BOD on June 25, 2019 and by the BSP on October 31, 2019. The issuance was listed in the Philippine Dealing and Exchange Corporation.

Reserve Requirement
On March 31, 2020, the BSP issued Circular No. 1082 reducing the reserve requirement to 12.0% effective on the reserve week starting on April 3, 2020. On June 23, 2023, the BSP reduced the reserve requirement to 9.5% effective on the reserve week starting on June 30, 2023, through the issuance of BSP Circular No. 1175.

As at December 31, 2023 and 2022, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P17.1 billion and P18.7 billion as at December 31, 2023 and 2022, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rates ranging from 5.0% to 6.0% in 2023, from 1.5% to 5.0% in 2022 and interest rate of 1.5% in 2021. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 6.4% to 6.8%, from 1.7% to 6.4%, and from 1.7% to 2.0% in 2023, 2022, and 2021, respectively. Interest income on Due from BSP amounted to P364.2 million, P264.7 million, and P226.4 million in 2023, 2022, and 2021, respectively.

Interest expense on deposit liabilities follows:

	2023	2022	2021
Demand	**P67,813,429**	P58,010,393	P53,357,209
Savings	**2,174,301,309**	631,899,858	276,548,245
Time	**502,742,516**	118,116,108	89,031,236
LTNCTD	**226,323,900**	226,323,900	226,323,900
	P2,971,181,154	P1,034,350,259	P645,260,590

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 6.5% in 2023, from 0.1% to 5.5% in 2022, and from 0.1% to 5.3% in 2021. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.5% in 2023, from 0.1% to 4.5% in 2022 and from 0.1% to 1.3% in 2021.

Insurance Expense

This account pertains to the PDIC insurance on deposits amounting to P345.1 million, P348.4 million, and P334.8 million in 2023, 2022, and 2021, respectively.

19. Bills Payable

This account consists of SSURA and short-term borrowings from local and foreign banks. As at December 31, 2023 and 2022, there were no short-term borrowings from local and foreign banks and no financial assets pledged and transferred under SSURA transactions.

Interest expense consists of:

	2023	2022	2021
SSURA	**P24,610,494**	P -	P -
Foreign banks	**128,142**	-	-
Local banks	**104,836**	325,200	223,871
Other borrowings	**24,254,796**	46,716,357	16,467,494
	P49,098,268	P47,041,557	P16,691,365

SSURA were subject to annual interest rates ranging from 5.3% to 5.7% in 2023.

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 1.9% to 2.5% and from 1.7% to 2.5% in 2022 and 2021, respectively. There were no peso-denominated short-term borrowings from local banks in 2023. Foreign currency denominated short-term borrowings from local banks are subject to annual interest rates ranging from 4.6% to 4.9% and from 0.2% to 0.5% in 2023 and 2022, respectively. There were no foreign currency denominated short-term borrowings from local banks in 2021.

Foreign currency denominated short-term borrowings from foreign banks are subject to annual interest rates ranging from 4.8% to 5.1% in 2023. There were no foreign currency denominated short-term borrowings from foreign banks in 2022 and 2021.

In 2023, 2022 and 2021, interest expense on other borrowings includes interest expense on tax settlement amounting to P24.2 million, P46.7 million and P16.3 million, respectively.

20. Bonds Payable

On July 29, 2022, the Bank issued P7.5 billion fixed rate bonds due on July 29, 2024. The bonds were priced at par with a coupon rate of 5.0263% payable on a quarterly basis commencing on October 29, 2022. The bonds were listed in Philippine Dealing and Exchange Corporation. Transaction costs on the issuance of bonds amounted to P72.4 million.

Interest expense on bonds payable amounted to P413.0 million and P173.8 million in 2023 and 2022, respectively. As at December 31, 2023 and 2022, unamortized bond transaction costs amounted to P21.7 million and P57.7 million, respectively.

21. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	Note	**2023**	2022
Interest payable:			
Deposit liabilities	*18*	**P292,928,209**	P156,046,469
Bonds payable	*20*	**52,570,178**	52,570,178
		345,498,387	208,616,647
Employee and other benefits		**222,122,042**	262,586,345
Insurance		**183,357,397**	172,000,614
Penalties		**171,456,762**	171,456,762
Taxes payable		**112,892,733**	107,084,855
Fees and commissions		**101,114,869**	60,261,523
Utilities expenses		**53,734,548**	32,496,501
Management and professional fees		**46,980,799**	25,378,186
Equipment-related expenses		**38,508,624**	22,162,515
Security		**23,599,389**	11,425,088
Building repairs and maintenance		**20,033,164**	20,775,993
Rent		**4,600,248**	4,768,149
Others		**63,290,363**	66,752,642
		P1,387,189,325	P1,165,765,820

Other accrued expenses include accruals for marketing and advertising, janitorial, messengerial, and various expenses attributable to the Bank's operations.

22. Other Liabilities

This account consists of:

	Note	**2023**	2022
Accounts payable		**P1,431,420,389**	P1,195,861,619
Bills purchased - contra	*12, 33*	**951,269,458**	1,251,721,161
Lease liability	*30*	**593,364,435**	490,913,094
Due to preferred shareholders	*24*	**290,118,112**	282,393,274
Other credits-dormant		**233,264,121**	221,250,979
Due to Treasurer of the Philippines		**213,714,158**	141,524,444
Withholding tax payable		**169,251,673**	130,999,174
Retirement liability	*29*	**126,139,504**	-
Unclaimed balances		**35,780,120**	77,021,937
ECL on off-balance sheet exposures	*17*	**23,743,549**	33,785,184
Miscellaneous		**125,115,684**	124,858,500
		P4,193,181,203	P3,950,329,366

Accounts payable mainly pertains to advance loan payments from borrowers, inward and outward remittances received by the Bank pending payment or application to designated deposit accounts.

Other credits - dormant account includes long outstanding Managers' Checks that are yet to be encashed by the payees, which have been outstanding for more than one (1) year from the dates of checks.

ECL on off-balance sheet exposures relate to committed credit line, credit card lines, outstanding guarantees and unused commercial letter of credits (see Note 38).

Miscellaneous include deposits for keys of safety deposit boxes, SSS payable, other provisions and unclaimed salaries of resigned employees.

23. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled within and/or after more than 12 months after the reporting period (amounts in thousands):

		2023			2022		
	Note	**Within 12 Months**	**Over 12 Months**	**Total**	Within 12 Months	Over 12 Months	Total
Financial Assets - gross							
COCI		**P3,500,645**	**P -**	**P3,500,645**	P2,735,171	P -	P2,735,171
Due from BSP	18	**24,275,196**	**-**	**24,275,196**	23,678,666	-	23,678,666
Due from other banks		**1,055,497**	**-**	**1,055,497**	1,044,396	-	1,044,396
Interbank loans receivable and SPURA	8	**20,114,496**	**-**	**20,114,496**	18,381,226	-	18,381,226
Financial assets at FVPL:	9						
Private debt securities		**-**	**190,505**	**190,505**	-	344,809	344,809
Government securities held-for-trading		**180,603**	**-**	**180,603**	7,259	-	7,259
Derivative assets		**-**	**27,685**	**27,685**	1,056	27,877	28,933
Financial assets at FVOCI:	10						
Government securities		**-**	**10,850,048**	**10,850,048**	-	5,619,272	5,619,272
Equity securities		**-**	**193,757**	**193,757**	-	185,779	185,779
Investment securities at amortized cost - gross:	11						
Government securities		**16,903,505**	**33,408,145**	**50,311,650**	14,565,715	34,884,807	49,450,522
Private debt securities		**78,770**	**2,086,893**	**2,165,663**	569,353	2,194,963	2,764,316
Loans and receivables - gross:	12						
Receivable from customers:							
Term loans		**30,997,471**	**50,199,401**	**81,196,872**	35,186,203	51,396,830	86,583,033
Agri-agra loans		**4,207,708**	**7,473,838**	**11,681,546**	622,163	1,915,724	2,537,887
Housing loans		**741,214**	**7,713,089**	**8,454,303**	947,248	7,275,361	8,222,609
Auto loans		**641,992**	**3,481,423**	**4,123,415**	705,361	2,946,664	3,652,025
Bills purchased, import bills and trust receipts		**1,050,699**	**-**	**1,050,699**	1,384,578	-	1,384,578
Direct advances		**477,724**	**99,488**	**577,212**	506,857	98,471	605,328
Others		**1,721,579**	**647,296**	**2,368,875**	1,998,214	599,413	2,597,626
Accrued interest receivable		**1,443,071**	**-**	**1,443,071**	1,279,697	-	1,279,697
Accounts receivable		**1,055,139**	**-**	**1,055,139**	1,057,747	-	1,057,747
Sales contract receivables		**123,040**	**265,521**	**388,561**	121,467	261,155	382,622
Unquoted debt securities		**291,578**	**-**	**291,578**	291,578	-	291,578
RCOCI		**93**	**-**	**93**	249	-	249
Investment in associate	13	**-**	**75,395**	**75,395**	-	75,395	75,395
		108,860,020	**116,712,484**	**225,572,504**	105,084,204	107,826,520	212,910,724
Non-financial Assets - gross							
Property and equipment	14	**-**	**4,910,145**	**4,910,145**	-	4,451,697	4,451,697
Investment properties	15	**-**	**4,802,601**	**4,802,601**	-	4,426,807	4,426,807
Deferred tax assets	32	**-**	**475,333**	**475,333**	-	612,090	612,090
Other assets	16	**2,351,268**	**6,332,408**	**8,683,676**	1,943,017	6,293,209	8,236,226
		2,351,268	**16,520,487**	**18,871,755**	1,943,017	15,783,803	17,726,820
		P111,211,288	**P133,232,971**	**P244,444,259**	P107,027,221	P123,610,323	P230,637,544
Less:							
Allowance for credit and impairment losses	17			**P7,731,347**			P8,298,298
Accumulated depreciation and amortization	14, 15, 16			**4,965,609**			4,748,245
Unearned interest	12			**45,388**			43,155
Accumulated equity in net loss	13			**33,936**			29,947
Total				**P231,667,979**			P217,517,899

		2023			2022		
	Note	**Within 12 Months**	**Over 12 Months**	**Total**	Within 12 Months	Over 12 Months	Total
Financial Liabilities							
Deposit liabilities:	18						
Demand		**P54,569,494**	**P -**	**P54,569,494**	P51,792,970	P -	P51,792,970
Savings		**109,667,913**	**-**	**109,667,913**	101,651,553	-	101,651,553
Time		**16,207,259**	**431,283**	**16,638,542**	16,973,625	819,672	17,793,297
LTNCTD		**-**	**5,029,420**	**5,029,420**	-	5,029,420	5,029,420
Financial liabilities at FVPL	9	**6,202**	**-**	**6,202**	283	-	283
Bonds payable	20	**7,478,265**	**-**	**7,478,265**	-	7,442,251	7,442,251
Manager's checks		**1,846,500**	**-**	**1,846,500**	661,454	-	661,454
Accrued interest and other expenses*	21	**1,047,574**	**-**	**1,047,574**	791,326	-	791,326
Other liabilities**	22	**3,174,414**	**699,632**	**3,874,046**	3,189,842	595,704	3,785,546
		193,997,621	**6,160,335**	**200,157,956**	175,061,053	13,887,047	188,948,100
Non-financial Liabilities							
Accrued taxes and other expense payable	21	**339,615**	**-**	**339,615**	374,440	-	374,440
Other liabilities	22	**192,995**	**126,140**	**319,135**	164,784	-	164,784
		532,610	**126,140**	**658,750**	539,224	-	539,224
		P194,530,231	**P6,286,475**	**P200,816,706**	P175,600,277	P13,887,047	P189,487,324

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL of loan commitments and financial guarantees*

Refer to Note 5 for the discussions on the Bank's policy on liquidity risk and funding management.

24. Capital

The Bank's capital stock consists of the following as at December 31:

	Shares			Amount		
	2023	2022	2021	**2023**	2022	2021
Authorized Capital Stock						
Common stock, P10 par value	**1,702,511,470**	1,702,511,470	1,702,511,470	**P17,025,114,700**	P17,025,114,700	P17,025,114,700
Preferred stock, P10 par value	**455,000,000**	455,000,000	455,000,000	**4,550,000,000**	4,550,000,000	4,550,000,000
	2,157,511,470	2,157,511,470	2,157,511,470	**P21,575,114,700**	P21,575,114,700	P21,575,114,700
Issued and Outstanding						
Common stock	**1,403,013,920**	1,403,013,920	1,122,411,120	**P14,030,139,200**	P14,030,139,200	P11,224,111,200
Preferred stock	**416,666,670**	416,666,670	416,666,670	**4,166,666,700**	4,166,666,700	4,166,666,700
	1,819,680,590	1,819,680,590	1,539,077,790	**P18,196,805,900**	P18,196,805,900	P15,390,777,900
Paid-in Surplus						
Common stock				**P5,995,503,421**	P5,995,503,421	P5,542,922,930
Preferred stock				**1,233,771,939**	1,233,771,939	1,233,771,939
				P7,229,275,360	P7,229,275,360	P6,776,694,869

The reconciliation of the number of shares outstanding at the beginning and at the end of the years follow:

	Common Shares			Preferred Shares		
	2023	2022	2021	**2023**	2022	2021
Balance as at January 1	**1,403,013,920**	1,122,411,120	112,241,112	**416,666,670**	416,666,670	-
Issuance during the year	**-**	280,602,800	-	**-**	-	41,666,667
Adjustment for 10-to-1 stock split	**-**	-	1,010,170,008	**-**	-	375,000,003
Balance as at December 31	**1,403,013,920**	1,403,013,920	1,122,411,120	**416,666,670**	416,666,670	416,666,670

Preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders after 5 years from issue date, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of the Bank and subject to the other terms and conditions as may be fixed by the BOD, required under regulations, and to the extent permitted by applicable law.

The Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P290.1 million and P282.4 million as at December 31, 2023 and 2022, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 22 to the financial statements. As at December 31, 2023 and 2022, the related sinking fund which is recorded under "Other assets" account amounting to P290.1 million and P282.4 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 16).

On April 8, 2010, the SEC approved the Bank's application for the increase in authorized capital stock from P6.0 billion, divided into 52.5 million common shares and 7.5 million preferred shares both with the par value of P100 each, to P22.0 billion divided into 212.5 million common shares and 7.5 million preferred shares both with the par value of P100 each. The related amendment to the Articles of Incorporation of the Bank relative to its proposed increase in authorized capital stock from P6.0 billion to P22.0 billion was approved by BSP and the SEC on March 26, 2010 and April 8, 2010, respectively.

During its meeting on January 18, 2011, the BOD of the Bank passed a resolution approving the following:

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to SMPI and SMCRP amounting to 2,800,000 shares and 1,972,735 shares, respectively; and
- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

In connection to this, the Bank secured the approval of the MB of BSP for such sale of shares and assignment of subscription of the shares of Valiant. This is mandated in BSP's MORB since the total shareholdings of Valiant entitles it to a board seat. The Board also approved that the sale of shares and assignment of subscription rights be recorded in the stock and transfer book of the Bank only after the approval of the MB has been obtained.

On March 30, 2011, the MB of BSP approved the sale of shares of Valiant. In 2011, the Bank's subscribed common stock totaling 59,741,113 shares have been fully paid in accordance with the subscription agreement.

On April 30, 2019, the BOD and the Stockholders approved to amend the Articles of Incorporation to deny pre-emptive rights. The said amendment was approved by the BSP on August 16, 2019 and by the SEC on September 5, 2019.

On January 30, 2020, the BOD and the Stockholders approved the amendment of the Articles of Incorporation to (a) reflect that the Bank's terms of existence shall be perpetual (b) retire 4,248,853 redeemed preferred shares thereby decreasing the Bank's authorized capital stock to P21,575,114,700 (c) reclassify 3,251,147 existing unissued preferred shares into new unissued preferred shares and (d) reclassify 42,248,853 existing unissued common shares into new unissued preferred shares. The amendments resulted in total new preferred shares of 45,500,000 with par value of P100 and decrease in common shares to 170,251,147 with par value of P100. These were approved by the BSP on May 21, 2020 and by the SEC on June 9, 2020.

On January 26, 2021, the BOD approved the issuance of 41,666,667 preferred shares to San Miguel Corporation at P132.0 per share. These shares will be issued out of the unissued Series 1 Preferred Shares of the Bank. On March 8, 2021, the Bank received from BSP a "No Objection" to the provisions in the indicative terms and conditions of these Preferred Shares, provided that the Bank shall continuously comply with the regulation for the inclusion of preferred shares as part of Additional Tier 1 capital under Appendix 59, Risk-based Capital Adequacy Framework for the Philippines Banking System, of the Manual Regulations for Banks. On June 29, 2021, the BOD approved the change of investor for preferred shares from San Miguel Corporation to SMC Equivest Corporation, a wholly owned subsidiary of San Miguel Corporation and an existing stockholder of the Bank. On August 5, 2021, the Bank issued 41,666,667 Series 1 Preferred Shares to SMC Equivest Corporation at P132.0 per share. Transaction costs on the issuance of preferred shares amounting to P99.6 million were charged against "Paid-in surplus".

On May 25, 2021 and July 8, 2021, the BOD and the Stockholders, respectively, approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (P100.0) to Ten Pesos (P10.0). The amendment resulted in increase in common shares from 170,251,147 to 1,702,511,470 and increase in preferred shares from 45,500,000 to 455,000,000. This amendment was approved by the BSP on October 4, 2021 and by the SEC on November 2, 2021.

On October 28, 2021 and November 9, 2021, the BOD and Stockholders, respectively, approved the primary public offer and sale of up to 280,700,000 common shares from unissued capital stock. On February 15 and February 16, 2022, the SEC and the PSE, respectively, approved the application for the Initial Public Offer of the Bank. On March 31, 2022, the Bank listed its common shares with the PSE. The Bank offered and issued new common shares to the public up to 280,602,800 at P12.0 per share. Transaction costs on the issuance of common shares amounting to P108.6 million were charged against "Paid-in surplus".

On October 28, 2021 and November 9, 2021, the BOD and the Stockholders also approved the amendment to the Articles of Incorporate to align sections around the sale, assignment, and disposal of shares with the lock up requirements of the Philippine Stock Exchange. The By-laws were also amended to update sections on stockholders, the Board of Directors, certificates of stock and the transfer of shares of stock. On December 31, 2021, the BSP approved the request of the Bank to amend its Articles of Incorporation and By-laws. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the SEC on January 28, 2022.

On February 22, 2022 and April 29, 2022, the BOD and the Stockholders, respectively, approved the amendments to the Articles of Incorporation to change its purpose from a Commercial Bank to a Universal Bank pursuant to BSP MB Resolution No. 1798 dated December 23, 2021. The By-laws were also amended to comply with Sections 28 and 52 of the Revised Corporation Code. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the BSP on June 29, 2022 and by the SEC on August 9, 2022.

Subject to the approval of the relevant government regulatory agencies, the Stockholders and BOD approved on April 25, 2023 and February 28, 2023, respectively, the amendment of the Articles of Incorporation to increase the Bank's authorized capital stock from P21,575,114,700 (divided into 1,702,511,470 common shares and 455,000,000 preferred shares) to P28,198,773,840 (divided into 2,364,877,384 common shares and 455,000,000 preferred shares).

On February 28, 2023, the BOD approved the amendment to the By-laws to (a) change the schedule of the annual stockholders' meeting from April to May, and (b) comply with Section 132 of the MORB, Section 29 and 34 of the Revised Corporation Code and Section 3 of the SEC Memorandum Circular No. 20 series of 2020. Subsequently, the Stockholders of the Bank approved the same on April 25, 2023.

Equity Restructuring

On March 29, 2021, the BOD approved the Bank to undergo equity restructuring to wipe out the deficit amounting to P51,156,715 as at December 31, 2020 through the use of the Bank's Paid-in surplus.

On July 12, 2021, the Bank received from BSP a "No Objection" response to its application for equity restructuring with the SEC, subject to the (i) Bank's compliance with the Commission's other requirements; and (ii) condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within five (5) days from receipt thereof.

On October 14, 2021, the SEC approved the equity restructuring to wipe-out the deficit as at December 31, 2020 amounting to P51,156,715 against the Paid-in surplus of P5.6 billion subject to the conditions that the remaining Paid-in surplus of P5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

Capital Management

The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is actively being managed to cover risks inherent in the Bank's operations. In 2009, SMPI and SMCRP infused additional capital amounting to P3.3 billion in the form of paid-up common stock. On February 18, 2010 and March 1, 2010, major stockholders infused P271.9 million and P2.1 billion, respectively, into the Bank in the form of advances for future stock subscriptions, which shall be treated as part of the Bank's paid-up capital upon the SEC's approval thereon and on the increase in the Bank's authorized capital stock.

On August 5, 2021, SMC Equivest Corporation infused additional capital amounting P5.5 billion in the form of paid-up preferred stock. This is in support of the application of the Bank for an upgrade of its commercial banking license to a universal banking license. On March 31, 2022, the Bank listed its common shares with the PSE and raised P3.4 billion in additional capital as part of the requirements for the upgrade.

Under Section 121 of the MORB, *Minimum Required Capital,* the minimum capitalization requirement applicable for the Bank (universal banks with more than 100 branches) amounted to P20.0 billion. The Bank achieved this level with the August 2021 infusion of additional capital mentioned above. On December 23, 2021, the BSP approved the upgrade of the Bank's banking license from commercial bank to universal bank (UB) subject to certain regulatory requirements. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. As at December 31, 2023 and 2022, the reported unimpaired capital of the Bank amounted to P29.7 billion and P26.9 billion, respectively.

The guidelines on Bank's ICAAP under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework. In compliance with this new circular, the Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Bank. The level and structure of capital are assessed and determined in light of the Bank's business environment, plans, performance, risks and budget; as well as regulatory edicts. The deadline for submission of ICAAP documents is March 31 of each year.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles which differ from PFRSs in some respects.

The BSP sets and monitors compliance to minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 538, *Revised Risk-Based Capital Adequacy Framework for Universal and Commercial Banks and their Subsidiary Banks and Quasi-Banks,* which implemented the Revised Risk-Based Capital Adequacy Framework under Basel II effective July 1, 2007. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0%.

Under Section 125 and Appendix 59 of the MORB, the regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprised common stock, additional paid-in capital and surplus. Tier 2 composed upper tier 2 and lower tier 2. Upper tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision and deposit for common stock subscription. Lower tier 2 consists of the unsecured subordinated debt.

The following are the minimum capital requirements for UBs and KBs and their subsidiary banks and quasi-banks (QBs):

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs)
- 7.5% Tier 1 Capital/RWAs, and
- 10.0% Total Qualifying Capital (Tier1 plus Tier2)/RWAs

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-'going concern' [CET1 plus Additional Tier 1] and Tier 2 - 'gone concern.' A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.5% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and quasi-banks. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress.

The CET1 capital requirement includes as an additional capital buffer, the Countercyclical capital buffer (CcyB) of zero percent (0%) subject to upward adjustment to a rate determined by the MB when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increases in the CcyB rate shall be effective 12 months after announcement while decreases shall be effective immediately.

The countercyclical buffer requirement will extend the size of the capital conservation buffer. A bank shall not be subject to any restriction on distribution if the following conditions are met:

- Has positive retained earnings as of the preceding quarter and has complied with the requirements on the declaration of dividends as provided in the MORB;

- Has CET1 of more than the total required (minimum CET1 ratio of 6.0% plus CCB of 2.5% plus CcyB at the rate determined by the MB) before distribution; and

- Has complied with the minimum capital ratios (CET1 ratio of 6.0%, Tier 1 ratio of 7.5% and 10.0% CAR) after the distribution.

Otherwise, the policy framework of the capital conservation buffer on the restriction on distributions shall apply, except for drawdowns. Thresholds on the restriction on distribution shall consider the CcyB requirement as an extension of the capital conservation buffer.

As at December 31, 2023 and 2022, based on the CAR reports submitted to BSP, the Bank's CAR of 19.88% and 17.97%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"), based on the Basel III framework. The increase in the CAR ratio was primarily due to the increase in undivided profits and decrease in the credit risk weighted amount of contingent account (domestic standby letters of credit).

The breakdown of the Bank's risk-weighted assets as at December 31, 2023 and 2022 as reported to BSP follows (amounts in thousands):

	2023	2022
Credit risk-weighted assets	**P131,091,150**	P132,556,255
Operational risk-weighted assets	**12,140,350**	10,450,670
Market-risk weighted assets	**313,854**	120,664
	P143,545,354	P143,127,589

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2023 and 2022 (in millions) as reported to BSP which was compiled as per below:

	2023	2022
Tier 1 capital	**P27,396**	P24,646
Tier 2 capital	**1,139**	1,076
Total qualifying capital	**P28,535**	P25,722
CET1 capital	**P21,996**	P19,245
Risk-weighted assets	**P143,545**	P143,128
CET1 ratio	**15.32%**	13.45%
Tier 1 capital ratio	**19.09%**	17.22%
Total capital ratio	**19.88%**	17.97%

Certain adjustments are made to PFRSs results and reserves to calculate CAR which included the Bank's accounting of the following transactions that require different accounting treatments under PFRSs:

a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning;

b) accounting for investment properties.

The recognition of the Bank for prudential reporting is based on the accounting treatment approved by BSP (see Notes 15 and 16).

Under Section 129 of the MORB Basel III, leverage ratio is designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The Bank exceeded the minimum leverage ratio of 5.0% as at December 31, 2023 and 2022 which was complied as per below breakdown (amounts in thousands):

	2023	2022
Capital measure	**P27,396,326**	P24,645,529
Exposure measure	**246,764,987**	235,849,588
Leverage ratio	**11.10%**	10.45%

The LCR framework under Section 145 of the MORB promotes short-term resilience of liquidity risk profile of a bank. The LCR is the ratio of HQLAs to total net cash outflows. Under normal situation, the value of the ratio should be no lower than 100.0% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement commenced on January 01, 2018 and the prescribed minimum shall be set initially at 90% for 2018 and raised to the minimum level of 100% on January 01, 2019.

Based on the LCR reports submitted to the BSP as at December 31, 2023 and 2022, the Bank's LCR were 213.9% and 182.7%, respectively, which were above the prescribed minimum requirement set at 100.0%.

While the NSFR promotes long-term resilience of banks against liquidity risk and maintains stable funding profile in relation to the composition of its assets and off-balance sheet activities. The implementation of the minimum NSFR was phased-in, banks undergone observation period from July 1, 2018 up to December 31, 2018 while actual implementation commenced on January 01, 2019. The NSFR is the ratio of Bank's available stable funding to its required stable funding and shall maintain at least 100.0% at all times.

As at December 31, 2023 and 2022, the reported NSFR of 164% and 154%, respectively, exceeded the required minimum of 100%.

This applies to UB/KBs as well as their subsidiary banks and quasi-banks with the framework anchored on the international standards issued by the Basel Committee on Banking Supervision known as the Basel 3 reforms.

25. Surplus Reserve

	2023	2022	2021
Reserve for general provision - special reserve	**P877,491,849**	P775,206,634	P556,655,007
Reserve for trust business	**157,512,612**	148,200,862	139,151,260
Reserve for self-insurance	**60,000,000**	60,000,000	60,000,000
	P1,095,004,461	P983,407,496	P755,806,267

Reserve for General Provision - Special Reserve
The BSP, through Circular No. 1011, *Guidelines on the Adoption of the PFRS 9*, requires appropriation of the Bank's retained earnings in case the computed allowance for credit losses on loans based on PFRS 9 is less than the BSP required 1.0% general provision on outstanding Stage 1 on-balance sheet loans, except for accounts considered as risk-free under existing regulations. Additional appropriation for reserve for general provision amounted to P102.3 million, P218.6 million, and P347.8 million in 2023, 2022 and 2021, respectively.

Reserve for Trust Business
In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Bank's authorized capital stock. Additional appropriation for reserve for trust business amounted to P9.3 million, P9.0 million, and P12.4 million in 2023, 2022 and 2021, respectively.

Reserve for Self-insurance
Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation and other unlawful acts of the Bank's personnel or third parties. No additional appropriation for Reserve for self-insurance was made in 2023, 2022, and 2021.

26. Interest Income on Debt Securities

This account consists of:

	Note	**2023**	2022	2021
Investment securities at amortized cost:	*11*			
Government securities		**P1,716,340,695**	P1,370,841,465	P908,591,924
Private debt securities		**85,656,947**	100,869,054	154,337,125
Financial assets at FVOCI:	*10*			
Government securities		**445,722,527**	204,988,977	168,875,905
Private debt securities		**-**	5,085,038	19,758,785
		2,247,720,169	1,681,784,534	1,251,563,739
Financial assets at FVPL:	*9*			
Government securities held for trading		**21,561,207**	4,603,469	14,420,446
		P2,269,281,376	P1,686,388,003	P1,265,984,185

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 5.3% in 2023, from 0.8% to 3.7% in 2022 and from 0.8% to 3.4% in 2021. Peso-denominated investment securities at amortized cost bear EIRs ranging from 2.3% to 8.1% in 2023 and from 1.4% to 8.1% in 2022 and 2021.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 2.6% to 4.5%, from 0.9% to 2.8%, and from 0.02% to 2.9%, respectively, in 2023, 2022, and 2021. Peso-denominated financial assets at FVOCI bear EIRs ranging from 3.6% to 6.9% in 2023, from 3.6% to 6.7% in 2022, and from 2.1% to 6.6% in 2021.

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 1.6% to 8.6% in 2023, from 0.2% to 8.6% in 2022, and from 0.9% to 8.6% in 2021. Peso-denominated financial assets at FVPL bear annual interest rates ranging from 2.6% to 9.3%, from 0.6% to 8.1%, and from 0.7% to 8.1% in 2023, 2022, and 2021, respectively.

27. Service Charges, Fees and Commissions

Service Charges, Fees and Commissions - Income
This account consists of:

	2023	2022	2021
Credit card fees	**P179,629,720**	P147,516,114	P115,655,338
Trust income	**174,904,628**	152,971,718	139,219,456
Service charges	**157,871,633**	148,551,460	131,070,951
Underwriter and arranger's fees	**148,709,683**	95,900,297	-
Letters of credit fees	**77,530,188**	122,780,721	36,248,747
Fees and commissions	**55,744,047**	48,792,533	26,587,398
Remittance fees	**37,065,138**	41,087,314	52,169,552
Penalty charges	**34,546,673**	31,346,781	8,098,809
Commitment fees	**10,144,513**	55,783,132	11,511,432
Telegraphic transfer fees	**3,375,067**	2,715,963	2,480,761
Others	**6,858,195**	10,185,844	8,085,308
	P886,379,485	P857,631,877	P531,127,752

Service charges include charges on loans, ATM fees and deposit taking-related activities.

Underwriter and arranger's fees are earned by the Bank as compensation for underwriting a public offering, placing an issue in the market or arranging a private placement of debt.

Others include commission on acceptance fee, insurance, auto and housing loans processing fee and sale of demand drafts.

Service Fees and Commissions - Expenses
This account consists of:

	2023	2022	2021
Transaction and service fees	**P273,919,598**	P187,294,357	P141,375,266
Mastercard fees	**77,654,916**	59,034,910	48,134,742
Fees and commissions	**58,759,010**	43,533,852	36,997,921
Others	**7,590,497**	3,466,436	3,198,544
	P417,924,021	P293,329,555	P229,706,473

Others include processing fees, handling fees and various other charges.

28. Trading and Investment Securities Gains (Losses) - net

This account consists of realized and unrealized gains (losses) from the following securities:

	Note	**2023**	2022	2021
Financial assets and liabilities at FVPL:				
Debt securities:				
Unrealized	*9*	**P22,810,265**	P3,032,696	(P4,189,634)
Realized		**(19,188,811)**	(32,249,257)	(5,635,758)
Equity securities:				
Realized		**12,535**	-	-
Financial assets at FVOCI	*10*	**6,964,361**	-	(68,883,753)
		P10,598,350	(P29,216,561)	(P78,709,145)

29. Employee Benefits

Compensation and Fringe Benefits
The details of the following accounts in 2023, 2022 and 2021 follow:

	2023	2022	2021
Salaries and allowances	**P1,326,204,346**	P1,097,273,510	P988,536,430
Bonuses	**460,950,000**	349,320,000	375,320,000
Employee benefits	**337,516,981**	293,658,369	285,629,019
Retirement benefits	**91,753,151**	123,585,814	144,948,491
Overtime	**41,971,618**	40,973,832	26,535,151
	P2,258,396,096	P1,904,811,525	P1,820,969,091

Retirement Plan
The Bank has a funded noncontributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using projected unit credit method.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than 10 years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least 10 years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits but such retirement benefit shall be subject to the pertinent requirements of the BIR.

The Bank's retirement plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended, and complies with the minimum retirement benefit specified under RA No. 7641, the "New Retirement Law."

The date of the last actuarial valuation is December 31, 2023. Valuations are performed on an annual basis.

As at December 31, 2023, 2022 and 2021, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2023	2022	2021
Average working life	**13.0**	13.0	13.0
Discount rate	**6.1%**	7.6%	5.0%
Future salary increases	**6.6%**	6.6%	6.6%

The mortality rates used in the valuation were based on the 1985 Unisex Annuity Table (UAT). The 1985 UAT was derived from the experience of the Government Service Insurance System from 01 January 1977 to 31 December 1981, a period of five years. The 1985 UAT has been adjusted to reflect improvements in mortality experience since its original construction. The disability rates used in the valuation were based on 100% of the adjusted 1952 Disability Table, reflecting improvement in Philippine disability experience.

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability (assets) and its components (in thousands).

	Defined Benefits Obligation			**Fair Value of Plan Assets**			**Net Retirement Benefit Liability (Asset)**		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Balance at January 1	**P1,027,606**	P1,244,156	P1,329,366	**(P1,100,754)**	(P1,085,608)	(P936,823)	**(P73,148)**	P158,548	P392,543
Included in Profit or Loss									
Current service cost	**94,990**	115,658	129,639	**-**	-	-	**94,990**	115,658	129,639
Interest expense (income)	**77,119**	62,208	51,845	**(80,356)**	(54,280)	(36,536)	**(3,237)**	7,928	15,309
	172,109	177,866	181,484	**(80,356)**	(54,280)	(36,536)	**91,753**	123,586	144,948
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	**167,475**	(299,036)	(166,458)	**-**	-	-	**167,475**	(299,036)	(166,458)
Experience adjustment	**81,345**	18,033	(6,013)	**-**	-	-	**81,345**	18,033	(6,013)
Return on plan assets excluding interest income	**-**	-	-	**39,176**	96,178	(14,069)	**39,176**	96,178	(14,069)
	248,820	(281,003)	(172,471)	**39,176**	96,178	(14,069)	**287,996**	(184,825)	(186,540)
Others									
Contributions paid by the employer	**-**	-	-	**(180,461)**	(170,457)	(192,403)	**(180,461)**	(170,457)	(192,403)
Benefits paid	**(105,401)**	(113,413)	(94,223)	**105,401**	113,413	94,223	**-**	-	-
	(105,401)	(113,413)	(94,223)	**(75,060)**	(57,044)	(98,180)	**(180,461)**	(170,457)	(192,403)
Balance at December 31	**P1,343,134**	P1,027,606	P1,244,156	**(P1,216,994)**	(P1,100,754)	(P1,085,608)	**P126,140**	(P73,148)	P158,548

The movements of the remeasurement losses on retirement liability of the Bank follow:

	2023	2022	2021
Balance at beginning of year	**P77,723,200**	P262,547,387	P449,088,000
Remeasurement losses (gains) on:			
Defined benefits obligation	**248,820,103**	(281,002,208)	(172,472,150)
Plan assets	**39,175,594**	96,178,021	(14,068,463)
Net change in remeasurement losses (gains) recorded in OCI	**287,995,697**	(184,824,187)	(186,540,613)
Balance at end of year	**P365,718,897**	P77,723,200	P262,547,387

The actual return (loss) on plan assets amounted to P41.2 million and (P41.9) million in 2023 and 2022, respectively.

The Bank expects to contribute P211.4 million to its defined benefits retirement plan in 2024.

The major categories of the fair value of plan assets as at December 31, 2023 and 2022 follow:

	2023	2022
Investment securities:		
Government and other debt securities	**P526,163,095**	P614,885,776
Quoted equity securities	**339,884,175**	270,829,395
Unquoted equity securities	**2,600**	2,600
Deposits with the bank	**131,963,457**	30,747,112
Loans receivables	**206,022,617**	170,241,796
Other receivables	**12,958,486**	14,047,453
Total Plan Assets	**P1,216,994,430**	P1,100,754,132

Sensitivity Analysis
Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement liability of the Bank by the amounts shown belowI:

	December 31, 2023			
	Discount Rate		**Salary Increase Rate**	
	+1.00%	**-1.00%**	**+1.00%**	**-1.00%**
Present value of the defined benefit obligation	**P1,225,926,087**	**P1,479,462,857**	**P1,468,882,977**	**P1,232,640,544**
Fair value of plan assets	**(1,216,994,429)**	**(1,216,994,429)**	**(1,216,994,429)**	**(1,216,994,429)**
Net retirement liability (assets)	**P8,931,658**	**P262,468,428**	**P251,888,548**	**P15,646,115**

	December 31, 2022			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P940,049,711	P1,128,828,588	P1,122,198,314	P944,152,299
Fair value of plan assets	(1,100,754,132)	(1,100,754,132)	(1,100,754,132)	(1,100,754,132)
Net retirement liability (assets)	(P160,704,421)	P28,074,456	P21,444,182	(P156,601,833)

The maturity analyses of the undiscounted benefit payments as at December 31, 2023 and 2022 are as follows:

	2023	2022
1 - 5 years	**P541,608,869**	P443,062,358
6 - 10 years	**1,101,752,171**	922,629,278
11 - 15 years	**1,086,406,759**	1,068,594,031
16 years and up	**5,407,534,068**	4,581,346,511
	P8,137,301,867	P7,015,632,178

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The overall investment policy and strategy of the retirement plan is based on the Bank's suitability assessment, as provided by its Trust Services Group, in compliance with BSP requirements.

The weighted average duration of the defined benefit obligations is 9 years as at December 31, 2023 and 2022. The expected average remaining working lives as at December 31, 2023 and 2022 is 13 years.

30. Rent and Utilities

The table below shows the breakdown of rent and utilities in 2023, 2022, and 2021.

	2023	2022	2021
Repairs and maintenance	**P199,706,881**	P187,630,410	P170,656,204
Security services	**197,680,447**	220,318,339	180,368,900
Power, light, water	**112,852,064**	105,967,062	71,469,631
Rent expense	**81,928,780**	68,792,512	59,358,776
Janitorial services	**42,226,915**	38,559,704	35,909,859
Insurance	**13,302,902**	10,281,940	14,520,536
Total	**P647,697,989**	P631,549,967	P532,283,906

Insurance refers to the insurance for the Bank's property and equipment.

<u>Bank as Lessee</u>
The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase ranging from 2.8% to 18.5%.

The Bank also leases parking space, ATM location, signage and storage with contract term of 1 year. These leases are short-term and/or leases of low value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases. Rent expenses related to these contracts are charged against current operations (included under "Rent and utilities" account in the statements of income).

Information about leases for which the Bank is a lessee is presented below:

Right-of-Use Assets
Right-of-use assets relate to leased branch and office premises. Details of right-of-use assets are presented within property and equipment (see Note 14).

Lease Liabilities
See Note 5 for maturity analysis of lease liabilities as at December 31, 2023 and 2022.

The table below shows the amounts recognized in the statements of income in 2023, 2022 and 2021 related to leases under PFRS 16 (amounts in millions).

	2023	2022	2021
Interest on lease liabilities	**P32.8**	P28.2	P35.0
Expenses relating to short-term leases	**70.0**	59.1	59.4
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	**12.0**	9.7	8.9

Total cash outflow for leases recognized in 2023, 2022 and 2021 amounted to P320.1 million, P303.2 million, and P295.0 million, respectively.

<u>Bank as Lessor</u>
The Bank leases out its commercial properties for office space. The Bank has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Bank on its commercial properties (shown under "Miscellaneous" in the statements of income) for the years ended December 31, 2023, 2022, and 2021 were P1.6 million, P1.8 million, and P0.5 million, respectively, and includes rental income on investment properties (Note 15). The Bank also recognized income from the use of safety deposit boxes amounting to P3.0 million for years ended December 31, 2023, 2022, and 2021 (see Note 31).

As at December 31, 2023 and 2022, the Bank has no future rental receivables under non-cancellable operating lease.

31. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Note	**2023**	2022	2021
Passed-on GRT		**P50,377,835**	P40,574,554	P26,542,569
Dividend income	*10*	**5,604,161**	1,612,352	5,709,161
Rent income	*30*	**4,602,172**	4,834,797	3,439,978
Others		**84,692,214**	68,157,678	14,873,615
		P145,276,382	P115,179,381	P50,565,323

Others include gain due to rent concessions, recovery from charged-off assets and excess chattel fees. Recovery from charged-off assets amounted to P71.1 million, P56.1 million, and P0.2 million, respectively, in 2023, 2022 and 2021.

Miscellaneous Expenses
This account consists of:

	2023	2022	2021
Marketing	**P103,566,171**	P57,421,253	P50,196,110
Supervision and examination fee	**83,011,437**	67,926,910	57,535,251
Communications	**79,890,227**	77,156,091	80,744,268
Forms and supplies	**51,808,966**	45,915,052	37,796,870
Transportation and travel	**42,598,156**	26,500,086	16,446,128
Messengerial services	**39,440,243**	36,985,834	53,659,322
Litigation and acquired assets-related expenses	**27,984,321**	16,391,828	10,166,679
Membership dues	**27,594,750**	20,809,127	16,439,851
Fines and penalties	**3,372,381**	71,713,640	97,759,614
Others	**60,526,331**	125,759,860	81,067,483
	P519,792,983	P546,579,681	P501,811,576

Others include management fee on deposits, charges on correspondent banks, royalty fees, other provisions and postage.

In 2021, universal banking license fee amounting to P24.5 million was accrued by the Bank under "Others".

32. Income and Other Taxes

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

Regular Banking Unit
Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented under "Taxes and licenses" account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income tax expense include corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises Act* (CREATE Law), was signed into law and took effect on April 11, 2021. The following are certain provisions of the National Internal Revenue Code of 1997 that were amended and relevant to the Bank:

- Regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;

- Minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;

- The allowable deduction for interest expense shall be reduced by 20% of interest income subjected to final tax, instead of the previous 33%; and

- The imposition of 10% tax on improperly accumulated retained earnings is repealed.

The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a 3-year period from the year of incurrence.

In addition, Revenue Regulations (RR) No. 10-2002 provides for the ceiling on the amount of entertainment, amusement and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Bank is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue.

In 2011, the BIR issued RR 4-2011, *Proper allocation of costs and expenses amongst income earning of banks and other financial institutions for income tax reporting purposes*, which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU's taxable income. In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation. In a Decision dated December 1, 2021, the Supreme Court declared RR 4-2011 void for having issue ultra vires. It ruled that RR 4-2011 unduly contravened and expanded the provisions of the Tax Code. The Supreme Court Decision became final and executory on June 7, 2022, and was recorded in the Book of Entries of Judgement.

Foreign Currency Deposit Unit
RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU, provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.

- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and

- Interest income derived by resident individual or corporation on deposits with FCDUs and OBUs are subject to 15.0% final tax.

Income tax expense consists of:

	2023	2022	2021
Current:			
Final	**P728,807,543**	P523,060,497	P399,293,480
RCIT	**93,876,511**	73,242,737	1,778,182
Tax benefit	**(25,186,431)**	(61,363,313)	-
MCIT	**-**	-	38,840,735
Adjustment for CREATE	**-**	-	(34,487,630)
	797,497,623	534,939,921	405,424,767
Deferred	**136,393,568**	131,415,328	218,263,891
	P933,891,191	P666,355,249	P623,688,658

The amount of tax benefit relates to MCIT of prior periods that was used to reduce current tax payable.

The amount of deferred income tax relates to the origination and reversal of temporary differences. In 2021, this amount includes the impact of CREATE Law, resulting to the remeasurement of items previously measured based on previous tax rate, amounting to P160.3 million.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the statements of income follows:

	2023	2022	2021
Income before income tax expense	**P3,736,110,366**	P2,466,423,849	P1,830,307,823
Income tax at statutory rate	**P934,027,592**	P616,605,962	P457,576,956
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	**192,649,750**	114,721,794	128,709,952
Tax paid income	**(157,558,235)**	(56,603,094)	(28,047,183)
Nontaxable income	**(62,716,480)**	(6,127,328)	21,934,422
Changes in unrecognized deferred tax assets	**59,498,560**	26,098,741	59,508,039
FCDU income	**(25,552,958)**	(23,316,140)	(25,301,259)
Others	**(6,457,038)**	(5,024,686)	9,307,731
Effective income tax	**P933,891,191**	P666,355,249	P623,688,658

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	Beginning Balance (December 31, 2022 Tax Effect)	**Amount (Charged) Credited to Profit or Loss**	**Amount Recognized in OCI**	**Ending Balance (December 31, 2023 Tax Effect)**
Deferred tax assets:				
Allowance for credit and impairment losses	**P649,802,754**	**(P55,040,734)**	**P -**	**P594,762,020**
Accumulated depreciation on foreclosed properties	**206,229,257**	**12,899,855**	**-**	**219,129,112**
Accrued employee benefits and other expenses	**146,226,619**	**18,228,960**	**-**	**164,455,579**
Unrealized loss on foreclosed properties	**63,726,642**	**(2,940,405)**	**-**	**60,786,237**
Net lease liability	**14,370,454**	**(2,528,107)**	**-**	**11,842,347**
Accrued rent expense	**1,467,162**	**(430,310)**	**-**	**1,036,852**
MCIT	**25,186,431**	**(25,186,431)**	**-**	**-**
	1,107,009,319	**(54,997,172)**	**-**	**1,052,012,147**
Deferred tax liability:				
Unrealized gain on foreclosed properties	**(381,520,446)**	**(54,624,180)**	**-**	**(436,144,626)**
Unrealized foreign exchange gain	**(52,974,799)**	**(9,061,976)**	**-**	**(62,036,775)**
Retirement benefits	**(37,717,776)**	**(22,177,072)**	**-**	**(59,894,848)**
Gain on investment properties sold under installments	**(22,706,210)**	**4,466,832**	**-**	**(18,239,378)**
Unrealized gain on financial assets at FVOCI	**-**	**-**	**(363,597)**	**(363,597)**
	(494,919,231)	**(81,396,396)**	**(363,597)**	**(576,679,224)**
Net Deferred Tax Assets (Liabilities)	**P612,090,088**	**(P136,393,568)**	**(P363,597)**	**P475,332,923**

	Beginning Balance (December 31, 2021 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2022 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P717,937,427	(P68,134,673)	P -	P649,802,754
Accumulated depreciation on foreclosed properties	194,605,367	11,623,890	-	206,229,257
Accrued employee benefits and other expenses	118,820,779	27,405,840	-	146,226,619
MCIT	86,549,744	(61,363,313)	-	25,186,431
Unrealized loss on foreclosed properties	68,825,400	(5,098,758)	-	63,726,642
Net lease liability	17,539,091	(3,168,637)	-	14,370,454
Accrued rent expense	2,068,868	(601,706)	-	1,467,162
	1,206,346,676	(99,337,357)	-	1,107,009,319
Deferred tax liability:				
Unrealized gain on foreclosed properties	(371,185,504)	(10,334,942)	-	(381,520,446)
Unrealized foreign exchange gain	(40,050,140)	(12,924,659)	-	(52,974,799)
Retirement benefits	(25,999,968)	(11,717,808)	-	(37,717,776)
Gain on investment properties sold under installments	(25,605,648)	2,899,438	-	(22,706,210)
	(462,841,260)	(32,077,971)	-	(494,919,231)
Net Deferred Tax Assets (Liabilities)	P743,505,416	(P131,415,328)	P -	P612,090,088

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Bank did not set up deferred tax assets on the following temporary differences:

	2023		2022		2021	
	Deductible Temporary Differences	**Deferred Tax Asset**	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses	**P2,826,627,838**	**P706,656,960**	P3,169,422,869	P792,355,717	P3,073,627,758	P768,406,940
Unrealized loss on financial assets at FVPL	**4,023,806**	**1,005,952**	4,539,344	1,134,836	3,421,893	855,473
Others	**168,557,986**	**42,139,497**	216,589,515	54,147,379	209,107,113	52,276,778
Deferred tax items not recognized in profit or loss	**2,999,209,630**	**749,802,409**	3,390,551,728	847,637,932	3,286,156,764	821,539,191
Remeasurement losses on retirement liability	**365,718,897**	**91,429,724**	77,723,200	19,430,800	262,547,387	65,636,847
Deferred tax items not recognized in OCI	**365,718,897**	**91,429,724**	77,723,200	19,430,800	262,547,387	65,636,847
	P3,364,928,527	**P841,232,133**	P3,468,274,928	P867,068,732	P3,548,704,151	P887,176,038

As at December 31, 2023 and 2022, the Bank has no carryforward NOLCO.

Details of the Bank's RBU excess MCIT over RCIT as at December 31, 2023 follow:

Inception Year	Amount	Applied	Balance	Expiry Year
2021	P25,186,431	(P25,186,431)	P -	2024

33. Related Party Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed 30.0% of their respective total loans, other accommodations and guarantees. Loans, other credit accommodations, and guarantees granted by the Bank to its DOSRI for the purpose of project finance, shall be exempted from the 30.0% unsecured individual ceiling during the project gestation phase provided that the Bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

Except with the prior approval of the MB, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the bank or 100.0% of net worth whichever is lower provided that in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank provided that the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed 5.0% of such net worth provided that the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank provided that these subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending bank.

The following table shows information on related party loans (amounts in thousands, except percentages):

	2023		2022	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI)**	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	**P166**	**P39,011,760**	P258	P29,909,689
Percent of DOSRI/Related Party loans to total loans	**0.00%**	**35.66%**	0.00%	28.34%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**21.14%**	0.00%	39.98%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.00%**	0.00%	0.01%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.35%**	0.00%	0.03%

The details of significant related party transactions of the Bank follow (amounts in thousands):

Category	***Note***	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Associate	*13*			
2023				
Investment in an associate		**P -**	**P35,534**	**24.26% equity interests in BIC which is a stockholder of the Bank**
Share in net loss of an associate		**783**	**-**	**Share in net loss of BIC**
2022				
Investment in an associate		-	39,523	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		133	-	Share in net loss of BIC
2021				
Investment in an associate		-	39,662	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		1,039	-	Share in net loss of BIC

Unless otherwise stated, RPTs disclosed are unsecured.

Category	Note	Amount/Volume 2023	2022	2021	Outstanding Balance 2023	2022	Nature, Terms and Conditions
Other Related Parties							
Financial assets at FVOCI:	*10*						
Private debt securities		**P -**	P -	P -	**P -**	P -	Matured bond with interest rate of 6.6%.
Maturities		**-**	300,000	-	**-**	-	
Investment securities at amortized cost	*11*	**-**	-	-	**345,110**	381,680	Long-term bonds with interest rates ranging from 6.5% to 8.1% with maturity years ranging from 2024 to 2025.
Maturities		**36,570**	-	1,330,350	**-**	-	Matured bond had interest rates ranging from 4.0% to 5.5%
Loans and receivables - net:	*12*						
Receivables from customers:		**-**	-	-	**38,819,027**	29,820,614	Term, housing, auto, salary and personal loans with interest rates ranging from 4.8% to 19.1% and with maturity of less than 1 year to 20 years; Collateral includes real estate mortgage, unregistered chattel mortgage, hold-out on deposit, assignment of contract and concession agreement, continuing surety agreement, mortgage trust indenture and pledge agreement on shares;
Availments		**111,576,878**	49,176,944	63,412,047	**-**	-	
Settlements		**100,198,842**	40,503,492	60,623,795	**-**	-	
Accrued interest receivables:		**-**	-	-	**300,454**	177,332	Accrued interest receivables on loans and long-term bonds;
Interest income		**2,875,183**	1,560,266	1,830,281	**-**	-	Interest income on loans and long-term bonds;
Deposit liabilities:	*18*	**-**	-	-	**59,314,694**	52,293,651	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Deposits		**6,166,071,245**	5,689,342,609	4,112,755,092	**-**	-	
Withdrawals		**5,048,087,644**	4,888,848,456	3,631,676,685	**-**	-	
Accrued interest payable	*21*	**967,838**	260,241	105,793	**127,398**	39,391	Interest expense and accrued interest payable on deposits;
Accrued other expenses and other liabilities	*21, 22*	**319,206**	186,621	182,914	**47,823**	6,699	Accrued other expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing; Other liabilities consists of accounts payable to Bank's officers; On demand, unsecured and non-interest bearing.
Fees and other income	*27, 31*	**219,010**	292,932	80,923	**-**	-	Loan, underwriting, and investment-related fees and commission income, gain from the cash sale transactions of foreclosed properties and passed-on GRT
Commitments and contingent liabilities	*38*	**-**	-	-	**24,544,851**	21,644,130	Bank guarantees in favor of related party, outstanding letters of credit, and committed credit line

Unless otherwise stated, RPTs disclosed are unsecured and balances are net of allowance

As at December 31, 2023 and 2022, outstanding bills purchased of related parties with contra account in "Other liabilities" amounted to P772.8 million and P1.1 billion, respectively (see Notes 12 and 22).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash.

As at December 31, 2023 and 2022, the allowance for credit losses on outstanding transactions with other related parties amounted to P210.5 million and P89.7 million, respectively. Provision for credit losses recorded in 2023 and 2022 on such related party transactions totaled to P120.8 million and P4.5 million, respectively. Reversal of credit losses recorded in 2021 on such related party transactions totaled to P276.4 million. Such outstanding transactions include investment securities at amortized cost, receivables from customers, and accrued interest receivable under the "Loans and receivables - net" account in the statements of financial position and commitment and contingent liabilities.

Transactions with Retirement Plan
The Bank's retirement plan is managed and administered by the Bank's Trust Services Group which is covered by an Investment Management Account (IMA) Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 29.

Related unaudited financial information on assets/liabilities as at December 31, 2023 and 2022 and income/expense of the funds for the period ended December 31, 2023, 2022 and 2021 follow:

	2023	2022
Investment securities:		
Government and other debt securities	**P526,163,095**	P614,885,776
Quoted equity securities	**339,884,175**	270,829,395
Unquoted equity securities	**2,600**	2,600
Loans and other receivables	**218,981,103**	184,289,249
Deposits with the bank	**133,299,081**	35,626,380
Total Plan Assets	**P1,218,330,054**	P1,105,633,400
Due to broker	**P1,062,471**	P4,639,308
Trust fee payable	**257,209**	224,016
Other liabilities	**15,944**	15,944
Total Plan Liabilities	**1,335,624**	4,879,268
Net Plan Assets	**P1,216,994,430**	P1,100,754,132

Plan Income	2023	2022	2021
Interest income	**P46,133,203**	P35,630,193	P27,713,620
Trading and investment losses - net	**(26,652,785)**	(30,901,624)	(30,241,813)
Dividend income and others	**28,632,767**	8,901,291	9,477,411
	P48,113,185	P13,629,860	P6,949,218
Plan Expense			
Trust fees	**P3,257,172**	P2,775,610	P2,461,431
Other expenses	**1,980,287**	2,134,774	1,758,759
Provision for credit losses	**1,219,179**	2,258,204	11,821,715
	P6,456,638	P7,168,588	P16,041,905

As at December 31, 2023 and 2022, the retirement plan assets of the Bank include 730,670 shares of the Bank classified under financial assets at FVPL. The shares of the Bank were listed in the PSE on March 31, 2022. As at December 31, 2023 and 2022, the fair market value of the shares amounted to P5.3 million and P5.8 million, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

Interest income on deposit with the Bank amounted to P40,334, P4,257, and P4,014 in 2023, 2022 and 2021, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the Fund.

The Bank's contribution to its defined benefits retirement plan amounted to P180.5 million and P170.5 million in 2023 and 2022, respectively. Benefits paid out of the Bank's plan assets amounted to P105.4 million and P113.4 million in 2023 and 2022, respectively (see Note 29).

Compensation of Key Management Personnel of the Bank

The remuneration of directors and other members of key management under "Compensation and fringe benefits" account in the statements of income for the years ended December 31, 2023, 2022 and 2021 follows:

	2023	2022	2021
Short-term employee benefits	**P711,101,785**	P555,082,001	P544,595,527
Post-employment benefits	**30,278,540**	37,075,744	44,934,032
	P741,380,325	P592,157,745	P589,529,559

34. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001. The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.

b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.

c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).

d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

<u>Settlement of Liabilities of TRB</u>
Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.

b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.

c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a “White Knight” by agreeing to the terms and conditions of the PSA with TRB, follows:

a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year government securities with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year government securities (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB’s unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as “Miscellaneous assets”.

   On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP’s pertinent regulations on minimum capital requirement.

c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC’s written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.

d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within 5 years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;

b. Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and

c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRSs. These transactions and their effects are described below:

Assumption of NPAs of TRB
In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 16). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion as at December 31, 2023 and P4.4 billion as at December 31, 2022 and 2021 were charged in full in the period incurred (see Note 16).

For its separate prudential reporting to BSP, the Bank recognized P1.3 billion provisions to fully recognize the impairment losses on the NPAs in 2022. In 2021, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million (see Note 16).

35. Notes to Statements of Cash Flows

The following is a summary of noncash activities of the Bank:

	2023	2022	2021
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	**P654,419,110**	P251,831,964	P89,736,152
Additions to ROU assets	**313,175,775**	159,277,079	45,242,843
Increase in sales contract receivables from sale of investment properties	**108,020,017**	88,212,765	92,323,023

The following table shows the reconciliation analysis of liabilities arising from financing activities for period ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Beginning balance	**P7,933,164,363**	P538,398,243	P682,015,739
Additions to lease liabilities	**307,649,056**	155,593,019	44,853,267
Interest accretion	**68,831,053**	42,795,198	35,033,242
Cash flows during the year:			
Proceeds	**3,147,150,433**	15,004,528,892	4,810,000,000
Settlements	**(3,385,165,406)**	(7,808,150,989)	(5,033,504,005)
	(238,014,973)	7,196,377,903	(223,504,005)
Ending balance	**P8,071,629,499**	P7,933,164,363	P538,398,243

As allowed by PAS 7, short-term borrowings from other banks amounting to P3.1 billion, P7.6 billion, and P4.8 billion in 2023, 2022 and 2021, respectively, are presented in the statements of cash flows on a net basis. In 2022, cash proceeds include issuance of bonds payable amounting to P7.5 billion.

36. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

	2023	2022	2021
a. Net income	**P2,802,219,175**	P1,800,068,600	P1,206,619,165
b. Dividends on preferred shares*	**187,916,668**	148,958,335	57,291,667
c. Net income to equity holders of the Bank	**2,614,302,507**	1,651,110,265	1,149,327,498
d. Weighted average number of outstanding common shares	**1,403,013,920**	1,334,592,963	1,122,411,120
e. Basic earnings per share (c/d)	**P1.86**	P1.24	P1.02

** potential dividends on preferred shares as these were not assumed to be converted.*

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

		2023	2022	2021
a.	Net income to equity holders of the Bank	**P2,802,219,175**	P1,800,068,600	P1,206,619,165
b.	Weighted average number of outstanding common shares and dilutive preferred shares:			
	Outstanding common shares*	**1,403,013,920**	1,334,592,963	1,122,411,120
	Potential common shares from assumed conversion of preferred shares	**416,666,670**	416,666,670	173,611,113
c.	Total weighted average common shares	**1,819,680,590**	1,751,259,633	1,296,022,233
d.	Diluted earnings per share (a/c)	**P1.54**	P1.03	P0.93

The following basic ratios measure the financial performance of the Bank:

	2023	2022	2021
Return on average equity	**9.52%**	7.01%	6.01%
Return on average assets	**1.25%**	0.86%	0.65%
Net interest margin on average earning assets	**4.28%**	3.73%	3.42%

37. Events after the Reporting Date

Subject to the approval of the Stockholders and the relevant government regulatory agencies, the BOD approved on February 27, 2024 the amendments to the By-laws to (a) specify the date of the annual stockholders' meeting and (b) align with relevant rules and regulations, such as Section 132 of the MORB and Section 34 of the Revised Corporation Code. The BOD likewise approved to endorse to the Stockholders for approval the authority to delegate to the BOD the power to amend or repeal the current by-laws or enact a new one.

38. Supplementary Information Required under BSP Circular No. 1074

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074, *Amendment to Regulations on Financial Audit of Banks.*

(a) Notes to the Financial Statements

a. *Capital Position* - please refer to Note 24.

b. *Leverage Ratio and Total Exposure Measure* - please refer to Note 24.

c. *Liquidity Position* (Liquidity Coverage Ratio and Net Stable Funding Ratio) - please refer to Note 24.

d. *Provisioning Methodology and Key Assumptions Used in Determining Allowance for Credit Losses* - please refer to Notes 3 and 5.

e. *Accounting Policies* - please refer to Note 3.

(b) Supplemental Information

- *Financial Performance Indicators* - please refer to Note 36.

- *Description of Capital Instruments Issued* - please refer to Note 24.

- *Significant Credit Exposures* - please refer to Note 5.

- *Breakdown of Total Loans* as to:
  i. Security - please refer to Note 12
  ii. Status - please refer to Note 12

- *Information on Related Party Loans* - please refer to Note 33.

- Commitments and Contingencies

  In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2023 and 2022:

	2023	2022
Contingent assets:		
Fixed income securities purchased	**P6,409,295,659**	P5,074,247
Future/spot exchange bought	**2,683,155,542**	1,146,547,214
Outward bills for collection	**5,575,925**	255,590
	P9,098,027,126	P1,151,877,051
Commitments and contingent liabilities:		
Trust department accounts	**P70,208,670,193**	P70,873,001,493
Committed credit line	**16,152,161,850**	7,470,632,437
Unused commercial letters of credit	**8,181,592,869**	15,638,084,869
Outstanding guarantees	**4,305,962,435**	3,438,552,342
Credit card lines	**3,600,976,933**	3,601,177,914
Future/spot exchange sold	**3,181,038,760**	1,954,996,944
Late deposits/payments received	**67,179,756**	137,803,664
Fixed income securities sold	**6,450,988**	5,074,247
Inward Bills For Collection-Domestic	**3,525,034**	-
Items held for safekeeping/securities held as collateral	**45,347**	44,835
	P105,707,604,165	P103,119,368,745

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2023 and 2022.

Trust Assets

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P70.2 billion (unaudited) and P70.9 billion (audited) as at December 31, 2023 and 2022, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P770.0 million and P743.0 million as at December 31, 2023 and 2022, respectively, which have been included under "Investment securities at amortized cost" (see Note 11), are deposited with BSP.

Other relevant disclosures required by BSP Circular No. 1074 are in Notes 12, 24, 33 and 36.

39. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in a note to the separate financial statements. The Bank presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

KPMG

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REPORT OF INDEPENDENT AUDITORS COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "Bank") as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 19, 2024.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company 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 Company'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 financial statements as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and no material exceptions were noted.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075185
Issued January 2, 2024 at Makati City

March 19, 2024
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "Bank") as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 on which we have rendered our report dated March 19, 2024.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Bank taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Bank's management. Such additional components include:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedules Required by Annex 68-J of the Revised SRC Rule 68
- Relationship Map

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
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March 19, 2024
Makati City, Metro Manila

BANK OF COMMERCE

SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68
DECEMBER 31, 2023

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule (SRC) 68. It prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by the Revised SRC Rule 68. These are presented for purposes of filing with the SEC and is not required part of the basic financial statements.

PART I

Schedule A:	Schedule of Financial Soundness Indicators
Schedule B:	Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule C:	Relationship Map

PART II (Schedules Required by Annex 68-J of the Revised SRC Rule 68)

Schedule A:	Financial Assets
Schedule B:	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C:	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
Schedule D:	Long-Term Debt
Schedule E:	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule F:	Guarantees of Securities of Other Issuers
Schedule G:	Capital Stock

BANK OF COMMERCE

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2023 AND DECEMBER 31, 2022

RATIO	FORMULA	RATIO 2023	RATIO 2022
Current Ratio	Total current assets / Total current liabilities	**0.57**	0.61
Acid Test Ratio	Total current financial assets / Total current liabilities	**0.56**	0.60
Solvency Ratio	Net income before non-cash expenses / Total liabilities	**0.02**	0.01
Debt to Equity Ratio	Total liabilities / Total equity	**6.51**	6.76
Asset to Equity Ratio	Total assets / Total equity	**7.51**	7.76
Interest Rate Coverage Ratio	Net Income before interest and taxes / Interest expense	**2.08**	2.92
Return on Equity	Net income / Average total equity	**9.52%**	7.01%
Return on Asset	Net income / Average total assets	**1.25%**	0.86%
Net Profit Margin	Net income / Total revenues	**28.09%**	22.18%
OTHER RATIOS			
Net Interest Margin	Net interest income / Average interest-earning assets	**4.28%**	3.73%
Cost to Income Ratio	Total operating expense / Total revenues	**0.62**	0.68
Debt to Assets Ratio	Total liabilities / Total assets	**0.87**	0.87
Loans to Deposit Ratio	Total gross loans* / Total deposits	**0.70**	0.70
Non-performing Loans Cover	Allowance for credit losses on loans / Non-performing loans	**93.21%**	89.05%
Non-performing Loans Ratio**	Non-performing loans / Total gross loans	**1.54%**	2.10%
Net Non-performing Loans Ratio**	Net non-performing loans / Total gross loans	**0.44%**	0.60%
Capital Adequacy Ratio	Total qualifying capital / Total risk-weighted assets	**19.88%**	17.97%

**Gross loans include receivables from customers (loans), interbank loans receivable and securities purchased under resale agreements.*
***Computed based on BSP Circular 941*

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2023

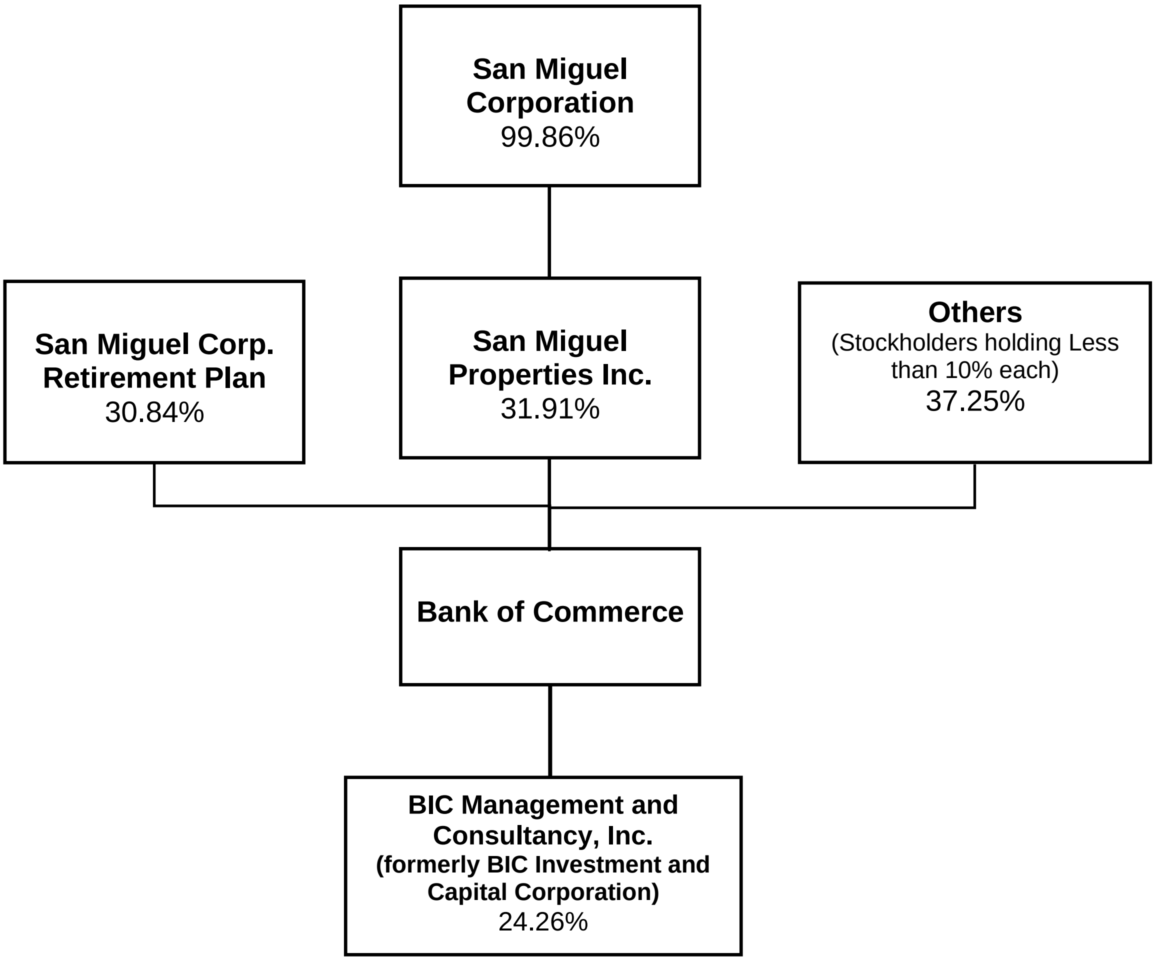
BANK OF COMMERCE

San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City

Unappropriated deficit, beginning of reporting period		**(P233,429,437)**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Transfer of gain on equity securities at FVOCI realized through disposal	P7,527,455	**7,527,455**
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Retained earnings appropriated during the reporting period	(111,596,965)	**(111,596,965)**
Unappropriated deficit, as adjusted		**(337,498,947)**
Add: Net income for the current year		**2,802,219,175**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(186,110,324)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	(25,842,961)	
Unrealized fair value gain of Investment Property	(220,268,518)	
Sub-total		**(432,221,803)**
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	158,924,397	
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	3,032,696	
Realized fair value gain of Investment Property	47,574,763	
Sub-total		**209,531,856**
Adjusted Net Income		**2,579,529,228**
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	49,528,660	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction	2,528,107	
Sub-total		**52,056,767**
Total Retained Earnings, end of reporting period available for dividend		**P2,294,087,048**

BANK OF COMMERCE

RELATIONSHIP MAP
DECEMBER 31, 2023



BANK OF COMMERCE

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023
(in thousands)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amounts Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at Fair Value through Profit of Loss				
Philippine government	**P83,043**	**P83,883**	**P83,883**	**P19,215**
Other government	**91,743**	**96,719**	**96,719**	**2,346**
Private corporations	**199,965**	**190,505**	**190,505**	**-**
Derivatives	**-**	**27,685**	**27,685**	**-**
		P398,792	**P398,792**	**P21,561**
Financial Assets at Fair Value through Other Comprehensive Income				
Philippine government	**P11,030,610**	**P10,850,048**	**P10,850,048**	**P445,723**
Equity securities	**159**	**193,757**	**193,757**	**5,604**
		P11,043,805	**P11,043,805**	**P451,327**
Investment Securities at Amortized Cost				
Philippine government	**P49,443,959**	**P50,305,668**	**P48,921,075**	**P1,659,716**
Other government	**-**	**-**	**-**	**56,625**
Private corporations	**2,045,130**	**2,165,435**	**1,972,848**	**85,657**
		P52,471,103	**P50,893,923**	**P1,801,998**

BANK OF COMMERCE

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
NONE TO REPORT							
Indebtedness arise in the ordinary course of business.							

BANK OF COMMERCE

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
			NONE TO REPORT				
			Financial statements are not for consolidation.				

BANK OF COMMERCE

SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023

Type 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 Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Long-term negotiable certificates of time deposit	P5,029,420,000	P -	P5,029,420,000	4.5000%	Quarterly interest payment	September 17, 2025
Bonds payable	7,500,000,000	7,478,265,064	-	5.0263%	Quarterly interest payment	July 29, 2024

BANK OF COMMERCE

SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2023

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year	Nature, Terms and Conditions
	NONE TO REPORT		
	No long term loans from related companies.		

BANK OF COMMERCE

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023

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 of Guaranteed and Outstanding	Amount Owned by Person of which Statement is Filed	Nature of Guarantee
NONE TO REPORT *No securities were guaranteed.*				

BANK OF COMMERCE

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2023

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under the 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
Common shares	1,702,511,470	1,403,013,920	-	1,060,517,880	623,640	341,872,400
Preferred Shares	455,000,000	416,666,670	416,666,670	416,666,670	-	-

* Include shares held by Principal/Substantial Stockholders
Required information is disclosed in Note 24: Capital Stock

Reports on SEC Form 17-C

	Date of Disclosure	Subject
1	January 4, 2023	Amended Change in Shareholdings of Directors and Principal Officers
2	January 10, 2023	Statement of Changes in Beneficial Ownership of Securities
3	January 10, 2023	Press Release: BankCom trade finance business grows more than 6x since launch in 2019
4	January 12, 2023	Public Ownership Report as of December 31, 2022
5	January 13, 2023	Disbursement of Proceeds and Progress Report (4Q 2022 Report)
6	January 13, 2023	List of Top 100 Stockholders (Common Shares) as of December 31, 2022
7	January 23, 2023	Disbursement of Proceeds and Progress Report (Annual Report 2022)
8	January 3 1, 2023	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion - Resignation of Mr. Donald Benjamin G. Limcaco March 31, 2023
9	January 3 1, 2023	Material Information - Appointment of Ms. Suzanne Sevilla as Chief Information Officer of the Bank
10	January 3 1, 2023	Amended Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion - To include short profile of Ms. Suzanne Sevilla as Chief Information Officer of the Bank
11	February 8, 2023	BankCom Published Balance Sheet as of December 31, 2022
12	February 28, 2023	Notice of 2023 Annual Stockholders' Meeting
13	February 28, 2023	Amendment of Articles of Incorporation - *SEVENTH – The total authorized capital stock of the corporation is PESOS: TWENTY EIGHT BILLION ONE HUNDRED NINETY EIGHTY MILLION SEVEN HUNDRED SEVENTY THREE THOUSAND EIGHT HUNDRED FORTY (P28,198,773,840.00) divided into TWO BILLION THREE HUNDRED SIXTY FOUR MILLION EIGHT HUNDRED SEVENTY SEVEN THOUSAND THREE HUNDRED EIGHTY FOUR (2,364,877,384) common shares with a par value of PESOS: TEN (P10.00) per share; and FOUR HUNDRED FIFTY FIVE MILLION (455,000,000) preferred shares with a par value of PESOS: TEN (P10.00) per share. (As amended on 30 January 2020 and further amended on 08 July 2021). (*As amended on 25 April 2023).
14	February 28, 2023	Amendment to By-Laws - Section 2 of Artcile II - The annual meeting of the stockholders shall be held in the month of May on such day and at such time and place as the Board of Directors may determine. (As amended on 22 September 1988.) (*As amended on 25 April 2023). - Section 1 of Article III - Number, Qualification and Election. – The corporate powers of the Corporation shall be exercised, its business conducted, and its property controlled and held by the Board of Directors, consisting of fifteen (15) members, at least one-third (1/3) but not less than five (5) members of the Board of Directors shall be Independent Directors, provided, that any fractional result from applying the required minimum proportion, i.e., one-third (1/3), shall be rounded up to the nearest whole number. The members of the Board of Directors shall be elected annually by the stockholders entitled to vote and to serve until the election and qualification of their successors. (As amended on 24 April 2012). (*As amended on 25 April 2023). - Section 4 of Article III - Section 5 of Article III - Section 8 of Article III - Section 9 of Article III
15	March 15, 2023	Material Information and Press Release - Bank of Commerce records highest ever Net Income since SMC acquisition
		Material Information - Approval of 2022 Audited Financial Statements
		Preliminary Information Statement
16	March 21, 2023	Changes in Shareholdings of Directors and Principal Officers
17	March 27, 2023	Definitive Information Statement
18	April 3, 2023	Statement of Changes in Beneficial Ownership of Securities

Date of Disclosure		Subject
19	April 12, 2023	Public Ownership Report as of March 31, 2023
20	April 17, 2023	Annual Report - FY ended December 31, 2022
		List of Top 100 Stockholders (Common Shares) as of March 31, 2023
21	April 18, 2023	Amended - Annual Report - FY ended December 31, 2022
22	April 25, 2023	Results of the 2023 Annual Stockholders' Meeting
		Results of Organizational Meeting
		Amended - Amendments to Articles of Incorporation *SEVENTH – The total authorized capital stock of the corporation is PESOS: TWENTY EIGHT BILLION ONE HUNDRED NINETY EIGHTY MILLION SEVEN HUNDRED SEVENTY THREE THOUSAND EIGHT HUNDRED FORTY (P28,198,773,840.00) divided into TWO BILLION THREE HUNDRED SIXTY FOUR MILLION EIGHT HUNDRED SEVENTY SEVEN THOUSAND THREE HUNDRED EIGHTY FOUR (2,364,877,384) common shares with a par value of PESOS: TEN (P10.00) per share; and FOUR HUNDRED FIFTY FIVE MILLION (455,000,000) preferred shares with a par value of PESOS: TEN (P10.00) per share. (As amended on 30 January 2020 and further amended on 08 July 2021). (*As amended on 25 April 2023).
		Amended - Amendments to By-Laws - Section 2 of Article II - The annual meeting of the stockholders shall be held in the month of May on such day and at such time and place as the Board of Directors may determine. (As amended on 22 September 1988.) (*As amended on 25 April 2023). - Section 1 of Article III - The corporate powers of the Corporation shall be exercised, its business conducted, and its property controlled and held by the Board of Directors, consisting of fifteen (15) members, at least one-third (1/3) but not less than five (5) members of the Board of Directors shall be Independent Directors, provided, that any fractional result from applying the required minimum proportion, i.e., one-third (1/3), shall be rounded up to the nearest whole number. The members of the Board of Directors shall be elected annually by the stockholders entitled to vote and to serve until the election and qualification of their successors. (As amended on 24 April 2012). (*As amended on 25 April 2023). - Section 4 of Article III - Section 5 of Article III - Section 8 of Article III - Section 9 of Article III
23	May 12, 2023	Quarterly Report - as of March 31, 2023
		Press Release: Bank of Commerce 1Q23 jumps 98%, beats Full Year pre-pandemic profit
24	May 17, 2023	Material Infromation - Published SOC as of March 31, 2023]
25	May 25, 2023	Change in Shareholdings of Directors and Principal Officers
		Other SEC Forms, Reports and Requirements - 2023 General Information Sheet
		Change in Shareholdings of Directors and Principal Officers
26	May 30, 2023	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) - Resignation of Independent Director Winston A. Chan effective close of business hours of May 30, 2023
		2022 Integrated Annual Corporate Governance Report for Bank of Commerce
		Amended - 2022 Integrated Annual Corporate Governance Report for Bank of Commerce
27	May 31, 2023	Change in Shareholdings of Directors and Principal Officers
		Statement of Changes in Beneficial Ownership of Securities
28	June 13, 2023	Press Release/Material Information: BankCom's OFW remittances rose 30% in Q1
29	June 26, 2023	Other SEC Forms, Reports and Requirements - Certificate on Qualification of Independent Director, Mr. Leonardo J. Matignas, Jr.
30	June 27, 2023	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion - Election of Independent Director Leonardo J. Matignas, Jr.
		Material Information: Election of Independent Director Leonardo J. Matignas, Jr. Changes in Board Committee Memberships
		Initial Statement of Beneficial Ownership of Securities

	Date of Disclosure	Subject
31	July 5, 2023	Press Release/Material Information: BankCom re-fleets its ATM network with advanced security and user-friendly features
32	July 6, 2023	Other SEC Forms, Reports and Requirements - Amended 2023 General Information Sheet
33	July 11, 2023	Public Ownership Report
34	July 14, 2023	List of Top 100 Stockholders (Common Shares)
35	August 8, 2023	Change in Shareholdings of Directors and Principal Officers
36	August 9, 2023	Press Release/Material Information: BankCom's 1H23 Net Income 1.8X of prior year
37	August 14, 2023	Quarterly Report / SEC Form 17-Q (2nd Qaurter)
38	August 15, 2023	Amended 1 Quarterly Report / SEC Form 17-Q (2nd Qaurter)
39	August 16, 2023	Change in Shareholdings of Directors and Principal Officers
40	August 18, 2023	Amended 2 Quarterly Report / SEC Form 17-Q (2nd Qaurter)
41	September 1, 2023	Statement of Changes in Beneficial Ownership of Securities
42	September 8, 2023	Material Information: Bank of Commerce Published SOC as of June 30, 2023
43	October 12, 2023	Public Ownership Report
44	October 16, 2023	List of Top 100 Stockholders (Common Shares)
45	November 14, 2023	Press Release/Material Information: BankCom's Q3 performance tops FY 2022 Net Income
		Quarterly Report / SEC Form 17-Q (3rd Qaurter)
46	November 29, 2023	Material Information: Published SOC as of September 30, 2023
47	November 30, 2023	Press Release/Material Information: Bankcom accelerates digital transformation, partners with Infosys Finacle
47	December 14, 2023	Press Release/Material Information: BankCom sees market growing for its savings, all-in-one remittance, and investments platform for OFWs in Japan
49	December 19, 2023	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion - Resignation of Senior Officer (Mr. Joel T. Carranto)

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	4	2	2	1

COMPANY NAME

BANK OF COMMERCE

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

SAN MIGUEL PROPERTIES CENTRE
NO. 7 ST. FRANCIS STREET
MANDALUYONG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	8982-6000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	Any day in April	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Antonio S. Laquindanum	ASLaquindanum@bankcom.com.ph	8982-6000	N/A

CONTACT PERSON's ADDRESS

12th Floor, San Miguel Properties Centre, No. 7 St. Francis St., Mandaluyong City

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the quarterly period ended **December 31, 2022**

2. Commission identification number **24221**

3. BIR Tax Identification No **000 440 440**

4. Exact name of issuer as specified in its charter **BANK OF COMMERCE**

5. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**

6. Industry Classification Code: (SEC Use Only)

SAN MIGUEL PROPERTIES CENTRE, NO. 7 ST FRANCIS STREET, MANDALUYONG CITY 1550, PH

7. Address of issuer's principal office   Postal Code

8. Issuer's telephone number, including area code **+63-2-8982 6000**

9. Former name, former address and former fiscal year, if changed since last report **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, 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 Stocks	1,403,013,920
Preferred Stocks	416,666,670

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:

The Philippine Stock Exchange, Inc: Common Shares

12. Indicate by check mark whether the registrant:

a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 [**X**] No [ ]

b) has been subject to such filing requirements for the past ninety (90) days.
Yes [X] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

Total number of shares held by non-affiliates	333,516,300.00
Share Price as of December 31, 2022	7.89
Aggregate value of shares held by non-affiliates	2,631,443,607.00

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

Bank of Commerce, a universal bank licensed by the Bangko Sentral ng Pilipinas ("BSP"), traces its origins to the Overseas Bank of Manila, established in Binondo. Manila in 1963. In 2008, San Miguel Corporation ("SMC") bought into the Bank and became a major stakeholder through the voting stake of San Miguel Properties, Inc. in the Bank. In December 2020, the Intellectual Property Office (IPO) granted the copyright license for "BankCom" as the Bank's official short name.

The Bank provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, transaction banking, corporate banking, investment banking, treasury, asset management, trust and investments. In terms of service reach, the Bank has retail and corporate internet banking facilities, 140 branches and 259 automated teller machines ("ATMs") strategically located nationwide as of 31 December 2022.

Consolidated total assets amounted to ₱145.03 billion, ₱170.92 billion, ₱199.71 billion and ₱217.52 billion as of 31 December 2019, 2020, 2021 and 2022 respectively. Net profit (loss) was ₱652.72 million, ₱784.43 million, ₱1.21 billion and ₱1.80 billion for the years ended 31 December 2019, 2020, 2021 and 2022, respectively.

As of 31 December 2022, the Bank's Tier 1 and total capital adequacy ratio of 17.22% and 17.97%, remained well above the minimum regulatory requirement of 7.5% and 10.0%, respectively. For the year ended 31 December 2022, the Bank's return on average equity, return on average assets and cost-to-income ratios were 7.01%, 0.86% and 67.56%, respectively. In 2021, the Bank had a reversal in provisions due to enhancements in its credit loss provisioning methodology.

The Bank recorded a net income of ₱1.80 billion for the year ended 31 December 2022, 49.18% up from it 31 December 2021 Net Income of ₱1.21 billion amid the continuous recovery of the economy from the COVID-19 pandemic. This was driven by the 23.79% higher net interest income of ₱6.68 billion due to higher yields and increased volume in loans and securities. Foreign exchange gains increased more than 3x to Php150.32 million due to increased volume of transactions. Service charges, fees and commissions and revenues from the sale of foreclosed assets increased to ₱857.63 million and ₱340.45 million, respectively, from ₱531.13 million and ₱274.99 million.

Total assets also grew by 8.92% to ₱217.52 billion on account of higher investment securities at amortized cost and loans and receivables.

The Bank's net loans grew by 41.3% to ₱105.09 billion in 2022, from ₱74.37 billion, driven mainly by the growth in corporate loans. Significant loan growth was achieved while maintaining balance sheet strength and asset quality with net NPL ratio of 0.60 %, as of 31 December 2022.

Universal Banking License Application

On November 2022, the Monetary Board of the BSP conferred on the Bank the authority to operate as a universal bank.

With a universal banking license, the bank will have more opportunities to generate and warehouse interest bearing assets like marketable securities, generate more fee-based income, and manage risk of securities underwritten and held for trading. This will also enable the Bank to enhance its marketing relationship with existing and prospective clients in the large corporate and middle market segments as it will be carrying a broader range of products, from traditional working capital lines and term loans to project finance, initial public offerings, mergers and acquisitions, financial advisory, etc. The latter services are essential to large businesses in planning their expansion programs as a response to the increasing demand brought about by the robust economy.

RECENT DEVELOPMENTS

Amendment to Article SEVENTH of the Bank's Articles of Incorporation to Increase the Bank's Authorized Capital Stock

Subject to the approval of the stockholders during the Annual Stockholders' Meeting scheduled on April 25, 2023, and thereafter, the relevant government regulatory agencies, the Bank's Board of Directors, during its meeting on February 28, 2023, approved to amend Article SEVENTH of the Banks Articles of Incorporation to increase the Bank's authorized capital stock, as follows:

From
"SEVENTH – The total authorized capital stock of the corporation is PESOS: TWENTY-ONE BILLION FIVE HUNDRED SEVENTY-FIVE MILLION ONE HUNDRED FOURTEEN THOUSAND SEVEN HUNDRED (P21,575,114,700.00) divided into ONE BILLION SEVEN HUNDRED TWO MILLION FIVE HUNDRED ELEVEN THOUSAND FOUR HUNDRED SEVENTY (1,702,511,470) common shares with a par value of PESOS: TEN (P10.00) per share; and FOUR HUNDRED FIFTY-FIVE MILLION (455,000,000) preferred shares with a par value of PESOS: TEN (P10.00) per share." (As amended on 30 January 2020 and further amended on 08 July 2021)

To
*"*SEVENTH – The total authorized capital stock of the corporation is PESOS: TWENTY EIGHT BILLION ONE HUNDRED NINETY EIGHTY MILLION SEVEN HUNDRED SEVENTY THREE THOUSAND EIGHT HUNDRED FORTY (P28,198,773,840.00) divided into TWO BILLION THREE HUNDRED SIXTY FOUR MILLION EIGHT HUNDRED SEVENTY SEVEN THOUSAND THREE HUNDRED EIGHTY FOUR (2,364,877,384) common shares with a par value of PESOS: TEN (P10.00) per share; and FOUR HUNDRED FIFTY FIVE MILLION (455,000,000) preferred shares with a par value of PESOS: TEN (P10.00) per share. (As amended on 30 January 2020 and further amended on 08 July 2021)." (*As amended on 25 April 2023).*

Appointment of Bank Officers

Effective February 16,2023, the Bank appointed Ms. Marie Suzanne Sison Sevilla as Chief Information Officer and Senior Vice President and Head of Digital Services Group. She replaced Mr. Donald Benjamin G. Limcaco. Ms. Sevilla has been tasked with driving the Bank's information technology (IT) projects and roadmap, and ensuring compliance on various aspects of IT.

STRENGTHS

BankCom believes that its principal competitive strengths include the following:

- Strong support from SMC Group and synergies with the SMC ecosystem;
- Prudent balance sheet management with strong capitalization and liquidity to support a new growthphase;
- Effective risk management leading to high asset quality and balance sheet resilience;
- Augmented and invigorated management team overseen by seasoned and experienced Board;
- Strategic and well-balanced branch network footprint; and
- Nimble and agile company culture and workflow allows BankCom to act quickly and prudently when opportunities arise.

STRATEGIES

Amid assumptions of continuing elevated interest rates to manage inflation, BankCom remains focused on achieving its goals by sustaining and keeping healthy financial position and results by providing meaningful customer banking experience, operational efficiency, and developing and retaining employees.

As economic activities rebound, the Bank seeks to continue supporting customers' growing needs. Priority strategies include strengthening core business income, optimizing cross-selling activities, ramping up participation in capital markets, innovation of products and services, developing SMC ecosystem and affiliates to support loans expansion and boosting business units' operational efficiency through digitalization.

- Achieve scale and sustainable growth / client expansion by leveraging the broader SMC ecosystem;
- To expand / innovate product suite and service offering;
- Investment in Information Technology Infrastructure and Financial Technology to improve customer service and touchpoints;
- Increase profitability through return-on-equity expansion as well as growth of fee income business;
- Build deeper relationships and activate cross sell opportunities by putting the needs of customers on the forefront; and
- Shareholder's commitment to environmental, social, and governance ("**ESG**") framework and regulatory compliance and advancing the culture of "*malasakit*".

BANKING PRODUCTS AND ACTIVITIES

Overview

The Bank's principal areas of business are retail or branch banking, transaction banking, corporate banking, consumer loans, cards, treasury, cash management, remittance, trust services and investment banking services. These products and services are delivered through various channels such as branches, internet banking, ATM machines, and through agent partners. The list of products and services is enumerated below.

Retail Products

- Savings Account with Debit Card (Mastercard)
- Savings Account with Passbook
- Savings Account Plus
- Checking Account
- Complete Checking Account
- Executive Payroll Account
- US Dollar Savings Account
- Euro Savings Account
- Yuan Savings Account
- Junior Smart Savers Savings Account

- One Passbook Investment Account
- Time Deposit
- One-Year Time Deposit
- Future Secure Time Deposit
- US Dollar Time Deposit
- Euro Time Deposit
- SSS Pension Account
- US Veterans Pension Savings Account (PHP and USD)
- Payroll Savings Account
- Philippine Retirement Authority (PRA) Savings and Time Deposit Accounts (PHP and USD)
- Cash Card (Mastercard)
- Long Term Negotiable Certificate of Time Deposit
- Corporate Savings Account
- Corporate Savings Account Plus
- Corporate Checking Account
- Corporate Checking Account Plus with Corporate Access Number

Corporate Banking

- Working Capital Loan
- Term Loan
- Capital Expenditure Financing
- Project Financing
- Small Business Loan – Term Loan
- Small Business Loan – Business Credit Line
- Foreign Currency Denominated Loan
- Trade Financing
- Letters of Credit
- Export Packing Credit
- Export Bills Purchase
- Domestic Bills Purchase

Consumer Loans

- Home Loan
- Auto Loan
- Salary Loan

Credit Card

- Bank of Commerce Mastercard

- Classic
- Gold
- Platinum
- World

Trust Products and Services

- Unit Investment Trust Funds
  - Diversity Money Market Fund
  - Diversity Peso Bond Fund
  - Diversity Dollar Bond Fund
  - Diversity Dividend Focused Fund
- Trust and Other Fiduciary Services
  - Personal Management Trust
  - Employee Benefit Trust
  - Trust Under Indenture
  - Collateral Trust
  - Special Purpose Trust/Other Institutional Trust
- Investment Management Account
  - Other Agency Accounts
  - Facility / Loan Agency
  - Escrow Agency
  - Buyer and Seller Escrow
  - POEA Escrow
  - BIR Escrow
  - HLURB Escrow
  - Source Code Escrow
  - Other Escrow Accounts

Treasury Products

- Fixed Income Government Securities (Peso / Dollar)
- Corporate Bonds
- Foreign Exchange

Investment Banking Services

- Financial Advisory
- Issue Management, Underwriting and/or Arrangement of Debt and Equity Instruments
- Placement/Selling of Debt and Equity Instruments

Transaction Banking

- Cash Management Solutions
  - BankCom PAY
    - cashPAY
    - directPAY
    - checkPAY
    - govPAY
  - BankCom COLLECT
    - DepositCOLLECT
    - directCOLLECT
- Digital Channels
  - BankCom [Personal] – Retail Online Banking (Web and Mobile App)
  - BancNet Point of Sale
  - Automated Teller Machines (ATM)
  - Cash Deposit Machine (CDM)
  - Payment and Card Solutions
- Remittance Services
  - SikapPinoy OFW Account
  - SikapPinoy Asenso Program
  - SikapPinoy Domestic Remit
    - Cash Pick-up at RD Pawnshop
  - SikapPinoy International Remit
    - Credit to Accounts with Bank of Commerce
    - Credit to Accounts with Other Philippine Banks via PesoNet
    - Credit to Accounts with Other Philippine Banks via Instapay
    - Credit to Mobile Wallets (GCash, Maya, Coins.ph, GrabPay
    - Cash Home Delivery
    - Cash Pick-up Services via Bank of Commerce Branches from International Remittance Partners*
    - Cash Pick-up Services via Philippine Payout Partners:
      - M Lhuillier
      - Cebuana Lhuillier
      - LBC Express
      - Palawan Pawnshop
      - RD Pawnshop
  - E-Government Payments of OFWs through International Remittance Partners*
    - SSS Contributions / Loan Payments

        - PhilHealth Contributions
        - Pag-IBIG Contributions / Loan Payments
    - International Remittance Partners*
        - Al Ansari Exchange LLC (United Arab Emirates)
        - Arab National Bank – TeleMoney (Kingdom of Saudi Arabia)
        - Bank AlJazira – Fawri (Kingdom of Saudi Arabia)
        - Bank AlBilad – Enjaz (Kingdom of Saudi Arabia)
        - Family Express (Canada)
        - Eastern & Allied Pty Ltd – HaiHa Money Transfer (Australia)
        - MoneyGram (Global)
        - Pacific Ace Forex HK Ltd (Hong Kong)
        - Prabhu Money Transfer (Qatar)
        - TransFast (Global)
        - U Remit International Corp. (Canada)
        - Speed Money Transfer (Japan)
- International Trade Services
    - Import
        - Import Letter of Credit
        - Standby Letter of Credit (SBLC) / Bank Guarantees
        - Import Collections
        - Documents Against Payment (DP)
        - Documents Against Acceptance (DA)
        - Trust Receipt Loan
        - Payment Abstract Secure (PAS6) Enrollment and Bureau of Customs Duties & Taxes Payment
        - Shipside Bond Guarantee
        - Airway Bill Endorsement
        - Foreign Exchange (FX) Purchase for Advance Payment of Importation
        - Direct Remittance (DR)
        - Open Account (OA) Arrangement
    - Export
        - Export Bills for Collection
        - Export Bills Purchased
        - Export Advances
        - Export LC Advising / Confirmation / Transfer
    - Domestic
        - Letter of Credit
        - Standby Letter of Credit / Bank Guarantees
        - Negotiation of Domestic Letter of Credit

- Supply Chain
    - Trade Finance Receivable

Corporate Banking Group

Corporate Banking Group (CBG) grew its assets by a remarkable 47.2%, from Php63.6 billion in 2021 to Php93.6 billion in 2022 or an increase of Php30.0 billion, even while the economy was in a recovery phase due to the effects of the pandemic. Following the same trajectory, loan volume on an average daily balance (ADB) basis rose by 47.5% by the end of 2022. The bulk of this growth came from major deals with highly rated, credit-worthy companies in public infrastructure and real estate, power and renewable energy, engineering and construction, and information technology and telecommunications industries.

The growth in loan volume and fees brought net interest income to Php1.3 billion in 2022. Non-interest income was also a source of strong performance as CBG booked a total of Php154 million - almost four (4) times its fee income of Php40 million in 2021.

Branch Banking Group

Branch Banking Group (BBG) oversees the Bank's retail banking business and is considered as the "nucleus" or core source of customers for the Bank's other business units to drive programs for their target markets. With a network of 140 branches, BBG draws from the years of experience of its seasoned leadership and expertise of its individual branch teams to deliver a consistently satisfying and comprehensive financial experience to the Bank's affluent ("Priority") and emerging affluent ("Aspire") customers under the BankCom Experience Program.

Despite a challenging year, BBG reached a double-digit growth in low-cost deposits of 16% or Php13.3 billion, and a 7% increase in high-cost deposits or Php4.7 billion. The growth brought the Bank's total deposits to Php176.2 billion by the end of 2022.

As physical and mobility restrictions eased, BBG launched tactical customer acquisition campaigns not only in Metro Manila but also in key cities across the country, including client presentations with key members of the Senior Executive Team. Highlights of these campaigns were a roadshow and economic forum that supported the Bank's key fund-raising activities, both capital and bonds, working together with Treasury Management Group (TMG), Trust Services Group and Investment Banking Group.

To deliver on its key result areas, among which is cross-selling, BBG rolled out a "Star Look" development program for branches and individual branch employees which was supported by capacity building through familiarization with the products of partner business units, certifications for treasury and trust services, compliance awareness, and service quality clinics, among others.

With effective collaboration with Credit Cards Group (CCG), Consumer Group (CG), Trust Services Group (TSG), TMG, and Transaction Banking Group (TBG), BBG referred new credit card holders, raise consumer loans (Auto Loan and Home Loan), Trust Referral Income, and FOREX income. Likewise, BBG continued to promote enrollment to BankCom [Personal] and BankCom [Corporate] among its customers.

Riding on its formula for achieving these key financial results, BBG has placed the following in its immediate horizon:

1. Keener promotion of the BankCom Experience Program
2. Introduction of a new deposit products
3. Technology enhancement
4. Continuous training and development
5. Heightened activity in marketing the BankCom brand
6. Completion and piloting of the “branch of tomorrow” design

Transaction Banking Group

Transaction Banking Group (TBG) runs four businesses, namely, Cash Management, Trade, Remittance, and Digital Channels. Transaction flows which either originate or are fulfilled by these units generate revenue for the Bank in the form of interest income and fee/non-interest income.

In 2022, TBG brought in a total of Php1.407Bn in revenues, consisting of Php1.117Bn in interest income from TBG deals, and Php289.6Mn in fee income. Compared to the previous year, interest income grew by 3.81%. Among the four units, cash management continued to lead TBG’s interest income at 77%, followed by digital channels at 22%. These were derived from transaction flows of Php39.5Bn generated by cash management’s payment and collection solutions, and Php11.6Bn worth of fund transfer, bills payments and other financial transactions that went through BankCom [Personal], ATMs, point-of-sale and retail transaction channels managed by the group.

Similarly, TBG saw its fee income rise by 44.8% versus 2021, contributed mostly by trade finance (44%), digital channels (35%) and remittance (19%). Issuances of standby letters of credit (SBLCs) was one of its more widely-recognized trade business activities. SBLCs were issued to sellers of goods, on behalf of the bank’s clients, who bought the goods for their operations. It was a stellar year for the BankCom’s trade finance business as its trade fee income grew by 753% from 2019 to 2022. Likewise, its trade-related contingent liabilities reached Php19.9Bn in average daily balance (ADB), or six times its 2019 level of Php2.7Bn. The remarkable growth mirrored the revival of activity in trade as BankCom’s issuance throughput accelerated by more than 20 times from Php3.4Bn issued in 2019—the year its trade finance unit was established—to PHP70 billion in 2022. It also demonstrated the strong partnership of BankCom and SMC in supporting the operational requirements and exigencies of trade-heavy businesses.

BankCom’s remittance business, through its Sikappinoy Debit Card and Sikappinoy Asenso program, made notable strides versus industry growth rates in 2022. While Philippine inward remittances grew by 5.76% in December 2022 versus the same period the previous year, BankCom’s growth was at 23%. On a full-year basis, BankCom processed 12% more in inward remittances in 2022 compared to the previous year, whereas the total industry was at 3.6%. The key drivers of growth in 2022 were remittances from the Middle East, accounting for over 60% of the business, and remittances through digital channels which grew exponentially by over 600%.

Investment Banking Group

Established in March 2022 following the BSP’s approval of the upgrade of the Bank’s status from a commercial bank to a universal bank, the Investment Banking Group thrusted forward to a remarkable start, generating Php110 million in revenues from selling fees and underwriting fees within only 6 months. Most of the transaction volume came from selling and underwriting publicly registered securities. These include the Php40 billion corporate bonds issuance of SMC Global Power in July, and San Miguel Corporation's own corporate bonds issuance worth Php60 billion in December, the largest corporate debt issuance in the Philippine bond market to date.

The warm reception and overwhelming demand for IBG's investment offerings from the extensive existing client networks of Branch Banking Group, Treasury Management Group, and Trust Services Group were crucial to the Bank's outstanding performance in investment banking in 2022. With a highly experienced team, structural policies in place, membership in the Investment House Association of the Philippines, and the required equity securities underwriting licenses, IBG is poised to deliver on pipeline deals extending to structuring debt arrangement for several clients involved in IT services and in the construction of large-scale infrastructure projects such as elevated tollways and commuter railways, as well as undertaking transactions in debt arrangement and financial advisory, through 2023.

Treasury Management Group

Fixed Income

Treasury Management Group (Treasury) broke records in fixed income, foreign exchange (FX) distribution, and liquidity management in spite of the demanding environment that struggled to come out of the dampening effects of the pandemic on one hand, as well as inflationary forces created by aggressive interest rate hikes of central banks notably the Federal Reserve of the United States and BSP.

Treasury's cautious approach to purchasing fixed income securities and lodging them in the Bank's Held-to-Collect (HTC) portfolio, coupled with prudence in position sizing, discipline in trading, and diligence in reading the market, enabled it to manage losses to a relatively low level at -P29.2 million. All in all, its security holdings, mostly in HTC portfolio, generated Php1.7 billion in total interest income. In terms of volume, Treasury through its Marketing and Sales team moved a total of Php29 billion in securities, or a massive 1,368% increase versus the previous year, in line with the Bank's investment banking offerings in 2022.

The Bank's successful maiden bond issuance, which Treasury spearheaded, became the year's highlight as it raised an aggregate amount of Php7.5 billion after closing the book on just the 2nd day of the offer at more than 3 times the initially announced minimum issue size of Php3 billion. The 2-year Series A Bonds, which was competitively priced at a coupon rate of 5.0263% per annum due 2024, was met with strong demand and swift traction by both institutional and retail investors, such that the Bank reached Php10.9 billion of orders shortly before deciding to conclude the offering period. The overwhelming response underscored the market's confidence in BankCom's performance, its creditworthiness, and growth potential as a publicly-listed company and an affiliate of SMC, one of the Philippines' largest and diversified conglomerates. Proceeds from this issuance were intended to enable the Bank to match long-term assets with long-term funding to reduce the Bank's interest rate risk, and to provide stability through diversified funding sources in propelling loan growth in the corporate, SME and retail sectors.

As bond yields trend upwards, Treasury continues to work on gaining access to the bond futures market to seize more profitable opportunities. A new system, Fusion OPICS, was procured for this purpose.

FX Distribution

Treasury duplicated its feat with a record-breaking 211% increase in FX gains from Php48.4 million in 2021 to Php150 million in 2022. This was achieved through an expanded FX sales team and a pricing strategy that closely supported clients' needs.

Liquidity Management

At its core, Treasury through its Liquidity and Asset-Liability Management team delivered on its goal of securing funding at optimal rates to keep the Bank's deposit costs at bay at 0.59%, albeit 18 bps more than in 2021, and achieve a remarkable 41% expansion in loans, or Php30.7 billion increase year-on-year, and 19% growth in investment securities, or Php9.43 billion year-on-year. This was achieved by strategically matching assets and liabilities to the extent possible.

This, in spite of unprecedented challenges characterized by sharp interest rate hikes of central banks and elevated market volatility, after more than a decade of abundant liquidity and relative stability in the market.

The efficiency and reduced risk of Treasury's approach to liquidity management enabled the Bank to surpass its targeted net interest margin / net interest income for the year without exposure to undue risks from the interest rate volatility, which largely contributed to achieving a record-high net income in 2022.

Consumer Group

Consumer Group (Consumer) continued with its uptrend in operational results with a strong follow through to the recovery that started in 2021. While the country was still in the midst of the pandemic-related challenges, the 2022 performance reflected better year-end balances than projected for the year, with improved net interest margins at Php354 million, higher fees generated at Php40.4 million, and reversals in provisions at Php93.6 million due to improved delinquency levels. Profit after provisions stood at Php330.1 million.

A key attribute of the performance in 2022 was a strict adherence to an approved risk appetite for lending. Consumer focused on credit-granting parameters that identified the desirable borrowers and which were closely reviewed and calibrated according to the prevailing market conditions. This provided the anchor to the 2022 results. The total consumer loans portfolio not only grew but the composition shifted to a higher percentage of performing loans and lower delinquency levels. The improvement in delinquent accounts was brought about by a combination of more efficient collections and timely remedial activities. As a result, non-performing loan ratios were significantly better at the end of 2022 compared to 2021.

The Group's strategy has enabled the Bank's consumer lending business to remain resilient in the face of global economic headwinds. While Consumer sees 2023 with optimism it remains watchful of the market conditions as it targets to deliver growth while maintaining the quality of its portfolio.

Trust Services Group

BankCom landed a stronger contender on trust business as the Bank rose to 9th place from 10th in the industry in terms of Assets Under Management (AUM). Trust Services Group (TSG) grew AUM by an impressive 12% year-on-year, reaching a total of Php70.3 billion. The combination of TSG's decisiveness, synergy with BBG, and strong support from SMC unlocked numerous opportunities for clients to seek BankCom's trust products and services.

BankCom's Investment Management Account likewise completed a banner year, growing AUM by 12.97% year-on-year to Php66 billion. Other Fiduciary Accounts AUM also yielded double-digit growth at 22.9% and ended the year at Php1.2 billion.

With its sights set on achieving a 20% compounded annual growth rate (CAGR) increase in both AUM and revenues by 2023, TSG has rolled out initiatives to create value for clients and key stakeholders by providing employees, suppliers, distributors, and consumers with well-thought-out programs to protect and grow their savings through prudent and informed investing.

Credit Card Group

The Credit Card Group (CCG) exceeded its 2021 income levels with the full recovery in the cards business in 2022. Credit card billings hit the Php4Bn mark, closing the year with a total of Php4.2B in credit card billings consisting of both local and international spend. Likewise, total credit card revenues exceeded Php300Mn. These figures have been the highest so far, reflecting customers' regained confidence in consumer spending, their more pronounced online and digital transaction lifestyle, and of course, the resurgence of travel.

The Bank through CCG also saw higher activity with its Debit Card, posting more than Php2.2Bn in retail billings, or 24% higher than its 2021 level. Revenues generated from transaction fees reached Php11.5Mn or an increase of 22% over the previous year. This remarkable performance reflected cardholders' readiness and increasing acceptance of it as an innovative, alternative mode of payment. It demonstrated the positive and improved direction of Debit Card usage supported by the awareness and adoption marketing campaigns that CCG launched in 2022 through various channels including social media.

With a seasoned and adaptive team, a constant focus on the customer, and the overall confidence of cardholders, CCG has set plans to further develop strong campaigns while retaining prudent risk controls, customer focus and satisfaction.

CREDIT APPROVALS

Credit Rating/ Scoring System

The Bank's Internal Credit Risk Rating System ("ICRRS") is an established tool used to evaluate the creditworthiness of a company. This rating system consists of a 10-grade rating scale that incorporates both qualitative and quantitative factors, focusing on both borrower and facility dimensions. The borrower dimension focuses on factors that affect the inherent credit quality of each borrower. The facility dimension, on the other hand, highlights the security and collateral arrangements and other similar risk influencing factors of each transaction. The ICRRS is a more complex and comprehensive tool that considers factors such as financial statements, industry benchmarking, management quality and other relevant factors.

In 2007, the Bank implemented a credit risk classification that is compatible with global rating standards in compliance with BSP. In 2018, the Bank completed the recalibration of the ICRRS.

Along with this, the Bank introduced application scorecards for consumer loan applications (including credit cards) in 2015. An application scorecard assigns a numeric score based on factors available at the time of application including loan application characteristics, demographics, credit history, income sources, and other relevant information to determine the likelihood of the applicant repaying the loan or credit. These scorecards together with other credit acceptance criteria are used to determine the Bank's application acceptance.

The Bank continually monitors the performance of its rating models and scorecards to ensure their reliability and accuracy. Regular reviews are conducted to identify any potential issues or weaknesses that may affect the accuracy of these models and scorecards. To provide an objective assessment of the model's performance, the Bank contracts external entities to perform comprehensive review and validation of the different rating and scorecards on a regular basis. Results of these independent validation exercises are reported to the management, the Board Risk Oversight Committee (BROC), and the Audit Committee.

Credit Approval Process

To ensure that the Bank is operating under a sound credit granting process, the approval for new credits as well as the amendment, renewal and refinancing of existing exposures has been aligned with the credit risk management structure of the Bank and clearly articulated in its written credit policy. In this process, the Bank has taken into consideration the different levels of appropriate approving authority and their corresponding approving authority limits, which have been commensurate with the risks of the credit exposures. It likewise implements an escalation process where approval for restructuring of credits, policy exceptions or excesses in internal limits is escalated to individual/committee with higher authorities. More so, the Bank is practicing proper coordination of relevant units and individuals as well as sufficient controls to ensure acceptable credit quality at origination.

Credit proposals are presented and justified by the lending officers via Credit Proposal Memo (CPM) / Offering Memo (OM). Such presentation shall only be made after a thorough evaluation and analysis of the borrower and the source of repayment. And to be consistent with safe and sound banking practice, the Bank shall grant credits only in amounts and for the periods of time essential for the effective completion of the activity to be financed and after ascertaining that the borrower is capable of fulfilling its commitments to the Bank.

Credit approving authority limits are approved by the Board of Directors. Each level of authority can act upon the proposals and transactions within the limits of its authority and in accordance with policies, limitations and restrictions set forth by the management and approved by the Board. Credit proposals that require committee approvals (i.e. Credit and Collection Committee, Executive Committee, and Board of Directors) are presented by the lending officers during the regular en banc meetings of each committee. There are, however, certain urgent transaction types that the policy allows to be routed to members of such committee for approval.

The Credit and Collection Committee plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan, within its authority and to endorse those credit proposals which are beyond its authority to the Executive Committee and/or the Board of Directors. It has also the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations.

Credit monitoring, Review Process, and DOSRI

In line with the BSP mandate for banks to effectively monitor the condition and quality of their individual and group credit portfolios, the Bank has developed and implemented comprehensive processes, procedures and information systems to attend to that mandate. These include criteria that identify and report problem credits to reasonably assure that they are appropriately monitored as well as administered and provided for. As such, any exception, breach and potential problem noted shall be promptly reported to management for corrective action, possible classification and/or provisioning and more frequent monitoring.

The Bank has established an independent unit to review the portfolio of the Corporate/commercial accounts and identify existing and potential areas of deterioration and assess the risks involved. In addition, the credit support units evaluate the degree to which a particular lending unit is complying with existing credit management policies.

Further to this, the Bank has been implementing more intensive monitoring on individual and aggregate exposures against prudential and internal limits on a regular basis. In the ordinary course of business, the Bank has loans and other transactions with its directors, officers, stockholders and related interests ("DOSRI"). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. 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 Bank's total capital funds or 15% of the Bank's total loan portfolio, whichever is lower.

The Bank's related party loans (amounts in thousands) are as follows:

	2022		2021	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI)**	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	**P258**	**P29,909,689**	P -	P29,201,574
Percent of DOSRI/Related Party loans to total loans	**0.00%**	**28.34%**	0.00%	38.70%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**39.98%**	0.00%	49.53%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.01%**	0.00%	0.01%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.03%**	0.00%	0.06%

CUSTOMERS

The Bank is not dependent upon a single customer, the loss of which would have a material adverse effect on the registrant. There is no single customer that accounts for at least 20% of the Bank's total loan portfolio.

EMPLOYEES AND LABOR RELATIONS

As of 31 December 2022, the Bank had a total of 1,865 employees, 906 of which are engaged in a professional management capacity and classified as bank officers, and 959 were classified as rank-and-file employees.

The Bank fosters positive relations with and among its employees. It ensures that appropriate training and employee relations activities are available to employees at all levels.

The Bank's staff employees are members of the Bank of Commerce Employees Union ("BCEU"), except for employees holding confidential positions and belonging to the Information Technology

Services Division. BCEU has been the sole and exclusive bargaining representative for all the regular rank-and-file employees of the Bank since 22 July 1986. The Bank and BCEU have a Collective Bargaining Agreement ("CBA") that governs the terms and conditions of employment of the staff. The existing CBA is valid until expired on 30 June 2023.

As of 31 December 2022, BCEU has a total of 782 members. None of the Bank's employees are on strike or have been on strike in the past three (3) years. To the best knowledge of the Bank, as of the date of this filing, there are no outstanding threats to strike from BCEU or any outstanding dispute with the BCEU.

The following table presents the number of employees by category as of the dates indicated:

	As of 31 December			
	2019	2020	2021	2022
Rank and File	1,000	990	968	959
Officers	897	920	905	906
Total	**1897**	**1910**	**1873**	**1865**

Significant Employees

While the Bank values the contribution of each employee, the Bank believes that there is no employee as of the date of this filing that whose resignation or loss would have a material adverse impact on the business.

Retirement Plan

The mandatory retirement age for a Bank employee is 60. The Bank has a funded non-contributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than ten (10) years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least ten (10) years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits such retirement benefits shall be subject to the pertinent requirements of the BIR.

An employee who has at least 5 years of service as a regular employee, shall be eligible to the resignation benefits if he resigns, subject to the pertinent requirements of the BIR.

The Bank's retirement plan is registered with the BIR as a tax-qualified plan and complies with the minimum retirement benefit specified under the law. The retirement fund is managed and administered by the Bank's Trust Services Division which is covered by an Investment Management Account.

Compensation Policy

The Bank observes overall compensation program on par with industry standards and aligned with the requirements of labor laws, rules, and regulations. The program considers performance and is commensurate with the individual's qualifications, experience, and expertise. Corollary to this, the Bank utilizes data gathered from industry survey to ensure that remuneration packages of the employees are within industry standards. Likewise, employee performance is recognized through periodic performance assessments. This process provides the measure for commensurate salary increases and performance bonuses.

Insurance Policy

The Bank provides its regular employees with group life insurance and medical and hospitalization insurance coverage in line with good business practice and in accordance with Philippine standards. Insurance premium payments for these policies are paid entirely by the Bank.

BRANCH NETWORK

As of end-December 2022, the Bank has a total branch network of 140 branches nationwide, 62 in Metro Manila and 78 across various cities and provinces. Five (5) of these were approved for relocation in 2023. Some branches have been renovated to reflect the Bank's new standard look and feel, while some branches were strategically repositioned to sites that have more business potential and market accessibility.

The following table illustrates the coverage of the Bank's network in recent years and sets forth the number of branches as of 31 December 2019, 2020, 2021, and 2022:

	As of 31 December			
	2019	2020	2021	2022
Metro Manila	61	61	62	62
Luzon	43	43	43	43
Visayas	23	23	22	22
Mindanao	13	13	13	13
Total Bank branches	**140**	**140**	**140**	**140**

Moving forward, the Bank aims to expand its reach, gain more market share, and defend its customer base through a "phygital" (physical + digital) strategy which uses relevant, cost-effective technologies to enable a more segment-driven delivery of branch banking services.

ATM NETWORK

	As of 31 December			
	2019	2020	2021	2022
Metro Manila	117	119	108	111
Luzon	92	90	86	92
Visayas	34	34	34	34
Mindanao	21	21	22	22
Total ATMs	**264**	**264**	**250**	**259**

CORPORATE AND SOCIAL RESPONSIBILITY

The Bank not only prioritizes its financial performance, but also focuses on making meaningful contributions to the development of the nation and welfare of the larger society. The Bank's Corporate Social Responsibility (CSR) efforts are geared toward fulfilling its long-standing commitment to community development, promoting financial literacy, and championing volunteer work. All these initiatives are also made possible by the firm commitment shown by highly regarded corporate partners and non-governmental organizations in rendering initial assistance, as well sustaining the efforts that had been started in the communities.

From organizing relief operations to expanding the delivery of essential services, the Bank's CSR initiatives reflected its dedication to active community participation with the aim of uplifting the lives of the people it serves. Past activities include:

- **2022 Meal-packing Event with International Care Ministries (ICM) -** With volunteers finishing to pack 75 boxes in just two hours, this is one of the most highly energized and inspired CSR initiatives that exceeded attendance expectations to be held this year. Employee donations reached a total of P106,900.00. Your participation will result to having fewer families to go hungry this Christmas season and during the course of the Transform and Family Academy programs with our partners International Care Ministries and Rise Against Hunger Philippines.

- **"Stop Hunger Now!" -** BankCom employees were encouraged to support the call for donations to help Filipino families rise above extreme poverty and malnutrition.

- **Masungi Georeserve Tree-Planting Activity -** one of "malasakit" for nature initiatives targeting the Masungi Georeserve at the Upper Marikina River Basin Protected Landscape. With a combined total of 102 planted seedling varying from species acacia mangium, narra, maraluhat, ipil-ipil and mango sinora, BankCom employees contributed to the reforestation efforts of Masungi Georeserve.

- **Better World Tondo Food-feeding Day -** In support of SMFI's community center Better World Tondo (BWT), BankCom held an early Christmas Party with more than 60 beneficiary kids with games, food and gifts. BWT is a center for learning and livelihood for families in Manila and a food bank which plans to serve at least one million meals each year to children in Tondo, Manila for the next 10 years. BankCom employees volunteere to set up the events place with Christmas decors using recycled materials, cooked and served lunch meals, condducted a wide range of relay and parlor games, and distributed gift packs with assorted SMC food products. The gathering was the first post-pandemic event that gave the kids the chance to experience a Christmas party and engage in friendly competition with exciting prizes.

- **CSR Day in Leyte -** Eastern Visayas Area's Ormoc and Tacloban Branches collaborated on diverse corporate social responsibility (CSR) malasakit programs benefitting the town of Brgy. Buho, Tabango, Leyte. In collaboration with the Kiwanis Club of Geo, Ormoc (KCGO) and Kiwanis Club of Sulhog, Tacloban (KCST), Branch officers and staff with third party service providers, headed by Ormoc Branch Manager and KCGO President Bench Tabucanon and Tacloban Branch Manager and KCST member Kiko Barredo, led in providing assistance to hundreds of families through the distribution of slippers, handing out of school supplies and hygiene kit, food-feeding and dissemination of fruits, and donation of cash gifts to the youth.

- **Awesome Pawsome Day with Team Malasakit and Animal Kingdom Foundation -** From tree-planting to animal welfare, BankCom supported malasakit for nature initiatives as employees joined SMFI's CSR activity called Awesome Pawsome Day. In partnership with Animal Kingdom Foundation (AKF), BankCom volunteers from Trust Services Group and Human Resource Management and Development Division visited the Animal Kingdom Center in Capas, Tarlac to conduct feeding, cleaning, bathing and dog socialization. The 2-hectare property devoted for animal rescue and rehabilitation has 17 kennels with 20-25 dogs per each kennel. AKF is a non-profit organization devoted to eliminate the cruel and abusive practices against animals. SMFI is AKF's partner organization in the retrieval, rehabilitation and rehoming of more than hundreds of abandoned dogs and cats in Taliptip, Bulakan, Bulacan. BankCom also implemented a succesful 4-part Financial Literacy Program with relocatees and local residents from the same area.

- **2022 International Coastal Cleanup -** BankCom joined local and international volunteers at the Manila Bay coastline during the International Coastal Cleanup Day on September 17, 2022. Bank volunteers gathered at the Las Pinas-Paranaque Critical Habitat and Ecotourism Area (LPPCHEA) or Las Pinas-Paranaque Wetland Park together with SMFI and SMC subsidiaries and affiliates to be part of this global movement. The volunteers contributed to minimizing the massive amount of pollution in the Manila Bay area. With their participation, SMC managed to collect 14,500 kg. of trash nationwide, together with 1,200 SMC volunteers in other locations. The documented and segregated trash collected by every volunteer would help to identify ways and means to eliminate ocean trash. This CSR activity is organized by the Department of Environment and Natural Resources (DENR).

- **BankCom Financial Literacy Program in Bulacan -** BankCom's Consumer Protection Department held its Financial Literacy (FinLit) Program at Barangay Taliptip in the municipality of Bulakan, Bulacan province. The BankCom FinLit program focused on the concept of savings through various bank products, the factors to consider before borrowing money, and the importance of online banking. Besides the main learning session, a set of games were conducted to determine the participants' understanding of the lessons and its practical application on their day-to-day financial requirements. The FinLit Program was designed to provide guidance on the financial goals of the fishing communities which had ventured into sustainable mushroom farming in line with the CSR program of San Miguel Aerocity, Inc. (SMAI) within the scope of the Aerocity development.

- **Masungi Georeserve Scholarship Program -** Recognizing the need of the education sector to continue with their operations despite the pandemic, the Bank partnered with Masungi Georeserve to initiate a scholarship program for select students in nearby schools in Baras, Rizal. The Bank provided financial support and organized a donation among employees to collect cash or in-kind donations for the purchase of school items for student beneficiaries.

Item 2. PROPERTIES

The Bank's head office is located at San Miguel Properties Centre, No. 7, St. Francis Street, Mandaluyong City. Its Main Office Branch is located in the same building.

The Bank leases the premises occupied by most of its branches and area offices. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 0% to 10%.

The Bank leases out some properties as office space. These non-cancellable have remaining lease terms ranging from 1 to 8 years.

Location	As of 31 December 2021	As of 31 December 2022
Owned Branches		
Metro Manila	4	4
Luzon	3	3
Visayas	1	1
Mindanao	1	1
TOTAL	**9**	**9**
Leased Branches		
Metro Manila	58	58
Luzon	40	40
Visayas	21	21
Mindanao	12	12
TOTAL	**131**	**131**

In addition, the Bank has a total of 2,570 Real and Other Properties Acquired for settlement of loans through foreclosure or dacion en pago broken down as follows:

Property Type	Count as of As of December 2022
Condominium	168
Condominium and Parking	5
Condominium Parking	53
Land	1,993
Land and Building	340
Townhouse	11
TOTAL	**2,570**

**Memorial lots are counted as 4 (Land), but has 8,500 titles*

Item 3. LEGAL PROCEEDINGS

The Bank is involved in various pending legal proceedings, claims and investigations. Summaries of the more significant of these cases are set out below. Management nonetheless believes that none of the proceedings presently involving the Bank will (even if resolved against the Bank) have a material adverse effect on the Bank's operations, properties, assets, conditions (financial or otherwise), results of operations or profits, or on its ability to discharge its obligations.

Bureau of Internal Revenue - Declaratory Relief

Revenue Regulation No. 04-2011 prescribed allocation of expenses among different income streams of a bank or business unit. Several banks received preliminary or final assessment notices covering deficiency income taxes for the year 2011 following BIR's verification of returns and application of

RR 4-2011. The banks filed this petition for declaratory relief to restrain the implementation of the new regulation and annul the same on constitutional grounds.

In May 2018, the trial court issued an order granting the petition and nullified RR 4-2011. The Department of Finance brought a petition for review directly to the Supreme Court praying for the reversal of the trial court's order. The Supreme Court promulgated a decision affirming the nullity of RR 4-2011, which became final in June 2022.

Anti-Money Laundering Council – Violation of AMLA

The Bank allegedly submitted covered transaction reports ("CTR") to the Anti-Money Laundering Council ("AMLC") beyond the 5-day reglementary period. The AMLC Secretariat thus charged the Bank with "non- compliance with the requirement to report covered and suspicious transactions," sanctioned as a "major violation" under the Rules on the Imposition of Administrative Sanctions (RIAS) under Republic Act No. 9160, as amended. The Bank responded to the AMLC's charge and explained that it should not be held liable under the RIAS because it had filed CTRs and substantially complied with the requirements of Philippine anti-money laundering laws and regulations. Additionally, the Bank pointed out that it implemented improvements to its reporting system.

Notably, a majority of the universal and commercial banks in the Philippines are faced with the same predicament. While the case was pending, the AMLC issued the Rules of Procedure in Administrative Cases ("RPAC") which repealed the RIAS. The RPAC, under Rule 2 Section 3 (e), allows the striking out of a case (as if no case was filed) upon payment of the appropriate assessment, which ranges from ₱5,000,000.00 to ₱10,000,000.00. The Bank filed a manifestation and motion proposing to avail itself of this benefit under Rule 2 Section 3(e) of the RPAC, that AMLC accepted. AMLC also acknowledged payment from the Bank of the assessed amount of P5,000,000.00 and ordered the case to be stricken off the record.

Presidential Commission on Good Government - Reconveyance of Assets

The Presidential Commission on Good Government ("PCGG") brought an action before the Sandiganbayan for reconveyance of assets relative to alleged ill-gotten wealth of former President Ferdinand Marcos claimed to have been deposited with Traders Royal Bank (TRB). The Bank was impleaded as additional defendant in an amended complaint as successor-in-interest of TRB, citing their Purchase & Sale Agreement ("PSA"). The Bank raised the defense that it did not acquire the disputed assets which were specifically excluded from the assets acquired and/or liabilities assumed from TRB under the PSA. The Sandiganbayan rendered a decision finding TRB liable for the alleged ill-gotten wealth of the former President but dismissed the case insofar as the Bank is concerned, affirming the Bank's position on exclusion of the disputed assets from the PSA and declaring that there was no merger between the two banks. The PCGG filed a motion for partial reconsideration with respect to the dismissal of the case in favor of the Bank. The Sandiganbayan denied the Motion for Partial Reconsideration filed by the PCGG, and maintained its decision absolving the Bank from PCGG's claim on the alleged ill-gotten wealth. PCGG filed a petition for review with the Supreme Court and the bank filed its comment thereto.

College Assurance Plan Philippines Inc. - Corporate Rehabilitation

The controversy originated from proceedings for corporate rehabilitation of College Assurance Plan Philippines Inc. ("CAPPI"). Trustee, Philippine Veterans Bank ("PVB"), and CAPPI claimed "interest" or dividends on the Bank's preferred shares that it redeemed from CAPPI, insisting that interest thereon is due. The Bank countered that payment of dividends requires BSP approval and that is not liable to pay “interest” or dividends in the absence of retained earnings. Pending resolution of the issue, an escrow fund was set up with PVB-Trust. The BSP subsequently disapproved the issuance of dividends by the Bank. Notwithstanding, the trial court ordered PVB-Trust to release funds from the escrow for payment of the interest “due and payable” on the redeemed preferred shares. Before the Bank received the order, PVB-Trust released the corresponding amount to CAPPI. The Bank elevated the matter to the Court of Appeals which decided in its favor, ordering CAPPI to return the amount it received from PVB. CAPPI and PVB filed separate petitions before the Supreme Court assailing the decision of the Court of Appeals. The Bank received the Supreme Court decision reversing the Court of Appeals and declaring the validity of the release of funds from escrow that was implemented pursuant to the court order. The Bank filed a motion for reconsideration of the Supreme Court’s decision. The decision of the Supreme Court will not have a material adverse effect on the Bank’s business operation or financial position since this civil action filed by the Bank is for the return of the funds subject of the case that were in escrow and previously released by PVB-Trust.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDINGS

On April 29, 2022, the stockholders of the Bank held a special meeting, where 88.51% of the outstanding capital stock present or represented by proxy approved the following:

1. Minutes of the Special Meeting of Stockholders on November 9, 2021
2. Management Report of the Bank for the Year ended December 31, 2021
3. Ratification of all the acts of the Board of Directors and Officers since the 2021 Annual Stockholders’ Meeting
4. Confirmation of the Bank’s Significant Transaction with DOSRI and Related Parties
5. Amendment to the Preamble and SECOND Article of the Amended Articles of Incorporation of the Bank to Change its Purpose from a Commercial Bank to a Universal Bank pursuant to MB Resolution No. 1798 dated 23 December 2021
6. Amendments to Sections 2 and 4 of Article III of the Amended By-Laws of the Bank to conform with Sections 28 and 52 of the Revised Corporation Code
7. Appointment of External Auditors; and
8. Election of the Board of Directors

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Stock Price

The Bank's common shares are listed on March 31, 2022 and traded at the Philippine Stock Exchange (PSE). The high and low prices for each quarter from date of listing are as follows:

		Q1 Last Practiceable Trading Date		Q2 Last Practiceable Trading Date		Q3 Last Practiceable Trading Date		Q4 Last Practiceable Trading Date	
2022	High	12.58	3.31.22	12.30	5.2.22	10.18	9.5.22	9.35	10.12.22
	Low	12.10	3.31.22	8.00	6.30.22	7.98	7.7.22	7.75	12.28.22

Source: Philippine Stock Exchange

As of March 31, 2023, the closing price of the Bank's common shares is Php7.86.

HOLDERS OF SECURITIES

The authorized common and shares as of December 31, 2022 amounted to ₱17 billion and ₱4.6 billion, respectively.

CORPORATE NAME:	BANK OF COMMERCE			
CAPITAL STRUCTURE				
AUTHORIZED CAPITAL STOCK				
	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (Php) No. of Shares X Par/Stated Value
	Common	1,702,511,470	10.00	17,025,114,700.00
	Preferred	455,000,000	10.00	4,550,000,000.00
TOTAL		**2,157,511,470**		**21,575,114,700.00**

SHAREHOLDERS

The following table sets out the 20 largest shareholders of the Bank as of December 31, 2022:

	Title of Class of Securities	Name of Record Owner	Citizenship	Number of Shares Held	% of ownership
1	Common	SMC Equivest Corporation	Filipino	68,305,560	26.6515%
	Preferred			416,666,670	
2	Common	San Miguel Properties, Inc. (SMPI)	Filipino	447,711,800	24.6039%
3	Common	San Miguel Corporation Retirement Plan	Filipino	432,626,860	23.7749%
4	Common	PCD Nominee Corporation	Filipino	143,291,530	7.8745%
5	Common	PCD Nominee Corporation	Non-Filipino	140,189,000	7.7040%
6	Common	Caritas Health Shield, Inc.	Filipino	109,666,640	6.0267%
7	Common	AlexCorp Profits Limited, Inc.	BVI	14,749,100	0.8105%
8	Common	Q-Tech Alliance Holdings, Inc.	Filipino	12,171,660	0.6689%
9	Common	Equitable Banking Corp.	Filipino	8,401,500	0.4617%
10	Common	PVB-TMG as Trustee for Comprehensive Annuity Plan Pension Trust Fund	Filipino	4,980,980	0.2737%
11	Common	PVB-TMG as Trustee for College Assurance Plan Phils., Inc. Retirement Fund	Filipino	3,673,860	0.2019%
12	Common	Comprehensive Annuity Plan Pension Trust Fund	Filipino	3,626,870	0.1993%
13	Common	Cabien Corporation	Filipino	3,600,650	0.1979%
14	Common	RDA Holdings	Filipino	2,163,850	0.1189%
15	Common	JGF Holdings, Inc.	Filipino	2,163,850	0.1189%
16	Common	MV Holdings, Inc.	Filipino	1,941,950	0.1067%
17	Common	BIC Management and Consultancy, Inc.	Filipino	1,476,350	0.0811%
18	Common	Bank of Commerce - Trust Services Group as Trustee for Bank of Commerce Retirement Plan	Filipino	730,670	0.0402%
19	Common	Ester Reyes Querido	Filipino	674,800	0.0371%
20	Common	Rockshed Management, Inc.	Filipino	187,600	0.0103%

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets out the shareholding interests of the Bank's directors and senior management as of December 31, 2022:

DIRECTORS

Title of Class	Name of Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership		% of Total Outstanding Shares
Common	Francis C. Chua	Chairman	Filipino	Direct	10	NIL
Common	Benedicta Du-Baladad	Vice-Chairperson	Filipino	Direct	10	NIL
Common	Michelangelo R. Aguilar	President and CEO / Director	Filipino	Direct	10	NIL
				Indirect	40,100	NIL
Common	Roberto C. Benares	Director	Filipino	Direct	10	NIL
Common	Fe B. Barin	Director	Filipino	Direct	10	NIL
Common	Marito L. Platon	Director	Filipino	Direct	10	NIL
Common	Mariano T. Katipunan, Jr.	Director	Filipino	Direct	10	NIL
Common	Alexander R. Magno	Director	Filipino	Direct	10	NIL
Common	Melinda Gonzales-Manto	Director	Filipino	Direct	10	NIL
				Indirect	83,300	NIL
Common	Jose Carmelo C. Nograles	Independent Director	Filipino	Direct	10	NIL
Common	Rebecca Maria A. Ynares	Independent Director	Filipino	Direct	10	NIL
Common	Ricardo D. Fernandez	Independent Director	Filipino	Direct	10	NIL
Common	Daniel Gabriel M. Montecillo	Independent Director	Filipino	Direct	100	NIL
Common	Winston A. Chan	Independent Director	Filipino	Direct	100	NIL
Common	Simon R. Paterno	Independent Director	Filipino	Direct	100	NIL
	TOTAL				**123,820**	NIL

Key Officers

Title of Class	Name of Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership		% of Total Outstanding Shares
Common	Michelangelo R. Aguilar	-same as above-				
Common	Evita C. Caballa	Corporate Secretary	Filipino	Direct	10	NIL
Common	Felipe Martin F. Timbol	Treasurer / Head, Treasury Management Group	Filipino	Indirect	102,100	NIL
Common	Joel T. Carranto	Head, Branch Banking Group	Filipino	Indirect	20,100	NIL
Common	Mary Assumpta Gail C. Bautista	Head, Transaction Banking Group	Filipino	Indirect	10,100	NIL
Common	Gamalielh Ariel O. Benavides	Chief Trust Officer	Filipino	Indirect	100	NIL
Common	Manuel A. Castaneda III	Head, Corporate Banking Group	Filipino	Indirect	20,100	NIL
Common	Maria Ana P. dela Paz	Head, Credit Group	Filipino	Indirect	8,100	NIL
Common	Ma. Katrina A. Felix	Head, Credit Card Group	Filipino	Indirect	30,100	NIL
Common	Louella P. Ira	Asst. Corporate Secretary / Head, Legal Services Division	Filipino	Indirect	8,500	NIL
Common	Antonio S. Laquindanum	Chief Financial Officer/Head, Finance and Controllership Group	Filipino	Indirect	25,000	NIL
Common	Marie Kristin G. Mayo	Head, Human Resources Management and Development Division	Filipino	Indirect	5,100	NIL
Common	Reginald C. Nery	Chief Audit Executive	Filipino	Indirect	100,100	NIL
Common	Jeremy H. Reyes	Chief Risk Officer	Filipino	Indirect	5,100	NIL
Common	Jay S. Velasco	Head, Operations Group	Filipino	Indirect	8,100	NIL
Common	Jose Mari M. Zerna	Head, Consumer Group	Filipino	Indirect	8,100	NIL
Common	Donald Benjamin G. Limcaco	Chief Technology Officer/Head, Digital Services Group	Filipino	Indirect	1,000	NIL
Common	Francisco Raymund P. Gonzales	Corporate Communication & Consumer Protection Division Head	Filipino	Indirect	20,100	NIL
Common	Gregorio M. Yaranon	Chief Compliance Officer	Filipino	NONE		NIL
Common	Luis Martin E. Villalon	Head, Investment Banking Group	Filipino	Indirect	12,600	NIL
	TOTAL				**384,410**	NIL

Voting trust holders of 5% or more

The Bank is not aware of shareholders holding any Voting Trust Agreement for shares constituting 5.0% or more of the outstanding capital stock, or any such similar agreement.

Change in control of the registrant since beginning of last fiscal year

There has been no change in the control of the Bank since the beginning of its last fiscal year.

Dividends

Since the purchase of Traders Royal Bank assets in 2001, the Bank has been restricted by BSP from declaring dividends until it fully provisions for the various miscellaneous assets acquired from the transaction. These assets have been fully provisioned in the Bank's Audited Financial Statements in the period incurred. For its separate prudential reporting to BSP, the Bank recognized P1.3 billion provisions to fully recognize the impairment losses on the non-performing assets in 2022.

When Bank receives confirmation of the lifting of the restrictions by BSP, the Board will periodically review the amount of dividends to be paid and the frequency of dividend payment in light of the Bank's earnings, financial condition, cash flows, capital requirements and other considerations while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Bank can operate on a standalone basis.

Dividends shall be declared and paid out of the Bank's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of the outstanding capital stock held by them. Unless otherwise required by law, the Board, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- The level of the Bank's earnings, cash flow, return on equity and retained earnings;
- Its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- The projected levels of capital expenditures and other investment programs;
- Restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements;
- The classes of shares held by the shareholders; and/or
- Such other factors as the Board deems appropriate.

The Bank cannot provide any assurance that it will pay any dividends in the future.

Currently, the Bank does not have a formal dividend policy approved by the Board.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Statement of Income for the Year Ended December 31, 2022 vs December 31, 2021

For the year ending December 31, 2022, Bank of Commerce posted a Net Income of Php1.80 billion, 49.18% increase from the Php1.21 billion for the same period last year. The growth was primarily driven by higher net interest income, service charges, fees, and commissions, foreign exchange and gains on foreclosure and sale of property and equipment and foreclosed assets.

Total Interest Income amounted to Php7.97 billion, 30.69% up from Php6.10 billion last year. Interest income on loans and receivables increased by 27.56% or Php1.18 billion to Php5.47 billion amid the rising yields and average volume of loans. Interest income on investment securities went up by 33.21% or Php420.4 million to Php1.69 billion resulting from the additional purchase of securities. Interest income on interbank loans receivable and securities purchased under resale agreements increased to Php539.16 million, 70.47% up from the Php316.28 million. Interest income on due from BSP and other banks likewise grew by 20.32% to Php274.86 million from the Php228.43 million.

Total Interest Expense increased to Php1.28 billion, 84.13% up from the Php696.99 million in the same period last year mainly due to higher interest expense on deposit liabilities, up by 60.30% to Php1.03 billion owing to higher interest rates. Interest on bonds payable amounted to Php173.78 million resulting from the maiden issuance of Php7.5 billion 2-year bonds. Meanwhile interest expense on bills payable and others also rose by 181.83% to Php47.04 million on account of interest expense related to ROPA. On the other hand, interest expense on lease liabilities declined by 19.57% to Php28.18 million.

Net Interest Income for 2022 increased to Php6.68 billion, up 23.79% from last year's Php5.40 billion as the core business performance outpaced the growth in interest expense.

Total Other Income reached Php1.43 billion, 73.58% more than the previous year. The growth is primarily driven by the 61.47% surge in service charges, fees and commissions to Php857.63 million due to higher commission from investment banking fees, income from trade and digital transactions. Foreign exchange gains posted Php150.32 million, 3.11x upgrade from last year's Php48.37 million. This growth was driven primarily by an increased volume of customer foreign exchange transactions as the Bank promoted this service with existing depositors. Gains on foreclosure, and sale of property and equipment and foreclosed assets grew by 23.81% to Php340.45 million arising from higher sales of foreclosed assets. Miscellaneous income increased 2.28x to Php115.18 million on account of higher recovery on charged-off assets. Meanwhile, trading and investment securities registered a loss of Php29.22 million, an improvement from 2021's loss of Php78.71 million.

Total Expenses, excluding provision for credit and impairment losses went up by 9.07% to Php5.48 billion. Compensation and fringe benefits increased 4.6% to Php1.90 billion as the Bank worked to keep its salaries competitive even as the total workforce remained relatively flat at 1,865 (vs 1,873 in 2021). Taxes and licenses went up by 18.07% to Php947.18 million from increased business volume and higher documentary stamp taxes. Rent and utilities increased by18.65% to Php631.55 million arising from higher security, power, light and water expenses. Meanwhile, depreciation and amortization declined by 6.67% to Php431.66 million due to lower depreciation expense on foreclosed assets. Insurance, on the other hand, grew by 4.04% to Php348.36 million from higher PDIC insurance on higher deposit volume. Service fees and commissions and subscription fees also increased by 27.7% and 13.83%, respectively, to Php293.33 million and Php122.54 million due to higher IT fees, commissions and subscriptions. Entertainment and recreation expenses declined by 21.73% to Php76.23 million. Management and professional fees and amortization of software costs went up by 27.7% and 36.33%, respectively, to Php108.57 million and Php73.07 million.

The Bank booked provision for credit and impairment losses of Php166.21 million for the year 2022 to provide adequate reserves for its significant loan portfolio growth.

The Bank's share in the net loss of associate is at Php0.13 million in 2022, 87.18% lower than the prior year's Php1.04 million.

Income Tax Expense amounted to Php666.36 million, 6.84% more than the Php623.69 million the previous year.

Statement of Comprehensive Income for the Year Ended December 31, 2022 vs December 31, 2021

The Bank posted a total comprehensive income of Php1.41 billion for 2022, 17.85% higher than Php1.2 billion recorded in the same period last year. This was primarily driven by the higher net income in 2022, partly offset by the net change in net unrealized losses of debt securities at FVOCI at Php578.94 million due to the interest rate environment. Remeasurement losses on defined benefit plan decreased to Php184.82 million based on actuarial adjustments.

Statement of Condition as of December 31, 2022 vs December 31, 2021

The Bank's Total Assets at end-2022 amounted to Php217.52 billion, 8.92% higher than last year's Php199.71 billion mainly from the increase in loans and other receivables, investment securities and was partially offset by the lower interbank loans receivables.

Loans and Receivables, net of allowance for credit losses and unearned interest income, representing 48.31% of total assets, increased by 41.3% to Php105.09 billion from Php74.37 billion in the same period last year, driven by accelerated growth in corporate loans. The Bank's loan-to-deposit ratio was recorded at 70.3%.

Investment securities at amortized cost, likewise, increased by 21.67% to Php52.21 billion. Financial assets at fair value increased by 2.25% to Php6.19 billion due to higher financial assets at FVOCI which grew by Php749.93 million, tempered by lower financial assets at FVTPL which decreased by Php613.61million.

Cash and Other Cash Items and Due from BSP accounts both went down by 0.46% and 47.81%, respectively, to Php2.74 billion and Php23.68 billion. Interbank loans receivable dropped by 3.94% to Php18.38 billion in 2022. On the other hand, due from other banks marginally increased by 0.46% to Php1.04 billion.

Investment in Associate amounted to Php39.52 million, P0.14 million down from Php39.66 million in the prior year. Property and Equipment declined by 3.19% to Php1.43 billion from Php1.47 billion in 2021. Investment Properties and deferred tax assets also decreased to Php3.40 billion and Php612.09 million, respectively, from Php3.45 billion and Php743.51 million. Other Assets, however, went up by 13.96% to Php2.72 billion from Php2.39 billion in 2021.

Deposit Liabilities, which accounted for 81.04% of the total liabilities, expanded by 2.65% to Php176.27 billion in 2022 boosted mainly by higher time deposits. Accrued Interest, Taxes and Other Expenses and Other Liabilities also rose to Php1.02 billion and Php2.66 billion, respectively, higher by 14.11% and 48.35%. Manager's check, however, dropped by 30.48% to Php661.45 million from Php951.46 million in the prior year.

The Bank's capital base stood at Php28.03 billion as of December 31, 2022, 19.98% higher than the Php23.36 billion last year, spurred by the proceeds from the Initial Public Offering in the first quarter of 2022.

Key performance indicators of the Bank are as follows:

	2022	2021
Return on Average Assets	0.86%	0.65%
Return on Average Equity	7.01%	6.01%
Cost-to-Income Ratio	67.56%	80.79%
Net Non-Performing Loan Ratio	0.60%	0.88%
Capital Adequacy Ratio	17.97%	21.57%

The manner by which the Bank calculates the above indicators is as follows:

Return on Average Assets: Net income divided by average total resources for the period indicated

Return on Average Equity: Net income divided by average total capital funds for the period indicated

Cost-to-Income Ratio: Total operating expenses divided by the sum of net interest income and other income

Net Non-Performing Loan Ratio: (Total non-performing loans less specific loan loss reserves for NPL) divided by (total loans inclusive of interbank loans receivables)

Capital Adequacy Ratio: Total qualifying capital divided by total risk-weighted assets (inclusive of credit, market, and operational risk charge)

Statement of Income for the Year Ended December 31, 2021 vs December 31, 2020

For the year ending December 31, 2021, Bank of Commerce earned Php1.21 billion in net income. The increase was mainly due to higher net interest income brought about by lower interest expenses and service charges, fees, and commissions.

Total Interest Income was down by 2.94% at ₱6.10 billion from ₱6.28 billion last year. Interest income on loans and receivables declined by 11.48% to Php4.28 billion mainly due to the lower interest rate environment. On the other hand, interest income on investment securities at fair value through other comprehensive income (FVOCI) and at amortized cost went up by 36.13% to Php1.25 billion primarily from the additional purchases of investment securities at amortized cost. Interest income on interbank loans receivable and securities purchased under resale agreements increased by 32.87% to Php316.28 million, meanwhile interest income on due from BSP and other banks decreased by 13.97% to Php228.43 million. Interest income on financial assets at fair value through profit or loss (FVTPL) declined by 15.13% to Php14.42 million.

Total Interest Expense went down by 40.52% to Php696.99 million from the Php1.17 billion in the same period last year, primarily due to lower interest expense on deposit liabilities which decreased by 42.78% to Php645.26 million. Interest expense on lease liabilities also went down by 18.38% to Php35.03 million. On the other hand, interest expense on bills payable increased to Php16.69 million, mainly due to tax accruals.

Given the more significant decline of Interest Expenses, Net Interest Income for 2021 increased to Php5.40 billion, up 5.67% from the previous year's Php5.11 billion.

Total Other Income was at Php826.34 million, 53.19% lower than the previous year. This is owing to a loss of Php78.71 million in trading and investment securities for 2021, compared to the gain of Php1.15 billion the previous year. Meanwhile, service charges, fees and commissions increased by 19.45% to Php531.13 million. Gains on foreclosure, and sale of property and equipment and foreclosed assets rose by 3.68x to Php274.99 million as a result of higher sale of foreclosed assets. Foreign exchange gains and miscellaneous income fell by 1.04% and 22.7%, respectively, to Php48.37 million and Php50.57 million.

Total Expenses, excluding provision for credit and impairment losses went up by 3.27% to Php5.03 billion. Compensation and fringe benefits slightly went up by 0.09% to Php1.82 billion as a result of the provisions on the collective bargaining agreement (CBA). Taxes and licenses decreased by 3.37% to Php802.19 million from lower documentary stamp taxes. Rent and utilities increased by 11.74% to Php532.28 million. Depreciation and amortization declined by 18.55% to Php462.53 million from lower depreciation expense on foreclosed assets. Insurance, on the other hand, grew by 19.31% to Php334.83 million on account of higher PDIC insurance from higher deposit volume. Service fees and commissions and subscription fees also increased by 25.27% and 11.44%, respectively, to Php229.71 million and Php107.65 million as a result of new subscriptions on systems. Entertainment and recreation expenses declined by 9.24% to Php97.39 million. Management and professional fees and amortization of software costs went up by 7.01% and 16.74%, respectively, to Php85.02 million and Php53.6 million. Miscellaneous expenses also increased by 31.45% to Php501.81 million from Php381.76 million.

As a result of the reversal of provisions, the Bank's provision for credit and impairment losses is at negative Php634.82 million for the year 2021.

The Bank recorded its share in the net loss of associate at Php1.04 million in 2021, 38.01% higher than the previous year of Php0.75 million.

Income Tax Expense amounted to Php623.69 million, 142.56% higher from Php257.12 million the previous year.

Statement of Comprehensive Income for the Year Ended December 31, 2021 vs December 31, 2020

The Bank posted a total comprehensive income of Php1.2 billion for 2021, 78.09% higher than Php671.47 million posted in the same period a year ago. This was primarily driven by the higher net income in 2021 which is partially offset by the net change in net unrealized losses of debt securities at FVOCI at Php320.19 million. Remeasurement losses on defined benefit plan increased to Php186.54 million based on actuarial adjustments.

Statement of Condition as of December 31, 2021 vs December 31, 2020

The Bank ended 2021 with total assets amounting to Php199.71 billion, 16.85% higher than previous year's Php170.92 billion mainly from the increase in investment securities at amortized cost alongside with the increase in loans and other receivables, and these were partially offset by the decrease in investment securities at fair value and lower interbank loans receivables.

Cash and Other Cash Items and Due from BSP accounts went up by 13.52% and 14.72%, respectively, to Php2.75 billion and Php45.37 billion. Due from other banks also increased by 1.58% to Php1.04 billion. Interbank loans receivable however went down by 13.25% to Php19.13 billion in 2021.

Financial assets at fair value declined by 63.75% to Php6.05 billion driven by the sale of financial assets at FVTPL and FVOCI which decreased to Php994.61 million and Php5.06 billion, respectively. Investment securities at amortized cost, on the other hand, increased by 3.69x to Php42.91 billion.

Loans and other receivables amounted to Php74.37 billion, 3.83% higher than the same period last year largely driven by increase in corporate loans. The Bank's loan-to-deposit ratio was recorded at 43.9%.

Investment in Associate continued its downtrend to Php39.66 million from Php40.69 million the previous year. Property and Equipment decreased by 11.27% to Php1.47 billion from Php1.66 billion in 2020. Investment Properties also went down to Php3.45 billion from Php3.62 billion. From Php955.38 million in 2020, deferred tax assets fell by 22.18% to Php743.51 million. Other Assets, on the other hand, increased by 12.16% to Php2.39 billion from Php2.13 billion in 2020.

Total liabilities increased to Php176.35 billion as of December 31, 2021, driven by the 15.16% increase in deposit liabilities. Increase in deposit liabilities to Php171.71 billion in 2021 was driven by higher demand and savings volumes which were up by 22.8% and 30.01%, respectively, to Php48.7 billion and Php108.87 billion, respectively. Manager's Checks and Accrued Interest, Taxes and Other Expenses also went up by 9.35% and 14.47%, respectively, to Php951.46 million and Php1.02 billion. Other liabilities, on the other hand, fell by 18.96% to Php2.66 billion from Php3.29 billion the previous year.

The Bank's total capital funds rose by 39.34% to Php23.36 billion as of December 31, 2021 from Php16.77 billion the previous year, owing to a Php5.5 billion capital infusion in 2021.

Statement of Income for the Year Ended December 31, 2020 vs December 31, 2019

As of 31 December 2020, the Bank reported a Net Income after Tax of Php784.43 million or a Php131.71 million or 20.18% increase from Php652.72 million for the same period last year. The increase in net income was mainly driven by higher gains in trading and investment securities. Total Interest Income went down by 3.86% to Php6.28 billion from Php6.53 billion recorded last year.

Interest Income on Loans and Receivables was slightly down by 1.62% to Php4.84 billion. Interest Income on Investment Securities at Fair Value through Other Comprehensive Income and at Amortized Cost was down by 17.70% or Php197.72 million to Php919.37 million mainly due to the sale of Investment Securities. Interest Income from deposits with BSP and Other Banks, however, went up by 62.45% to Php265.53 million in 2020 as part of the proceeds from the sale of Investment Securities was parked here. Interest earned from Interbank Loans Receivable and SPURA decreased by 24.57% to Php238.04 million in 2020 from Php315.57 million due to the decrease in interest rates. Interest earned from Financial Assets at Fair Value though Profit or Loss marginally increased to Php16.99 million.

Interest Expense on Deposit Liabilities decreased by 51.94% to Php1.13 billion from Php2.35 billion in 2019 due to the lower interest rate environment. Interest incurred from Bills Payable and Others also went down by 77.23% to Php1.11 million from Php4.86 million the same period last year. Interest Expense on Lease Liabilities dropped to Php42.92 million from Php45.36 million in 2019.

The Bank's Net Interest Income grew by 23.52% to Php5.11 billion from Php4.14 billion in 2019 due to the bigger drop in Interest Expenses than Interest Income.

Total Other Operating Income increased by 4.02% to Php1.77 billion from Php1.70 billion in 2019 primarily due to higher Trading and Investment Securities Gains. The increase in Other Operating

Income was however tempered by the reduction in most other income sources due to the reduced business activities brought about by the pandemic. Total Other Operating Income contribution to Gross Income decreased from 29.10% to 25.68% as of year-end 2020.

The Bank posted a Php1.15 billion trading and investment securities gains versus a Php355.69 million in 2019 due to the favorable sale of Investment Securities. Service Charges, Fees and Commissions, however, dropped by 6.84% to Php444.64 million from Php477.27 million in 2019 due to the reduced business activity. Foreign Exchange gains also decreased to Php48.88 million from Php67.99 million in 2019 due to the more difficult operating environment. The Bank's Gain on Foreclosure and Sale of Property and Equipment and Foreclosed Assets significantly dropped by 82.53% to Php58.76M due to limited market opportunities. Miscellaneous Income also went down to Php65.42 million in 2020 from Php459.86 million due to impact of previous year's gain on exchange of property.

Other Operating Expenses, excluding provision for credit and impairment losses, increased by 4.46% to Php4.87 billion in 2020 from Php4.66 billion. Compensation and Fringe Benefits went up by 8.01% to Php1.82 billion due to the full year effects of hires from the second half of 2019. Taxes and Licenses rose to Php830.16 million, or 7.27% higher than the Php773.89 million for the same period in the previous year due to Gross Receipt Taxes paid on the higher revenues. Rent and Utilities went down to Php476.34 million in 2020 from Php505.77 million. Depreciation and Amortization increased by 18.19% from Php480.44 million in 2019 due to amortization of additional investments. Service Fees and Commission expenses were lower by 34.16% at Php183.37 million from Php278.52 million in 2019 due to the start of the Covid-19 Pandemic which halted several services from 3rd party providers.

The Bank posted Php280.64 million Insurance expenses while Entertainment and Recreation was at Php107.30 million. Management and Professional Fees increased to Php79.45 million from Php65.80 million in 2019 due to payments of various services rendered by professionals in relation to the issuance of LTNCD while Amortization of Software Costs increased by 34.45% from Php34.14 million the same period last year due to the recognition of additional amortization from various projects which were used in production. Miscellaneous Expense was at Php381.76 million in 2020 from Php399.78 million.

The Bank set aside Php962.51 million in Provision for Credit and Impairment Losses in 2020 mainly due to the increase in the Bank's Non-Performing Loans brought about by the pandemic.

The Bank recorded its share in the net loss of BIC at Php0.75 million, 73.72% lower than the Php2.86 million in 2019.

Statement of Condition as of December 31, 2020 vs December 31, 2019

The Bank's Total Assets as of 31 December 2020 stood at Php170.92 billion, which was 17.85% higher than the Php145.03 billion level in December 2019. The significant improvement in assets was due to the increase in due from banks and investment portfolios.

Loans and Receivables, net of allowance for credit losses and unearned interest income, representing 41.91% of total assets went down 2.87% or Php2.11 billion to Php71.63 billion in December 2020 from Php73.74 billion.

Cash and Other Cash Items increased by 36.26% to Php2.42 billion as of 31 December 2020 from Php1.78 billion. Due from BSP, representing 23.14% of total assets, increased to Php39.55 billion from Php21.96 billion in December 2019, and Due from Other Banks increased by 52.62% to Php1.02 billion in December 2020 from Php0.67 billion. On the other hand, Interbank Loans Receivable and

Securities Purchased under Resale Agreements as of 31 December 2020 went up by 64.24% or Php8.63 billion to Php22.06 billion from Php13.43 billion in December 2019.

Investment Securities at Amortized Cost decreased by 59.44% to Php9.15 billion in December 2020 from Php22.55 billion. These investment securities represent 5.35% of total assets as of 31 December 2020.

Financial Assets at Fair Value through Profit or Loss stood at Php1.27 billion as of 31 December 2020. This was 20.09% higher than the Php1.05 billion level in December 2019.

Financial Assets at Fair Value through Other Comprehensive Income increased by Php14.03 billion to Php15.4 billion from Php1.39 billion in December 2019.

Investment in Associate slightly decreased to Php40.69 million from Php41.44 million in December 2019.

Property and Equipment decreased by 4.69% to Php1.66 billion in December 2020 from Php1.74 billion.

Investment Properties went down to Php3.62 billion as of 31 December 2020 from Php3.73 billion in December 2019.

Deferred Tax Assets increased by 8.53% to Php0.96 billion as of 31 December 2020 from Php0.88 billion in December 2019. On the other hand, Other Assets went up to Php2.13 billion as of 31 December 2020 from Php2.03 billion in December 2019.

The Bank's deposit levels, representing 96.72% of total liabilities, went up by 20.39% or Php25.25 billion to Php149.11 billion with the addition of Php5.03B LTNCD, from Php123.86 billion as of 31 December 2019. Savings and Time Deposits increased by 16.28% to Php83.74 billion and 16.92% to Php20.67 billion, respectively, while Demand Deposits grew by 16.10% to Php39.66 billion.

Manager's Checks and Acceptances Payable was recorded at Php0.87 billion as of 31 December 2020 from Php0.92 billion. Accrued Interest, Taxes and Other Expenses went up by 9.50% to Php0.89 billion from Php0.82 billion in December 2019. Other liabilities decreased to Php3.29 billion as of 31 December 2020 from Php3.34 billion.

The Bank's Equity went up by 4.17% to Php16.77 billion from Php16.09 billion as of 31 December 2019. The increase was mainly due to the Net Income for the year 2019.

As of 31 December 2020, CAR was at 16.6%. This is above the minimum regulatory requirement of 10.0%. The Bank posted losses on 'Cumulative Translation Adjustment' under equity amounting to Php15.04 million, as compared with December 2019 which posted a gain of Php2.01 million.

Item 7. FINANCIAL STATEMENTS

The consolidated financial statements and schedules are filed as part of this Form 17-A. See attachment for further information.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTINGAND FINACIAL DISCLOSURES

There are no disagreements with the Bank's external auditor on accounting and financial disclosure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXEVUTIVE OFFICERS OF THE ISSUER

DIRECTORS

The Board of Directors of the Bank (the "Bank's Board") is the body ultimately responsible for the management of the Bank. The Bank's Board is composed of fifteen (15) directors, five of whom are independent directors. The Board is a healthy mix of individuals with diverse experiences, backgrounds, and perspectives. The membership of the Board is a combination of executive and non-executive directors such that no director or small group of directors dominates the decision-making process. All directors were chosen based on their qualifications, namely, integrity, probity, market reputation, conduct and behavior, relevant education and training, physical and mental fitness, knowledge, and experience. All directors possess such qualifications and stature that enable each of them to effectively participate in the deliberations of the Board.

Directors are elected by the shareholders for a period of one year. Generally, there are no restrictions on re- election. However, beginning on 2 January 2012, the SEC set a limit on the term of independent directors serving in listed, public, and mutual fund companies. An independent director may only serve as such for a maximum cumulative period of nine years after which the independent director shall be barred perpetually from being elected as independent director in the same company. The chairman has a casting vote in resolutions of the Bank's Board which must be passed by majority vote.

The following table sets forth the incumbent and nominee directors and board advisors of the Bank as of 31 December 2022, their respective ages, periods of service, directorships in other reporting companies and positions held in the last five (5) years:

Name	Position	Years of Service As of 31 December 2022
Board of Directors		
Francis C. Chua	Chairman, Non-Executive Director	14 yrs. & 7 mos.
Benedicta Du-Baladad	Vice-Chairperson Non-Executive Director	8 yrs. & 11mos.
Michelangelo R. Aguilar	President and CEO, Executive Director	4 yrs. & 5 mos.
Roberto C. Benares	Former President and CEO, Non-Executive Director	9 yrs. & 8 mos.
Fe B. Barin	Non-Executive Director	8 yrs. & 8 mos.
Marito L. Platon	Non-Executive Director	12 yrs. & 8 mos.
Mariano T. Katipunan, Jr.	Non-Executive Director	4 yrs. & 8 mos. 2nd appointment as Caritas nominee, previously for 2yrs – 1st appointment as Caritas nominee
Alexander R. Magno	Non-Executive Director	8 yrs. & 5 mos.
Melinda S. Gonzales-Manto	Non-Executive Director	9 yrs. as Independent Director; 8 months as Non-Executive Director since elected on April 29, 2022

Jose C. Nograles	Independent Director	7 yrs. & 8 mos.
Rebecca Maria A. Ynares	Independent Director	6 yrs. & 5mos
Ricardo D. Fernandez	Independent Director	2 yrs.
Daniel Gabriel M. Montecillo	Independent Director	8 mos. (elected on April 29, 2022)
Winston A. Chan	Independent Director	8 mos. (elected on April 29, 2022)
Simon R. Paterno	Independent Director	7 mos. (elected on June 1, 2022)
Board Appointees:		
Jose T. Pardo	Chairman of the Board of Advisors	18 yrs. & 4 mos. as Director, 10 yrs. as Chairman of the Board, and 10 months as Chairman of the Board of Advisor since February 16, 2022
Aurora T. Calderon	Board Advisor	11 yrs. & 5mos
Ferdinand K. Constantino	Board Advisor	2 yrs. as Director and 12 yrs. and 7 mos. as Advisor
Cecile L. Ang	Board Advisor	7 yrs. & 2 mos.
Antonio M. Cailao	Board Advisor	4 yrs. & 6 mos.
Evita C. Caballa	Corporate Secretary	2 yrs. as Asst. Corporate Secretary; 12 yrs. & 8 mos. as Corporate Secretary and 3 yrs. & 3 mos. as Director

FRANCIS C. CHUA
Chairman, Non-Executive Director
Filipino, 74 years old

Amb. Francis C. Chua has been a member of the Board of Directors of the Bank since 20 May 2008, sat as Vice Chairman from 2013 to 2022, and became Chairman effective on 16 February 2022. Mr. Chua used to chair the Executive Committee (ExCom) of the Bank when he was Vice Chairman of the Board. With his constant feedback and insights on best banking practices, he has been instrumental in promoting the Bank in the business community and in marketing its products and services. Amb. Chua continuously serves as Chairman Emeritus in the Philippine Chamber of Commerce and Industry, Inc. (PCCI), and as Consul General conferred by the Honorary Consulate General of the Republic of Peru in Manila since 2006. He was also a Board Adviser of the Office of Alternative Dispute Resolution under the Department of Justice. He was the Special Adviser on Economic Affairs under the Office of the Speaker of the House of Representatives, Congress of the Philippines in 1997. He was Honorary Trade and Investment Representative of the Department of Trade and Industry from 2002-2009, appointed Commissioner in the Constitutional Commission from 2005-2006, Board of Trustee of Technical Education and Skills Development Authority (TESDA), and Special Envoy on Trade and Investment (China) of the Office of the President from 2007-2010. He was also Governor (2002) and a member of the Board of Directors of the Philippine Stock Exchange from 2010-2020 where he served as the Chairman of the Committee of Demutualization. He demutualized the PSE with the unanimous support of its members.

He currently serves as Chairman of BA Securities Inc., and a member of the Board of Directors of DITO Telecommunity Corporation, National Grid Corporation of the Philippines (NGCP), Global Ferronickel, Inc., and Platinum Group Metals Corp. He holds the Chairmanship of CLMC Group of Companies and serves as Vice Chairman of Negros Navigation/2Go. He was the Vice Chairman of Basic Energy and Mabuhay Satellite Corp., and President of the Philippine Satellite Corp. He obtained his degree in B.S. Industrial Engineering (Cum Laude) from the University of the Philippines and was conferred Doctor in Humanities from Central Luzon State University.

BENEDICTA A. DU-BALADAD
Vice-Chairperson, Non-Executive Director
Filipino, 61 years old

Ms. Benedicta A. Du-Baladad has been a member of the Board of Directors of the Bank since 31 January 2014. She is the Vice Chairperson of the Board of Directors, Chairperson of the Executive Committee and a member of the Audit Committee. She was previously a member of the Bank's Board Risk Oversight Committee (BROC) from 2014-2017. She is the Founding Partner and CEO of Du-Baladad and Associates (BDB Law), a law firm specializing in taxation and related corporate services. Ms. Du-Baladad has over 30 years of practice in the field of taxation, 17 years of which was spent with the Bureau of Internal Revenue (BIR) working on tax administration policy development and in operations. In 2001, she joined the private sector and is now on her 16th year of private practice. She has authored three (3) books on the taxation of the financial sector.

She was the lead tax and legal consultant of the Philippine Government's Department of Finance (DOF) on its program to reform the taxation of capital income and financial intermediation services. She has been the Co-Chair of the Capital Markets Development Council (CMDC) in the Philippines from 2017 up to the present. Ms. Du-Baladad holds leadership role in major professional and business organizations in the country such as the Management Association of the Philippines (MAP) as Governor, the Financial Executives of the Philippines (FINEX) as past President, the Philippine Chamber of Commerce and Industry as Chair of the Tax Committee, the Tax Management Association of the Philippines (TMAP) as past President, and the Women Business Council of the Philippines (Womenbiz) as Vice President. She is currently a Professorial lecturer in taxation at the University of Santo Tomas (UST) and the University of the Philippines (UP). She was also a Partner and Head of Tax Compliance and Advisory of Punongbayan & Araullo from 2001 to 2009. Prior to that, she was an officer of the Bureau of Internal Revenue where she worked from 1984 to 2001. Ms. Du-Baladad is a Certified Public Accountant, graduated Magna Cum Laude with a Bachelor's Degree in Accountancy from Saint Louis University, Baguio, Philippines (1982), and holds a Bachelor of Laws degree from the University of Santo Tomas, Manila, Philippines (1989). Her educational background includes Advanced Management Program at Wharton School of the University of Pennsylvania, Pennsylvania, USA (2007) and Master of Laws and International Tax Program at the Harvard University, Cambridge, MA, USA. She is a fellow at the Institute of Corporate Directors. She is a regular columnist of the Business Mirror's 'Tax Law for Business'.

MICHELANGELO R. AGUILAR
President and CEO, Executive Director
Filipino, 66 years old

Mr. Michelangelo R. Aguilar was elected member of the Board of Directors and appointed President and Chief Executive Officer (CEO) of the Bank on 16 July 2018. He is a member of the Bank's Executive Committee (ExCom), Trust and Investment Committee (TIC), and Underwriting Committee (UW), and used to be a member of the Information Technology Steering Committee (ITSC).

Mr. Aguilar has over 39 years of banking experience in the areas of Corporate and Investment Banking, Global Markets and Treasury. He has 22 years of experience with international banks starting his career as an Executive Trainee at Citibank Philippines and rising through the ranks in the areas of Banking Operations, Treasury and Sovereign Risk as Assistant Manager, Manager, and Assistant Vice President. He held senior positions as Country Treasurer and then as Managing Director and Head of Wholesale Bank at Standard Chartered Philippines. For 13 years prior to joining the Bank, he was Treasurer and Head of Corporate Banking in Solid Bank Corporation and Rizal Commercial Banking Corporation, respectively. He was also a Director of RCBC Rental Corporation and RCBC Leasing and Finance Corporation. He graduated with a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and later acquired a Master's Degree in Business Management from the Asian Institute of Management. He is a licensed Mechanical Engineer and a Certified Treasury Professional by the Bankers Association of the Philippines (BAP).

ROBERTO C. BENARES
Former President and CEO, Non-Executive Director
Filipino, 70 years old

Mr. Roberto C. Benares has been elected as member of the Board of Directors of the Bank since 30 April 2013. He assumed his position as President and CEO of Bank of Commerce on 1 August 2013 and was succeeded by Mr. Michelangelo R. Aguilar on 16 July 2018. He currently sits as Director and chairs the Information Technology Steering Committee (ITSC). He is also a member of the Board Risk Oversight Committee (BROC) and the recently created Underwriting Committee. During his tenure as President and CEO, he took the lead in strengthening the Bank by framing its superior service culture to achieve its recent milestones.

Previously, Mr. Benares was the Managing Director of Maybank ATR Kim Eng Capital Partners, Inc. He started his banking career at Bancom Development Corp. as Assistant Treasurer prior to holding the position of Vice President of Account Management at United Coconut Planters Bank. He also served as Managing Director at Asian Alliance and Executive Vice President at Insular Investment & Trust Corporation, and Vice President at Philamlife. He holds a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and has a Master's Degree in Business Management at the Asian Institute of Management.

FE B. BARIN
Non-Executive Director
Filipino, 88 years old

Mrs. Fe B. Barin has been a member of the Board of Directors since April 24, 2014. Mrs. Barin's career in the government service has been in the regulatory and supervisory agencies. She spent a total of fifty-three (53) years of service in the government, forty-four of which in the then Central Bank of the Philippines and the Bangko Sentral ng Pilipinas where she served as Member of the Monetary Board from 2002 to 2004. She was the first Chairperson of the Energy Regulatory Commission created under the EPIRA in 2001, which position she occupied from August 2001 to September 2002 prior to her appointment as Monetary Board member. In Sept. 2004, she was appointed Chairperson of the Securities and Exchange Commission for a seven-year term ending 2011. As Chairperson of the SEC, she was ex Officio member of the Anti-Money Laundering Council and Chairperson of the Credit Information Corporation. She also served as Assistant Legal Counsel in the Philippine Deposit Insurance Corporation on secondment from the then Central Bank.

Mrs. Barin graduated from the College of Law, University of the Philippines, passed the Bar examinations given the same year and admitted to the Philippine Bar in 1957.

She is a Lifetime Fellow of the Institute of Corporate Directors and one of the Institute's Teaching Fellows, a Fellow of the Institute for Solidarity in Asia, and a founding member of the Judicial Reform Initiative, all non-stock nonprofit associations. She is also a member of the Board of Directors of the General Milling Corporation and Chairman of the Board of Directors of Barbor Equity, Inc., a family-owned corporation engaged in Agri business.

MARITO L. PLATON
Non-Executive Director
Filipino, 70 years old
Mr. Marito L. Platon was elected last 30 April 2010 as member of the Board of Directors of the Bank. He is currently a member of the Executive Committee (ExCom), Information Technology Steering Committee (ITSC), and Board Risk Oversight Committee (BROC) (former Chairman), , and previously, of the Audit Committee, Corporate Governance Committee (CGCom), and the Related Party Transactions Committee (RPTCom). Mr. Platon has been the driving force behind the consistent growth of the Bank’s business in partnership with clients.

Mr. Platon has 27 years of treasury and corporate finance experience at San Miguel Corporation and Coca-Cola Bottlers Philippines, Inc. (CCBPI) as Vice-President and Treasurer supervising various departments/functions in the areas of Treasury management and operations, funds planning and loans management, banking relationship, working capital management, capital budgeting and project coordination, tax administration and management, insurance and risk management, credit and collection, systems design and development, and provident fund operations as he was also the former Managing Trustee of the CCBPI Retirement Plan. Aside from formerly holding directorship and/or management positions in various companies or undertakings involved in investment banking, corporate leasing, internal auditing, security services, aquaculture operations, food retailing, among others, including education as former Chairman at non-sectarian Institute for Esoteric Studies, he was also formerly director and CFO of CCBPI’s real estate companies Marangal Properties, Inc. and Luzviminda Landholdings, Inc. Mr. Platon likewise has over 30 years of rural banking experience being former Chairman and President of Rural Bank of Talisay (Batangas), Inc. Currently, he serves as Chairman and President of Villa Maria Resorts and Development Corporation, a tourism and property development family-owned corporation. A Fellow at the Institute of Corporate Directors, Mr. Platon graduated in 1973 at De La Salle University with a degree in Bachelor of Science, Major in Accounting.

MARIANO T. KATIPUNAN, JR.
Non-Executive Director
Filipino, 71 years old

Mr. Mariano T. Katipunan, Jr. was first elected into the Board of Directors of the Bank in May 2015 as nominee of Caritas Health Shield, Inc. He also served as a member of the Bank’s Audit and Corporate Governance committees. He was replaced by Mr. Ronnie U. Collado in June 2017. He was elected again as Director in April 2018. He is currently a member of the Bank’s Audit Committee.

Mr. Mariano T. Katipunan, Jr. brings with him an extensive experience in finance and controllership having been Treasurer and Chief Finance Officer of Caritas Health Shield since its inception in 1995. He oversaw the company’s financial position, including its trust fund/reserves and overseas investments. He was elected President and Chief Executive Officer in April 2018. Mr. Katipunan has likewise been Managing Director of Megacenter Diagnostics Corp. since its establishment in 1994. He was an Investment Account Officer of Equitable Financial Services in Edison, New Jersey from 1984 to 1986. He was Vice President & Division Head for Account Management Group at the

International Corporate Bank in Makati from 1977 to 1983. He also previously handled account management at Citytrust Banking Corporation and market research at Far East Bank and Trust Company. Mr. Katipunan was an instructor in Business Management and Finance at the Ateneo de Manila University and in Economics and Mathematics at St. Theresa's College in Quezon City. He holds a degree in Bachelor of Arts in Economics (Honors Course) and graduated with Honors in 1972 from the Ateneo de Manila University. In addition, he has a Master's Degree in Business Management from the Asian Institute of Management (1975). He underwent training at the Foreign Exchange/Bullion Trading & Money Market departments of the Swiss Bank Corporation in New York City from 1983 to 1984 and at Citibank, N.A. in Binondo, Manila under its Executive Development Program in 1975.

ALEXANDER R. MAGNO
Non-Executive Director
Filipino, 68 years old

Mr. Alexander R. Magno became a member of the Board of Directors of the Bank on 1 August 2014 and currently sits as a member of Trust and Investment Committee (TIC); and Nominations, Compensation, and Remuneration Committee (NCRC). He is a columnist of the Philippine Star and consults for both the Department of Finance and the Steel Asia Manufacturing Corporation. Mr. Magno's career best describes him as a policy advocate, public intellectual and an activist. He served as a member of the Board of the Development Bank of the Philippines, helping supervise such programs as the Nautical Highway System from 2001 to 2010. He was Director of Steel Asia Manufacturing from 1995 to 1999 and a professor at the University of the Philippines from 1976 to 2018. After the EDSA Revolution, he served as interim director of the President's Center for Special Studies, a think tank put together during the Marcos period which supplied regular briefing papers for President Corazon C. Aquino. He helped establish the Foundation for Economic Freedom (FEF), a research and advocacy institution proposing market-driven economic policies providing research for key liberalization policies including the Liberalization of the Retail Trade, the Electricity Power Industry Reform Act and the Procurement Law. He consulted for the privatization program of the Metropolitan Waterworks and Sewerage System (MWSS) and the liberalization of the telecommunications sector. In 2005, he was appointed Commissioner of the Consultative Commission on Charter Change and served as a commissioner of the EDSA People Power Commission.

His social activism during the martial law led to his career as an instructor of political science at UP Diliman. Mr. Magno supported student representation in 1975, winning a seat at the UP Student Conference and served as Vice Chairman of the organization. Mr. Magno had regular editorial columns at the Manila Times, the Manila Chronicle, and the Manila Standard. He remains an important columnist at the Philippine Star since 2003 and his columns became main reference points for building democratic and reformist public opinion.

MELINDA S. GONZALES-MANTO
Non-Executive Director
Filipino, 70 years old

Ms. Melinda S. Gonzales-Manto (Linda) has been a member of the Board of Directors of the Bank since January 2014. She currently serves as member of the Related Party Transactions Committee (RPTCom) and Audit Committee. She used to chair the Audit Committee and was a member of the Board Risk Oversight Committee (BROC).

Ms. Manto likewise sits in the board of Eagle Cement Corporation (Eagle Cement), Petrogen Insurance Corporation (Petrogen) and RSA Foundation, Inc. She functions as Chairman of the Audit Committee and member of the Corporate Governance Committee of Eagle Cement. She chairs the Audit and Risk Oversight Committee and sits as member of the Corporate Governance Committee and Related Party Transactions Committee of Petrogen. She has been appointed as the Lead Independent Director of Eagle Cement and Petrogen.

Ms. Manto is presently a stockholder, director and the Vice-President of Linferd & Company, Inc. and ACB Corabern Holdings Corporation. She is also the Resident Agent of some multinational companies in the country and the Treasurer of a foreign company doing business in the Philippines. She is also a member of the NextGen Organization of Women Corporate Directors Phils., Inc. She was formerly a board member of the GSIS Family Bank.

Ms. Manto started her career in SyCip, Gorres, Velayo & Co. (SGV). She is a celebrated accountant and is looked up to as an expert in assurance and business advisory. Her areas of specialization include retail, manufacturing, food processing and distribution, real estate, radio and television broadcasting, technology, steam power generation, agribusiness, semiconductors and electronics. She is highly respected as well in initial public offerings, due diligence engagements, and mergers and acquisitions. Her stint in the audit corporate world lasted for more than three decades. She retired as a Partner in the Assurance and Advisory Business Services Division of SGV. While in SGV, she served as the Head of the Consumer Products Industry for Asia and the Pacific of SGV/Ernst & Young Philippines and SGV/Arthur Andersen. Wanting to expand her horizon, she also functioned as a board member and auditor of the Philippine Retailers Association for almost a decade. She was previously assigned to the Cincinnati Office of Arthur Andersen in Ohio where she spearheaded the audit engagements of manufacturing and retail clients.

Ms. Manto finished elementary and high school as valedictorian and graduated cum laude with a degree of Bachelor of Science in Business Administration, major in Accounting at the Philippine School of Business Administration. She is a Certified Public Accountant and a lifetime member of the Philippine Institute of Certified Public Accountants. She completed the Management Development Program at the Asian Institute of Management and had computer training at the Institute of Advanced Computer Technology.

JOSE CARMELO C. NOGRALES
Independent Director
Filipino, 73 years old

Mr. Jose C. Nograles has been an elected member of the Board of Directors of the Bank since 20 April 2015. He chairs the Bank’s Board Risk Oversight Committee (BROC) and serves as a member of the following Committees: Audit Committee, Corporate Governance Committee (CGCom) and Nomination, Compensation and Remuneration Committee (NCRC). He continues to be a strict advocate of the Bank’s conscientious and efficient use of resources towards sustainable care for the environment. A seasoned investment banker and economist, Jose C. Nograles was President of the Philippine Deposit Insurance Corporation (PDIC) from January 2008 to May 2011 where he led PDIC’s transformation to a more responsive and innovative institution. Previously, he was the Senior Executive Vice President of the Land Bank of the Philippines (LBP). In 2005, he headed LBP’s Operations and Corporate Services Sector. Five years earlier, as Senior Vice President and Treasurer, he organized LBP’s combined Treasury and Investment Banking. He was also concurrently Board Vice-Chairman and President of Land Bank Insurance Brokerage Inc., LBP’s subsidiary engaged in insurance brokerage and foreign exchange trading.

Mr. Nograles started his career in 1969 as part of the management services staff of SGV and Company. By 1973, he worked in government as a Senior Consultant to former Secretary Arturo R. Tanco, Jr. of the Department of Agriculture and Natural Resources. After three years, he rejoined the private sector as General Manager of Sarmiento Management Corporation. He moved to Anflo Management & Investment Corporation as Vice President in 1977 to head its Automotive Group of car dealerships and the Corporate Planning Department. He later founded his family's realty company engaged in commercial building and hotel operations in Davao City in 1980. In 1984, he was appointed Assistant Minister for Planning and Project Management of the Ministry of Natural Resources. In 1991, he joined Columbian Autocar Corporation as Vice President and General Manager that introduced the Kia brand in the Philippines. He obtained his BA in Economics with honors (Cum Laude) from the Ateneo de Manila University in 1969 and his Master's Degree in Business Administration from the Asian Institute of Management in 1973. He is a fellow of the Institute of Corporate Directors.

REBECCA MARIA A. YNARES
Independent Director
Filipino, 46 years old

Ms. Rebecca Maria A. Ynares has been a member of the Board of Directors of the Bank since July 2016. She currently serves as member of its Related Party Transactions Committee (RPTCom), Board Risk Oversight Committee (BROC), and Audit Committee. Ms. Ynares manages the following family-owned endeavors TJCMB Enterprises, a warehousing and logistics company; Tutoring Club Franchise Philippines; and Octagon Realty and Development Corporation, where she is also the Corporate Secretary and account management lead. Ms. Ynares spearheads various sustainability and environment restoration initiatives in the Province of Rizal, including the Save Hinulugang Taktak and Ynares Eco System (YES) Programs. With the ongoing YES program, she continues to lead on projects such as installation of waste water clean-up systems, tree-planting activities, medical missions with the Provincial Health Office, feeding programs with the Department of Social Welfare and Development (DSWD), and Youth Program. She lends support to other projects devoted to finding the right balance between the diligent care of the ecosystem and economic viability of affected businesses in Rizal. On top of her advocacies as a dedicated socio-economic philanthropist, Ms. Ynares is a member of the Philippine Red Cross-Rizal Chapter and is an avid resource speaker in various trainings and seminars in the province.

Previously, she has served as a financial analyst for the Bahay Co. Real Estate Agents in Burlingame, California, USA from 2005 until 2007. She started her investment, banking and finance career at the Asia United Bank (AUB) on the areas of branch operations, marketing and investment portfolio management. Ms. Ynares holds a degree in Bachelor of Science in Business Administration and Computer Applications from De La Salle University (1999) and Associate for Arts for Professional Designation Fashion & Merchandising in San Francisco, California (2002).

RICARDO D. FERNANDEZ
Independent Director
Filipino, 69 years old

Mr. Ricardo D. Fernandez was elected as an Independent Director of the Bank effective 1 January 2021. He is currently the Chairman of the Related Party Transactions Committee (RPTCom), and a member of the Corporate Governance Committee (CGCom) and the Nomination, Compensation and Remuneration Committee (NCRC). He has worked in the investment banking industry for 40 years. Mr. Fernandez was employed at Unicapital Incorporated (UI) from 1995 to 2019, where he was appointed as President from 1997 to March 2019, became a Consultant until December 2019, and Director until March 2020. From 1980 to 1995, he was employed at Multinational Investment Bancorporation (MIB). He graduated from the De La Salle University with degrees in Behavioral

Science and Business Management. He also holds a Master's degree in Business Administration from the University of the Philippines.

DANIEL GABRIEL M. MONTECILLO
Independent Director
Filipino, 66 years old

Mr. Montecillo is a consultant, leadership speaker and facilitator, independent board director and executive coach. He currently chairs the Bank's Corporate Governance Committee and the recently created Underwriting Committee. He is also a member of the Audit Committee and Board Risk Oversight Committee.

Mr. Montecillo is currently a senior consultant to the International Finance Corporation. He is a CXO facilitator of Deloitte University Asia Pacific in Singapore and a facilitator in the Leadership Acceleration Program of Ayala University. He has been a guest lecturer at the Asian Institute of Management. He received his certification as an Associate Certified Coach (ACC) from the International Coaching Federation (ICF) and ESG Certification from Competent Boards in Denmark.

He retired as Executive Vice President and Group Head of the Corporate Client Segment of the Bank of the Philippine Islands in 2018, where he was responsible for nationwide banking coverage of the firm's corporate clients and member of its Management, Credit, Asset & Liability, and Investment Management Committees. Immediately prior to this role, he was President of BPI Capital Corporation and Chairman of BPI Securities Corporation, the bank's investment banking and securities subsidiaries. He served for 4 ½ years.

During his time at BPI, he was responsible for the reorganization of the corporate bank into two significant business initiatives: the Corporate Bank for large multinationals and domestic corporates, and the Business Bank, which services the small and medium-sized corporates in the country.

While at BPI Capital, he recast the investment bank into the leading domestic firm in the industry and competed successfully for business with the country's top corporates against the established international investment banking firms in the country. During his tenure, the firm won several international awards for excellence. During his tenure, among the more notable Philippine corporates that the firm took to the public equity capital markets are Max's Group, Store Specialists, and Metro Retail Stores Group.

Prior to returning to the Philippines, he spent 17 years in Hong Kong where he was CEO and founding equity partner of Diamond Dragon Advisors for three years, Asia's first private equity fundraising firm and before that, CEO of Fidelis Holdings for three years. Fidelis was the international real estate investment company of the Ayala Group of Companies.

He has 21 years of international investment banking experience, having worked in New York and Hong Kong at Bankers Trust, Credit Suisse and Morgan Stanley. During this time, he was part of and managed business development and transaction teams in corporate, real estate and leveraged finance, derivatives, private equity, mergers & acquisitions, and equity and debt capital markets.

Dennis is a fellow of the Institute of Corporate Directors (Philippines); a board trustee of the United Nations Global Compact Network (Philippine chapter); a member of the International Coaching Federation (ICF); and an associate member of the Singapore Institute of Directors (SID).

He is an independent director of Metro Pacific Health (MPH), a holding company with interests in 21 hospitals nationwide whose principal shareholders are KKR, GIC and Metro Pacific Investments Corporation; Maybank Investment Banking Group (Philippines), Inc., a subsidiary of Maybank of Malaysia; and RASLAG Corporation, a private renewable energy company. He is chairman of the audit committees of both Maybank Investment Banking Group (Philippines) and RASLAG. He is also a director of the global board of International Care Ministries, an NGO devoted to the rural ultrapoor in the Philippines.

He has an MBA and MA from Stanford University in California, USA and bachelor’s degrees in Management of Financial Institutions and Behavioral Sciences (*magna cum laude*) from De La Salle University in the Philippines.

WINSTON A. CHAN
Independent Director
Filipino, 67 years old

Mr. Chan is currently serving as an Independent Director of a large listed Food & Beverage Company, an Independent Director of a listed Gaming and Leisure Company, an Independent Director of a listed Indonesian Beer Company, an Independent Director of a large Packaging Company, a Regular Director at a privately held Information Technology Services Company, and a privately held Business Process outsourcing Company. He has also served as an IT advisor to the Board of Directors of a listed Logistics Company and a privately held Logistics Company.

He is currently a member of Bank of Commerce’s Executive Committee, Board Risk Oversight Committee, and Nomination Compensation and Remuneration Committee.

Mr. Chan is a retired partner of SGV/EY and the former managing partner of SGV/EY Advisory Service Line. He has more than 34 years of Audit and IT Audit, and Strategic IT and Business Consulting experience.

He led the transformation of what was mainly risk consulting practice in SGV to a broader portfolio of business consulting services with capabilities in customer, finance, supply chain, and IT advisory. The Philippine Advisory practice became the biggest in head count and highest margin in EY ASEAN when he transitioned out his advisory leadership role. He was part of the broader management of the firm as a member of SGV's Management Committee and the EY ASEAN Advisory Leadership Team.

Mr. Chan led the reshaping of the Philippine Advisory Services client portfolio to have more of the large global and local key accounts with multi- year engagements in the revenue mix. He has leveraged on the attractiveness of the Philippines as a BPO and shared services location to help EY teams win global engagements by using Manila as the talent hub for a cost-e!ective service delivery center for finance, supply chain advisory, and internal audit transformation work. He was part of the global account leadership team for several large accounts of EY Global.

He has served the firm in various leadership roles: Asia Pacific lead partner for Global Business Consulting Methodology Development and Deployment, Far East Area lead partner for IT Effectiveness Practice, ASEAN lead partner for Performance Management and Measurement practice, and ASEAN lead partner for Finance Advisory practice.

Mr. Chan completed the Advanced Management Program (AMP) at the Harvard Business School in Boston, MA, The Advanced Business Strategy Course at INSEAD Singapore, and the Management Development Program at the Asian Institute of Management (AIM).

He obtained his Bachelor of Science Degree in Accountancy at Colegio de San Juan de Letran. Mr. Chan is a Certified Information Systems Manager (CISM), a Certified Information Systems Auditor (CISA), and a Certified Public Accountant (CPA).

Mr. Chan is a member of the Management Association of the Philippines (MAP). He is a member of the board of directors of the Harvard Club of the Philippines. He has also served as the Co- president of the Harvard Club of the Philippines from 2014 to 2016, and as Co-president of the Harvard Business School Club of the Philippines from 2012 to 2014. He has also served for 2 terms as a member of the board of directors of the Information Technology Association of the Philippines (ITAP).

SIMON R. PATERNO
Independent Director
Filipino, 64 years old

Mr. Simon Paterno is Founder and CEO of ZQR Corporation, a start-up platform that improves the experience of document exchanges between enterprises and their customers.

Mr. Paterno's immediate previous engagement was EVP and Head of Products and Alternative Channels at Bank of the Philippine Islands from 2014-2019. In that position, he managed all of the bank's profit centers outside of Treasury, including the bank's digital channels. This included supervision of insurance (BPI-MS), merchant acquiring (Chairman of BPI Global Payments), leasing, investment banking, and microfinance (Chairman of BPI BanKo).

Mr. Paterno represented CIMB in the Philippines in its search for a bank investment and in originating investment banking deals. He joined the group in late 2012 as the CEO-designate of Bank of Commerce, which was targeted for acquisition by CIMB. The deal was canceled in 2013.

Mr. Paterno was Managing Director and Country Manager of Credit Suisse from 2004 to 2012. He also founded and served as Chairman of Credit Suisse Securities Philippines, Inc., the firm's securities broker/dealer subsidiary.

Mr. Paterno served as President/CEO of the Development Bank of the Philippines, the government-owned commercial bank, from 2002 to 2004. At the DBP, he pioneered work on the maritime Ro-Ro network that links the archipelago. He was concurrently Chairman of the LGU Guarantee Corporation and other DBP subsidiaries. In 2003, DBP was named 6th Best Employer by Hewitt Associates and Strongest Bank in the Philippines (Based on financial and operational measures, asset quality, and year-on-year improvements in profits and assets) by Asian Banker.

Mr. Paterno spent 18 years with J.P. Morgan & Co., with stints in New York and Hong Kong. In 1997, he was named a Managing Director, with responsibility for coverage of Asian sovereign clients during the Asian financial crisis. He led the project teams that advised the Indonesian Bank Restructuring Agency (IBRA) and its Malaysian counterpart, Danaharta. In mid-1998, he returned to Manila to head J.P. Morgan's Philippine business, and following the merger with Chase Manhattan Bank, worked as Head of Philippine Investment Banking until 2002.

At J.P. Morgan, he worked on some of the most significant sovereign financing transactions including the country's restructuring of its foreign debt in 1991, the return to capital markets in 1992, the Brady exchanges in 1994, and while at Credit Suisse, the Domestic Bond Exchanges and the Debt Exchange Warrants transactions that won Best Liability Management awards for 2006 and 2008. His M&A transaction experience includes mergers that formed the 3 largest Philippine banks in the Philippines, the largest cement company mergers, and the restructuring of San Miguel Corporation's ownership. Under his leadership, J.P. Morgan was named Best Investment Bank in the Philippines by The Asset in 2001 and Credit Suisse was named Best Investment Bank in the Philippines by FinanceAsia in 2009.

In 1999, he received the TOYM (The Outstanding Young Men) Award for his work in Investment Banking. In 2005, he served as President of the Management Association of the Philippines, an organization of the country's top CEO's. He has served on the Board of Directors of the Bankers Association of the Philippines. He serves as Vice Chairman of the Foundation for Economic Freedom, a reform-oriented advocacy group of the country's top economists, as Vice President and Board member of the Ateneo Alumni Association and as Chairman of the Ateneo Scholarship Foundation. He is currently President of the ALFM Family of Mutual Funds. He is also a consultant and adviser to the Board of Directors of Atlantic Gulf and Pacific Company.

He chairs Bank of Commerce's Audit Committee and is a member of the Related Party Transactions Committee (RPTCom) and Information Technology Steering Committee (ITSC).

Mr. Paterno received his MBA from Stanford University in 1984 and his AB Honors Program in Economics, cum laude, from the Ateneo de Manila University in 1980.

SENIOR EXECUTIVE TEAM

The members of senior executive team, subject to the control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors. The following is a list of the Bank's executive officers as of December 31, 2022:

SENIOR EXECUTIVE TEAM	
Joel T. Carranto 52, Filipino *Senior Vice President Branch Banking Group Head*	• Maybank Philippines Inc – *Former Community Distribution Head* • Security Bank – *Former Area Business Manager/Region Head OIC* • Premiere Development Bank – *Former Branch Banking Group Head* • Eastwest Bank – *Former Branch Manager* • AMWAL – *Former Sr. Financial Sales Consultant* • RCBC – *Former Branch Center Manager, Former Account Officer, Former Senior Marketing Assistant, Former Branch Officer-at-Large, Former Branch Operations officer, Former Teller, Former Bookkeeper*
Mary Assumpta Gail C. Bautista 48, Filipino *Senior Vice President Transaction Banking Group Head*	• AV Santiago Development Corp – Treasurer • Deutsche Bank - *Former Vice President/Senior Relationship Manager, Former Corporate Cash Management Head* • BDO/Equitable PCI Bank - *Former Cash Management Sales and Marketing Department Head* • Standard Chartered Bank (Singapore) - *Former Regional Product Manager* • Standard Chartered Bank (Philippines) – Former Product Manager • Citibank N.A. Philippines – Assistant Product Manager, Former Program Administrator

Gamalielh Ariel O. Benavides 56, Filipino *Senior Vice President* *Chief Trust Officer*	• Bacolod Cupcake Café, Inc. – Director • Sunlife of Canada Philippines, Inc. – *Former Licensed Insurance Agent* • BDO Private Bank, Inc. - *Former Senior Vice President / Business Development & Marketing Strategy Head, Former Trust Officer* • Banco Santander Philippines, Inc. – *Former Trust & Investment Services Head/ Vice President, Former Product Development, Assistant Vice President* • Abacus Securities Corporation – *Former Operations Head* • Citibank N.A. Philippines Branch – *Former Securities Services Unit Head, Former Official Assistant, Treasury, Treasury Operations* • Citibank N.A. Singapore Branch – *Former Manager*
Manuel A. Castañeda III 52, Filipino *Executive Vice President* *Corporate Banking Group Head*	• Bank of Commerce – Former Corporate Banking Group 1 Head • Producers Savings Bank - *Former President, CEO and Director* • Maybank Philippines - *Former Global Banking Head* • Unionbank of the Philippines - *Former Commercial Banking 1 Head* • International Exchange Bank - *Former Corporate Banking Team 1 and Project Finance Head and Former Relationship Manager & Head of Project Finance* • AsiaTrust Development Bank – *Former Unit Head, Investment Banking Group and Former Unit Head Portfolio Management* • BPI Express Card Corp. – *Former Merchant Assistant*
Maria Ana P. dela Paz 48, Filipino *First Vice President* *Credit Group Head*	• Bank of Commerce - *Former Credit Evaluation and Review Division Head* • Planters Development Bank - *Former Department Head, Former Product Officer, Former Account Officer, Former Project Officer*
Ma. Katrina A. Felix 54, Filipino *Senior Vice President* *Credit Card Group Head*	• Best Inc- *Former Director* • Finscore Inc (sister company of Cash Credit) - *Former President* • Cash Credit/ CC Mobile Financial Services Phil. – *Former Country Manager* • Prudential Financial Services- *Former President & Managing Director, Former Chief Operating Officer* • Prudential Life Plan, Inc. – *Former Vice President Personnel Department* • Bank of America NT & SA Manila – *Former Operations Manager, MIS Department*
Louella P. Ira 51, Filipino *First Vice President* *Legal Services Division Head*	• Bank of Commerce - *Former Legal Services-Operations Department Head* • Metropolitan Bank & Trust Co- *Former Legal Officer* • Metrobank Card Corporation – *Former Assistant Corporate Secretary* • Insular Life & Assurance Co. – *Former Legal officer*

	• Padilla Jimenez Kintanar & Asuncion – *Former Associate*
Antonio S. Laquindanum 45, Filipino *Executive Vice President* *Chief Financial Officer*	• Lake Champlain Holdings - Director • Australia and New Zealand Banking Group - *Former CFO Philippines and Acting COO, Former Philippine Head of Finance and Administration* • Ernst & Young, LLP (USA) – *Former Manager* • Accenture – Former *Senior Consultant/Senior Team Lead*
Marie Kristin G. Mayo 54, Filipino *First Vice President* *Human Resource Mgt. and Dev't. Division Head*	• Bank of Commerce - *Former Recruitment Head* • The Royal Bank of Scotland (ABN AMRO Bank, Inc.) - *Former HR Head* • My Resource Solutions - *Former HR and Admin Manager* • Photokina Marketing Corporation - *Former HR Supervisor* • LTS Philippines Corporation – *Former Personnel Specialist* • Phil. Long Distance Tel. Co. – *Former Engineering Assistant*
Reginald C. Nery 65, Filipino *Senior Vice President* *Chief Audit Executive*	• ▪Bank of Commerce – *Former Officer-in-Charge, Compliance Division, Former Chief Audit Executive* • ▪Project Management Institute Philippine Chapter - *Board of Trustee (Treasurer)* • ▪Diaz Murillo Dalupan and Company, CPAs - *Former Partner and Head (Technology Performance and Governance)* • ▪RCNERY and Associates - *Former President and Principal Consultant* • ▪KPMG ManabatSanAgustin& Company (Formerly LayaMananghaya& Company) - *Former Partner and Head (Performance and Technology)*
Jeremy H. Reyes 44, Filipino *First Vice President* *Chief Risk Officer*	• Bank of Commerce - *Former Internal Audit Division Quality Assurance Review Dept. Head* • HSBC – *Former Commercial Banking Business Risk & Control Management Head, Former Assistant Vice President, Management Internal, Former Assistant Manager, Credit Administration* • HSBC Savings - *Former Deputy Head of Audit*
Felipe Martin F. Timbol 53, Filipino *Executive Vice President* *Treasurer/ Treasury Management Group Head*	• Bank of Commerce –*Former Treasury Management Sector Head, and Former Treasury & Fee Based Business Sector Head* • Rizal Commercial Banking Corp. – *Former Vice President/Fund Management Group Head* • Eastwest Banking Corporation - *Former Sr. Asst. Vice President/Treasury Department* • Bank of Southeast Asia – Former Assistant Manager/Trust Department • United Coconut Planters Bank – *Former Senior Trader, Former Senior Analyst, and Former General Teller*
Jay S. Velasco 50, Filipino	• Bank of Commerce - *Former Loans Operations Division Head and Former Head Office Operations Support Division Head*

Senior Vice President Operations Group Head	• Tiaong Rural Bank - *Former Chief Operations Officer* • PS Bank - *Former Head Office Operations Division Head, Former Centralized Branch Operations & Support Division Head, Former Process Services Division Head* • BPI - *Former Funds Transfer Dept. Head, Former Central Clearing Unit Head, Former Central Clearing Unit Officer, Former Transit Center Officer, and Former Verification Officer* • DBS Bank Philippines – *Former Central Clearing Unit Head, Former ATM Center Head, Former Processing Center Head, and Former Centralized Verification Head*
Jose Mari M. Zerna 47, Filipino *First Vice President Consumer Banking Group Head*	• Bank of Commerce - *Former Chief Risk Officer and Former Credit Risk Management Dept. Head* • ANZ Banking Group Limited – *Former Account Officer* • BPI Capital Corporation – *Former Corporate Finance Officer* • Bank of the Philippine Islands – *Former Account Officer (Institutional Banking Group)* • Reuters Limited - *Former Treasury Applications Specialist* • Misys Banking Systems Inc - *Former Senior Functional Consultant* • Citytrust Bank and Trust – *Former Management Trainee*
Donald Benjamin G. Limcaco[1] 55, Filipino *Senior Vice President Chief Technology Officer/Digital Services Group Head*	• Bank of Commerce – *Former Executive Support Group Head* • Banco de Oro Unibank – *Former Business Strategy Design Head/SVP, Former Digital Development Head/SVP, Former Virtual Banking Operations Head/SVP* • Bank of America- *Former Consumer Marketing & Technology Head* • Countrywide Financial Corporation – *Former Application Development Head* • DRGrace Management – *Former Managing Principal* • ROUNDARCH Isobar- *Former Engagement Director* • Deloitte Consulting – *Former Manager* • Electronic Data Systems – *Former Systems Engineer* • IBM – *Former Channel Marketing Showroom Representative*
Francisco Raymund P. Gonzales 51, Filipino *Assistant Vice President Corporate Communication & Consumer Protection Division Head*	• Bank of Commerce – *Former Product Development & Customer Protection Department Head* • ChinaBank – *Former Product Manager* • Metrobank – *Former Product Manager* • AB Capital and Investment Corp. – *Former Deal Officer* • Citytrust / BPI – *Former CorPlan Officer* • Punongbayan and Araullo – *Former Consulting Staff*

[1] Mr. Limcaco resigned as Chief Technology Officer and Digital Head Services Group effective end of business hours of March 31, 2023. Ms. Marie Suzanne Sevilla-Sison took over as Chief Information Officer effective February 16, 2023, and will be co-Head of the DSG until the effectivity of Mr. Limcaco's resignation on March 31, 2023.

Gregorio M. Yaranon Jr. 52, Filipino Senior Vice President *Chief Compliance Officer*	• City Savings Bank – *Former Chief Compliance Officer* • CIMB Bank Philippines Inc. – *Former Chief Compliance & Legal Officer* • CIMB Bank Berhad (Malaysia) – *Former Consultant for Compliance & Legal* • Maybank Philippines Inc – *Former Chief Compliance Officer* • Unionbank – *Former Security Officer, Former Litigation Lawyer, Former HR Legal Officer/Industrial & Labor Relations Manager, and Former Compliance Officer*
Luis Martin E. Villalon 50, Filipino First Vice President *Investment Banking Group*	• First Metro – *Former Head of Coverage Team 1 and Former Deputy Head of Equity Capital Markets* • Ampersand Capital Incorporated – *Former Head of Capital Markets* • Philippine Commercial Capital Inc – *Former Head of Capital Markets* • SB Capital Investment Corporation - *Former Investment Banking Director* • HSBC (New York Office) - *Former Vice President of Global Corporate Banking* • Citibank (New York Office) - *Former Assistant Vice President of Corporate and Investment Banking* • Houlihan Lokey Howard And Zukin - *Former Technical Assistant*

SIGNIFICANT EMPLOYEE

The Bank has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

FAMILY RELATIONSHIPS

Mr. Roberto C. Benares, a Director and former President of the Bank, is related within the third civil degree of affinity to Mr. Jose T. Pardo, Advisor to the Board of Directors. Mr. Benares is married to Mr. Pardo's niece. Other than this, no other family relationships among the directors or senior executives, either by consanguinity or affinity.

INVOLVEMENT IN LEGAL PROCEEDINGS

To the best of its knowledge, the Bank is not aware of any of the following events having occurred during the past five (5) years up to the date of this Preliminary Information Statement that are material to an evaluation of the ability or integrity of any Director, nominee for election as Director or Senior Executive of the Bank:

a. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
b. any conviction by final judgment, including the nature of the offence, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
c. being subject to 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 his involvement in any type of business, securities, commodities or banking activities;

d. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

RELATED PARTY TRANSACTIONS

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks. The Bank is in full compliance with the BSP regulations on DOSRI loans and transactions. As of December 31, 2022, DOSRI loans of the Bank amounted to P0.3 million. The Bank has no outstanding DOSRI loans as of December 31, 2021. Details on related party transactions are further explained in Note 33 of the Audited Financial Statements. The Bank is not a subsidiary of any corporation.

PARENT COMPANIES

As of December 31, 2022, San Miguel Properties, Inc. owns and controls 447,711,800 common shares comprising 31.9107% of the capital stock of the Bank entitled to vote, and San Miguel Corporation Retirement Plan owns and controls 432,626,860 common shares comprising 30.8355% of the capital stock of the Bank entitled to vote.

Item 10. EXECUTIVE COMPENSATION

DISCLOSURE AND TRANSPARENCY

The Bank recognizes the need to report material information in a complete, accurate and timely manner thru easily accessible medium of communications.

SENIOR EXECUTIVE OFFICERS

The following table sets out the Bank's President and Chief Executive Officer and the four (4) most highly compensated executive officers of the Bank for the years ended 31 December 2018 to 2022:

Name	Position	Applicable Fiscal Year
Michelangelo R. Aguilar	President and CEO	2018 to 2022
Roberto C. Benares	President and CEO	2018
Felipe Martin F. Timbol	Executive Vice President	2018 to 2022
Manuel A. Castañeda III	Executive Vice President	2018 to 2022

Edward Dennis Zshornack	Senior Vice President	2018 and 2019
Rafael C. Bueno, Jr.	Senior Vice President	2018 and 2019
Anna Marie A. Cruz	Senior Vice President	2020 and 2021
Gamalielh Ariel O. Benavides	Senior Vice President	2020
Donald Benjamin G. Limcaco	Senior Vice President	2021 to 2022
Antonio S. Laquindanum	Executive Vice President	2022

The following table identifies and summarizes the aggregate compensation of the Bank's President and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other officers as a group, for the years ended 31 December 2018 to 2022:

	Year	Salary (in ₱)	Bonus (in ₱)	Other Annual Compensation	TOTAL (in ₱)
President and the four (4) most highly compensated executive officers named above	2018	58,613,414	12,321,438	-	70,934,852
	2019	61,488,588	9,222,745	-	70,711,333
	2020	58,988,112	8,184,528	-	67,172,640
	2021	62,768,112	13,650,338	-	76,418,450
	2022	68,198,220	14,206,139	-	82,404,359
Aggregate compensation paid to all Senior Executive Officers as a group	2018	82,901,052	13,784,717	6,036,183	102,721,952
	2019	110,681,124	15,460,032	2,947,031.00	129,088,187
	2020	129,489,363	22,368,011	-	151,857,374
	2021	127,037,423	25,311,898	8,205,954	160,555,275
	2022	139,743,732	25,732,146	9,995,938	175,471,816

The senior executive team officers receive salaries and bonuses that are included in the amounts stated above. The Bank has a salary structure in place that is used in determining the remuneration of all employees. Remuneration of executive officers is determined by their current pay, performance, the Bank's performance, and salary scale. Aside from the foregoing, they have no other compensation plan or arrangement with the Bank.

STANDARD ARRANGEMENTS

Other than payment of a reasonable per diem and bonuses which ranges from P10,000 to P30,000 for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director. In accordance with the By-Laws, the members of the Board of Directors, the Executive Committee, other committees, and the Corporate Secretary shall be entitled to per diem for every attendance in meetings, the amount of which shall be fixed by the stockholders from time to time.

For the last three fiscal years, the following are the aggregate compensations of the directors:

2020	22,675,921.10
2021	23,828,947.55
2022	17,567,836.10

The Directors' Fees are subject to the approval of the stockholders in accordance with the Bank's By-laws.

EMPLOYMENT CONTRACT BETWEEN THE BANK AND KEY MANAGEMENT PERSONNEL

There are no special employment contracts between the Bank and Senior Management.

WARRANTS AND OPTIONS HELD BY THE KEY MANAGEMENT PERSONNEL AND DIRECTORS

There are no outstanding warrants or options held by Key Management Personnel, and all officers and directors as a group.

COMPENSATION PLANS

There is no action to be taken at the 2023 Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets out the record and beneficial owners of more than 5.0% of the Bank's voting securities known to the Bank as of December 31, 2022:

Title of Class of Securities	Name and Address of Record owners and Relationshipwith the Bank	Name of Beneficial Owner and Relationshipwith the Record Owner	Citizenship	Number of Shares	% of Ownership
Common	SMC Equivest Corporation	San Miguel Corporation – parent company of SMC Equivest Corporation	Filipino	68,305,560	26.6515%
Preferred				416,666,670	
Common	San Miguel Properties, Inc. (SMPI)	San Miguel Corporation – parent company of SMPI	Filipino	447,711,800	24.6039%
Common	San Miguel Corporation Retirement Plan	-	Filipino	432,626,860	23.7749%
Common	PCD Nominee Corporation	-	Filipino	143,291,530	7.8745%
Common	PCD Nominee Corporation	-	Non-Filipino	140,189,000	7.7040%
Common	Caritas Health Shield, Inc.	Record Owner is beneficial owner	Filipino	109,666,640	6.0267%

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In the ordinary course of business, the Bank has loan transactions with investees and certain DOSRI. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

SMC Stock Transfer Service Corporation, a related party, is a wholly owned subsidiary of San Miguel Corporation and acts as the Registrar, Paying Agent, Receiving Agent, and the Stock Transfer Agent for the Offer.

Related party transactions are discussed further in the Notes to Financial Statements (Note33).

PART IV – CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

On 27 October 2020, the Board adopted the Manual on Corporate Governance ("**Manual**"), which institutionalizes the principles of good corporate governance in the entire organization. The Bank believes that it is a necessary component of sound strategic business management, hence, we undertake efforts to create awareness within the organization. The Manual is reviewed and updated annually to capture current and best practices. Proposed amendments thereof are presented to and approved by the Board as reviewed and endorsed by the Corporate Governance Committee.

In adopting the Manual, the Board and its members acknowledge the responsibility in governing the conduct of the business of the Bank, the Board Committees, in focusing on specific board functions to aid in the optimal performance of its roles and responsibilities, and the officers, in ensuring adherence to corporate principles and best practices.

Board committees have been established with focused oversight on internal control, risk management, and performance monitoring. As of date, the Bank has nine board-level committees: (1) Executive Committee; (2) Trust and Investment Committee; (3) Audit Committee; (4) Board Risk Oversight Committee; (5) Corporate Governance Committee; (6) Nomination, Compensation and Remuneration Committee; (7) Related Party Transactions Committee; (8) Information Technology Steering Committee; and (9) Underwriting Committee. To ensure independent judgment on significant corporate matters, and that key issues and strategies are objectively reviewed and constructively challenged, six (6) of the nine (9) committees are headed by independent directors, namely, Audit, Board Risk Oversight, Corporate Governance, Nomination, Compensation and Remuneration; Related Party Transaction; and Underwriting committees. Board-level committee memberships were also evaluated and calibrated to improve on the committees' focused oversight and high-level engagement with management. The respective charters stating the committee purpose, membership, structure, operations, reporting processes and other information, are posted in the company website.

Annual performance reviews are conducted by all members of the Board, as follows:

1. Self-assessment
   This is a yearly self-assessment undertaken by each member of the Board.

2. Peer Assessment
   This is a yearly performance evaluation done by each member of the Board on the performance of his peers (BOD members).

3. Board Committee Assessment
   This is a yearly evaluation done by the Chairman of each Board Committee on the Board Committee he presides. Each member of the Board Committee also assesses the performance of said Committee.

4. Board Assessment
   This is a yearly evaluation undertaken by each member of the Board on the performance of the Board.

Results of these assessments are reported to Corporate Governance Committee and the Board and shared with Nomination Compensation Remuneration Committee (NCRC) for consideration in the re-election of each member of the Board. It also serves as basis in the training needs of each member of the Board.

With respect to Board Advisors, annual evaluation is also done by the members of the Board on the performance of the Board Advisors. The same is reported to the Corporate Governance Committee and the Board and shared with the NCRC for consideration in the renewal of the Board Advisors.

Moreover, the Bank's Internal Audit Division performs periodic corporate governance audit to review and evaluate the Bank's adherence to the guiding principles of the *Bangko Sentral ng Pilipinas* (BSP), and alignment with international best practices on Corporate Governance Principles for Banks by Basel Committee on Banking Supervision (BCBS) every three (3) years. Another audit of corporate governance is included in the 2023 Audit Plan, which was approved by the Audit Committee.

The Bank has fully complied with the requirement on Corporate Governance consistent with the best practices. It has been responsive to newly issued circulars and memos by BSP as well as the comments and suggestions of BSP examiners with respect to governance structures, policies, procedures and practices.

The are no known deviations or recorded deviations from the Corporate Governance framework of the Bank. The last two internal audit reports on corporate governance undertaken yielded an "Outstanding" audit rating, which means that no significant risks and concerns were noted, and controls were functioning as intended.

MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS

There is no action to be taken at the 2023 Annual Stockholders' Meeting with respect to any transaction involving mergers, consolidations, acquisitions and similar matters.

ACQUISITION OR DISPOSITION OF PROPERTY

There is no action to be taken at the 2023 Annual Stockholders' Meeting with respect to the acquisition or disposition of any property.

RESTATEMENT OF ACCOUNTS

There is no action to be taken at the 2023 Annual Stockholders' Meeting with respect to the restatement of any asset, capital or surplus account of the Bank.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Bank of Commerce** (the "**Bank**") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standard Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

FRANCIS C. CHUA
Chairman of the Board

MICHELANGELO R. AGUILAR
President and Chief Executive Officer

ANTONIO S. LAQUINDANUM
Executive Vice President and Chief Financial Officer

Signed this 15th day of March 2023.

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 05 2023
ROSE MARCIANO

MAR 2 0 2023 at MANDALUYONG CITY

SUBSCRIBED AND SWORN to before me this ___________________, affiants exhibiting their Passport ID as follows:

Names	Identification No.	Place of Issue	Valid Until
Francis C. Chua	Senior Citizen ID No. GGG-001082	San Juan, Metro Manila	N/A
Michelangelo R. Aguilar	Passport No. P8692960A	DFA NCR East	September 9, 2028
Antonio S. Laquindanum	Passport No. P7572781B	DFA Manila	September 9, 2031

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Page No. 20
Book No. VI
Series of 2023

FULGENCIO A. ESTILLORE
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0440-22
UNTIL DECEMBER 31,2023
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5109325/01-03-2023/MANDALUYONG CITY
IBP LIFETIME NO. 08943
ROLL OF ATTORNEYS NO. 46466

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& QUALITY ASSURANCE DIVISION
RECEIVED
APR 05 2023
ROSE MARCIANO

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 4 2 2 1

COMPANY NAME

BANK OF COMMERCE

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

San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

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

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	8982-6000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
157	Any day in April	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Antonio S. Laquindanum	ASLaquindanum@bankcom.com.ph	8982-6000	N/A

CONTACT PERSON's ADDRESS

12th Floor, San Miguel Properties Centre, No. 7 St. Francis St., Mandaluyong City

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

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

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& QUALITY ASSURANCE DIVISION
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APR 05 2023
ROSE MARCIANO

BANK OF COMMERCE

FINANCIAL STATEMENTS
As of December 31, 2022 and 2021 and
For the Years Ended December 31, 2022, 2021 and 2020

With Independent Auditors' Report

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KPMG

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Commerce (the "Bank"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December31, 2022, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

KPMG

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for Expected Credit Losses (ECL) for Loans and Receivables

The risk

The Bank's recognition of allowance for ECL for its loans and receivables is significant to our audit as it involves the exercise of significant management judgment. In calculating ECL, key areas of judgment include: determining the method to estimate ECL; defining default; identifying exposures with significant increase in credit risk; determining assumptions to be used in the ECL model such as expected recoveries from defaulted accounts and amount and timing of future cash flows; and incorporating forward-looking information, including the impact of the coronavirus pandemic, rising interest rates, and inflation, among others.

Loans and receivables and the corresponding allowance for credit losses as at December 31, 2022 amounted to P108.55 billion and P3.46 billion, respectively. Provision for credit losses in 2022 amounted to P199.48 million. The disclosures in relation to the allowance for credit losses are included in Notes 12 and 17 of the financial statements.

Our response

We obtained an understanding of the Bank's ECL methodologies and models for loans and receivables, as approved by the Credit Committee and the Board of Directors, and evaluated whether those are (a) established and implemented consistently in accordance with the underlying principles of PFRS 9, *Financial Instruments;* (b) appropriate in the context of the Bank's lending activities and asset portfolio; and (c) supported with processes and controls including documentations that capture in sufficient detail the judgment and estimation applied in the development of the ECL model.

We have performed the following procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of loans and other receivables:

- We evaluated the governance over the development, validation and approval of the ECL model including continuous reassessment performed by the Bank;

- We tested the design, implementation and operating effectiveness of key controls in the ECL process. This includes appropriate classification of loan to stages and assignment of loan risk rating, approval of restructured loans, review of underlying collateral valuation, and the calculation and recognition of the ECL allowance;

- We assessed whether the loans are classified to the appropriate stage, and challenged the criteria used to categorize the loan to respective stages;

- On a sample basis, we performed an independent credit review in order to evaluate the appropriateness and adequacy of the risk rating review and credit review processes done by the Bank including its documentation. Accounts selected for review were based on a set of criteria designed to capture the items with a high risk of material misstatement in the Bank's loan portfolios;

- We assessed the appropriateness and adequacy of the inputs and assumptions as well as the formulas used in the development of the ECL models, including the determination of the probability of default, loss given default and exposure at default;

- We performed model re-assessment through a series of statistical tests on the time series regression analysis and interpreted the results with the aim to verify, primarily, statistical significance;

- For forward-looking information used, we evaluated whether the historical and projected macro-economic factors (i.e. Wholesale Price Index, Interest Rate, Philippine Stock Index, Exchange Rate, Consumer Price Index and Cash Remittances), were appropriate and sufficient. This included assessing the level of significance of the correlation of the forward-looking information to the default rates, as well as the impact of these variables in the ECL. We also reviewed management's use of expert credit judgment on the assessment of other macroeconomic factors as inputs in the ECL models;

- On selected non-performing accounts, we evaluated management's forecast of recoverable cash flows based on agreed restructuring plan, collateral valuation and estimates of recovery from other sources;

- We have tested the integrity of the data inputs by comparing data from source systems to the detailed ECL calculations;

- We have assessed the completeness and appropriateness of the disclosures made in the financial statements; and

- We involved our Information Technology specialists to assist in testing the relevant automated control environments and application controls and, Financial Risk Management specialists to assess the Bank's ECL models and assumptions.

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, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074

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 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 the Bank. 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.

KPMG

The engagement partner on the audit resulting in this independent auditors' report is Vanessa P. Macamos.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 102309-SEC, Group A, valid for five (5) years covering the audit of 2022 to 2026 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563832
Issued January 3, 2023 at Makati City

March 15, 2023
Makati City, Metro Manila

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BANK OF COMMERCE
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2022	2021
ASSETS			
Cash and Other Cash Items		**P2,735,170,691**	P2,747,780,890
Due from Bangko Sentral ng Pilipinas	*17, 18*	**23,675,469,821**	45,367,142,605
Due from Other Banks	*17*	**1,044,255,360**	1,039,456,479
Interbank Loans Receivable and Securities Purchased under Resale Agreements	*8, 17*	**18,378,744,387**	19,133,505,219
Financial Assets at Fair Value through Profit or Loss	*9*	**381,001,468**	994,612,772
Financial Assets at Fair Value through Other Comprehensive Income	*10, 17*	**5,805,050,520**	5,055,116,576
Investment Securities at Amortized Cost	*11, 17*	**52,208,769,061**	42,909,057,404
Loans and Receivables	*12, 17*	**105,091,228,764**	74,374,125,167
Investment in an Associate	*13, 17*	**39,522,627**	39,661,589
Property, Equipment and Right-of-Use Assets	*14, 17*	**1,425,418,610**	1,472,398,367
Investment Properties	*15, 17*	**3,399,986,749**	3,448,314,535
Deferred Tax Assets	*32*	**612,090,088**	743,505,416
Other Assets	*16, 17*	**2,721,190,526**	2,387,937,153
		P217,517,898,672	P199,712,614,172
LIABILITIES AND EQUITY			
Deposit Liabilities	*18*		
Demand		**P51,792,969,578**	P48,702,339,755
Savings		**101,651,552,858**	108,874,919,612
Time		**17,793,297,530**	9,107,143,873
Long-term negotiable certificates		**5,029,420,000**	5,029,420,000
		176,267,239,966	171,713,823,240
Financial Liabilities at Fair Value through Profit or Loss	*9*	**283,329**	-
Bonds Payable	*20*	**7,442,251,269**	-
Manager's Checks		**661,453,914**	951,460,497
Accrued Interest, Taxes and Other Expenses	*21*	**1,165,765,820**	1,021,625,802
Other Liabilities	*22*	**3,950,329,366**	2,662,971,101
Total Liabilities		**189,487,323,664**	176,349,880,640
Equity			
Capital stock	*24*	**18,196,805,900**	15,390,777,900
Paid-in surplus	*24*	**7,229,275,360**	6,776,694,869
Surplus reserves	*25*	**983,407,496**	755,806,267
Retained earnings	*24*	**2,425,229,109**	852,471,738
Net unrealized losses on financial assets at fair value through other comprehensive income	*10*	**(730,966,925)**	(156,154,761)
Remeasurement losses on retirement liability	*29*	**(77,723,200)**	(262,547,387)
Cumulative translation adjustment		**5,878,953**	7,010,814
Share in other comprehensive loss of an associate	*13*	**(1,331,685)**	(1,325,908)
Total Equity		**28,030,575,008**	23,362,733,532
		P217,517,898,672	P199,712,614,172

See Notes to the Financial Statements.

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BANK OF COMMERCE
STATEMENTS OF INCOME

	Note	2022	2021	2020
		Years Ended December 31		
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	12	**P5,465,228,886**	P4,284,455,772	P4,840,143,949
Investment securities at fair value through other comprehensive income and at amortized cost	26	**1,681,784,534**	1,251,563,739	919,374,469
Interbank loans receivable and securities purchased under resale agreements	8	**539,158,895**	316,281,375	238,044,191
Due from Bangko Sentral ng Pilipinas and other banks	18	**274,855,345**	228,434,625	265,527,722
Other interest income:				
Financial assets at fair value through profit or loss	26	**4,603,469**	14,420,446	16,991,151
		7,965,631,129	6,095,155,957	6,280,081,482
INTEREST EXPENSE				
Deposit liabilities	18	**1,034,350,259**	645,260,590	1,127,728,480
Bonds payable	20	**173,783,546**	-	-
Lease liabilities	30	**28,177,821**	35,033,242	42,921,243
Bills payable and others	19	**47,041,557**	16,691,365	1,105,699
		1,283,353,183	696,985,197	1,171,755,422
NET INTEREST INCOME		**6,682,277,946**	5,398,170,760	5,108,326,060
Service charges, fees and commissions	27	**857,631,877**	531,127,752	444,637,070
Gains on foreclosure and sale of property and equipment and foreclosed assets - net	14, 15, 16	**340,449,070**	274,985,810	58,764,927
Foreign exchange gains - net		**150,319,774**	48,367,204	48,875,995
Trading and investment securities gains (losses) - net	28	**(29,216,561)**	(78,709,145)	1,147,573,753
Miscellaneous	31	**115,179,381**	50,565,323	65,417,725
TOTAL OPERATING INCOME		**8,116,641,487**	6,224,507,704	6,873,595,530
Compensation and fringe benefits	29	**1,904,811,525**	1,820,969,091	1,819,392,253
Taxes and licenses	32	**947,182,470**	802,193,452	830,158,438
Rent and utilities	30	**631,549,967**	532,283,906	476,343,471
Depreciation and amortization	14, 15, 16	**431,663,464**	462,532,885	567,850,860
Insurance	18	**348,354,755**	334,825,533	280,637,960
Service fees and commissions	27	**293,329,555**	229,706,473	183,373,509
Provision for (reversal of) credit and impairment losses	17	**166,210,318**	(634,819,513)	962,509,599
Subscription fees		**122,534,992**	107,646,170	96,595,420
Management and professional fees		**108,572,826**	85,022,359	79,453,000
Entertainment and recreation		**76,226,795**	97,393,528	107,304,726
Amortization of software costs	16	**73,068,105**	53,595,136	45,907,917
Miscellaneous	31	**546,579,681**	501,811,576	381,759,150
TOTAL OPERATING EXPENSES		**5,650,084,453**	4,393,160,596	5,831,286,303

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	Note	2022	2021	2020
				Years Ended December 31
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		**P2,466,557,034**	P1,831,347,108	P1,042,309,227
SHARE IN NET LOSS OF AN ASSOCIATE	*13*	**133,185**	1,039,285	753,029
INCOME BEFORE INCOME TAX EXPENSE		**2,466,423,849**	1,830,307,823	1,041,556,198
INCOME TAX EXPENSE	*32*	**666,355,249**	623,688,658	257,122,410
NET INCOME		**P1,800,068,600**	P1,206,619,165	P784,433,788
Earnings Per Share Attributable to Equity Holders of the Bank	*36*			
Basic		**P1.24**	P1.02	P0.70
Diluted		**1.03**	0.93	0.70

See Notes to the Financial Statements.

BANK OF COMMERCE

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2022**	2021	2020
NET INCOME		**P1,800,068,600**	P1,206,619,165	P784,433,788
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified to profit or loss				
Net change in remeasurement losses on retirement liability	*29*	**184,824,187**	186,540,613	(129,089,549)
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	*10*	**4,413,992**	31,555,000	(412,381)
		189,238,179	218,095,613	(129,501,930)
Items that may be reclassified to profit or loss				
Net change in fair value of debt securities at FVOCI	*10*	**(578,936,156)**	(320,194,577)	314,704,714
Net change in fair value of debt securities at FVOCI taken to profit or loss	*10*	**-**	68,883,753	(280,743,443)
Net movement in cumulative translation adjustment		**(1,131,861)**	22,414,831	(17,418,897)
Share in other comprehensive income (loss) of an associate	*13*	**(5,777)**	13,468	(3,073)
		(580,073,794)	(228,882,525)	16,539,301
		(390,835,615)	(10,786,912)	(112,962,629)
TOTAL COMPREHENSIVE INCOME		**P1,409,232,985**	P1,195,832,253	P671,471,159

See Notes to the Financial Statements.

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BANK OF COMMERCE
STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
										Years Ended December 31
Balance as at December 31, 2021		P15,390,777,900	P6,776,694,869	P755,806,267	P852,471,738	(P262,547,387)	(P156,154,761)	P7,010,814	(P1,325,908)	P23,362,733,532
Net income for the year					1,800,068,600	-	-	-	-	1,800,068,600
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	184,824,187	-	-	-	184,824,187
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	4,413,992	-	-	4,413,992
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(578,936,156)	-	-	(578,936,156)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	-	-	-	-
Net movement in cumulative translation adjustment		-	-	-	-	-	-	(1,131,861)	-	(1,131,861)
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	(5,777)	(5,777)
Total comprehensive income for the year		-	-	-	1,800,068,600	184,824,187	(574,522,164)	(1,131,861)	(5,777)	1,409,232,985
Issuance of common stock	24	2,806,028,000	452,580,491	-	-	-	-	-	-	3,258,608,491
Transactions within equity:										
Transfer from surplus reserves	25	-	-	227,601,229	(227,601,229)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	290,000	-	(290,000)	-	-	-
		2,806,028,000	452,580,491	227,601,229	(227,311,229)	-	(290,000)	-	-	3,258,608,491
Balance as at December 31, 2022		P18,196,805,900	P7,229,275,360	P983,407,496	P2,425,229,109	(P77,723,200)	(P730,966,925)	P5,878,953	(P1,331,685)	P28,030,575,008

Forward

										Years Ended December 31
	Note	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2020		P11,224,111,200	P5,594,079,646	P395,602,340	(P51,156,715)	(P449,088,000)	P69,657,563	(P15,404,017)	(P1,339,376)	P16,766,462,641
Net income for the year		-	-	-	1,206,619,165	-	-	-	-	1,206,619,165
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	186,540,613	-	-	-	186,540,613
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	31,555,000	-	-	31,555,000
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(320,194,577)	-	-	(320,194,577)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	68,883,753	-	-	68,883,753
Net movement in cumulative translation adjustment		-	-	-	-	-	-	22,414,831	-	22,414,831
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	13,468	13,468
Total comprehensive income for the year		-	-	-	1,206,619,165	186,540,613	(219,755,824)	22,414,831	13,468	1,195,832,253
Issuance of preferred stock	24	4,166,666,700	1,233,771,938	-	-	-	-	-	-	5,400,438,638
Transactions within equity:										
Transfer from surplus reserves	25	-	-	360,203,927	(360,203,927)	-	-	-	-	-
Application of paid-in surplus against deficit	24	-	(51,156,715)	-	51,156,715	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	6,056,500	-	(6,056,500)	-	-	-
		4,166,666,700	1,182,615,223	360,203,927	(302,990,712)	-	(6,056,500)	-	-	5,400,438,638
Balance as at December 31, 2021		P15,390,777,900	P6,776,694,869	P755,806,267	P852,471,738	(P262,547,387)	(P156,154,761)	P7,010,814	(P1,325,908)	P23,362,733,532

Forward

Years Ended December 31

	Note	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Deficit) (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2019		P11,224,111,200	P5,594,079,646	P399,262,743	(P839,250,906)	(P319,998,451)	P36,108,673	P2,014,880	(P1,336,303)	P16,094,991,482
Net income for the year		-	-	-	784,433,788	-	-	-	-	784,433,788
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	(129,089,549)	-	-	-	(129,089,549)
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	(412,381)	-	-	(412,381)
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	314,704,714	-	-	314,704,714
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	(280,743,443)	-	-	(280,743,443)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	(17,418,897)	-	(17,418,897)
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	(3,073)	(3,073)
Total comprehensive income for the year		-	-	-	784,433,788	(129,089,549)	33,548,890	(17,418,897)	(3,073)	671,471,159
Transactions within equity:										
Transfer from surplus reserves	25	-	-	(3,660,403)	3,660,403	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	-	-	-	-	-	-
		-	-	(3,660,403)	3,660,403	-	-	-	-	-
Balance as at December 31, 2020		P11,224,111,200	P5,594,079,646	P395,602,340	(P51,156,715)	(P449,088,000)	P69,657,563	(P15,404,017)	(P1,339,376)	P16,766,462,641

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax expense		**P2,466,423,849**	P1,830,307,823	P1,041,556,198
Adjustments for:				
Depreciation and amortization	*14, 15, 16*	**431,663,464**	462,532,885	567,850,860
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16*	**(340,449,070)**	(274,985,810)	(58,764,927)
Interest expense on bonds payable	*20*	**173,783,546**	-	-
Provision for (reversal of) credit and impairment losses	*17*	**166,210,318**	(634,819,513)	962,509,599
Amortization of software costs	*16*	**73,068,105**	53,595,136	45,907,917
Interest expense on lease liabilities	*30*	**28,177,821**	35,033,242	42,921,243
Unrealized loss (gain) on financial assets at fair value through profit or loss (FVPL)	*28*	**(3,032,696)**	4,189,634	(69,731,751)
Share in net loss of an associate	*13*	**133,185**	1,039,285	753,029
Gain on sale of investment securities at amortized cost	*28*	**-**	-	(767,033,010)
Loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI)	*28*	**-**	68,883,753	(280,743,443)
Miscellaneous income	*31*	**-**	-	(6,595,120)
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Interbank loans receivables	*8*	**-**	106,515,133	4,382,274
Financial assets at FVPL		**616,927,329**	266,617,062	(141,927,841)
Loans and receivables		**(31,013,170,773)**	(2,049,407,264)	1,142,980,036
Other assets		**(147,949,840)**	(254,234,814)	(184,442,772)
Increase (decrease) in:				
Deposit liabilities		**4,553,416,726**	22,608,212,154	25,249,423,016
Manager's checks		**(290,006,583)**	81,380,889	(53,380,133)
Accrued interest, taxes and other expenses		**130,239,910**	90,609,895	97,234,086
Other liabilities		**1,483,681,802**	(386,245,709)	(207,066,635)
Net cash generated from (absorbed by) operations		**(21,670,882,907)**	22,009,223,781	27,385,832,626
Income taxes paid		**(573,609,991)**	(366,872,337)	(355,090,693)
Net cash provided by (used in) operating activities		**(22,244,492,898)**	21,642,351,444	27,030,741,933

Forward

	Note	2022	2021	2020
			Years Ended December 31	
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of:				
Investment securities at amortized cost		**P59,895,050,000**	P15,166,197,000	P20,043,309,156
Financial assets at FVOCI		**578,775,000**	17,433,761,770	16,022,194,922
Investment properties		**299,555,213**	308,006,196	50,090,800
Property and equipment		**52,892,081**	45,240,223	45,448,780
Additions to:				
Investment securities at amortized cost		**(69,194,981,330)**	(48,933,469,733)	(5,873,014,288)
Financial assets at FVOCI		**(1,903,195,601)**	(7,358,521,216)	(29,740,895,892)
Property and equipment	14	**(182,356,128)**	(156,995,689)	(98,228,754)
Software costs	16	**(100,896,635)**	(48,972,849)	(16,158,782)
Investment properties		**(4,932,730)**	(1,098,889)	(2,095,772)
Net cash provided by (used in) investing activities		**(10,560,090,130)**	(23,545,853,187)	430,650,170
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of bonds payable	35	**7,427,633,892**	-	-
Issuance of common stock		**3,258,608,491**	-	-
Payment of lease liability	35	**(231,255,989)**	(223,485,330)	(220,727,602)
Payment of Interest on bonds	20	**(106,595,991)**	-	-
Issuance of preferred stock		**-**	5,452,543,902	-
Settlement of bills payable	35	**-**	(18,675)	(86,420)
Net cash provided by (used in) financing activities		**10,348,390,403**	5,229,039,897	(220,814,022)
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**(1,082,325)**	22,456,631	(17,460,891)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(22,457,274,950)**	3,347,994,785	27,223,117,190
CASH AND CASH EQUIVALENTS - GROSS AT BEGINNING OF YEAR				
Cash and other cash items		**2,747,780,890**	2,420,504,742	1,776,398,932
Due from Bangko Sentral ng Pilipinas		**45,373,267,996**	39,552,550,316	21,958,460,423
Due from other banks		**1,039,596,824**	1,023,393,720	670,568,456
Interbank loans receivable and securities purchased under resale agreements		**19,136,088,591**	21,952,290,738	13,320,194,515
		68,296,734,301	64,948,739,516	37,725,622,326
CASH AND CASH EQUIVALENTS - GROSS AT END OF YEAR				
Cash and other cash items		**2,735,170,691**	2,747,780,890	2,420,504,742
Due from Bangko Sentral ng Pilipinas		**23,678,666,441**	45,373,267,996	39,552,550,316
Due from other banks		**1,044,396,366**	1,039,596,824	1,023,393,720
Interbank loans receivable and securities purchased under resale agreements	35	**18,381,225,853**	19,136,088,591	21,952,290,738
		P45,839,459,351	P68,296,734,301	P64,948,739,516

Forward

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 05 2023
ROSE MARCIANO

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM INTEREST AND DIVIDENDS			
Operating Activities			
Interest received	**P6,152,214,757**	P5,013,594,767	P5,183,736,446
Interest paid	**978,496,764**	659,753,395	1,226,602,056
Investing Activities			
Interest received	**P1,614,378,153**	P988,560,088	P1,049,252,946
Dividends received	**1,612,352**	5,709,161	12,228,425
Financing Activities			
Interest paid	**P135,099,012**	P35,396,571	P44,027,424

See Notes to the Financial Statements.

BANK OF COMMERCE

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Bank of Commerce (the "Bank") is a domestic corporation registered with the Securities and Exchange Commission (SEC) on December 16, 1963. The Bank's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on March 31, 2022, as approved by the SEC on February 15, 2022. The Bangko Sentral ng Pilipinas (BSP) approved the upgrade of the Bank's banking license from commercial bank to universal bank on December 23, 2021. On August 11, 2022, the SEC approved the application of the Bank to act as underwriter of securities engaged in dealing government securities. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. On November 2, 2022, the Bank officially started operations as a universal bank.

The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, credit card and trust services. The Bank's principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 140 branches nationwide as at December 31, 2022, 2021 and 2020.

San Miguel Properties, Inc. (SMPI) holds 31.91% and 39.89% ownership of the Bank's issued common shares as at December 31, 2022 and 2021, respectively. San Miguel Corporation Retirement Plan (SMCRP) holds 30.84% and 38.54% ownership of the Bank's issued common shares as at December 31, 2022 and 2021, respectively. Each of these shareholders has significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank's issued non-voting preferred shares as at December 31, 2022 and 2021.

The Bank's original authority for its banking license was approved under Monetary Board (MB) Resolution No. 1045 dated October 4, 1963 as *The Overseas Bank of Manila*. The Bank received its Foreign Currency Deposit Unit (the "FCDU") license and launched its FCDU operations on September 23, 1983. The Bank received its Expanded FCDU license on March 10, 2010. The Bank was renamed Commercial Bank of Manila, Inc. on October 20, 1980, further renamed Boston Bank of the Philippines on July 27, 1988, and finally, Bank of Commerce on November 28, 1991.

Under Section 11, Corporate Term of the Revised Corporation Code issued on February 23, 2019, a corporation shall have perpetual existence unless its articles of incorporation provides otherwise. On January 30, 2020, the Board of Directors (BOD) approved the Amended Articles of Incorporation to reflect that the Bank's term of existence shall be perpetual. The said amendment was approved by the SEC on June 9, 2020.

The financial statements of the Bank were approved and authorized for issue by the BOD on March 15, 2023.

2. Basis of Preparation

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRSs, which are adopted and issued by the Philippine Financial Reporting Standards Council, consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

Basis of Measurement

The financial statements of the Bank have been prepared on a historical cost basis, except for the following items:

Items	Measurement Bases
Financial assets and liabilities at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Lease liability	Present value of remaining lease payments, discounted using the Bank's incremental borrowing rate
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The financial statements include accounts maintained in the Regular Banking Unit (the "RBU") and the FCDU. The functional currency of the RBU and the FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

All values are rounded to the nearest peso unless otherwise stated.

Presentation of Financial Statements

The Bank presents its statements of financial position broadly in the order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

3. Summary of Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the adoption of the following amended standards and framework, which became effective beginning January 1, 2022. Unless otherwise indicated, the adoption of these amended standards and framework did not have an impact on the financial statements of the Bank. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to* PAS 16*, Property, Plant and Equipment).* The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statements of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statements of comprehensive income.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets).* The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e., it comprises both incremental costs and an allocation of other direct costs.

- *Annual Improvements to PFRS Standards 2018-2020.*

  - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9).* The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees 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.

  - *Lease Incentives (Amendment to Illustrative Examples AccompanyingPFRS 16 Leases).* The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

- *Reference to the Conceptual Framework (Amendment to PFRS 3 Business Combinations).* The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

- added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

Foreign Currency Transactions and Translation
Foreign exchange differences arising from foreign currency transactions and revaluation and translation of foreign currency-denominated assets and liabilities to functional currency are credited to or charged as part of “Foreign exchange gains - net” account in the statements of income, except for differences arising from the re-translations of equity securities at FVOCI which are recognized directly in “Net change in fair value on equity securities at FVOCI” in other comprehensive income (OCI).

The books of accounts of the FCDU of the Bank are maintained in USD with various transactions in foreign currencies. The foreign currency-denominated income and expenses in the books of accounts are translated into their USD equivalent based on the exchange rates prevailing at the time of transaction. The foreign currency-denominated assets and liabilities at the reporting dates are translated into USD using the Banking Association of the Philippines (BAP) closing rate prevailing at the reporting date.

The foreign currency-denominated monetary assets and liabilities in the RBU are translated to PHP based on the BAP closing rate prevailing at the end of the year. Foreign currency-denominated income and expenses are translated to PHP at the exchange rates prevailing at transaction dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

For reporting purposes, the FCDU income and expenses are translated to their equivalent in PHP based on the BAP weighted average rate (WAR) for the year. The assets and liabilities of the FCDU at the reporting date are translated into PHP using BAP closing rate at the reporting date. The exchange differences arising from translation (i.e., BAP WAR and BAP closing rate) of FCDU accounts to PHP as presentation currency are taken directly to OCI under “Net movement in cumulative translation adjustment” in the statements of comprehensive income. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statements of income.

Financial Instruments - Initial Recognition

- *Date of Recognition*
  Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in themarketplace are recognized on settlement date. Settlement date accountingrefers to: (a) the recognition of an asset on the day it is received by the Bank,and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Deposit liabilities, bills payable, and loans and receivables are recognized when cash is received by theBank or advanced to the borrowers.

Derivatives are recognized on trade date basis. Trade date is the date when an entity commits itself to purchase or sell an asset. Trade date accounting refers to: (a) the recognition of an asset to be received or the liability to be paid on the trade date, and (b) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on trade date.

- *Initial Recognition of Financial Instruments*
  All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, initial measurement includes transaction costs.

<u>Financial Instruments - Classification and Subsequent Measurement</u>
Financial Assets
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them.

The Bank's business model for managing financial assets refers to how it manages its financials 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.

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

Business Model Assessment
The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level, not on an instrument-by-instrument basis, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity'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 in which those risks are managed;

- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

SPPI Test
As part of the Bank's classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For purposes of this assessment, 'principal' is defined as the fair value of thefinancial asset on initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount). 'Interest' is defined as consideration for the time value of money and forthe credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

To make the SPPI assessment, the Bank 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 solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Bank's measurement categories for financial assets are described below:

(i) *Financial Assets at FVPL*
Financial assets at FVPL include financial assets held for trading purposes, financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value. Equity securities are classified as financial assets at FVPL, unless the Bank designates an equity security that is not held for trading as at FVOCI at initial recognition.
A financial asset is held for trading if:

  - it has been acquired principally for the purpose of selling it in the near term; or

  - on initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or

  - it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, as described in succeeding sections, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are initially recognized and subsequently measured at fair value in the statements of financial position, with transaction costs recognized in the statements of income. Gains and losses arising from changes in the fair value of financial assets at FVPL and gains and losses arising from disposals of these securities are recognized under "Trading and investmentsecurities gains (losses) - net" account in the statements of income. Interest earned or incurred is recorded as interest income or interest expense, respectively, while dividend income is recorded under "Miscellaneous income" account in the statements of income when the right to receive payment has beenestablished.

Financial assets at FVPL include government and private debt securities held for trading, derivative instruments and debt securities that do not meet the SPPI test. Most of the Bank's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also take positions with the expectation of profiting from favorable movements in prices, rates or indices. The Bank is a counterparty to derivative contracts, such as currency forwards and warrants.

(ii) Financial Assets at Amortized Cost

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

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset 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. They are subsequently measured at amortized cost using the effective interest method less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under "Interest income" in the statements of income. Gains and losses are recognized in the statements of income when the financial asset is derecognized, modified or impaired, as well as through the amortization process. The losses arising from expected credit losses (ECL) is recognized under "Provision for credit and impairment losses" account, while reversals of ECL are recognized under "Reversal of credit and impairment losses" account. The two accounts are netted off in the statements of income. The effects of revaluation on foreign-currency denominated financial assets are recognized under "Foreign exchange gains - net" account in the statements of income.

The Bank's financial assets at amortized cost include cash and other cash items (COCI), exclusive of cash on hand, amounts due from Bangko Sentral ng Pilipinas (BSP) and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA), investment securities at amortized cost, loans and receivables from customers, sales contract receivables, unquoted debt securities, accrued interest receivable, accounts receivable and other receivables.

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

(iii) Financial Assets at FVOCI

- *Debt Securities*
  The Bank measures debt securities at FVOCI if both of the following conditions are met:

  - the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

  - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

  Debt securities at FVOCI are subsequently measured at fair value with unrealized gains and losses arising from fair valuation recognized in OCI under the 'Net unrealized losses on financial assets at FVOCI' account in the equity section of the statements of financial position. Interest income and foreign exchange gains and losses are recognized in the statements ofincome in the same manner as for financial assets measured at amortized cost. The ECL arising from impairment of such investments are recognized inthe statements of income with a corresponding charge to "Provision for creditand impairment losses" account if the resulting ECL is impairment losses andto "Reversal of credit and impairment losses" if the resulting ECL is reversalof impairment. Other fair value changes to measure the instrument at fair value is recognized in OCI.

  Upon derecognition, the cumulative gains or losses previously recognized in OCI are recognized under "Trading and investment securities gains (losses) - net" account in the statements of income.

- *Equity Securities*
  At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity securities as at FVOCI. Designation as at FVOCI is not permitted if the equity security is held for trading.

Equity securities designated at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in OCI under "Net unrealized losses on financial assets at FVOCI" account in the equity section of the statements of financial position. Dividends earned on holding equity securities designated at FVOCI are recognized in the statements of income as "Miscellaneous income" when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument. Gains and losses on disposal of these equity securities are neverrecycled to profit or loss, but the cumulative gain or loss previously recognized in OCI is reclassified to "Retained earnings" account in the equity section of the statements of financial position. Equity securities designated atFVOCI are not subject to impairment assessment.

The Bank designated all equity securities that are not held for trading as at FVOCI on initial application of PFRS 9, Financial Instruments.

Financial Liabilities
The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or at FVPL.

Financial liabilities are classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities measured at FVPL. Financial liabilities measured at FVPL consists of: (a) financial liabilities held-for-trading, including derivative liabilities that are not accounted for as hedging instruments; and (b) financial liabilities designated at fair value through profit or loss.

The Bank may, at initial recognition, irrevocably designate financial liabilities as measured at FVPL.

The Bank's financial liabilities at amortized cost include deposit liabilities, bills payable, bonds payable, manager's checks, lease liabilities, accrued interest and other expenses (except accrued employee and other benefits and accrued taxes payable) and other liabilities (except withholding tax payable, retirement liability and ECL on off-balance sheet exposures).

Financial liabilities at FVPL include derivative liabilities held-for-trading arising from cross-currency swap and forward contracts. Similar to derivative assets, any gains or losses arising from changes in fair values of derivative liabilities are taken directly to "Foreign exchange gains - net" in the statements of income. Derivatives are carried as liabilities when the fair value is negative.

Reclassification of Financial Assets and Liabilities
The Bank can reclassify financial assets if the objective of its business model for managing the financial asset changes. Reclassification of financial assets designated at FVPL or equity securities at FVOCI at initial recognition is not permitted.

A change in the objective of the Bank's business model will be effected only at the beginning of the next reporting period following the change in the business model.

Financial liabilities are not reclassified.

Modifications of Financial Assets and Financial Liabilities

Financial Assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expire. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in the statements of income and expenses as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset shouldbe written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

To determine whether a modification of a financial asset is substantial or non-substantial, the guidance set out in this policy should be applied. Where it is not clear whether a “substantial modification” has occurred based on the application of this guidance, a 10.0% net present value change (equivalent to the PFRS 9 - test for financial liabilities) should be applied as a backstop.

In some cases, whether or not a modification is substantial will be clear with little or no analysis while in others a high degree of judgment may be required.

The modification of a financial asset could involve one or both of the following:

(a) Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;

(b) Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

Based on the Bank’s policy, the delineation between substantial andnon-substantial modifications should focus on category (a) modifications, specifically changes in credit limit, tenor, currency or SPPI characteristics.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original EIR of the asset and recognizes the resulting adjustment as a modification gain or loss in the statements of income.

For floating-rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such modification is carried out because of the financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial Liabilities
The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in the statements of income. Consideration paid included non- financial assets transferred, if any, and the assumption of liabilities, including the newmodified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original EIR and the resulting gain or loss is recognized in the statementsof income. For floating-rate financial liabilities, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining terms of the modified financial liability by re-computing the EIR on the instrument.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Bank has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of ownership of the asset; or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control of the asset.

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another financial liability 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 ofa new liability. The difference in the respective carrying amounts is recognized in the statements of income.

Impairment of Financial Assets
The Bank recognizes ECL for loan and other debt financial assets at amortized cost and at FVOCI, together with loans commitments and financial guarantee contracts. No impairment loss is recognized on equity securities.

Expected Credit Loss Methodology
The Bank measures ECL in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. PFRS 9 requires a loss allowance to be recognized at an amount equal to either the 12-month ECL or lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. Lifetime ECLs are the ECLsthat result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

Staging Assessment
For non-impaired financial instruments:

- Stage 1: Comprised of performing financial instruments which have not experienced SICR since initial recognition or have low credit risk as of reporting date. This stage recognizes a 12-month ECL for the financial instruments categorized under this group.

- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

  For credit-impaired financial instruments:

- Stage 3: Comprised of non-performing financial instruments with one or more loss events occurring since the original recognition or assets with objective evidence of impairment at reporting date. Financial instruments falling within this stage have objective evidence of impairment thus requiring the recognition of lifetime ECL.

Definition of “Default” and “Cure”
The Bank generally classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (i.e., breach of covenant) and quantitative (i.e., overdue status and non-payment on another obligation of the same borrower/issuer to the Bank).An instrument is considered to be no longer in default (i.e., to have cured) whenthere is sufficient evidence to support that full collection of principal and interests is probable and payments are received for at least six (6) months. This definition is consistent with the definition of non-performing loans (NPL) under Section 304 of the Manual of Regulations for Banks (MORB), *Past Due Accounts and Non-Performing Loans*.

Credit Risk at Initial Recognition
The Bank makes full use of its Internal Credit Risk Rating System (ICRRS) for corporate loans and credit scorecards for consumer loans to determine the credit risk of exposures at initial recognition. The ICRRS is devised to assess the level of risk associated with each borrower using a combination of both quantitative and qualitative factors. Subsequent credit assessments and approvals are also considered in determining the credit risk. On the other hand, credit scorecard is atool used to evaluate the credit risk associated to individual customers. Customer- specific factors and internal data are taken into consideration to calculate a credit score. The credit decision is based on the output of the credit score and policy rules.

Significant Increase in Credit Risk
The definition of a SICR varies by portfolio where the determination of the change in credit risk includes both the quantitative and qualitative factors.

The Bank applies the movement in its Corporate Loan account's credit risk rating and assessment of breach in watchlist triggers to indicate a possible significant credit downgrade or upgrade through a risk rating matrix. For the remaining portfolios, the Bank considers that a SICR occurs no later than when an asset is more than 30 days past due. The total number of days past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Furthermore, the Bank’s internal credit assessment may consider a counterparty to have a SICR since initial recognition if it is identified to have well-defined credit weaknesses. These may include adverse changes in the financial, managerial, economic and/or political nature of a business. Credit weakness can be established by an unsatisfactory track record that merits close monitoring and attention from management.

If there is evidence that there is no longer a SICR relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. For unrated financial instruments, the SICR is measured using the number of days past due which is also consistent with the staging criteria presented above.

ECL Parameters and Methodologies
ECL is a function of the following credit risk parameters:

(a) Probability of Default (PD)
The PD is the measure of likelihood that a borrower will be unable to settle his obligation/s on time and in full over a given time period, either over the next 12 months (12-month PD) or over the remaining life (Lifetime PD) of the loan obligation. The Bank currently uses its ICRRS, credit scorecards and otherrelevant drivers of default to segment exposures with homogenous risk characteristics.

Point-in-Time (PiT) PD calibration is done to reflect the current trends in business and credit cycle. Macroeconomic forecasts are incorporated to come up with PiT PDs that are unbiased and forward-looking projections of future default risk.

(b) Loss Given Default (LGD)
LGD measures the percentage amount of credit losses incurred and not recovered at the time of default. LGD estimation is based on historical cash flow recoveries. Calculation of the LGD is adjusted for some assets to considercashflow recoveries on collateral. For some financial assets, the Bank supplemented internal assessments with regulatory thresholds to arrive at the LGD assumption.

LGD estimation also considers the present value calculation and cost adjustment in determining the recoveries.

(c) Exposure at Default (EAD).
EAD is defined as the outstanding amount of credit exposure at the time of default. EAD is estimated by modelling the historical data on both the actual drawn and undrawn amounts for each credit facility. When estimating EAD,several factors are taken into account, including the length of time for which the estimation is being made, the predicted cash flows until the point of default, and the remaining duration of the loan. This provides a more robust estimate of the total amount the Bank is exposed to.

Forward-looking Information
The Bank incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL.

The Bank enhanced its ECL methodology by incorporating multiple future macroeconomic expectations in order to estimate credit losses on the basis of probability-weighted outcomes. The Bank has performed statistical analysis of historical data to determine which macroeconomic variables (MEVs) are correlated with the performance of specific loan portfolios. The MEVs considered were obtained using publicly available sources such as BSP and Philippine Statistical Association. A broad range of forward looking information are assessed as economic inputs. Based on historical data analysis, the Bank found significant relationships between MEVs and credit risk which vary by product type. Forward looking MEVs usedinclude Wholesale Price Index, Interest Rate, Philippine Stock Index, Exchange Rate, Consumer Price Index, and Cash Remittances. The selected MEVs were confirmed using experienced credit judgment.

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 this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Restructured Loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. When the loan has been restructured but not derecognized, the Bank also reassesses whether there has been a SICR and considers whether the assetsshould be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Write-offs
Financial assets are written off either partially or in full when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included under "Miscellaneous income" in the statements of income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

<u>'Day 1' Difference</u>
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank recognizes the difference between the transaction price and fair value(a 'Day 1' difference) as part of current operations in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized as part of current operations in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

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

As at December 31, 2022 and 2021, the Bank did not have any financial instrument that qualified for offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include COCI, amounts due from BSP and other banks and interbank loans receivable and SPURA with original maturities of three months or less from dates of placement and that are subject to insignificant risk of changes in value.

COCI consist of cash on hand and checks and other cash items. Cash on hand refers to the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATMs).

Repurchase and Reverse Repurchase Agreements
Securities sold under repurchase agreements (SSURA) at a specified future date ("repos") are not derecognized from the statements of financial position. The corresponding cash received, including accrued interest, is recognized in the statements of financial position as liability of the Bank, reflecting the economic substance of such transaction.

Conversely, SPURA to resell at a specified future date ("reverse repos") are not recognized in the statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Bank is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the statements of income and is amortized over the life of the agreement using the effective interest method.

Financial Guarantees and Undrawn Loan Commitments
Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual values of undrawn loan commitments, where the loans agreed to be provided are on market terms, are not recorded in the statements of financial position. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to loan commitments is recognized under "Other liabilities" in the statements of financial position.

In the ordinary course of business, the Bank issues financial guarantees in favor of other parties. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee in accordance with PFRS 15. The financial guarantee is subsequently carried at the higher of the amount of loss allowance determined in accordance with the ECL model and the amount initially recognized, less when appropriate, thecumulative amount of income recognized in accordance with PFRS 15.

Investment in an Associate
An associate is an entity over which the Bank has significant influence but no control. This is a rebuttable presumption in case the equity interest of the Bank in an entity is between 20.0% and 50.0%. The Bank's equity investment in BIC Management and Consultancy, Inc. (formerly Bancommerce Investment Corporation) (BIC) represents 24.26% of BIC's capital stock. Accordingly, the Bank's equity investment in BIC is treated as an investment in an associate accounted for under the equity method of accounting since there is no indication of control.

Under the equity method, an investment in an associate is carried in the statements of financial position at cost plus post-acquisition changes in the Bank's share in the net assets of the associate. The Bank's share in an associate's post-acquisition profits or losses is recognized in the statements of income, and its share of post- acquisition movements in the associate's equity reserves is recognized directly in equity.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the Bank's interest in the associate.

The reporting period of BIC is on a calendar year basis. BIC's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Property and Equipment

Land is stated at cost less any impairment in value. Depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment invalue.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any costs that are directly attributable to bringing the property and equipment to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put to operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resultedin the increase in the future economic benefits to be obtained from the use of an itemof property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the terms of the related lease, whichever is shorter.

Estimated useful lives of property and equipment are as follows:

	Years
Building	50
Furniture, fixtures and equipment	3 - 7
Leasehold improvements	5 - 15

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period the asset is derecognized.

The asset's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each reporting date.

Investment Properties
Investment properties are composed of assets acquired from foreclosure or *dacion en pago* and land and building that are vacant and no longer used for administrative purposes (previously owner-occupied property), and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is initially recognized at the fair value of the asset acquired unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as “Gain on foreclosure” under “Gain on foreclosure and sale of property and equipment and foreclosed assets - net” in the statements of income. Foreclosed properties are classified under “Investment properties” upon:

- entry of judgment in case of judicial foreclosure;

- execution of the Sheriff’s Certificate of Sale in case of extra-judicial foreclosure; or

- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

The Bank applies the cost model in subsequently measuring its investment properties. Land is carried at cost less any impairment in value and depreciable properties acquired are carried at cost. Cost is the fair value of the asset at acquisition date, less any accumulated depreciation and any impairment in value. Transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of cost of the investment properties.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or 10 years, whichever is lower. The estimated useful life 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.

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

Repairs and maintenance costs relating to investment properties are normally charged to statements of income in the period in which the costs are incurred.

An investment property is derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property is recognized in the statements of income under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” account in the period of derecognition.

Other Properties Acquired
Other properties acquired, included under “Other assets” account in the statements of financial position, include chattel mortgage properties foreclosed in settlement of loan receivables. The Bank applies the cost model of accounting for these assets. Under the cost model, these assets are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or three years, whichever is lower. The estimated useful life 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 other properties acquired.

The carrying values of the other properties acquired 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 assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Intangible Assets

Intangible assets consist of software costs and branch licenses. Intangible assets acquired separately, included under "Other assets" account in the statements of financial position, are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less anyaccumulated amortization and impairment losses. Internally generated intangibleassets are not capitalized but recognized in the statements of income in the period when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statements of income under the expense category consistent with the function of the intangible asset. 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 statements of income in the period when the asset is derecognized.

Branch Licenses

Branch licenses are granted by the BSP and capitalized on the basis of the costs incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

Software Costs

Software costs include costs incurred relative to the purchase of the Bank's software and are amortized on a straight-line basis over 5 years. Software costs are carried at cost less accumulated amortization and any impairment in value.

Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Property, Equipment and Right-of-Use Assets,Investment Properties, Other Properties Acquired and Intangible Assets under“Other Assets”

At each reporting date, the Bank assesses whether there is any indication of impairment on investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

The net recoverable amount is the higher of an asset’s (or cash-generating unit’s) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm’s length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or cash-generating unit) exceeds its net recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, 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 (or cash-generating unit).

An impairment loss is charged against operations in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income.

After such reversal, the depreciation expense is adjusted in future years to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurement

The Bank measures financial instruments, such as, financial assets and liabilities at FVPL, financial assets at FVOCI and net retirement liability which is measured at present value of the defined benefit obligation less fair value of plan assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 6.

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 transactionto 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 to the Bank.

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 best economic interest.

The 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.

Fair Value Hierarchy

The majority of valuation models deploys only observable market data as inputs. This has not changed as a result of COVID-19, however the Bank has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

The Bank evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the reporting date.

For certain financial instruments, the Bank may use data that is not readily observable in current markets. If the Bank uses unobservable market data, then the Bank needs to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, the Bank derives unobservable inputs from other relevant market data and compares them to observed transaction prices where available.

The Bank 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 - inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred betweenLevels 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 reporting period.

External appraisers are involved for valuation of significant assets such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. In particular, the external appraisers must hold a recognized and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

Valuation from external appraisers are subject to quality assurance by the Bank to ensure that the minimum requirements and standards for appraisals are met. The minimum requirements and standards entail consistency and accuracy of the information in the appraisal reports. The appraisal undertaking must comply with the provisions of the Philippine Valuation Standards (PVS). Market value is defined by PVS as the estimated amount for which a property can be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 6.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable.

Determining whether the Bank is acting as a Principal or an Agent
The Bank assesses its revenue arrangements against the following indicators to determine whether it is acting as a principal or an agent:

- whether the Bank has primary responsibility for providing the services;
- whether the Bank has discretion in establishing prices; and
- whether the Bank has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.

The Bank has determined that it is acting as a principal in its revenue arrangements except for activities where the Bank acts in a fiduciary or custodian capacity such as nominee, trustee, or agent. Income from fiduciary and custodianship activities are included under "Service charges, fees and commission" account in the statements of income.

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

Revenues Within the Scope of PFRS 15

The Bank earns fee and commission income from a diverse range of financialservices it provides to its customers. Fee and commission income is recognized atan amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

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. This arises fromdeposit-related processing transactions and charges from late payments on loans and drawing against insufficient funds of depositors.

Fees and Commissions

(i) *Fee Income Earned from Services that are Provided over a Certain Period of Time*
Fees earned for the provision of services over a period of time are accrued over that period. These include guarantee fees, credit related fees, investment fund fees, custodian fees, fiduciary fees, portfolio and other management fees. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period. If a drawdown is expected and the commitment expires without the Bank making the loan, the commitment fees are recognized as fee income on expiry of the scheduled drawdown.

(ii) *Fee Income Earned from Providing Transaction Services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as underwriting fees and brokerage fees for the arrangement of the acquisition of shares or other securities are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statements ofincome when the syndication has been completed and the Bank retains no partof the loans for itself or retains a part of the loan at the same EIR as the other participants.

Discounts Earned and Awards Revenue on Credit Cards
Discounts received are taken up as income upon receipt from member establishments of charges arising from credit availments by the Bank's cardholders. These discounts are computed based on certain agreed rates and are deducted fromthe amounts remitted to the member establishments. These also include interchangeincome from transactions processed by Mastercard, a card network, and fees from cash advance transactions of cardholders.

The amount allocated to the loyalty program is deferred and recognized as revenue when the award credits expire or the likelihood of the customer redeeming the loyalty points becomes remote. Award credits under customer loyalty program are accounted for as a separately identifiable component of the transaction in which theyare granted. The fair value of the consideration received in respect of the initial saleis allocated based on the estimated stand-alone selling prices. Income generated from customer loyalty program is included under 'Service charges, fees and commissions' in the statements of income.

Other Income
Income from the sale of services is recognized upon completion of the service. Income from sale of properties is recognized when control over properties transfersto the recipients, measured as the difference between the transaction price and the properties' carrying amounts and presented under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" in the statements of income.

Revenues Outside the Scope of PFRS 15

Interest Income
Interest income is recognized in the statements of income for all financial assets measured at amortized cost and debt securities at FVOCI as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses. The EIRis established on initial recognition of the financial asset and liability and is notrevised subsequently, except for repricing loans. The carrying amount of the financialasset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in the statements of income as interest income or expense.

Interest on interest-bearing financial assets at FVPL is recognized based on the contractual rate.

When a financial asset becomes credit-impaired and is, therefore, regarded asStage 3 (as discussed in "Impairment of Financial Assets" above), the Bank 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 Bank reverts to calculating interest income on a gross basis.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statements of financial position. The unearned discount is taken up to interest income over the installment term and is computed using the effective interest method.

Trading and Investment Securities Gains or Losses
Trading and investment securities gains or losses represent results arising from disposal of debt securities at FVOCI and trading activities (realized gains and losses) and from the changes in fair value of financial assets and liabilities at FVPL (unrealized gains or losses).

Dividends
Dividends are recognized when received or when the Bank's right to receive the dividends is established.

Rental Income
Payments received under operating lease arrangements are recognized in the statements of income on a straight-line basis over the term of the lease.

Recovery on Charged-off Assets
Income arising from collections on accounts or recoveries from impairment of items previously written off is recognized in the statement of income in the year of recovery.

Expense Recognition
Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen to the Bank and can be measured reliably.

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

Other Expenses
Other expenses include losses and expenses that arise in the ordinary course of business of the Bank and are recognized when incurred.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has presented legal or constructive obligation to pay this amount as a result of past service provided by the employer and the obligation can be estimated reliably.

Retirement Benefits
The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

The retirement benefits liability recognized in the statements of financial position in respect of the defined benefits retirement plan is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary usingthe projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on high quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement liability.

Remeasurements of the defined benefit liability, which include actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Bank determines the net interest expense (income) on the retirement benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement benefit liability (asset), taking into account any changes in the retirement liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in thestatements of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income. The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Equity

"Capital Stock" is recorded at par for all shares issued and outstanding.

"Paid-in Surplus" represents the proceeds in excess of par value. Incremental costs incurred which are directly attributable to the issuance of new shares are charged to "Paid-in surplus".

"Retained Earnings (Deficit)" represents the accumulated earnings (losses) of the Bank.

"Surplus Reserves" represent the appropriation of retained earnings in relation to allowance for credit losses which are less than the 1.0% general provision prescribed by the BSP for regulatory purposes, 10.0% of the Bank's profit from trust business, and self-insurance of the Bank.

Leases

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

Bank as Lessee

At the commencement or upon modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises, the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and any impairment losses, adjusted for certain remeasurements of the lease liability. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove any improvements made. The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase, extension or termination option isreasonably certain not to be exercised or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or lossif the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents the right-of-use assets in “Property, Equipment and Right-of-Use Assets” while lease liabilities are included under “Other liabilities” in the statements of financial position.

Short-term Leases and Leases of Low-value Assets
The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Bank recognizes the lease payments associated with these leases as a rent expense on a straight-line basis over the lease term.

Bank as a Lessor
At the inception or upon modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank is a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

Income Tax Expense

Current Tax

Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however,is not recognized when it arises 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.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year 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 reporting date. These reflect uncertainty related to income taxes, if there is any.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation anda reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurancecontract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to current operations, 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Assets and Liabilities

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

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financialand operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

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

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 Bank acts in a fiduciary capacity such as nominee, trustee or agent.

Amendments to Standards Issued but Not Yet Adopted
A number of amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Bank has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements.

Effective January 1, 2023

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12 Income Taxes).* The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

Effective January 1, 2024

- *Classification of Liabilities as Current or Non-current - 2020 Amendments and Non-Current Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1 Presentation of Financial Statements)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non- current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

4. Critical Judgments and Estimates

The preparation of financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, theresults of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

a) *Leases*

Bank as Lessee
The Bank leases properties, land and buildings for the premises it uses for its operations.

The Bank recognizes right-of-use assets and lease liabilities for most leases - on-balance sheet leases. However, the Bank has elected not to recognize right- of-use assets and lease liabilities for leases involving assets of low value. The same policy is likewise applied for short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight- line basis over the lease term.

Significant judgment was exercised by the Bank in determining the discount rate to be used in calculating the present value of right-of-use assets and lease liabilities. The discount rate is represented by the incremental borrowing rate which is Bloomberg Valuation (BVAL) rate and credit spread as determined by the Bank.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in Notes 14 and 22, respectively.

Bank as Lessor
The Bank has entered into commercial property lease agreements for its property and equipment, and investment properties. The Bank has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

In determining whether or not a lease should be treated as an operating lease, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer ofexecutory costs, among others, are considered.

b) *Business Model Assessment*

The Bank manages its financial assets based on the business models thatmaintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investing and trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to, taking into consideration the objectives of each business model established by the Bank. The level of aggregation at which the business model is applied is based on the specific activities being undertaken by each business unit of the Bank to achieve its stated objectives and other relevantfactors such as risks affecting the business model, key performance indicators in evaluating the business model, and how managers of the business are compensated.

The Bank assesses the performance of each business model by considering the activities undertaken by the business models, placing the appropriate key performance indicators and monitoring the frequency of sales activities. PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers facts and circumstances present to assess whether an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a hold-to-collect business model and whether the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

c) *Testing the Cash Flow Characteristics of Financial Assets*

In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e., cash flows that are non-SPPI, does not meet the amortized cost and FVOCI criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified(the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

d) *Functional Currency*

PAS 21, *The Effects of Changes in Foreign Exchange Rates* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- the currency that mainly influences sales prices for financial instruments and services;
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstance relevant to the Bank, the functional currency of the Bank's RBU book of accounts and FCDU book of accounts have been determined to be PHP and USD, respectively.

PHP and USD are the currencies of the primary economic environment in which the Bank operates. These are the currencies that mainly influence the income and costs arising from the Bank operations.

e) *Provisions and Contingencies*

The Bank, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between provisions and contingencies (see Note 38).

Estimates

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

(i) *Expected Credit Losses on Financial Assets, Loan Commitments and Financial Guarantees*

The Bank reviews its financial assets at amortized cost and debt securities at FVOCI, loan commitments and financial guarantees to assess the amount of credit losses to be recognized in the statements of financial position at least on an annual basis or more frequently, as deemed necessary. The measurement of ECL under PFRS 9 requires judgment, in particular, the estimation of the amountand timing of future cash flows and collateral values when determining ECL and the assessment of a SICR. These estimates are driven by a number of factors, changes to which can result in different levels of allowances.

The ECL methodology of the Bank was optimized to recalibrate and improve the accuracy of the ECL models using updated data. Significant factors affecting the estimates on the enhanced ECL model include:

- The default and credit impaired financial assets were aligned across all credit portfolios;
- PD segmentation was based on the staging criteria (i.e., delinquency age buckets, internal credit risk ratings and loan status);
- The LGD takes into account post-default relevant information such as cost of recoveries and curing rate. LGD was adjusted to its present value of expected cash flows using risk-adjusted interest rate. The final LGD estimates were pooled by collateral type;
- EAD estimates consider (a) time horizon for which EAD needs to be estimated, (b) projected cash flows until the estimated point of default and (c) remaining loan term;
- The Bank used three economic scenarios to arrive at probability-weighted ECL estimates. These scenarios represent a most likely outcome (that is, the ‘Baseline’ or central scenario) and two less likely scenarios on the either side of the central (that is, the ‘Optimistic’ and ‘Pessimistic’, respectively). The scenario weights were developed based on the relative frequency distribution of historical GDP data. Both the ‘Optimistic’ and ‘Pessimistic’ scenarios reflect the lower and upper levels whereas the ‘Baseline’ scenario represents the central distribution; and
- The impact of Covid-19 has been appropriately incorporated in the impairment allowance calculation using more recent data. The Bank has updated the macroeconomic expectations in the model to consider the effects of Covid-19 pandemic situation.

In 2022, the ECL methodology of the Bank was validated by an external validator. Changes brought upon by the model validation are the following:

- The PD calculation template was aligned with the model documentation;
- The migration rates used for the LGD calculation of the Corporate, Auto, Housing, Salary, Personal and Benefit loans were also aligned with themodel documentation; and
- Aligned the logical trend of Optimistic, Baseline, and Pessimistic scenarios using historical data.

Refer to Notes 3 and 5 for the detailed discussions of the inputs, assumptions and estimation uncertainty used in measuring ECL under PFRS 9. The related allowance for credit losses subject to ECL are disclosed in Note 17.

(ii) Fair Value of Financial Instruments

Where the fair values of financial assets and liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(iii) Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Property, Equipment and Right-of-Use Asset, Investment Properties, Other Properties Acquired, and Intangible Assets under "Other Assets"

The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

a) significant underperformance relative to expected historical or projected future operating results;

b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and

c) significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its net recoverable amount. Net recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unitto which the asset belongs.

The carrying values of investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets under "Other Assets" are disclosed in Notes 13, 14, 15 and 16, respectively.

(iv) Estimated Useful Lives of Property and Equipment, Investment Properties, Other Properties Acquired and Software Costs

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from property and equipment and computer software.

The estimated useful lives of property and equipment, investment properties, other properties acquired and software costs are disclosed in Note 3.

(v) Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that sufficient taxable income will be available against which the related tax benefits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the forecasted timing and amount of future taxable income together with future tax planning strategies.

The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized and the unrecognized deferred tax assets are disclosed in Note 32.

(vi) Present Value of Retirement Benefit Obligation

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date. The present value of the Bank's retirement obligation and the fair value of plan assets are disclosed in Note 29.

(vii) Contingencies

The Bank is currently involved in various legal proceedings. The probable costs for the resolution of these proceedings has been estimated by management, in consultation with the legal counsels handling the Bank's legal defense in these matters, and is based upon an analysis of potential results.

Management currently does not believe that these proceedings will have a material adverse effect on the Bank's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 38).

5. Financial Risk Management Objectives and Policies

Introduction

The business of banking involves financial risks which must be measured, monitored and managed by an effective risk management system embedded throughout the whole organization. Effective risk management ensures that financial risks are properly identified, assessed, measured and managed. The diligent monitoring and management of all financial risks, notably credit, interest rate risk in the banking book (IRRBB), market and liquidity risk require the development of a risk-conscious culture that will influence daily business activities and decision-making.

The Bank believes that effective risk management will not only minimize potential or actual losses but will also optimize earnings by correctly pricing its products and services commensurate to the risks taken. Its risk mission and objectives are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

Risk Management Structure
The BOD is ultimately responsible for identifying and controlling risks. However, there are separate independent units at the BOD and management levels, which are responsible for managing and monitoring financial risk.

Board of Directors
The BOD is primarily responsible for the sound governance of the Bank, promotion of the highest standards of ethics and integrity. It approves and oversees the implementation of the Bank's strategic objectives and establishes and maintains sound risk management system for the whole institution. The BOD approves and reviews the institutional tolerance for risks, business strategies and risk philosophy.

Corporate Governance Committee
The Corporate Governance Committee is tasked to assist the BOD in fulfilling its corporate governance responsibilities and in providing oversight in theimplementation of the Bank's Compliance System. It is responsible for ensuring due observance of corporate governance principles and guidelines across the Bank.

Related Party Transactions Committee (RPTCom)
The RPTCom assists the BOD in fulfilling its responsibility of ensuring that transactions with related parties are arm's length. It covers proper identification of related parties, recording and vetting of transactions with them including disclosures in financial reports, which must be consistent with relevant legal and regulatory requirements, and Bank policies.

Audit Committee
The Audit Committee represents and assists the BOD in its general oversight of the Bank's financial reporting policies, practices and control and internal and external audit functions. It oversees the relationship with the independent external auditors, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditors, and the experience of the Committee's members in business, financial and accounting matters.

Board Risk Oversight Committee (BROC)
The BROC, a sub-committee of the BOD, oversees the Bank's risk management system. It has the power to approve procedures for implementing risk and capital management policies. The BROC shall assist the BOD with its oversight function to identify and evaluate risk exposures, develop risk management strategies, implement and periodically review the risk management framework and promote a risk management culture in the Bank.

Risk Management Division (RSK)
The RSK is responsible for the creation and oversight of the Bank's corporate risk policy. It is responsible for making recommendations to the BOD on corporatepolicies and guidelines for risk measurement, management and reporting. It also reviews the system of risk limits, compliance to said limits and validates the reportsof the risk-taking personnel. The RSK reports to the BROC.

Asset Liability Management Committee (ALCO)
The ALCO is responsible for setting, developing and implementing the Bank's Asset Liability Management (ALM) and hedging policy. It also reviews the allocation of resources, pricing of products and foreign exchange position of the Bank.

Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)
The ICAAPcom is responsible for overseeing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

Credit and Collections Committee (Crecom)
The Crecom plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan (whether short or long) within its authority and to endorse those credit proposals which are beyond its authority to the Executive Committee (Excom) and/or the BOD. It has likewise the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations. On top of these, the Crecom studies and deliberates proposals intended to adopt new credit policies or to amend existingones or to offer new loan products or programs, prior to endorsement to the Senior Executive Team and Excom for approval.

Internal Audit Division
Internal Audit Division is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to examine, evaluate and improve the effectiveness of risk management, internal control and governance processes of the Bank. The Internal Audit Division reports to the Audit Committee.

Legal Services Division
The primary functions of the Bank's Legal Services Division are composed of rendering legal advice and document review to ensure that relevant laws are disseminated and complied with, the Bank's interest is duly protected, and identified risks are either eliminated or minimized and imparted to responsible units of the Bank. The Division also handles cases filed for and against the Bank.

Compliance Division
The Compliance Division is responsible for coordinating, monitoring and facilitating the Bank's compliance with regulatory requirements. It is responsible for implementing the Bank's Compliance Program and the Money Laundering and Terrorist Financing Prevention Program (MTPP).

<u>Risk Measurement and Reporting Systems</u>
The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by the RSK.

Market risks are measured by mark-to-market and Value-at-Risk (VAR) analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit risks are measured via risk classifications of accounts using ICRRS together with BSP risk classification of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowance for losses including changes thereon, when necessary. All risk information is processed, analyzed and consolidated for proper reporting to the BOD through the BROC and Audit Committee, as well as the Senior Executive Team and various management committees of the Bank.

Actual and estimated risk exposures/losses at Treasury, Corporate, Consumer Business and Credit Cards, Operations and Information Technology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and back-testing results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, service level of major information technology systems and ATMs.

Risk Mitigation

To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency and interest rate risk. The Bank also observes limits on positions, losses, and market sensitivities to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes.

Risk Concentration

The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposurestatus and act upon limit breaches whenever necessary.

Credit Risk

The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management, and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences themonitoring procedure applied to the ongoing exposures.

There has been no material change on the Bank's exposure to credit risk or the manner in which it manages and measures the risk since prior financial year.

Derivative Financial Instruments
The Bank enters into currency forward contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. These derivatives are accounted for as non-hedges, with the fair value changes being reported in the statements of income for the period under "Foreign exchange gains - net" account. Credit risk, in respect of derivative financial instruments, is limited to those with positive fair values,which are reported as "Financial assets at FVPL" in the statements of financial position.

Credit-related Commitment Risks
The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

Credit Risk Exposures
The table below shows the Bank's maximum exposure on receivables from customers and sales contract receivables, net of unearned interest income and allowance for credit losses, before and after collateral to credit risk as at December 31, 2022 and 2021:

	December 31, 2022		December 31, 2021	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	**After Financial Effect of Collateral or Credit Enhancement**	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	**P85,853,607,701**	**P80,428,467,579**	P58,288,237,487	P47,828,341,389
Housing loans	**8,050,636,414**	**2,971,809,373**	8,153,639,607	2,876,874,485
Auto loans	**3,248,375,385**	**1,559,773,409**	3,014,014,009	198,131,864
Agri-agra loans	**2,508,188,756**	**2,422,186,023**	1,216,852,115	1,024,119,022
Bills purchased, import bills and trust receipts	**1,293,445,667**	**1,293,445,667**	386,638,323	378,999,050
Direct advances	**468,677,985**	**-**	369,416,862	-
Others	**1,874,451,667**	**1,874,451,667**	1,666,550,443	1,665,970,866
	103,297,383,575	**90,550,133,718**	73,095,348,846	53,972,436,676
Sales contract receivables	**325,652,637**	**53,682,557**	351,462,925	53,952,557
	P103,623,036,212	**P90,603,816,275**	P73,446,811,771	P54,026,389,233

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2022 and 2021.

As at December 31, 2022 and 2021, fair value of collateral held for loans and receivables amounted to P78.5 billion and P85.8 billion, respectively.

The table below shows the Bank's maximum exposures, net of unearned interest income, relating to financial assets carried under Stage 3 as at December 31, 2022 and 2021:

	December 31, 2022			
	Maximum Exposure			
	Before Collateral	**Financial Effect of Collateral or Credit Enhancement**	**After Financial Effect of Collateral or Credit Enhancement**	**Expected Credit Loss**
Receivables from customers:				
Term loans	**P470,461,970**	**P128,734,453**	**P341,727,517**	**P465,848,155**
Housing loans	**746,112,810**	**593,276,797**	**152,836,013**	**144,275,644**
Auto loans	**409,506,693**	**395,813,302**	**13,693,391**	**341,667,642**
Direct advances	**133,007,418**	**-**	**133,007,418**	**133,007,418**
Bills purchased, import bills and trust receipts	**88,174,014**	**7,656,284**	**80,517,730**	**88,174,014**
Agri-agra loans	**17,663,370**	**14,362,060**	**3,301,310**	**17,663,370**
Others	**684,459,703**	**183,895**	**684,275,808**	**612,085,091**
	2,549,385,978	**1,140,026,791**	**1,409,359,187**	**1,802,721,334**
Sales contract receivables	**115,356,863**	**61,674,306**	**53,682,557**	**54,296,300**
	P2,664,742,841	**P1,201,701,097**	**P1,463,041,744**	**P1,857,017,634**

	December 31, 2021			
	Maximum Exposure			
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P643,153,780	P180,079,143	P463,074,637	P623,299,524
Housing loans	768,753,530	616,516,325	152,237,205	136,587,297
Auto loans	582,133,025	565,263,444	16,869,581	446,901,830
Direct advances	163,188,326	-	163,188,326	163,188,326
Bills purchased, import bills and trust receipts	76,426,393	-	76,426,393	76,426,393
Agri-agra loans	17,663,370	14,362,060	3,301,310	17,663,370
Others	618,220,325	661,296	617,559,029	601,570,397
	2,869,538,749	1,376,882,268	1,492,656,481	2,065,637,137
Sales contract receivables	130,630,640	76,678,083	53,952,557	54,719,038
	P3,000,169,389	P1,453,560,351	P1,546,609,038	P2,120,356,175

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2022 and 2021.

Collateral and Other Credit Enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. Guidelines are implemented regarding the acceptability of types of collateral valuation and parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions: cash or securities;
- For commercial lending: mortgages over real properties, inventory and trade receivables and chattel mortgages; and
- For retail lending: mortgages over real properties and financed vehicles.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, in the event that the value of the collateral depreciates due to various factors affecting the collateral.

It is the Bank's policy to dispose repossessed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank's accredited brokers and/or formulating programs to attract buyers like offering fixed interest rates for an extended period of time and reduced rates for down payment as compared to prevailing market rates, among others.

Credit Quality Per Class of Financial Assets
The credit quality of financial assets is assessed and managed by the Bank using both external and internal credit ratings. The Bank's ICRRS is an established tool used to evaluate the Credit Risk associated with each borrower. The ICRRS assigns a score to each account based on a combination of quantitative and qualitative factors. The scores assigned to each obligor is equivalent to the risk associated to each individual. The scoring model is reviewed and validated by external parties regularly to ensure that the model is risk ranking properly. The risk rating is used as one of the measures of the Bank's risk appetite and as a factor in impairment calculation.

Based on the evaluation of the facility risk factor (FRF), the borrower risk rating (BRR) can be upgraded or downgraded to come up with the final credit risk rating (CRR). Such CRR is eventually used in the determination of the ECL.

BRR Disclosure
In compliance with BSP, the Bank implemented in 2007 a credit risk classification that is compliant with global rating standards. The BRR is the evaluation of the credit worthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. The BRR measures the borrower's credit quality by looking into three major aspects, namely, financial condition, industry analysis and management quality. The financial condition is assessed by the Bank through financial ratio analysis based on the latest available financial information of the borrower. The Bank performs industry analysis by reviewing actual and expected significant changes in the political, regulatory, and technological environment of the borrower or in its business activities. Management quality is assessed by reviewing the experience and quality of management and management's business strategy. In addition, management's business planning and management of banking relationship are also considered. Each section is given the following point allocation:

Section	Maximum Points	Section Rating
Financial Condition	240	40%
Industry Analysis	210	30%
Management Quality	150	30%
TOTAL	**600**	**100%**

There are several rating factors per section which can earn points depending on the four (4) quality judgment levels as follows:

Good	- 30 points
Satisfactory	- 20 points
Still acceptable	- 10 points
Poor	- 0 point

If there is no available information for a specific factor, a rating of "Poor" will be given.

The BRR is used to determine the credit quality of the Bank's corporate accounts. Loan accounts are classified according to a 1 -10 rating scale based on BRR results, as follows:

	Final Score	Equivalent Risk Rating	Calculated BRR
High Grade	>177	Excellent	1
	150 - 176	Strong	2
	123 - 149	Good	3
Standard Grade	96 - 122	Satisfactory	4
	68 - 95	Acceptable	5
	<68	Watchlist	6
Substandard Grade		Special Mention	7
Impaired		Substandard	8
		Doubtful	9
		Loss	10

High Grade or accounts with BRR of 1-3 are loans where the risk of the Bank are good to excellent in terms of risk quality and where the likelihood of the non-paymentof obligation is less likely to happen.

Standard Grade or accounts with BRR of 4-6 are loans where the risk of the Bank ranges from satisfactory to acceptable with some form of weakness and where repayment capacity needs to be watched.

Substandard Grade or accounts with BRR of 7 are loans observed to have potential weaknesses and require a closer observation than the accounts under the Standard rating since if weaknesses are uncorrected, repayment of the loan may be affected increasing the credit risk to the Bank.

Past due but not impaired are those accounts for which contractual principal and interest payments were past due but that the Bank still believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Impaired accounts are loans classified by the Bank as Substandard, Doubtful and Loss where there are experiences of past due accounts and there are well-defined weaknesses where collection or liquidation of obligation may be or is already jeopardized.

Unrated accounts include consumer loans portfolio, credit card receivables, benefit loans, accounts receivables, sales contract receivables and returned checks and other cash items (RCOCI). The Bank is currently building a separate credit rating system for these accounts to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment.

The BRR can be subject to an upgrade/downgrade on the basis of the following:

Group Affiliation:

(a) When a borrower belongs to a group of companies, it can be upgraded up to the rating of the parent company provided that the parent company has a BRR of 4 or better.

(b) However, if the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.

(c) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.

(d) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.

(e) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

FRF:

(a) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.

(b) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

The adjustment on the BRR based on the FRF will be based on the following:

Upgrade	The facility is cash collateralized or covered by marketable securities
	Full collateralization of other assets
	3rd party guarantees in accordance with the BRR of the guarantor an upgrade should be set to the BRR of the guarantor
Downgrade	Borrower is a potential candidate for a downgrade if the facility is clean or a major part of the facilities are pledged to other creditors

The following table shows the credit quality of loans and receivables, excluding unquoted debt securities (gross of allowance for credit losses and net of unearned interest income) as at December 31, 2022 and 2021 (amounts in thousands).

	December 31, 2022										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P32,370,341	P -	P1,099	P979,105	P466,443	P346,095	P -	P34,163,083	P -	P719,404	P34,882,487
Standard grade	52,782,106	-	24,605	219,323	-	2,032,048	-	55,058,082	-	277,124	55,335,206
Unrated	-	7,294,257	3,089,406	97,976	-	-	1,808,374	12,290,013	263,227	450,648	13,003,888
	85,152,447	7,294,257	3,115,110	1,296,404	466,443	2,378,143	1,808,374	101,511,178	263,227	1,447,176	103,221,581
Stage 2											
Neither past due nor impaired:											
Standard grade	329,863	-	-	-	-	-	-	329,863	-	4,196	334,059
Substandard grade	81,637	-	-	-	2,641	134,258	-	218,536	-	962	219,498
Past due but not impaired	-	182,084	127,407	-	-	-	65,034	374,525	4,038	27,341	405,904
Impaired	548,625	-	-	-	-	7,818	-	556,443	-	3,464	559,907
	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
Stage 3											
Impaired	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	854,554	3,519,297
	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	854,554	3,519,297
	P86,583,034	P8,222,454	P3,652,024	P1,384,578	P602,091	P2,537,882	P2,557,868	P105,539,931	P382,622	P2,337,693	P108,260,246

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2021										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P19,015,644	P -	P -	P367,481	P368,948	P731,487	P -	P20,483,560	P -	P495,969	P20,979,529
Standard grade	38,057,707	-	10,086	19,445	3,885	328,882	-	38,420,005	-	146,767	38,566,772
Unrated	-	6,984,226	2,705,050	-	-	-	1,617,776	11,307,052	262,286	238,419	11,807,757
	57,073,351	6,984,226	2,715,136	386,926	372,833	1,060,369	1,617,776	70,210,617	262,286	881,155	71,354,058
Stage 2											
Neither past due nor impaired:											
Standard grade	1,176,151	-	-	-	-	7,314	-	1,183,465	-	7,642	1,191,107
Substandard grade	13,356	-	-	-	-	142,680	-	156,036	-	338	156,374
Past due but not impaired	4,995	576,085	245,887	-	-	-	47,968	874,935	16,048	46,585	937,568
Impaired	139,244	-	-	-	-	12,950	-	152,194	-	1,278	153,472
	1,333,746	576,085	245,887	-	-	162,944	47,968	2,366,630	16,048	55,843	2,438,521
Stage 3											
Impaired	643,154	768,754	582,133	76,426	163,188	17,663	618,220	2,869,538	130,631	832,998	3,833,167
	643,154	768,754	582,133	76,426	163,188	17,663	618,220	2,869,538	130,631	832,998	3,833,167
	P59,050,251	P8,329,065	P3,543,156	P463,352	P536,021	P1,240,976	P2,283,964	P75,446,785	P408,965	P1,769,996	P77,625,746

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2022 and 2021 (amounts in thousands).

	December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	**P1,437,698**	**P -**	**P -**	**P1,437,698**
Standard grade	**24,942,120**	**-**	**-**	**24,942,120**
Unrated	**3,768,630**	**-**	**-**	**3,768,630**
	P30,148,448	**P -**	**P -**	**P30,148,448**

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P3,703,686	P -	P -	P3,703,686
Standard grade	11,049,978	2,743,350	-	13,793,328
Unrated	3,382,638	-	-	3,382,638
	P18,136,302	P2,743,350	P -	P20,879,652

Sensitivity of ECL to Future Economic Conditions

The ECL are sensitive to judgments and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. The Bank performs a sensitivity analysis on the ECL recognized on material classes of its assets.

The table below shows the loss allowance on receivables from customers assuming other plausible scenarios were weighted 100.0% instead of applying scenario probability weights. For ease of comparison, the table provides loss allowance amounts for the current and previous year using the same sensitivity analysis (amounts in thousands). Scenario 1 represents improving conditions that lead to lower ECL for each material asset class while Scenario 2 assumes more unfavorable forward-looking estimates for each material asset class which lead to increasing ECL.

	December 31, 2022			
	Gross	**ECL Allowance**		**Probability-**
	Exposure	**Scenario 1**	**Scenario 2**	**weighted**
Term loans	**P86,583,034**	**P553,846**	**P841,015**	**P729,426**
Housing loans	**8,222,454**	**158,857**	**185,601**	**171,818**
Auto loans	**3,652,024**	**386,644**	**421,028**	**403,649**
Agri-Agra loans	**2,537,882**	**21,258**	**32,815**	**29,693**
Bills purchased, import bills and trust receipts	**1,384,578**	**91,070**	**91,194**	**91,132**
Direct advances	**602,091**	**133,115**	**133,468**	**133,413**
Others*	**2,557,868**	**681,860**	**685,140**	**683,416**
	P105,539,931	**P2,026,650**	**P2,390,261**	**P2,242,547**

**Comprised of benefit loans, salary loans and credit cards.*

	December 31, 2021			
	Gross	ECL Allowance		Probability-
	Exposure	Scenario 1	Scenario 2	weighted
Term loans	P59,050,251	P720,602	P801,499	P762,014
Housing loans	8,329,065	167,586	218,604	175,426
Auto loans	3,543,156	503,884	575,357	529,142
Agri-Agra loans	1,240,976	20,361	27,713	24,123
Direct advances	536,021	166,574	166,633	166,604
Bills purchased, import bills and trust receipts	463,352	76,705	76,723	76,714
Others*	2,283,964	616,903	618,784	617,413
	P75,446,785	P2,272,615	P2,485,313	P2,351,436

**Comprised of benefit loans, salary loans and credit cards.*

Loans with Renegotiated Terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates receivable from customers in financial difficulties to maximize collection opportunities and minimize the risk of default. The carrying amounts per class of loans and receivables whose terms have been renegotiated are as follows:

	2022	2021
Term loans	**P774,912,259**	P283,192,322
Agri-Agra loans	**159,738,819**	30,613,524
Housing loans	**47,758,907**	56,736,908
Auto loans	**617,479**	838,456
Others	**75,456,193**	40,647,707
	P1,058,483,657	P412,028,917

For financial assets such as amounts due from BSP and other banks, interbank loans receivable and SPURA, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost, and unquoted debt securities classified as loans, the credit quality is assessed using external credit rating (such as Standard & Poor's, Fitch, Moody's, etc.) of the respective counterparties considering relevant BSP mandates, as follows:

	December 31, 2022		
	AA - A	**BBB and Below or Unrated**	**Total**
Loans and advances to banks: **			
Due from BSP	**P23,678,666,441**	**P -**	**P23,678,666,441**
Due from other banks	**562,517,326**	**481,879,040**	**1,044,396,366**
Interbank loans receivable and SPURA	**18,381,225,853**	**-**	**18,381,225,853**
	42,622,409,620	**481,879,040**	**43,104,288,660**
Financial assets at FVPL:			
Private debt securities	**-**	**344,809,237**	**344,809,237**
Government securities held-for-trading	**-**	**7,258,797**	**7,258,797**
Derivative assets*	**-**	**28,933,434**	**28,933,434**
	-	**381,001,468**	**381,001,468**
Financial assets at FVOCI:			
Government securities**	**-**	**5,619,271,980**	**5,619,271,980**
Equity securities	**-**	**185,778,540**	**185,778,540**
	-	**5,805,050,520**	**5,805,050,520**
Investment securities at amortized cost:			
Government securities**	**5,573,045,203**	**43,877,476,613**	**49,450,521,816**
Private debt securities**	**1,131,471,358**	**1,632,844,687**	**2,764,316,045**
	6,704,516,561	**45,510,321,300**	**52,214,837,861**
Loans and receivables - gross:			
Unquoted debt securities***	**-**	**291,578,213**	**291,578,213**
	P49,326,926,181	**P52,469,830,541**	**P101,796,756,722**

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1 in 2022*
****Accounts are impaired and carried at Stage 3 in 2022*

	December 31, 2021		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P45,373,267,996	P -	P45,373,267,996
Due from other banks	601,812,095	437,784,729	1,039,596,824
Interbank loans receivable and SPURA	19,136,088,591	-	19,136,088,591
	65,111,168,682	437,784,729	65,548,953,411
Financial assets at FVPL:			
Private debt securities	490,887,983	-	490,887,983
Government securities held-for-trading	50,353,544	427,871,745	478,225,289
Derivative assets*	-	25,499,500	25,499,500
	541,241,527	453,371,245	994,612,772
Financial assets at FVOCI:			
Government securities**	-	4,569,700,778	4,569,700,778
Private debt securities**	303,522,000	-	303,522,000
Equity securities	-	181,893,798	181,893,798
	303,522,000	4,751,594,576	5,055,116,576
Investment securities at amortized cost:			
Government securities**	-	40,331,752,498	40,331,752,498
Private debt securities**	1,072,193,659	1,510,872,599	2,583,066,258
	1,072,193,659	41,842,625,097	42,914,818,756
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,204	291,578,204
	P67,028,125,868	P47,776,953,851	P114,805,079,719

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1 in 2021*
****Accounts are impaired and carried at Stage 3 in 2021*

Aging Analysis of Past Due but not Impaired

The table below shows the aging of past due but not impaired loans and receivables as at December 31, 2022 and 2021.

	December 31, 2022			
	1 - 30 Days	**31 - 60 Days**	**61 - 90 Days**	**Total**
Receivable from customers (gross):				
Housing loans	**P7,502,766**	**P117,540,395**	**P57,041,326**	**P182,084,487**
Auto loans	**304,994**	**82,232,033**	**44,870,404**	**127,407,431**
Term loans	**-**	**-**	**-**	**-**
Others	**27,455,097**	**30,326,359**	**7,252,677**	**65,034,133**
Sales contract receivables	**-**	**1,077,598**	**2,959,821**	**4,037,419**
Other receivables*	**111,258**	**21,429,780**	**5,800,524**	**27,341,562**
	P35,374,115	**P252,606,165**	**P117,924,752**	**P405,905,032**

** Comprised of accrued interest receivables, accounts receivables, and RCOCI*

	December 31, 2021			
	1 - 30 Days	31 - 60 Days	61 - 90 Days	Total
Receivable from customers (gross):				
Housing loans	P -	P359,915,759	P216,169,450	P576,085,209
Auto loans	-	143,710,623	102,176,538	245,887,161
Term loans	-	4,995,009	-	4,995,009
Others	-	43,123,393	4,844,607	47,968,000
Sales contract receivables	6,996,915	8,645,684	405,626	16,048,225
Other receivables*	35,937	32,250,983	14,298,027	46,584,947
	P7,032,852	P592,641,451	P337,894,248	P937,568,551

** Comprised of accrued interest receivables, accounts receivables, and RCOCI*

Impairment Assessment

The Bank recognizes credit losses on financial assets at amortized cost and debt securities at FVOCI based on whether it has had a significant increase in credit risk since initial recognition. ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default(a lifetime ECL).

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general andto events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk since prior financial year.

Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2022 and 2021 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2022					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	P51,792,970	P -	P -	P -	P -	P51,792,970
Savings	44,346,299	55,343,320	2,080,915	-	-	101,770,534
Time	18,985	15,249,042	1,777,238	847,661	-	17,892,926
Long-term negotiable certificates	-	55,952	170,372	5,417,314	-	5,643,638
Financial liabilities at FVPL	-	283	-	-	-	283
Bonds payable	-	93,196	283,777	7,718,853	-	8,095,826
Manager's checks	-	661,454	-	-	-	661,454
Accrued interest and other expenses*	-	791,326	-	-	-	791,326
Lease liabilities	-	37,862	159,856	315,455	25,397	538,570
Other liabilities**	-	1,251,721	1,760,517	-	282,393	3,294,631
Total Undiscounted Financial Liabilities	P96,158,254	P73,484,156	P6,232,675	P14,299,283	P307,790	P190,482,158

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures*

	December 31, 2021					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	P48,702,340	P -	P -	P -	P -	P48,702,340
Savings	42,109,036	62,170,350	4,628,431	378	-	108,908,195
Time	32,916	6,346,781	1,559,037	1,267,042	-	9,205,776
Long-term negotiable certificates	-	55,952	170,372	5,643,638	-	5,869,962
Manager's checks	-	951,460	-	-	-	951,460
Accrued interest and other expenses*	-	541,850	-	-	-	541,850
Lease liabilities	-	36,851	167,294	351,360	37,907	593,412
Other liabilities**	-	373,471	1,165,705	-	280,236	1,819,412
Total Undiscounted Financial Liabilities	P90,844,292	P70,476,715	P7,690,839	P7,262,418	P318,143	P176,592,407

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures*

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments (amounts in thousands):

	December 31, 2022				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Commitments	**P3,601,178**	**P12,598,713**	**P8,447,129**	**P2,062,875**	**P26,709,895**
Contingent liabilities	**67,274,952**	**2,192,776**	**3,343,696**	**3,060,378**	**75,871,802**
	P70,876,130	**P14,791,489**	**P11,790,825**	**P5,123,253**	**P102,581,697**

	December 31, 2021				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,362,130	P1,140,164	P8,005,120	P6,100,614	P18,608,028
Contingent liabilities	59,798,249	847,512	1,408,058	4,338,027	66,391,846
	P63,160,379	P1,987,676	P9,413,178	P10,438,641	P84,999,874

Interest Rate Risk in the Banking Book

The loans provided by the Bank to its borrowers are mostly funded by the deposits of its branch and corporate customers. The difference in the interest revenues from loans and the interest expense in servicing deposits provide the bulk of the Bank's Net Interest Income (NII). Aside from loans, interest revenue is also generated from holdings in debt securities, repurchase agreements (repo), and other interest-bearing assets. Occasionally, the Bank taps interbank loans and other sources of funding to supplement deposits, which are subject to additional interest expense.

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate fund raisers (e.g., branch deposits). FTP helps units evaluate profitability and calculate returns upon deal origination. Furthermore, the FTP framework insulates them from interest rate risk. The Central Funding Unit (CFU), under the Treasury Management Group, manages the Bank's overall IRRBB. CFU is the first line of defense for both IRRBB and Liquidity Risk. While the Bank does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively manages IRRBB by growing its sources of stable funds to match long-term assets.

The FTP policy is properly documented and is transparent to all parties. The FTP interest rates are anchored by widely-used and market-driven benchmark rates such as BVAL and BSP interest rate corridor rates for Peso; US Treasury Yield Curve Rates and USD-denominated bonds issued by the Philippines for USD. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

The NII, and ultimately earnings and capital, is vulnerable to adverse fluctuations interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into varioustime buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions, if more applicable.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered "liability sensitive" since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

RSK monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented to ALCO and BROC on a monthly basis. To ensure that the Bank's net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year.These limits are reviewed annually and form part of the Bank's risk appetite statements.

The Bank makes use of an internally developed Earnings-at-Risk (EAR) model for measuring IRRBB. EAR simulates the contraction of the projected NII over the next 12 months using historical changes in interest rate benchmarks such as BVAL for PHP and US Treasury Yield Curve Rates for USD. The balance sheet size andshape are assumed to remain static for the next 12 months. Non-maturity deposits (NMD) or current-savings accounts (CASA) are split into two classifications, core deposits and volatile deposits.

The volatile or non-core portion of the NMD/CASA is spread over short-term buckets based on behavioral average life. Core deposits are slotted in the 3 - 5 years bucket. Interest rate option risk embedded in loans and time deposits that alter the timing of balance sheet items are incorporated in the model. The model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario simulated by the model impacts the exercise of the interest rate option. More prepayment is expected if interest rates decline while more pre-termination is expected as interest rates increase.

The table below sets forth the Bank's interest rate repricing gap as at December 31, 2022 and 2021.

	December 31, 2022								
In Millions	**Up to 1 Month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**1 - 3 Years**	**3 - 5 Years**	**Beyond 5 Years**	**Non-rate Sensitive**	**Total**
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P2,735	P2,735
Due from BSP	6,096	-	-	-	-	-	-	17,579	23,675
Due from other banks	-	-	-	-	-	-	-	4,761	4,761
Interbank loans receivable	14,664	-	-	-	-	-	-	(2)	14,662
Financial assets at FVPL	-	-	-	-	-	-	-	381	381
Financial assets at FVOCI	369	430	1,998	2,250	1,355	-	-	(783)	5,619
Investment securities at AC	6,697	2,040	3,051	3,616	9,625	15,299	12,392	(346)	52,374
Loans - net	34,468	15,534	8,479	11,592	13,484	12,281	4,732	2,727	103,297
Other resources	247	5	-	-	-	-	-	8,687	8,939
	P62,541	P18,009	P13,528	P17,458	P24,464	P27,580	P17,124	P35,739	P216,443
Liabilities and Equity									
Deposit liabilities:	P69,553	P14,024	P18,688	P1,289	P5,648	P67,065	P -	P -	P176,267
Demand deposits	7,521	-	7,025	-	-	37,247	-	-	51,793
Savings deposits	5,194	-	9,475	-	-	29,674	-	-	44,343
Time deposits	56,838	14,024	2,188	1,289	619	144	-	-	75,102
Long-term negotiable certificates	-	-	-	-	5,029	-	-	-	5,029
Bonds payable	-	-	-	-	7,442	-	-	-	7,442
Other liabilities	-	-	-	-	-	-	-	5,930	5,930
	69,553	14,024	18,688	1,289	13,090	67,065	-	5,930	189,639
Capital funds	-	-	-	-	-	-	-	26,804	26,804
	P69,553	P14,024	P18,688	P1,289	P13,090	P67,065	P -	P32,734	P216,443
Total periodic gap	(P7,012)	P3,985	(P5,160)	P16,169	P11,374	(P39,485)	P17,124	P3,005	P -

	December 31, 2021								
In Millions	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P2,748	P2,748
Due from BSP	27,135	-	-	-	-	-	-	18,232	45,367
Due from other banks	-	-	-	-	-	-	-	4,176	4,176
Interbank loans receivable	15,800	113	-	-	-	-	-	(2)	15,911
Financial assets at FVPL	-	-	-	-	-	-	-	995	995
Financial assets at FVOCI	358	315	1,810	1,893	689	-	-	(192)	4,873
Investment securities at AC	1,033	95	498	1,586	11,932	14,464	13,850	(337)	43,121
Loans - net	17,201	15,752	6,432	9,919	6,997	9,381	4,926	1,807	72,415
Other resources	244	11	-	-	-	-	-	9,423	9,678
	P61,771	P16,286	P8,740	P13,398	P19,618	P23,845	P18,776	P36,850	P199,284
Liabilities and Equity									
Deposit liabilities:	P65,191	P31,096	P9,259	P939	P925	P64,304	P -	P -	P171,714
Demand deposits	7,504	6,269	2,226	-	-	32,703	-	-	48,702
Savings deposits	7,188	5,750	2,794	-	-	26,340	-	-	42,072
Time deposits	50,499	19,077	4,239	939	925	232	-	-	75,911
Long-term negotiable certificates	-	-	-	-	-	5,029	-	-	5,029
Other liabilities	-	-	-	-	-	-	-	4,414	4,414
	65,191	31,096	9,259	939	925	64,304	-	4,414	176,128
Capital funds	-	-	-	-	-	-	-	23,156	23,156
	P65,191	P31,096	P9,259	P939	P925	P64,304	P -	P27,570	P199,284
Total periodic gap	(P3,420)	(P14,810)	(P519)	P12,459	P18,693	(P40,459)	P18,776	P9,280	P -

The Bank manages interest rate risk separately for its RBU and FCDU books. The interest rate risk of the RBU of the Bank from its accounts is managed in PHP while the FCDU of the Bank, regardless of original currency, is managed in USD. The following table demonstrates the sensitivity to a reasonably possible change ininterest rates, with all other variables held constant, of the Bank's results of operations and OCI:

	December 31, 2022			
Currency	**Changes in Interest Rates (In Basis Points)**	**Sensitivity of Net Interest Income (In Millions)**	**Sensitivity of Trading Gains - net on FA at FVPL (In Millions)**	**Sensitivity of OCI (In Millions)**
PHP	**+200**	**P201.26**	**(P0.25)**	**(P490.44)**
USD	**+100**	**1.76**	**(3.38)**	**(73.93)**
PHP	**-200**	**(201.26)**	**0.25**	**490.44**
USD	**-100**	**(1.76)**	**3.38**	**73.93**

	December 31, 2021			
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity of OCI (In Millions)
PHP	+200	(P42.80)	(P17.07)	(P440.31)
USD	+100	0.32	(28.85)	(100.92)
PHP	-200	42.80	17.07	440.31
USD	-100	(0.32)	28.85	100.92

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and liabilities held as at December 31, 2022 and 2021.

The sensitivity of "Trading and investment securities gains (losses) - net" and OCI is calculated by revaluing fixed-rate financial assets at FVPL and debt securities at FVOCI, respectively, as at December 31, 2022 and 2021. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Market Risk

Market risk arises from the potential decline in earnings and capital due to adverse changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to two sources of market risk, namely: 1) market price risk in the trading book; and 2) foreign exchange risk from open foreign currency exposures. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first two.

There has been no material change to the Bank's exposure to market risk or the manner in which it manages and measures the risk since prior financial year.

Market Price Risk in the Trading Book

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank's RSKsimulates the trading book's VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, monthly and yearly losses.

Value-at-Risk Methodology

VAR serves as the Bank's key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk.The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank's VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

The table below summarizes the results of the Bank's VAR calculations as at December 31, 2022 and 2021.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
2022				
As at December 31, 2022	**P944,454**	**P84,887**	**P55,262,009**	**P55,452,704**
Average	**2,381,036**	**1,147,342**	**48,111,020**	**48,504,463**
Highest	**12,183,300**	**2,585,544**	**73,264,380**	**72,311,569**
Lowest	**140,229**	**83,357**	**37,230,085**	**36,648,881**
2021				
As at December 31, 2021	2,007,233	2,147,907	38,772,700	40,671,327
Average	1,333,091	3,418,377	36,592,519	39,975,735
Highest	4,880,412	7,633,611	51,049,930	60,384,640
Lowest	70,786	1,692,119	15,273,243	18,303,243

Currency Risk

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure based on its assets and liabilities is within conservative limits for a financial institution engaged in a type of business similar to that of the Bank.

Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolios in the FCDU. Banks are required by BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

Similar to market price risk in the trading book, the Bank employs limits and a VAR model to manage the risk that possible interest or currency movements pose. Such limits are prudently set and the position status is monitored on a daily basis.

The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2022 and 2021. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (based on USD equivalents in thousands):

	December 31, 2022			
	USD	**Euro**	**Others**	**Total**
Assets				
Due from other banks	**$614**	**$530**	**$388**	**$1,532**
Interbank loans	**9,449**	**-**	**-**	**9,449**
Loans and receivables	**1,764**	**-**	**-**	**1,764**
Total Assets	**11,827**	**530**	**388**	**12,745**
Liabilities				
Deposit liabilities	**-**	**1,260**	**-**	**1,260**
Other liabilities	**1,573**	**55**	**9**	**1,637**
Total Liabilities	**1,573**	**1,315**	**9**	**2,897**
Net Exposure	**$10,254**	**($785)**	**$379**	**$9,848**
Amount in PHP	**P571,712**	**(P43,768)**	**P21,131**	**P549,075**

	December 31, 2021			
	USD	Euro	Others	Total
Assets				
Due from other banks	$438	$883	$406	$1,727
Interbank loans	5,100	-	-	5,100
Loans and receivables	1,254	-	-	1,254
Total Assets	6,792	883	406	8,081
Liabilities				
Deposit liabilities	-	1,419	-	1,419
Other liabilities	802	5	14	821
Total Liabilities	802	1,424	14	2,240
Net Exposure	$5,990	($541)	$392	$5,841
Amount in PHP	P305,484	(P27,590)	P19,992	P297,886

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2022 and 2021 based on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in thetable reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Change in currency rates are based on the historicalmovements of each currency for the same period:

	Philippine Peso Appreciates by	**Effect on Profit before Tax (In Millions)**	**Philippine Peso Depreciates by**	**Effect on Profit before Tax (In Millions)**
December 31, 2022				
Currency:				
USD	**P1.00**	**(P10.25)**	**(P1.00)**	**P10.25**
Euro	**0.50**	**0.39**	**(0.50)**	**(0.39)**
Others	**0.40**	**(0.15)**	**(0.40)**	**0.15**

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2021				
Currency:				
USD	P1.00	(P5.99)	(P1.00)	P5.99
Euro	0.50	0.27	(0.50)	(0.27)
Others	0.40	(0.16)	(0.40)	0.16

Given the nature and amount of the Bank's equity investments portfolio in 2022 and 2021, management believes the Bank's exposure to currency risk is considered minimal.

Equity Price Risk
Given the nature and amount of the Bank's equity investments portfolio in 2022 and 2021, management believes the Bank's exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

COCI, Due from BSP and Other Banks and Interbank Loans Receivable and SPURA - Fair values approximate carrying amounts given the short-term nature of the instruments.

Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost) - Fair values are generally based onquoted market prices. If not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using discounted cash flow methodology.

Equity Securities (Financial Assets at FVOCI) - Fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers.

Derivative Instruments (Financial Assets and Financial Liabilities at FVPL) - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Loans and Receivables - The estimated fair values of long-term receivables from customers and sales contract receivables are equal to the estimated future cash flows expected to be received which are discounted using current market rates (i.e., BVAL and US Treasury Yield Curve Rates). Fair value of short-term receivable from customers, sales contract receivables, accounts receivables, accrued interest receivables, and RCOCI approximates carrying amounts given the short-term nature of the accounts.

Investment Properties - Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit Liabilities - Fair values of long-term time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and US Treasury Yield Curve Rates) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term time deposits approximate fair value. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bonds and Bills Payable - For long-term bonds and bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bonds and bills payable approximate fair value.

Manager's Checks, Accrued Interest and Other Expenses and Other Liabilities (excluding non-financial liabilities) - Carrying amounts approximate fair values due to the short-term nature of the accounts. Due to preferred shareholders is determined to be long term in nature due to a pending dispute which affects maturity. Fair value cannot be estimated reliably due to lack of supportable data available.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	December 31, 2022				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	**P7,259**	**P3,569**	**P3,690**	**P -**	**P7,259**
Private debt securities	**344,809**	**-**	**-**	**344,809**	**344,809**
Derivative assets	**28,933**	**-**	**28,933**	**-**	**28,933**
Financial assets at FVOCI:					
Government securities	**5,619,272**	**511,282**	**5,107,990**	**-**	**5,619,272**
Equity securities	**185,779**	**147,253**	**-**	**38,526**	**185,779**
	P6,186,052	**P662,104**	**P5,140,613**	**P383,335**	**P6,186,052**
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	**P283**	**P -**	**P283**	**P -**	**P283**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	**P49,444,750**	**P12,626,246**	**P34,050,746**	**P -**	**P46,676,992**
Private debt securities	**2,764,019**	**375,615**	**2,035,004**	**-**	**2,410,619**
Loans and receivables:					
Receivables from customers	**103,340,539**	**-**	**-**	**102,468,646**	**102,468,646**
Less unearned interest	**43,155**	**-**	**-**	**43,155**	**43,155**
	103,297,384	**-**	**-**	**102,425,491**	**102,425,491**
Sales contract receivables	**325,653**	**-**	**-**	**380,020**	**380,020**
	155,831,806	**13,001,861**	**36,085,750**	**102,805,511**	**151,893,122**
Non-financial Assets					
Investment properties	**3,399,987**	**-**	**-**	**9,969,666**	**9,969,666**
	P159,231,793	**P13,001,861**	**P36,085,750**	**P112,775,177**	**P161,862,788**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	**P17,793,298**	**P -**	**P17,735,829**	**P -**	**P17,735,829**
Long-term negotiable certificates	**5,029,420**	**-**	**4,787,902**	**-**	**4,787,902**
Bonds payable	**7,442,251**	**-**	**7,386,764**	**-**	**7,386,764**
	P30,264,969	**P -**	**P29,910,495**	**P -**	**P29,910,495**

	December 31, 2021				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	P478,225	P283,418	P194,807	P -	P478,225
Private debt securities	490,888	-	-	490,888	490,888
Derivative assets	25,500	-	25,500	-	25,500
Financial assets at FVOCI:					
Government securities	4,569,701	918,851	3,650,850	-	4,569,701
Private debt securities	303,522	303,522	-	-	303,522
Equity securities	181,894	144,565	-	37,329	181,894
	P6,049,730	P1,650,356	P3,871,157	P528,217	P6,049,730
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	P40,326,340	P15,617,463	P24,219,580	P -	P39,837,043
Private debt securities	2,582,717	2,059,920	521,950	-	2,581,870
Loans and receivables:					
Receivables from customers	73,132,658	-	-	95,269,564	95,269,564
Less unearned interest	37,309	-	-	37,309	37,309
	73,095,349	-	-	95,232,255	95,232,255
Sales contract receivables	351,703	-	-	427,310	427,310
	116,356,109	17,677,383	24,741,530	95,659,565	138,078,478
Non-financial Assets					
Investment properties	3,448,315	-	-	9,297,901	9,297,901
	P119,804,424	P17,677,383	P24,741,530	P104,957,466	P147,376,379
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	P9,107,144	P -	P9,098,652	P -	P9,098,652
Long-term negotiable certificates	5,029,420	-	5,116,369	-	5,116,369
	P14,136,564	P -	P14,215,021	P -	P14,215,021

In 2022, due to changes in market conditions for certain government securities measured at FVOCI, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVOCI, with carrying amounts of P306.1 million in 2022, were transferred from Level 1 to Level 2 of the fair value hierarchy. There have been no transfers from Level 1 to Level 2 of the fair value hierarchy for government securities measured at FVPL in 2022.

There have been no transfers from Level 1 to Level 2 of the fair value hierarchy in 2021.

In 2022 and 2021, there have been no transfers into and out of Level 3 of the fair value hierarchy.

An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. The fair value of the Level 3 instruments is based on cost which approximates its fair value.

The carrying values of the financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at December 31, 2022 and 2021.

7. Segment Reporting

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with eachsegment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to Senior Management who is responsible for allocating resources to the segments and assessing their performance. Segment performance is evaluated based on net income before provision/reversal of credit and impairment losses, share in net loss of an associate, and income tax expense. The Bank's business segments follow:

Treasury Management Group - principally provides money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks.

Corporate Banking Group - principally handles loans and other credit facilities for corporate institutional, and middle market clients.

Branch Banking Group - principally supervises customers' deposits and offers standard customer transactional services through the branch network.

Consumer Group - principally manages home, automobile, and salary loans for individual customers.

Others - includes but not limited to Credit Cards, Transaction Banking, Trust, and Acquired Assets. Other operations of the Bank also include operations and financial control groups.

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenuesand expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. The Bank has no significant customers which contributes 10.00% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the years ended December 31, 2022, 2021 and 2020 for statements of income items, and as at December 31, 2022 and December 31, 2021 for statements of financial position items follow (amounts in millions):

	December 31, 2022					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Income						
Net interest income:						
Third party	**P2,171**	**P4,448**	**(P880)**	**P896**	**P47**	**P6,682**
Intersegment	**(1,602)**	**(3,157)**	**5,306**	**(542)**	**(5)**	**-**
Net interest income	**569**	**1,291**	**4,426**	**354**	**42**	**6,682**
Non-interest income	**116**	**154**	**89**	**40**	**1,035**	**1,434**
Total revenues	**685**	**1,445**	**4,515**	**394**	**1,077**	**8,116**
Other expenses	**222**	**258**	**2,098**	**157**	**2,749**	**5,484**
Income (losses) before provision for credit losses and income tax expense	**P463**	**P1,187**	**P2,417**	**P237**	**(P1,672)**	**P2,632**
Provision for credit and impairment losses						**P166**
Share in net loss of an associate						**-**
Income tax expense						**666**
Net income						**P1,800**
Other Segment Information						
Capital expenditures	**P6**	**P6**	**P57**	**P7**	**P86**	**P162**
Depreciation and amortization	**P4**	**P3**	**P53**	**P7**	**P365**	**P432**

	December 31, 2022					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Financial Position						
Total assets	**P80,035**	**P93,631**	**P23,810**	**P12,063**	**P7,979**	**P217,518**
Total liabilities	**9,995**	**35**	**172,912**	**116**	**6,429**	**189,487**

	December 31, 2021					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P1,614	P3,328	(P560)	P896	P120	P5,398
Intersegment	(1,256)	(1,321)	3,879	(629)	(673)	-
Net interest income	358	2,007	3,319	267	(553)	5,398
Non-interest income	(29)	40	83	31	702	827
Total revenues	329	2,047	3,402	298	149	6,225
Other expenses	147	199	2,040	146	2,496	5,028
Income (losses) before provision for credit losses and income tax expense	P182	P1,848	P1,362	P152	(P2,347)	P1,197
Reversal of credit and impairment losses						(P635)
Share in net loss of an associate						1
Income tax expense						624
Net income						P1,207
Other Segment Information						
Capital expenditures	P1	P7	P52	P2	P53	P115
Depreciation and amortization	P4	P3	P63	P7	P386	P463

	December 31, 2021					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Financial Position						
Total assets	P93,887	P63,564	P22,497	P12,386	P7,379	P199,713
Total liabilities	7,845	69	164,790	102	3,544	176,350

	December 31, 2020					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P1,173	P3,677	(P1,023)	P1,013	P268	P5,108
Intersegment	(1,416)	(2,019)	4,840	(716)	(689)	-
Net interest income	(243)	1,658	3,817	297	(421)	5,108
Non-interest income	1,204	78	86	10	387	1,765
Total revenues	961	1,736	3,903	307	(34)	6,873
Other expenses	308	219	1,736	153	2,452	4,868
Income (losses) before provision for credit losses and income tax expense	P653	P1,517	P2,167	P154	(P2,486)	P2,005
Provision for credit and impairment losses						P963
Share in net loss of an associate						1
Income tax expense						257
Net income						P784
Other Segment Information						
Capital expenditures	P3	P2	P34	P4	P44	P87
Depreciation and amortization	P4	P3	P256	P7	P298	P568

Non-Interest income consists of trading and investment securities gains (losses), service charges, fees and commissions, foreign exchange gains, gain on foreclosure, and sale of property and equipment and foreclosed assets and miscellaneous income.

Other expenses consist of compensation and fringe benefits, taxes and licenses, rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, entertainment and recreation, management andprofessional fees, amortization of software costs, share in net loss of associate and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	Note	**2022**	2021
SPURA		**P14,538,857,444**	P15,800,317,280
Interbank loans receivable		**3,842,368,409**	3,335,771,311
		18,381,225,853	19,136,088,591
Less allowance for credit losses	*17*	**2,481,466**	2,583,372
		P18,378,744,387	P19,133,505,219

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

Interbank loans receivable consists of short-term loans granted to other banks.

Interest income on SPURA and interbank loans receivable follows:

	2022	2021	2020
SPURA	**P475,286,408**	P316,263,835	P234,610,084
Interbank loans receivable	**63,872,487**	17,540	3,434,107
	P539,158,895	P316,281,375	P238,044,191

SPURA bears interest rates ranging from 2.0% to 5.5% in 2022, interest rate of 2.0% in 2021 and interest rates ranging from 2.0% to 4.0% in 2020.

Peso-denominated interbank loans receivable bear interest rates ranging from 1.8% to 5.0% in 2022 and 3.5% to 3.9% in 2020. No short-term peso-denominated loans were granted by the Bank to other banks in 2021. Dollar-denominated interbank loans receivable bear interest rates ranging from 0.5% to 3.8%, from 0.1% to 0.5%, and from 0.1% to 1.7% in 2022, 2021 and 2020, respectively.

9. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2022	2021
Private debt securities	**P344,809,237**	P490,887,983
Government securities held-for-trading	**7,258,797**	478,225,289
Derivative assets	**28,933,434**	25,499,500
	P381,001,468	P994,612,772

Private debt securities pertain to investment in MRT III bonds that does not qualify as SPPI, thus, mandatorily classified and measured as financial assets at FVPL.

As at December 31, 2022, 2021 and 2020, financial assets at FVPL are adjusted for unrealized gain of P3.0 million, unrealized loss of P4.2 million and unrealized gain of P69.7 million, respectively (see Note 28).

Derivative Financial Instruments
This includes warrants amounting to $50 thousand acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding ofcertain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

Forward swaps refer to spot purchase of sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future. As at December 31, 2022, these pertain to one contract with notional amount of $1.0 million and three contracts with notional amount of $0.5 million each. The Bank has no forward swaps as at December 31, 2021.

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount and leverage exposure. The leverage exposure is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The leverage exposure indicates the volume of transactions outstanding as at December 31, 2022 and 2021 and is not indicative of either market risk or credit risk.

	December 31, 2022			December 31, 2021		
	Derivative Assets	**Notional Amount**	**Leverage Exposure**	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	**P27,877,500**	**$50,000**	**$ -**	P25,499,500	$50,000	$ -
Forwards	**1,055,934**	**1,000,000**	**-**	-	-	-
	P28,933,434	**$1,050,000**	**$ -**	P25,499,500	$50,000	$ -

	December 31, 2022			December 31, 2021		
	Derivative Liabilities	**Notional Amount**	**Leverage Exposure**	Derivative Liabilities	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Forwards	**P283,329**	**$1,500,000**	**$ -**	P -	$ -	$ -

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	Note	**2022**	2021
Government securities		**P5,619,271,980**	P4,569,700,778
Equity securities		**185,778,540**	181,893,798
Private debt securities	*33*	**-**	303,522,000
		P5,805,050,520	P5,055,116,576

As at December 31, 2022 and 2021, the ECL allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P0.6 million and P0.7 million, respectively (see Note 17).

Equity Securities
This account consists of ordinary shares from a foreign financial institution and a telecommunications company and club shares. The Bank has designated theseequity securities as at FVOCI.

Equity securities include the Bank's 8.57% equity interest in Banco National de Guinea Equatorial (BANGE) as part of its partnership with the National Government of the Republic of Equatorial Guinea. The carrying amount of the equity securities amounted to P18.8 million as at December 31, 2022 and 2021. Dividend income received from BANGE in 2020 amounted to P3.0 million, booked under "Miscellaneous Income" in the statements of income (see Note 31). No dividend was received from BANGE in 2022 and 2021.

In 2022 and 2021, the Bank disposed club shares with carrying value of P0.8 million and P10.6 million, respectively, and transferred to "Retained earnings" account the realized gain of P0.3 million and P6.1 million in 2022 and 2021, respectively. There were no disposals of equity securities in 2020.

Dividend income from equity securities at FVOCI amounted to P1.6 million, P5.7 million and P12.2 million in 2022, 2021 and 2020, respectively (see Note 31).

Net Unrealized Losses on Financial Assets at FVOCI

The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

	Note	**2022**	2021	2020
Balance at beginning of year		**(P156,154,761)**	P69,657,563	P36,108,673
Net unrealized gains (losses) recognized as OCI		**(574,495,027)**	(293,920,562)	315,724,110
ECL on debt securities at FVOCI	*17*	**(27,137)**	(1,108,339)	1,652,388
Realized losses (gains) taken to profit or loss	*28*	**-**	68,883,753	(280,743,443)
Effect of tax	*32*	**-**	6,389,324	(3,084,165)
Net change in unrealized gains (losses) recorded in OCI		**(574,522,164)**	(219,755,824)	33,548,890
Realized gains taken to retained earnings		**(290,000)**	(6,056,500)	-
Balance at end of year		**(P730,966,925)**	(P156,154,761)	P69,657,563

11. Investment Securities at Amortized Cost

This account consists of:

	Note	**2022**	2021
Government securities		**P49,450,521,816**	P40,331,752,498
Private debt securities	*33*	**2,764,316,045**	2,583,066,258
		52,214,837,861	42,914,818,756
Less allowance for credit losses	*17*	**6,068,800**	5,761,352
		P52,208,769,061	P42,909,057,404

No investment securities at amortized cost were sold in 2022 and 2021.

In September and October 2020, the Bank sold government securities classified as Investment securities at amortized cost with total carrying value of P11.8 billion for peso denominated government securities and $51.3 million for dollar denominated government securities. The Bank realized gain from the sale of these securities amounting to P570.5 million and $4.0 million (P196.6 million) for peso and dollar denominated government securities, respectively (see Note 28).

The sales were made as part of the Bank's initiatives to preserve its capital and provide a buffer over regulatory minimum levels. The capital of the Bank was directly threatened by the increasing past due and NPL brought by the unforeseen and historical COVID-19 pandemic which required a significant increase in provision for credit losses on loans. The Bank assessed that the sale did not result in changes to the objectives of the hold-to-collect business model as the sale was infrequent. The remaining investment securities continue to be measured at amortized cost.

12. Loans and Receivables

This account consists of:

	Note	2022	2021
Receivables from customers:			
Term loans		**P86,583,033,586**	P59,050,250,905
Housing loans		**8,222,608,912**	8,329,292,292
Auto loans		**3,652,024,507**	3,543,209,363
Agri-agra loans		**2,537,887,089**	1,241,364,426
Bills purchased, import bills and trust receipts	*22*	**1,384,577,563**	463,352,225
Direct advances		**605,327,618**	537,504,714
Others		**2,597,626,608**	2,319,120,588
		105,583,085,883	75,484,094,513
Less unearned interest income		**43,154,930**	37,309,436
		105,539,930,953	75,446,785,077
Accrued interest receivable:			
Loans and receivables		**848,790,235**	614,200,832
Trading and investment securities		**422,998,451**	358,148,082
Interbank loans receivable and SPURA		**5,715,175**	702,236
Due from BSP and other banks		**2,193,333**	1,429,147
Accounts receivable		**1,057,747,032**	794,692,800
Sales contract receivables		**382,621,585**	408,965,309
Unquoted debt securities		**291,578,213**	291,578,204
RCOCI		**249,146**	822,302
		108,551,824,123	77,917,323,989
Less allowance for credit losses	*17*	**3,460,595,359**	3,543,198,822
		P105,091,228,764	P74,374,125,167

Bills purchased, import bills and trust receipts include bills purchased with contra account in "Bills purchased - contra" under "Other Liabilities" amounting toP1.3 billion and P420.0 million as at December 31, 2022 and 2021, respectively (see Notes 22 and 33). Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the Bank to its clients.

Other receivables from customers pertain to consumer loans such as benefit loans, salary loans, and credit cards.

Accounts receivable mainly consist of amounts due from customers and other parties under open-account arrangements, advances for buyers of foreclosed properties, receivables from employees and other miscellaneous receivables.

Sales contract receivables arise mainly from the sale of foreclosed properties booked under "Investment properties" accounts.

On March 25, 2020, Republic Act (RA) No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1") was enacted. Bayanihan 1 provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest falling due within the enhanced community quarantine periodwithout incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, RA No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2"), was enacted. Under Bayanihan 2, a one-time 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 interest, penalties, fees and other charges, thereby extending the maturity of the said loans.

Based on the Bank's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. The impact of loan modifications amounted to a loss of P29.6 million. For the year ended December 31, 2020, the net impact of the loan modification after subsequent accretion of the modified loan amounted to P24.8 million and was recorded in "Interest income" in the statements of income. For the years ended December 31, 2022 and 2021, accretion of loan modification that were recorded in "Interest income" in the statements of income amounted to P5.1 million and P7.0 million, respectively.

BSP Regulatory Reporting

As at December 31, 2022 and 2021, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2022		2021	
	Amount	**%**	Amount	%
Loans secured by:				
Deed of pledge	**P7,905,090**	**7.5**	P2,667,139	3.5
Real estate	**5,345,891**	**5.1**	4,671,629	6.2
Deposit hold-out	**5,283,140**	**5.0**	5,115,340	6.8
Continuing surety agreement	**4,754,637**	**4.5**	4,448,004	5.9
Chattel	**2,314,566**	**2.2**	2,650,902	3.5
Corporate guaranty	**1,564,374**	**1.5**	2,480,565	3.3
Deed of assignment	**1,136,920**	**1.1**	1,287,561	1.7
Mortgage trust indenture	**809,900**	**0.8**	1,050,200	1.4
Certificate of participation	**800,000**	**0.7**	1,000,000	1.3
Others*	**17,756,186**	**16.8**	12,611,275	16.7
	47,670,704	**45.2**	37,982,615	50.3
Unsecured	**57,912,382**	**54.8**	37,501,480	49.7
	P105,583,086	**100.0**	P75,484,095	100.0

**Others include post-dated checks and various collaterals on omnibus loan and security agreement*

As at December 31, 2022 and 2021, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2022		2021	
	Amount	**%**	Amount	%
Electricity, gas, steam, and air-conditioning supply	**P30,518,493**	**28.9**	P21,406,795	28.4
Real estate activities	**24,139,201**	**22.9**	16,058,865	21.3
Manufacturing	**13,275,801**	**12.6**	11,557,523	15.3
Information and communication	**9,528,617**	**9.0**	53,550	0.1
Construction	**6,278,239**	**5.9**	9,218,129	12.2
Wholesale and retail trade, repair of motor vehicles and motorcycles	**4,889,646**	**4.6**	4,732,528	6.3
Agriculture, forestry and fishing	**2,394,508**	**2.3**	948,852	1.3
Water supply, sewerage, waste management and remediation activities	**1,401,877**	**1.3**	1,416,877	1.9
Transportation and storage	**1,372,692**	**1.3**	784,920	1.0
Financial and insurance activities	**1,311,410**	**1.3**	1,823,796	2.4
Accommodation and food service activities	**1,285,650**	**1.2**	1,148,574	1.5
Administrative and support service activities	**711,460**	**0.7**	190,625	0.2
Others*	**8,475,492**	**8.0**	6,143,061	8.1
	P105,583,086	**100.0**	P75,484,095	100.0

**Others include Professional Activities, Education, Personal Consumption and other various activities*

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio or 10.0% of Tier 1 capital.

As at December 31, 2022 and 2021, the Bank does not have credit concentration in any particular industry that exceeds 30.0% of total loan portfolio.

As at December 31, 2022, 10% of Tier 1 capital amounted to P2.5 billion and the table above includes the six industry groups exceeding this level as of that date.

The table also includes the five industry groups above the 10% of Tier 1 capital (P2.1 billion) as at December 31, 2021. The BROC and CRECOM constantlymonitor these credit risk concentrations to ensure they are within the risk appetite of the Bank.

Under 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, whenit is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or 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/orinterest 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.

As at December 31, 2022 and 2021, the breakdown of receivables from customers as to status, is as follows (amounts in thousands)

	December 31, 2022		
	Performing	**Non-performing**	**Total**
Corporate	**P89,160,116**	**P644,853**	**P89,804,969**
Consumers	**11,338,496**	**1,221,937**	**12,560,433**
Credit card	**1,216,190**	**596,107**	**1,812,297**
Others	**1,306,849**	**55,383**	**1,362,232**
	P103,021,651	**P2,518,280**	**P105,539,931**

	December 31, 2021		
	Performing	Non-performing	Total
Corporate	P60,060,363	P810,213	P60,870,576
Consumers	11,085,873	1,425,312	12,511,185
Credit card	1,045,892	539,477	1,585,369
Others	428,784	50,871	479,655
	P72,620,912	P2,825,873	P75,446,785

As at December 31, 2022 and 2021, the NPLs of the Bank, as reported to BSP, are as follows:

	2022	2021
Gross NPLs	**P2,518,280**	P2,825,873
Less deductions as required by BSP	**1,793,731**	2,018,591
Net NPLs	**P724,549**	P807,282

Gross and net NPL ratios of the Bank are 2.1% and 0.6%, respectively, as at December 31, 2022 and 3.1% and 0.9%, respectively, as at December 31, 2021.

As at December 31, 2022 and 2021, restructured loans amounted to P1.1 billion and P412.0 million, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2022 and 2021, restructured receivables from customers considered as NPLs amounted P340.9 million and P218.3 million, respectively.

On March 14, 2020, the BSP issued BSP Memorandum No. M-2020-008 Regulatory Reliefs for BSP-supervised financial institutions (BSFIs) Affected by the COVID-19, as amended by M-2020-0032 dated April 27, 2020 and M-2020-0022 dated April 8, 2020. The said memorandum provides for certain temporary regulatory relief measures for financial institutions supervised by the BSP as follow:

- Staggered booking of allowance for credit losses over a maximum of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of March 8, 2020, subject to prior approval of the BSP;

- Exclusion from the computation of past due and non-performing classification, the loans by borrowers in affected areas which should have been reclassified as past due as of March 8, 2020, including those loans becoming past due or non-performing six months thereafter, subject to the following: (a) such loans shall be reported to the BSP; (b) the exclusion shall be allowed from March 8, 2020 until December 31, 2021; and (c) BSP documentary requirementsfor restructuring of loans may be waived provided that the Bank will adoptappropriate and prudent operational control measures;

- Non-imposition of monetary policies for delays incurred in the submission of all supervisory reports to BSP due to be submitted from March 8, 2020 up to six months thereafter;

- Non-imposition of penalties on legal reserve deficiencies computed under Section 255 of the MORB starting from reserve week following March 8, 2020 up to six months thereafter, subject to prior approval of the BSP;

- Increase in the Single Borrower's Limit (SBL) from 25.0% to 30.0% until March 31, 2021;

- Allowance of (a) loans to Micro, Small and Medium Enterprises (MSMEs) and (b) loans to critically-impacted large enterprises as alternative mode of compliance with reserve requirements until December 31, 2021; and

- Provision of financial assistance to officers affected by the present health emergency, for the grant of loans, advances or any other forms of credit accommodations, subject to the submission by the Bank of a request for BSP approval within 30 calendar days from the approval thereof of the BOD.

As of December 31, 2022 and 2021, there has been no availment of the reliefs provided by BSP.

Interest Income on Loans and Receivables

This account consists of:

	2022	2021	2020
Receivables from customers:			
Term loans	**P4,258,299,628**	P3,135,826,861	P3,502,896,604
Housing loans	**533,304,245**	551,299,617	570,443,567
Auto loans	**247,631,545**	264,452,515	351,866,491
Agri-agra loans	**117,546,235**	38,283,650	26,051,159
Direct advances	**15,944,868**	18,021,144	25,320,441
Bills purchased, import bills and trust receipts	**5,908,431**	1,008,184	280,959
Others	**264,901,980**	250,289,916	336,682,833
	5,443,536,932	4,259,181,887	4,813,542,054
Sales contract receivable	**21,691,954**	25,273,885	26,601,895
	P5,465,228,886	P4,284,455,772	P4,840,143,949

**Others pertain to interest income from consumer loans such as benefit loans, salary loans, and credit cards.*

As at December 31, 2022, 2021 and 2020, 55.7%, 48.0% and 44.3%, respectively, of the total receivables from customers were subject to periodic interest repricing.

Peso-denominated loans earn annual fixed interest rates ranging from 1.6% to54.0% in 2022, from 1.0% to 54% in 2021 and from 1.3% to 54.0% in 2020. Dollar-denominated loans earn annual fixed interest rates ranging from 3.3% to 8.7% in 2022 and 1.2% to 8.0% in 2021 and 2020.

Sales contract receivables bear fixed interest rates ranging from 5.3% to 11.6% in 2022 and 2021 and from 3.4% to 12.1% in 2020.

13. Investment in an Associate

The movements in of the Bank's equity investment in BIC follow:

	Note	**2022**	2021	2020
Acquisition cost (24.26%-owned)		**P75,395,200**	P75,395,200	P75,395,200
Accumulated equity in net loss and OCI:				
Balance at beginning of year		**(29,807,825)**	(28,782,008)	(28,025,906)
Share in net loss		**(133,185)**	(1,039,285)	(753,029)
Share in other comprehensive income (loss)		**(5,777)**	13,468	(3,073)
Balance at end of year		**(29,946,787)**	(29,807,825)	(28,782,008)
Allowance for impairment loss	*17*	**(5,925,786)**	(5,925,786)	(5,925,786)
	33	**P39,522,627**	P39,661,589	P40,687,406

The following table shows the summarized financial information of BIC:

	2022	2021*	2020*
Assets	**P175,587,810**	P175,203,784	P177,630,567
Liabilities	**(12,241,573)**	(12,041,307)	(11,733,886)
Net assets	**163,346,237**	163,162,477	165,896,681
Revenues	**3,677,273**	1,740,041	956,700
Net income/(loss) for the year	**(225,937)**	(2,791,998)	(4,669,104)
Other comprehensive loss	**(23,816)**	57,793	(12,670)
Total comprehensive income/(loss)	**(249,753)**	(2,734,205)	(4,681,774)

** Based on 2020 and 2021 audited financial statements*
*** Based on 2022 unaudited financial information*

As at December 31, 2022 and 2021, the Bank's subscribed capital stock in BIC amounted to P75.8 million out of BIC's outstanding capital stock of P312.5 million.

14. Property, Equipment and Right-of-Use Assets

The movements in property and equipment follow:

		December 31, 2022					
	Note	**Land**	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-Use Assets** (Note 30)	**Total**
Cost							
Balance at January 1		**P41,569,630**	**P872,187,818**	**P1,570,377,529**	**P853,087,118**	**P972,959,420**	**P4,310,181,515**
Additions		**-**	**3,561,570**	**162,015,036**	**16,779,522**	**159,277,079**	**341,633,207**
Disposals		**-**	**-**	**(103,416,400)**	**-**	**(96,701,381)**	**(200,117,781)**
Balance at December 31		**41,569,630**	**875,749,388**	**1,628,976,165**	**869,866,640**	**1,035,535,118**	**4,451,696,941**
Less Accumulated Depreciation and Amortization							
Balance at January 1		**-**	**265,538,777**	**1,261,865,760**	**799,505,168**	**504,717,541**	**2,831,627,246**
Depreciation and amortization		**-**	**23,171,377**	**96,886,118**	**21,719,160**	**194,086,444**	**335,863,099**
Disposals		**-**	**-**	**(50,666,535)**	**-**	**(96,701,381)**	**(147,367,916)**
Balance at December 31		**-**	**288,710,154**	**1,308,085,343**	**821,224,328**	**602,102,604**	**3,020,122,429**
Allowance for impairment losses	*17*	**5,022,885**	**1,133,017**	**-**	**-**	**-**	**6,155,902**
Net Book Value at December 31		**P36,546,745**	**P585,906,217**	**P320,890,822**	**P48,642,312**	**P433,432,514**	**P1,425,418,610**

	Note	December 31, 2021 Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost							
Balance at January 1		P41,569,630	P854,170,133	P1,540,355,955	P829,058,742	P940,405,219	P4,205,559,679
Additions		-	18,017,685	114,949,628	24,028,376	45,242,843	202,238,532
Disposals		-	-	(85,117,636)	-	(12,688,642)	(97,806,278)
Reclassification	*16*	-	-	189,582	-	-	189,582
Balance at December 31		41,569,630	872,187,818	1,570,377,529	853,087,118	972,959,420	4,310,181,515
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	242,821,509	1,197,935,505	775,846,438	323,398,988	2,540,002,440
Depreciation and amortization		-	22,717,268	104,126,463	23,658,730	194,007,195	344,509,656
Disposals		-	-	(40,196,208)	-	(12,688,642)	(52,884,850)
Balance at December 31		-	265,538,777	1,261,865,760	799,505,168	504,717,541	2,831,627,246
Allowance for impairment losses	*17*	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31		P36,546,745	P605,516,024	P308,511,769	P53,581,950	P468,241,879	P1,472,398,367

	Note	December 31, 2020 Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost							
Balance at January 1		P41,569,630	P852,916,703	P1,535,856,312	P818,750,027	P762,476,355	P4,011,569,027
Additions		-	1,253,430	86,666,609	10,308,715	220,979,671	319,208,425
Disposals		-	-	(82,166,966)	-	(43,050,807)	(125,217,773)
Balance at December 31		41,569,630	854,170,133	1,540,355,955	829,058,742	940,405,219	4,205,559,679
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	220,640,955	1,122,019,787	751,645,607	170,031,581	2,264,337,930
Depreciation and amortization		-	22,180,554	113,180,003	24,200,831	196,113,592	355,674,980
Disposals		-	-	(37,264,285)	-	(42,746,185)	(80,010,470)
Balance at December 31		-	242,821,509	1,197,935,505	775,846,438	323,398,988	2,540,002,440
Allowance for impairment losses	*17*	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31		P36,546,745	P610,215,607	P342,420,450	P53,212,304	P617,006,231	P1,659,401,337

In 2022, 2021 and 2020, the net gains on sale of property and equipment included under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income amounted to P0.1 million, P0.3 million and P0.5 million, respectively.

As at December 31, 2022 and 2021, the cost of fully depreciated property and equipment still in use amounted to P1.8 billion and P1.7 billion, respectively.

15. Investment Properties

The movements in investment properties follow:

	Note	**December 31, 2022 Land**	**Buildings**	**Total**
Balance at January 1		**P3,223,880,496**	**P1,194,131,603**	**P4,418,012,099**
Additions		**84,976,590**	**84,393,604**	**169,370,194**
Disposals		**(114,755,508)**	**(45,819,314)**	**(160,574,822)**
Balance at December 31		**3,194,101,578**	**1,232,705,893**	**4,426,807,471**
Less Accumulated Depreciation				
Balance at January 1		**-**	**778,421,466**	**778,421,466**
Depreciation		**-**	**81,156,976**	**81,156,976**
Disposal		**-**	**(34,661,412)**	**(34,661,412)**
Balance at December 31		**-**	**824,917,030**	**824,917,030**
Less Allowance for Impairment Losses	*17*	**198,932,553**	**2,971,139**	**201,903,692**
		P2,995,169,025	**P404,817,724**	**P3,399,986,749**

	Note	December 31, 2021 Land	Buildings	Total
Balance at January 1		P3,354,902,161	P1,177,252,394	P4,532,154,555
Additions		6,038,866	58,065,161	64,104,027
Disposals		(137,060,531)	(41,185,952)	(178,246,483)
Balance at December 31		3,223,880,496	1,194,131,603	4,418,012,099
Less Accumulated Depreciation				
Balance at January 1		-	727,351,651	727,351,651
Depreciation		-	75,962,263	75,962,263
Disposal		-	(24,892,448)	(24,892,448)
Balance at December 31		-	778,421,466	778,421,466
Less Allowance for Impairment Losses	17	185,103,589	6,172,509	191,276,098
		P3,038,776,907	P409,537,628	P3,448,314,535

	Note	December 31, 2020 Land	Buildings	Total
Balance at January 1		P3,382,699,201	P1,117,837,397	P4,500,536,598
Additions		11,786,963	12,404,057	24,191,020
Disposals		(39,584,003)	(11,919,235)	(51,503,238)
Reclassification		-	58,930,175	58,930,175
Balance at December 31		3,354,902,161	1,177,252,394	4,532,154,555
Less Accumulated Depreciation				
Balance at January 1		-	595,014,287	595,014,287
Depreciation		-	125,259,084	125,259,084
Disposal		-	(3,730,338)	(3,730,338)
Reclassification		-	10,808,618	10,808,618
Balance at December 31		-	727,351,651	727,351,651
Less Allowance for Impairment Losses	17	172,547,531	7,268,767	179,816,298
		P3,182,354,630	P442,631,976	P3,624,986,606

As at December 31, 2022 and 2021, the aggregate market value of investment properties amounted to P10.0 billion and P9.3 billion, respectively. Information about the fair value measurement of investment properties is presented in Note 6.

Gain on foreclosure and sale of investment properties included under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” consists of the following:

	2022	2021	2020
Gain on assets sold	**P262,092,188**	P258,763,846	P45,987,545
Gain on foreclosure	**63,491,307**	3,877,212	1,104,271
	P325,583,495	P262,641,058	P47,091,816

Rental income on investment properties (included in “Miscellaneous income” account in the statements of income) in 2022, 2021 and 2020 amounted to P0.6 million, P0.1 million and P0.2 million, respectively (see Note 31).

Direct operating expenses on investment properties that generated rental income (included under “Rent and utilities” account, “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account and “Taxes and licenses” account in the statements of income) amounted to P0.01 million and P0.02 million in 2022 and 2021, respectively. No direct operating expenses on investment properties that generated rental income were incurred in 2020. Direct operating expenses on investment properties such as security and insurance expenses, included under “Rent and utilities” account, litigation expenses, included under “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account, andreal estate taxes, included under “Taxes and licenses” account in the statements of income, that did not generate rental income in 2022, 2021 and 2020 amounted to P91.6 million, P74.0 million and P68.4 million, respectively (see Note 31).

16. Other Assets

This account consists of:

	Note	**2022**	2021
Miscellaneous assets - TRB	*34*	**P4,431,521,641**	P4,435,560,125
Creditable withholding tax		**1,773,453,565**	1,538,203,367
Intangible assets*		**386,524,308**	358,695,778
Sinking fund	*24*	**282,393,274**	280,236,108
Documentary stamps		**99,711,061**	124,742,541
Retirement assets	*29*	**73,147,902**	-
Prepaid expenses		**48,103,886**	46,468,703
Other properties acquired*		**43,126,160**	20,415,042
Others		**195,037,847**	199,521,077
		7,333,019,644	7,003,842,741
Less allowance for impairment losses	*17*	**4,611,829,118**	4,615,905,588
		P2,721,190,526	P2,387,937,153

**net of accumulated amortization/depreciation, gross of allowance for impairment losses*

Miscellaneous Assets - TRB
This account includes non-performing assets (NPAs) amounting to P4.4 billion as at December 31, 2022 and 2021 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 34). Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2022 and 2021, were charged in full in the period incurred.

For its separate prudential reporting to BSP, the Bank was allowed under the MB Resolution No. 1751, dated November 8, 2001, as further amended by MB Resolution No. 489, dated April 3, 2003 and pursuant to MB Resolution No. 1950, dated November 21, 2013, to defer the full recognition of the impairment losses. The Bank annually recognizes provisions for impairment losses to gradually meet the foregoing provisioning requirement based on the net yield earned by the Bank from the Financial Assistance Agreement (FAA) with Philippine Deposit Insurance Corporation (PDIC) until November 29, 2013 when the collateralized government securities was sold and the obligation was fully settled. In 2022, the Bank recognizedP1.3 billion provisions for prudential reporting to BSP to fully recognize the impairment losses on the NPAs. In 2021, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million (see Note 34).

Intangible Assets
Intangible assets consist of:

	Note	2022	2021
Software costs*		**P326,524,308**	P298,695,778
Branch licenses		**60,000,000**	60,000,000
		386,524,308	358,695,778
Less allowance for impairment losses	17	**90,278,696**	90,278,696
		P296,245,612	P268,417,082

**net of accumulated amortization, gross of allowance for impairment losses*

Movements in software costs follow:

	2022	2021	2020
Cost			
Balance at January 1	**P926,851,659**	P877,878,810	P861,720,028
Additions	**100,896,635**	48,972,849	16,158,782
Balance at end of year	**1,027,748,294**	926,851,659	877,878,810
Less Accumulated Amortization			
Balance at January 1	**628,155,881**	574,560,745	528,652,828
Amortization for the year	**73,068,105**	53,595,136	45,907,917
Balance at end of year	**701,223,986**	628,155,881	574,560,745
Less Allowance for Impairment Losses	**90,278,696**	90,278,696	90,278,696
Net Book Value	**P236,245,612**	P208,417,082	P213,039,369

Other Properties Acquired
Movements in the other properties acquired follow:

	Note	2022	2021	2020
Cost				
Balance at January 1		**P220,284,000**	P225,430,172	P246,655,672
Additions		**87,394,500**	41,210,000	24,013,000
Disposals		**(62,570,500)**	(44,651,000)	(45,238,500)
Reclassification	14	**-**	(1,705,172)	-
Balance at end of year		**245,108,000**	220,284,000	225,430,172
Less Accumulated Depreciation				
Balance at January 1		**199,868,958**	174,388,936	106,187,895
Depreciation for the year		**14,643,389**	42,060,966	86,916,796
Disposals		**(12,530,507)**	(15,065,354)	(18,715,755)
Reclassification	14	**-**	(1,515,590)	-
Balance at end of year		**201,981,840**	199,868,958	174,388,936
Less Allowance for Impairment Losses		**96,485**	-	-
Net Book Value		**P43,029,675**	P20,415,042	P51,041,236

In 2022, 2021 and 2020, gain on foreclosure amounted to P3.5 million, P1.2 million and P0.2 million, respectively. Gain on sale of other properties acquired under“Gains on foreclosure and sale of property and equipment and foreclosed assets - net” amounted to P11.2 million, P10.3 million and P11.0 million in 2022, 2021 and 2020, respectively.

Others include security deposit, unused supplies and forms and petty cash fund.

17. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2022, 2021 and 2020 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2022					
	Due from BSP	**Due from Other Banks**	**Interbank Loans Receivable and SPURA** (Note 8)	**Financial Assets at FVOCI** (Note 10)	**Investment Securities at Amortized Cost** (Note 11)	**Total**
ECL allowance, January 1, 2022	**P6,125**	**P141**	**P2,583**	**P662**	**P5,761**	**P15,272**
Provision for (reversal of) credit and impairment losses for the year	**(2,928)**	**(7)**	**(144)**	**(37)**	**220**	**(2,896)**
Foreign exchange differences	**-**	**7**	**42**	**9**	**88**	**146**
ECL allowance, December 31, 2022	**P3,197**	**P141**	**P2,481**	**P634**	**P6,069**	**P12,522**

	December 31, 2021					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2021	P5,340	P138	P2,978	P1,770	P1,231	P11,457
Provision for (reversal of) credit and impairment losses for the year	785	(3)	(431)	(1,138)	4,493	3,706
Foreign exchange differences	-	6	36	30	37	109
ECL allowance, December 31, 2021	P6,125	P141	P2,583	P662	P5,761	P15,272

	December 31, 2020					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2020	P2,964	P87	P1,813	P118	P2,965	P7,947
Provision for (reversal of) credit and impairment losses for the year	2,376	55	1,204	1,687	(1,707)	3,615
Foreign exchange differences	-	(4)	(39)	(35)	(27)	(105)
ECL allowance, December 31, 2020	P5,340	P138	P2,978	P1,770	P1,231	P11,457

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2022, 2021 and 2020.

The ECL allowance on financial assets at FVOCI is included in the “Net unrealized losses on financial assets at FVOCI” account in the statements of financial position (see Note 10).

As at December 31, 2022 and 2021, ECL on off-balance sheet exposures amounted to P33.8 million and P70.7 million, respectively, (see Note 22). In 2022, 2021 and 2020, the Bank recognized provision for (reversal of) ECL on loan commitment and financial guarantees amounting to (P36.9 million), P38.5 million and (P15.7 million), respectively.

In 2022 and 2021, the Bank recognized a provision (reversal) of allowance for credit losses on loans and receivables amounting to P74.6 million and (P339.1 million), which is included under “Provision for (reversal of) credit and impairment losses” account in the statements of income, as a result of the changes made in the ECL parameters to improve the accuracy of the ECL models (see Notes 3 and 4). The amount of the effect in future periods is not disclosed because estimating the impact is impracticable.

The table below summarizes the movements in ECL allowances on loans and receivables in 2022, 2021 and 2020 (amounts in thousands).

	December 31, 2022										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2022	P99,790	P16,284	P33,420	P288	P3,416	P1,789	P11,915	P166,902	P2,623	P2,601	P172,126
Provision for credit and impairment losses	129,550	19,453	25,643	10,326	(3,024)	9,156	50,053	241,157	(5)	7,680	248,832
Transfer from Stage 1	(51,207)	(19,948)	(26,590)	(7,656)	(286)	(5,967)	(4,064)	(115,718)	(147)	(4,107)	(119,972)
Transfer from Stage 2	1,775	2,100	2,685	-	-	-	20	6,580	71	153	6,804
Transfer from Stage 3	-	530	577	-	-	-	2	1,109	90	28	1,227
Foreign exchange differences	731	2	-	-	14	148	44	939	-	5	944
	180,639	18,421	35,735	2,958	120	5,126	57,970	300,969	2,632	6,360	309,961
Stage 2											
ECL Loans, January 1, 2022	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Provision for credit and impairment losses	61,651	(1,163)	(23,883)	-	-	(3,734)	9,063	41,934	(35)	(2,516)	39,383
Transfer from Stage 1	51,207	5,830	16,608	-	286	5,967	764	80,662	31	1,456	82,149
Transfer from Stage 2	(69,829)	(18,530)	(17,918)	-	-	-	(473)	(106,750)	(125)	(5,936)	(112,811)
Transfer from Stage 3	-	430	2,619	-	-	-	64	3,113	8	165	3,286
Movement due to foreclosure/settlement	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	986	-	-	-	-	-	15	1,001	-	42	1,043
	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Stage 3											
ECL Loans, January 1, 2022	623,300	136,588	446,902	76,426	163,188	17,663	601,570	2,065,637	54,719	1,104,169	3,224,525
Provision for credit and impairment losses	10,624	(19,544)	(100,930)	(249)	(30,181)	-	22,215	(118,065)	(493)	29,822	(88,736)
Transfer from Stage 1	-	14,118	9,982	7,656	-	-	3,300	35,056	116	2,651	37,823
Transfer from Stage 2	68,054	16,430	15,233	-	-	-	453	100,170	54	5,783	106,007
Transfer from Stage 3	-	(960)	(3,196)	-	-	-	(66)	(4,222)	(98)	(193)	(4,513)
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	3,751	80	-	4,341	-	-	1,969	10,141	-	8,728	18,869
	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Total											
ECL Loans, January 1, 2022	762,014	175,426	529,142	76,714	166,604	24,123	617,413	2,351,436	57,502	1,134,261	3,543,199
Provision for credit and impairment losses	201,825	(1,254)	(99,170)	10,077	(33,205)	5,422	81,331	165,026	(533)	34,986	199,479
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	5,468	82	-	4,341	14	148	2,028	12,081	-	8,775	20,856
	P729,426	P171,818	P403,649	P91,132	P133,413	P29,693	P683,416	P2,242,547	P56,969	P1,161,079	P3,460,595

Comprised of benefit loans, salary loans and credit cards.
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2021										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2021	P629,890	P199,431	P79,230	P7,401	P380	P1,642	P19,744	P937,718	P2,872	P16,292	P956,882
Provision for credit and impairment losses	(457,085)	(151,063)	35,763	(7,113)	3,029	4,311	17,659	(554,499)	(120)	(8,078)	(562,697)
Transfer from Stage 1	(76,052)	(35,299)	(87,484)	-	-	(4,190)	(25,575)	(228,600)	(253)	(5,856)	(234,709)
Transfer from Stage 2	1,217	2,472	5,437	-	-	-	64	9,190	4	206	9,400
Transfer from Stage 3	-	736	474	-	-	-	2	1,212	120	27	1,359
Foreign exchange differences	1,820	7	-	-	7	26	21	1,881	-	10	1,891
	99,790	16,284	33,420	288	3,416	1,789	11,915	166,902	2,623	2,601	172,126
Stage 2											
ECL Loans, January 1, 2021	49,354	88,482	28,776	-	7,059	1,207	5,714	180,592	153	31,627	212,372
Provision for credit and impairment losses	(47,694)	(58,919)	72,494	-	(7,244)	(726)	(2,641)	(44,730)	(52)	3,309	(41,473)
Transfer from Stage 1	37,999	12,455	28,461	-	-	4,190	1,480	84,585	110	2,048	86,743
Transfer from Stage 2	(1,217)	(22,255)	(82,928)	-	-	-	(676)	(107,076)	(101)	(9,727)	(116,904)
Transfer from Stage 3	-	2,791	2,017	-	-	-	44	4,852	50	176	5,078
Movement due to foreclosure/settlement	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	482	-	-	-	185	-	7	674	-	58	732
	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Stage 3											
ECL Loans, January 1, 2021	593,711	305,220	252,160	73,710	163,188	17,663	559,082	1,964,734	54,709	1,043,361	3,062,804
Provision for credit and impairment losses	(10,209)	(207,100)	73,070	-	-	-	16,410	(127,829)	(60)	43,377	(84,512)
Transfer from Stage 1	38,053	22,844	59,023	-	-	-	24,095	144,015	143	3,808	147,966
Transfer from Stage 2	-	19,783	77,491	-	-	-	612	97,886	97	9,521	107,504
Transfer from Stage 3	-	(3,527)	(2,491)	-	-	-	(46)	(6,064)	(170)	(203)	(6,437)
Movement due to foreclosure/settlement	-	(632)	(12,351)	-	-	-	-	(12,983)	-	(1,080)	(14,063)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	1,745	-	-	2,716	-	-	1,417	5,878	-	5,385	11,263
	623,300	136,588	446,902	76,426	163,188	17,663	601,570	2,065,637	54,719	1,104,169	3,224,525
Total											
ECL Loans, January 1, 2021	1,272,955	593,133	360,166	81,111	170,627	20,512	584,540	3,083,044	57,734	1,091,280	4,232,058
Provision for credit and impairment losses	(514,988)	(417,082)	181,327	(7,113)	(4,215)	3,585	31,428	(727,058)	(232)	38,608	(688,682)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(632)	(12,351)	-	-	-	-	(12,983)	-	(1,080)	(14,063)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	4,047	7	-	2,716	192	26	1,445	8,433	-	5,453	13,886
	P762,014	P175,426	P529,142	P76,714	P166,604	P24,123	P617,413	P2,351,436	P57,502	P1,134,261	P3,543,199

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2020										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2020	P595,718	P160,023	P93,507	P7,830	P1,022	P1,412	P23,986	P883,498	P3,986	P12,918	P900,402
Provision for credit and impairment losses	93,568	279,607	125,749	(420)	6,421	230	(2,358)	502,797	(633)	12,140	514,304
Transfer from Stage 1	(56,149)	(241,584)	(140,802)	-	(7,059)	-	(1,854)	(447,448)	(499)	(8,812)	(456,759)
Transfer from Stage 2	-	1,316	735	-	-	-	28	2,079	13	56	2,148
Transfer from Stage 3	-	82	41	-	-	-	-	123	5	4	132
Foreign exchange differences	(3,247)	(13)	-	(9)	(4)	-	(58)	(3,331)	-	(14)	(3,345)
	629,890	199,431	79,230	7,401	380	1,642	19,744	937,718	2,872	16,292	956,882
Stage 2											
ECL Loans, January 1, 2020	86,618	11,943	5,674	-	-	1,842	437	106,514	96	25,241	131,851
Provision for credit and impairment losses	(2,657)	43,875	26,193	-	235	(635)	(213)	66,798	(23)	9,325	76,100
Transfer from Stage 1	49,354	81,028	27,681	-	7,059	-	632	165,754	73	3,113	168,940
Transfer from Stage 2	(6,039)	(48,896)	(30,809)	-	-	-	(199)	(85,943)	(67)	(5,996)	(92,006)
Transfer from Stage 3	-	532	37	-	-	-	5,057	5,626	74	3	5,703
Movement due to foreclosure/settlement	(77,922)	-	-	-	-	-	-	(77,922)	-	-	(77,922)
Foreign exchange differences	-	-	-	-	(235)	-	-	(235)	-	(59)	(294)
	49,354	88,482	28,776	-	7,059	1,207	5,714	180,592	153	31,627	212,372
Stage 3											
ECL Loans, January 1, 2020	587,504	88,278	94,418	76,156	163,188	17,663	318,069	1,345,276	54,373	1,042,371	2,442,020
Provision for credit and impairment losses	(4,826)	9,420	24,142	(62)	-	-	356,011	384,685	(65)	(5,082)	379,538
Transfer from Stage 1	6,795	160,556	113,121	-	-	-	1,222	281,694	426	5,699	287,819
Transfer from Stage 2	6,039	47,580	30,074	-	-	-	171	83,864	54	5,940	89,858
Transfer from Stage 3	-	(614)	(78)	-	-	-	(5,057)	(5,749)	(79)	(7)	(5,835)
Movement due to foreclosure/settlement	-	-	(9,517)	-	-	-	-	(9,517)	-	(882)	(10,399)
Write-off	-	-	-	-	-	-	(108,923)	(108,923)	-	-	(108,923)
Foreign exchange differences	(1,801)	-	-	(2,384)	-	-	(2,411)	(6,596)	-	(4,678)	(11,274)
	593,711	305,220	252,160	73,710	163,188	17,663	559,082	1,964,734	54,709	1,043,361	3,062,804
Total											
ECL Loans, January 1, 2020	1,269,840	260,244	193,599	83,986	164,210	20,917	342,492	2,335,288	58,455	1,080,530	3,474,273
Provision for credit and impairment losses	86,085	332,902	176,084	(482)	6,656	(405)	353,440	954,280	(721)	16,383	969,942
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	(77,922)	-	(9,517)	-	-	-	-	(87,439)	-	(882)	(88,321)
Write-off	-	-	-	-	-	-	(108,923)	(108,923)	-	-	(108,923)
Foreign exchange differences	(5,048)	(13)	-	(2,393)	(239)	-	(2,469)	(10,162)	-	(4,751)	(14,913)
	P1,272,955	P593,133	P360,166	P81,111	P170,627	P20,512	P584,540	P3,083,044	P57,734	P1,091,280	P4,232,058

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

The table below summarizes the movements in the gross carrying amounts offinancial assets, other than loans and receivables, in 2022 and 2021 (amounts in thousands).

	December 31, 2022				
	Due from BSP	**Due from Other Banks**	**Interbank Loans Receivable and SPURA** (Note 8)	**Financial Assets at FVOCI** (Note 10)	**Investment Securities at Amortized Cost** (Note 11)
Gross carrying amount, January 1, 2022	**P45,373,268**	**P1,039,597**	**P19,136,089**	**P5,055,117**	**P42,914,819**
New assets purchased or originated	**2,091,303,161**	**9,000**	**3,857,811,621**	**1,851,124**	**68,974,516**
Assets derecognized or repaid	**(2,113,643,161)**	**(17,460)**	**(3,859,072,152)**	**(578,775)**	**(59,895,050)**
Other movements*	**645,398**	**13,259**	**505,668**	**(522,415)**	**220,553**
Gross carrying amount, December 31, 2022	**P23,678,666**	**P1,044,396**	**P18,381,226**	**P5,805,051**	**P52,214,838**

Includes movements in outstanding balances and foreign exchange differences

	December 31, 2021				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2021	P39,552,550	P1,023,394	P22,058,806	P15,424,248	P9,147,509
New assets purchased or originated	3,256,626,243	7,809	3,826,932,412	6,827,432	49,388,879
Assets derecognized or repaid	(3,253,886,243)	(10,151)	(3,826,951,339)	(17,433,762)	(15,166,197)
Other movements*	3,080,718	18,545	(2,903,790)	237,199	(455,372)
Gross carrying amount, December 31, 2021	P45,373,268	P1,039,597	P19,136,089	P5,055,117	P42,914,819

Includes movements in outstanding balances and foreign exchange differences

The table below summarizes the movements in the gross carrying amounts on loans and receivables in 2022 and 2021 (amounts in thousands).

	December 31, 2022										
	Term Loans	**Housing Loans**	**Auto Loans**	**Bills Purchased, Import Bills and Trust Receipts**	**Direct Advances**	**Agri Agra Loans**	**Others***	**Total Receivables from Customers**	**Sales Contract Receivables**	**Other Receivables****	**Total**
Stage 1											
Gross carrying amount, January 1, 2022	P57,073,351	P6,984,226	P2,715,136	P386,926	P372,833	P1,060,369	P1,617,776	P70,210,617	P262,286	P881,155	P71,354,058
New assets purchased or originated	59,565,438	1,055,254	1,561,940	55,882	440,427	2,511,679	495,969	65,686,589	111,117	858,580	66,656,286
Assets derecognized or repaid	(29,147,125)	(334,957)	(302,838)	(23,532)	(317,000)	(960,369)	(200,211)	(31,286,032)	(37,124)	(233,131)	(31,556,287)
Transfer from Stage 1	(709,377)	(218,605)	(95,866)	(7,656)	(2,641)	(128,187)	(15,008)	(1,177,340)	(14,709)	(116,537)	(1,308,586)
Transfer from Stage 2	800,000	348,743	83,342	-	-	-	1,893	1,233,978	7,053	12,578	1,253,609
Transfer from Stage 3	-	83,204	16,981	-	-	-	412	100,597	9,047	1,603	111,247
Other movements***	(2,429,840)	(623,608)	(863,585)	884,784	(27,176)	(105,349)	(92,457)	(3,257,231)	(74,443)	42,928	(3,288,746)
	85,152,447	7,294,257	3,115,110	1,296,404	466,443	2,378,143	1,808,374	101,511,178	263,227	1,447,176	103,221,581
Stage 2											
Gross carrying amount, January 1, 2022	1,333,746	576,085	245,887	-	-	162,944	47,968	2,366,630	16,048	55,843	2,438,521
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(14,805)	(23,119)	(29,703)	-	-	(142,679)	(8,050)	(218,356)	(1,664)	(23,316)	(243,336)
Transfer from Stage 1	709,377	117,357	81,360	-	2,641	128,187	8,870	1,047,792	3,051	30,459	1,081,302
Transfer from Stage 2	(868,053)	(451,978)	(104,322)	-	-	-	(2,638)	(1,426,991)	(12,421)	(19,678)	(1,459,090)
Transfer from Stage 3	-	8,865	12,573	-	-	-	639	22,077	798	911	23,786
Other movements***	(200,140)	(45,126)	(78,388)	-	-	(6,376)	18,245	(311,785)	(1,774)	(8,256)	(321,815)
	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
Stage 3											
Gross carrying amount, January 1, 2022	643,154	768,754	582,133	76,426	163,188	17,663	618,220	2,869,538	130,631	1,124,576	4,124,745
New assets purchased or originated	-	-	-	-	-	-	-	-	-		
Assets derecognized or repaid	(26,831)	(112,509)	(133,647)	-	-	-	(8,818)	(281,805)	(15,430)	(61,187)	(358,422)
Transfer from Stage 1	-	101,248	14,506	7,656	-	-	6,138	129,548	11,658	86,078	227,284
Transfer from Stage 2	68,053	103,235	20,980	-	-	-	745	193,013	5,368	7,100	205,481
Transfer from Stage 3	-	(92,069)	(29,554)	-	-	-	(1,051)	(122,674)	(9,845)	(2,514)	(135,033)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Other movements***	25,967	(22,546)	(44,911)	4,092	(30,181)	-	86,582	19,003	(7,025)	7,373	19,351
	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	1,146,132	3,810,875
Total											
Gross carrying amount, January 1, 2022	59,050,251	8,329,065	3,543,156	463,352	536,021	1,240,976	2,283,964	75,446,785	408,965	2,061,574	77,917,324
New assets purchased or originated	59,565,438	1,055,254	1,561,940	55,882	440,427	2,511,679	495,969	65,686,589	111,117	858,580	66,656,286
Assets derecognized or repaid	(29,188,761)	(470,585)	(466,188)	(23,532)	(317,000)	(1,103,048)	(217,079)	(31,786,193)	(54,218)	(317,634)	(32,158,045)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Other movements***	(2,604,013)	(691,280)	(986,884)	888,876	(57,357)	(111,725)	12,370	(3,550,013)	(83,242)	42,045	(3,591,210)
	P86,583,034	P8,222,454	P3,652,024	P1,384,578	P602,091	P2,537,882	P2,557,868	P105,539,931	P382,622	P2,629,271	P108,551,824

*Comprised of benefit loans, salary loans and credit cards.
**Comprised of accrued interest receivables, accounts receivables and RCOCI
***Includes movements in outstanding balances and foreign exchange differences

	December 31, 2021										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2021	P55,303,304	P6,900,837	P2,918,758	P641,585	P399,181	P278,823	P1,416,982	P67,859,470	P287,217	P1,170,690	P69,317,377
New assets purchased or originated	31,008,059	907,420	903,817	15,067	386,811	1,128,509	469,469	34,819,152	121,023	318,734	35,258,909
Assets derecognized or repaid	(24,817,680)	(240,632)	(265,286)	(486,730)	(394,272)	(248,071)	(195,496)	(26,648,167)	(11,512)	(622,693)	(27,282,372)
Transfer from Stage 1	(1,355,663)	(484,351)	(232,962)	-	-	(149,993)	(48,640)	(2,271,609)	(25,256)	(113,111)	(2,409,976)
Transfer from Stage 2	33,872	429,581	308,144	-	-	-	6,784	778,381	357	11,327	790,065
Transfer from Stage 3	-	76,241	12,504	-	-	-	423	89,168	11,993	1,525	102,686
Other movements***	(3,098,541)	(604,870)	(929,839)	217,004	(18,887)	51,101	(31,746)	(4,415,778)	(121,536)	114,683	(4,422,631)
	57,073,351	6,984,226	2,715,136	386,926	372,833	1,060,369	1,617,776	70,210,617	262,286	881,155	71,354,058
Stage 2											
Gross carrying amount, January 1, 2021	726,822	861,790	819,674	-	36,954	17,785	79,137	2,542,162	15,345	78,565	2,636,072
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(655,564)	(42,248)	(79,086)	-	(36,954)	-	(15,054)	(828,906)	(2,885)	(30,103)	(861,894)
Transfer from Stage 1	1,307,997	318,127	144,007	-	-	149,993	20,472	1,940,596	10,989	45,988	1,997,573
Transfer from Stage 2	(33,872)	(563,003)	(419,746)	-	-	-	(8,039)	(1,024,660)	(10,083)	(24,739)	(1,059,482)
Transfer from Stage 3	-	73,184	10,337	-	-	-	579	84,100	5,029	2,083	91,212
Other movements***	(11,637)	(71,765)	(229,299)	-	-	(4,834)	(29,127)	(346,662)	(2,347)	(15,951)	(364,960)
	1,333,746	576,085	245,887	-	-	162,944	47,968	2,366,630	16,048	55,843	2,438,521
Stage 3											
Gross carrying amount, January 1, 2021	601,685	754,848	494,798	73,710	163,188	17,663	590,786	2,696,678	153,595	1,056,685	3,906,958
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(4,039)	(107,696)	(47,665)	-	-	-	(5,873)	(165,273)	(11,789)	(25,662)	(202,724)
Transfer from Stage 1	47,666	166,224	88,955	-	-	-	28,168	331,013	14,267	67,123	412,403
Transfer from Stage 2	-	133,422	111,602	-	-	-	1,255	246,279	9,726	13,412	269,417
Transfer from Stage 3	-	(149,425)	(22,841)	-	-	-	(1,002)	(173,268)	(17,022)	(3,608)	(193,898)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Other movements***	(2,158)	(28,619)	(42,716)	2,716	-	-	4,886	(65,891)	(18,146)	16,626	(67,411)
	643,154	768,754	582,133	76,426	163,188	17,663	618,220	2,869,538	130,631	1,124,576	4,124,745
Total											
Gross carrying amount, January 1, 2021	56,631,811	8,517,475	4,233,230	715,295	599,323	314,271	2,086,905	73,098,310	456,157	2,305,940	75,860,407
New assets purchased or originated	31,008,059	907,420	903,817	15,067	386,811	1,128,509	469,469	34,819,152	121,023	318,734	35,258,909
Assets derecognized or repaid	(25,477,283)	(390,576)	(392,037)	(486,730)	(431,226)	(248,071)	(216,423)	(27,642,346)	(26,186)	(678,458)	(28,346,990)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-	-
Other movements***	(3,112,336)	(705,254)	(1,201,854)	219,720	(18,887)	46,267	(55,987)	(4,828,331)	(142,029)	115,358	(4,855,002)
	P59,050,251	P8,329,065	P3,543,156	P463,352	P536,021	P1,240,976	P2,283,964	P75,446,785	P408,965	P2,061,574	P77,917,324

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*
****Includes movements in outstanding balances and foreign exchange differences*

Movements in allowance for impairment losses as at December 31, 2022, 2021 and 2020 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

	December 31, 2022				
	Investment in Associate (Note 13)	**Property and Equipment** (Note 14)	**Investment Properties** (Note 15)	**Other Assets** (Note 16)	**Total**
Balance at beginning of year	**P5,926**	**P6,156**	**P191,276**	**P4,615,905**	**P4,819,263**
Provision for impairment losses for the year	**-**	**-**	**10,628**	**(4,076)**	**6,552**
Balance at end of year	**P5,926**	**P6,156**	**P201,904**	**P4,611,829**	**P4,825,815**

	December 31, 2021				
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P179,816	P4,615,724	P4,807,622
Provision for impairment losses for the year	-	-	11,460	181	11,641
Balance at end of year	P5,926	P6,156	P191,276	P4,615,905	P4,819,263

	December 31, 2020				
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P175,753	P4,615,167	P4,803,002
Provision for impairment losses for the year	-	-	4,063	564	4,627
Foreign exchange differences	-	-	-	(7)	(7)
Balance at end of year	P5,926	P6,156	P179,816	P4,615,724	P4,807,622

18. Deposit Liabilities

Long-term Negotiable Certificates of Time Deposit (LTNCTD)
On March 17, 2020, the Bank issued unsecured LTNCTD with 4.5% fixed interest rate at par value of P5.0 billion and maturing on September 17, 2025. The issuance of the LTNCTD was approved by the BOD on June 25, 2019 and by the BSP on October 31, 2019. The issuance was listed in the Philippine Dealing and Exchange Corporation.

Reserve Requirement
On March 31, 2020, the BSP issued Circular No. 1082 reducing the reserve requirement to 12.0% effective on the reserve week starting on April 3, 2020.

As at December 31, 2022 and 2021, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P18.7 billion and P18.5 billion as at December 31, 2022 and 2021, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rates ranging from 1.5% to 5.0% in 2022, interest rate of 1.5% in 2021 and interest rates ranging from 1.5% to 3.5% in 2020. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 1.7% to 6.4%, from 1.7% to 2.0% and from 1.7% to 4.3% in 2022, 2021, and 2020, respectively. Interest income on Due from BSP amountedto P264.7 million, P226.4 million and P255.2 million in 2022, 2021, and 2020,respectively.

Interest expense on deposit liabilities follows:

	2022	2021	2020
Demand	**P58,010,393**	P53,357,209	P44,728,904
Savings	**631,899,858**	276,548,245	710,148,562
Time	**118,116,108**	89,031,236	194,935,281
LTNCTD	**226,323,900**	226,323,900	177,915,733
	P1,034,350,259	P645,260,590	P1,127,728,480

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.5% in 2022 and from 0.1% to 5.3% in 2021 and 2020. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 4.5% in 2022, 0.1% to 1.3% in 2021 and from 0.1% to 3.0% in 2020.

Insurance Expense

This account pertains to the PDIC insurance on deposits amounting to P348.4 million, P334.8 million, and P280.6 million in 2022, 2021, and 2020, respectively.

19. Bills Payable

This account consists of SSURA, short-term borrowings from local banks and borrowings from rediscounting facility availed by TRB from Social Security System, which was assumed by the Bank in connection with the PSA entered into by the Bank with TRB in 2002. As at December 31, 2021, borrowings from rediscounting facility were fully paid.

As at December 31, 2022 and 2021, there are no financial assets pledged and transferred under SSURA transactions and no short-term borrowings from localbanks.

Interest expense consists of:

	2022	2021	2020
Local banks	**P325,200**	P223,871	P272,528
Other borrowings	**46,716,357**	16,467,494	833,171
	P47,041,557	P16,691,365	P1,105,699

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 1.9% to 2.5%, from 1.7% to 2.5%, and interest rate of 1.9% in 2022, 2021 and 2020, respectively. Foreign currency denominated short- term borrowings from local banks are subject to annual interest rates ranging from 0.2% to 0.5% and interest rate of 1.3% in 2022 and 2020, respectively. No foreign currency denominated short-term borrowings in 2021.

Borrowings from rediscounting facility are subject to annual interest rate of 8.0% in 2021 and 2020.

In 2022 and 2021, interest expense on other borrowings includes interest expense on tax settlement amounting to P46.7 million and P16.3 million, respectively.

20. Bonds Payable

On July 29, 2022, the Bank issued P7.5 billion fixed rate bonds due on July 29, 2024. The bonds were priced at par with a coupon rate of 5.0263% payable on a quarterly basis commencing on October 29, 2022. The bonds were listed in Philippine Dealing and Exchange Corporation (PDEx). Transaction costs on the issuance of bonds amounted to P72.4 million.

Interest expense on bonds payable amounted to P173.8 million in 2022. As at December 31, 2022, unamortized bond transaction costs amounted to P57.7 million.

21. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	Note	**2022**	2021
Interest payable:			
Deposit liabilities	*18*	**P208,616,647**	P37,146,820
Bills payable and others	*19*	**-**	16,329,798
		208,616,647	53,476,618
Employee and other benefits		**262,586,345**	338,297,519
Insurance		**172,000,614**	168,765,955
Penalties		**171,456,762**	165,383,371
Taxes payable		**107,084,855**	133,568,593
Fees and commissions		**60,261,523**	20,350,249
Utilities expenses		**32,496,501**	13,349,651
Management and professional fees		**25,378,186**	13,022,486
Equipment-related expenses		**22,162,515**	14,643,673
Building repairs and maintenance		**20,775,993**	16,383,548
Security		**11,425,088**	10,417,981
Rent		**4,768,149**	7,910,069
Others		**66,752,642**	66,056,089
		P1,165,765,820	P1,021,625,802

In 2021, taxes payable includes liability for tax settlement amounting to P33.5 million.

Other accrued expenses include accrual for universal banking license fee amounting to P24.5 million and accruals for marketing and advertising, janitorial, messengerial, and various expenses attributable to the Bank's operations.

22. Other Liabilities

This account consists of:

	Note	**2022**	2021
Bills purchased - contra	*12, 33*	**P1,251,721,161**	P373,471,093
Accounts payable		**1,195,861,619**	757,587,121
Lease liability	*30*	**490,913,094**	538,398,243
Other credits-dormant		**221,250,979**	193,930,421
Due to preferred shareholders	*24*	**282,393,274**	280,236,108
Due to Treasurer of the Philippines		**141,524,444**	139,817,762
Withholding tax payable		**130,999,174**	75,903,545
Unclaimed balances		**77,021,937**	18,065,236
ECL on off-balance sheet exposures	*17*	**33,785,184**	70,709,667
Retirement liability	*29*	**-**	158,547,517
Miscellaneous		**124,858,500**	56,304,388
		P3,950,329,366	P2,662,971,101

Accounts payable mainly pertains to advance loan payments from borrowers, inward and outward remittances received by the Bank pending payment or application to designated deposit accounts.

Other credits - dormant account includes long outstanding Managers' Checks that are yet to be encashed by the payees, which have been outstanding for more than one (1) year from the dates of checks.

ECL on off-balance sheet exposures relate to committed credit line, credit card lines, outstanding guarantees and unused commercial letter of credits (see Note 38).

Miscellaneous include deposits for keys of safety deposit boxes, SSS payable, other provisions and unclaimed salaries of resigned employees.

23. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled within and/or after more than 12 months after the reporting period (amounts in thousands):

		2022			2021		
	Note	**Within 12 Months**	**Over 12 Months**	**Total**	Within 12 Months	Over 12 Months	Total
Financial Assets - gross							
COCI		**P2,735,171**	**P -**	**P2,735,171**	P2,747,781	P -	P2,747,781
Due from BSP	18	**23,678,666**	**-**	**23,678,666**	45,373,268	-	45,373,268
Due from other banks		**1,044,396**	**-**	**1,044,396**	1,039,597	-	1,039,597
Interbank loans receivable and SPURA	8	**18,381,226**	**-**	**18,381,226**	19,136,089	-	19,136,089
Financial assets at FVPL:	9						
Private debt securities		**-**	**344,809**	**344,809**	-	490,888	490,888
Government securities held-for-trading		**7,259**	**-**	**7,259**	478,225	-	478,225
Derivative assets		**1,056**	**27,877**	**28,933**	-	25,500	25,500
Financial assets at FVOCI:	10						
Government securities		**-**	**5,619,272**	**5,619,272**	-	4,569,701	4,569,701
Private debt securities		**-**	**-**	**-**	303,522	-	303,522
Equity securities		**-**	**185,779**	**185,779**	-	181,894	181,894
Investment securities at amortized cost - gross:	11						
Government securities		**14,565,715**	**34,884,807**	**49,450,522**	2,938,689	37,393,064	40,331,753
Private debt securities		**569,353**	**2,194,963**	**2,764,316**	-	2,583,066	2,583,066
Loans and receivables - gross:	12						
Receivable from customers:							
Term loans		**35,186,203**	**51,396,830**	**86,583,033**	28,703,719	30,346,532	59,050,251
Housing loans		**947,248**	**7,275,361**	**8,222,609**	1,400,974	6,928,319	8,329,293
Auto loans		**705,361**	**2,946,664**	**3,652,025**	1,017,877	2,525,332	3,543,209
Agri-agra loans		**622,163**	**1,915,724**	**2,537,887**	1,121,100	120,264	1,241,364
Bills purchased, import bills and trust receipts		**1,384,578**	**-**	**1,384,578**	463,352	-	463,352
Direct advances		**506,857**	**98,471**	**605,328**	480,823	56,682	537,505
Others		**1,998,214**	**599,413**	**2,597,626**	1,790,690	528,430	2,319,120
Accrued interest receivable		**1,279,697**	**-**	**1,279,697**	974,480	-	974,480
Accounts receivable		**1,057,747**	**-**	**1,057,747**	794,693	-	794,693
Sales contract receivables		**121,467**	**261,155**	**382,622**	155,905	253,060	408,965
Unquoted debt securities		**291,578**	**-**	**291,578**	291,578	-	291,578
RCOCI		**249**	**-**	**249**	822	-	822
Investment in associate	13	**-**	**75,395**	**75,395**	-	75,395	75,395
		105,084,204	**107,826,520**	**212,910,724**	109,213,184	86,078,127	195,291,311
Non-financial Assets - gross							
Property and equipment	14	**-**	**4,451,697**	**4,451,697**	-	4,310,182	4,310,182
Investment properties	15	**-**	**4,426,807**	**4,426,807**	-	4,418,012	4,418,012
Deferred tax assets	32	**-**	**612,090**	**612,090**	-	743,505	743,505
Other assets	16	**1,943,017**	**6,293,209**	**8,236,226**	1,731,011	6,100,857	7,831,868
		1,943,017	**15,783,803**	**17,726,820**	1,731,011	15,572,556	17,303,567
		P107,027,221	**P123,610,323**	**P230,637,544**	P110,944,195	P101,650,683	P212,594,878
Less:							
Allowance for credit and impairment losses	17			**P8,298,298**			P8,377,073
Accumulated depreciation and amortization	14, 15, 16			**4,748,245**			4,438,074
Unearned interest	12			**43,155**			37,309
Accumulated equity in net loss	13			**29,947**			29,808
Total				**P217,517,899**			P199,712,614

		2022			2021		
	Note	**Within 12 Months**	**Over 12 Months**	**Total**	Within 12 Months	Over 12 Months	Total
Financial Liabilities							
Deposit liabilities:	18						
Demand		**P51,792,970**	**P -**	**P51,792,970**	P48,702,340	P -	P48,702,340
Savings		**101,651,553**	**-**	**101,651,553**	108,874,542	378	108,874,920
Time		**16,973,625**	**819,672**	**17,793,297**	7,889,178	1,217,966	9,107,144
LTNCTD		**-**	**5,029,420**	**5,029,420**	-	5,029,420	5,029,420
Financial liabilities at FVPL	9	**283**	**-**	**283**	-	-	-
Bonds payable	20	**-**	**7,442,251**	**7,442,251**	-	-	-
Manager's checks		**661,454**	**-**	**661,454**	951,460	-	951,460
Accrued interest and other expenses*	21	**791,326**	**-**	**791,326**	541,850	-	541,850
Other liabilities**	22	**3,189,842**	**595,704**	**3,785,546**	1,720,250	637,561	2,357,811
		175,061,053	**13,887,047**	**188,948,100**	168,679,620	6,885,325	175,564,945
Non-financial Liabilities							
Accrued taxes and other expense payable	21	**374,440**	**-**	**374,440**	479,776	-	479,776
Other liabilities	22	**164,784**	**-**	**164,784**	305,160	-	305,160
		539,224	**-**	**539,224**	784,936	-	784,936
		P175,600,277	**P13,887,047**	**P189,487,324**	P169,464,556	P6,885,325	P176,349,881

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL of loan commitments and financial guarantees*

Refer to Note 5 for the discussions on the Bank's policy on liquidity risk and funding management.

24. Capital

The Bank's capital stock consists of the following as at December 31:

	Shares			Amount		
	2022	2021	2020	**2022**	2021	2020
Authorized Capital Stock						
Common stock, from P100 par value in 2020 to P10 par value in 2021	**1,702,511,470**	1,702,511,470	170,251,147	**P17,025,114,700**	P17,025,114,700	P17,025,114,700
Preferred stock, from P100 par value in 2020 to P10 par value in 2021	**455,000,000**	455,000,000	45,500,000	**4,550,000,000**	4,550,000,000	4,550,000,000
	2,157,511,470	2,157,511,470	215,751,147	**P21,575,114,700**	P21,575,114,700	P21,575,114,700
Issued and Outstanding						
Common stock	**1,403,013,920**	1,122,411,120	112,241,112	**P14,030,139,200**	P11,224,111,200	P11,224,111,200
Preferred stock	**416,666,670**	416,666,670	-	**4,166,666,700**	4,166,666,700	-
	1,819,680,590	1,539,077,790	112,241,112	**P18,196,805,900**	P15,390,777,900	P11,224,111,200
Paid-in Surplus						
Common stock				**P5,995,503,421**	P5,542,922,930	P5,594,079,646
Preferred stock				**1,233,771,939**	1,233,771,939	-
				P7,229,275,360	P6,776,694,869	P5,594,079,646

The reconciliation of the number of shares outstanding at the beginning and at the end of the years follow:

	Common Shares			Preferred Shares		
	2022	2021	2020	**2022**	2021	2020
Balance as of January 1	**1,122,411,120**	112,241,112	112,241,112	**416,666,670**	-	-
Issuance during the year	**280,602,800**	-	-	**-**	41,666,667	-
Adjustment for 10-to-1 stock split	**-**	1,010,170,008	-	**-**	375,000,003	-
Balance as of December 31	**1,403,013,920**	1,122,411,120	112,241,112	**416,666,670**	416,666,670	-

Preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders after 5 years from issue date, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of the Bank and subject to the other terms and conditions as may be fixed by the BOD, required under regulations, and to the extent permitted by applicable law.

The Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P282.4 million and P280.2 million as at December 31, 2022 and 2021, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 22 to the financial statements. As at December 31, 2022 and 2021, the related sinking fund which is recorded under"Other assets" account amounting to P282.4 million and P280.2 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 16).

On April 8, 2010, the SEC approved the Bank's application for the increase in authorized capital stock from P6.0 billion, divided into 52.5 million common shares and 7.5 million preferred shares both with the par value of P100 each, to P22.0 billion divided into 212.5 million common shares and 7.5 million preferred shares both with the par value of P100 each. The related amendment to the Articles of Incorporation of the Bank relative to its proposed increase in authorized capital stock from P6.0 billion to P22.0 billion was approved by BSP and the SEC onMarch 26, 2010 and April 8, 2010, respectively.

During its meeting on January 18, 2011, the BOD of the Bank passed a resolution approving the following:

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to SMPI and SMCRP amounting to 2,800,000 shares and 1,972,735 shares, respectively; and

- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

In connection to this, the Bank secured the approval of the MB of BSP for such sale of shares and assignment of subscription of the shares of Valiant. This is mandatedin BSP's MORB since the total shareholdings of Valiant entitles it to a board seat.The Board also approved that the sale of shares and assignment of subscription rights be recorded in the stock and transfer book of the Bank only after the approval of the MB has been obtained.

On March 30, 2011, the MB of BSP approved the sale of shares of Valiant. In 2011, the Bank's subscribed common stock totaling 59,741,113 shares have been fully paid in accordance with the subscription agreement.

On April 30, 2019, the BOD and the Stockholders approved to amend the Articles of Incorporation to deny pre-emptive rights. The said amendment was approved by the BSP on August 16, 2019 and by the SEC on September 5, 2019.

On January 30, 2020, the BOD and the Stockholders approved the amendment of the Articles of Incorporation to (a) reflect that the Bank's terms of existence shall be perpetual (b) retire 4,248,853 redeemed preferred shares thereby decreasing the Bank's authorized capital stock to P21,575,114,700 (c) reclassify 3,251,147 existing unissued preferred shares into new unissued preferred shares and (d) reclassify 42,248,853 existing unissued common shares into new unissued preferred shares. The amendments resulted in total new preferred shares of 45,500,000 with par value of P100 and decrease in common shares to 170,251,147 with par value of P100. These were approved by the BSP on May 21, 2020 and by the SEC on June 9, 2020.

On January 26, 2021, the BOD approved the issuance of 41,666,667 preferred shares to San Miguel Corporation at P132.0 per share. These shares will be issued out of the unissued Series 1 Preferred Shares of the Bank. On March 8, 2021, the Bank received from BSP a "No Objection" to the provisions in the indicative termsand conditions of these Preferred Shares, provided that the Bank shall continuously comply with the regulation for the inclusion of preferred shares as part of Additional Tier 1 capital under Appendix 59, Risk-based Capital Adequacy Framework for the Philippines Banking System, of the Manual Regulations for Banks. On June 29, 2021, the BOD approved the change of investor for preferred shares from SanMiguel Corporation to SMC Equivest Corporation, a wholly owned subsidiary of San Miguel Corporation and an existing stockholder of the Bank. On August 5, 2021, the Bank issued 41,666,667 Series 1 Preferred Shares to SMC Equivest Corporation at P132.0 per share. Transaction costs on the issuance of preferred shares amounting to P99.6 million were charged against "Paid-in surplus".

On May 25, 2021 and July 8, 2021, the BOD and the Stockholders, respectively, approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (P100.0) to Ten Pesos (P10.0). The amendment resulted in increase in common shares from 170,251,147 to 1,702,511,470 and increase in preferred shares from 45,500,000 to 455,000,000. This amendment was approved by the BSP on October 4, 2021 and by the SEC on November 2, 2021.

On October 28, 2021 and November 9, 2021, the BOD and Stockholders, respectively, approved the primary public offer and sale of up to 280,700,000 common shares from unissued capital stock. On February 15 and February 16,2022, the SEC and the PSE, respectively, approved the application for the Initial Public Offer of the Bank. On March 31, 2022, the Bank listed its common shares withthe PSE. The Bank offered and issued new common shares to the public up to 280,602,800 at P12.0 per share. Transaction costs on the issuance of common shares amounting to P108.6 million were charged against "Paid-in surplus".

On October 28, 2021 and November 9, 2021, the BOD and the Stockholders also approved the amendment to the Articles of Incorporate to align sections around the sale, assignment, and disposal of shares with the lock up requirements of the Philippine Stock Exchange. The By-laws were also amended to update sections on stockholders, the Board of Directors, certificates of stock and the transfer of shares of stock. On December 31, 2021, the BSP approved the request of the Bank to amend its Articles of Incorporation and By-laws. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the SEC on January 28, 2022.

On February 22, 2022 and April 29, 2022, the BOD and the Stockholders, respectively, approved the amendments to the Articles of Incorporation to change its purpose from a Commercial Bank to a Universal Bank pursuant to BSP MB Resolution No. 1798 dated December 23, 2021. The By-laws were also amended to comply with Sections 28 and 52 of the Revised Corporation Code. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the BSP on June 29, 2022 and by the SEC on August 9, 2022.

Equity Restructuring
On March 29, 2021, the BOD approved the Bank to undergo equity restructuring to wipe out the deficit amounting to P51,156,715 as at December 31, 2020 through the use of the Bank's Paid-in surplus.

On July 12, 2021, the Bank received from BSP a "No Objection" response to its application for equity restructuring with the SEC, subject to the (i) Bank's compliance with the Commission's other requirements; and (ii) condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within five (5) days from receipt thereof.

On October 14, 2021, the SEC approved the equity restructuring to wipe-out the deficit as at December 31, 2020 amounting to P51,156,715 against the Paid-insurplus of P5.6 billion subject to the conditions that the remaining Paid-in surplus of P5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

Capital Management
The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is actively being managed to cover risks inherent in the Bank's operations. In 2009, SMPI and SMCRP infused additional capital amounting to P3.3 billion in the form of paid-up common stock. On February 18, 2010 and March 1, 2010, major stockholders infused P271.9 million and P2.1 billion, respectively, into the Bank in the form of advances for future stock subscriptions, which shall be treated as part of the Bank's paid-up capital upon the SEC's approval thereon and on the increase in the Bank's authorized capital stock.

On August 5, 2021, SMC Equivest Corporation infused additional capital amounting P5.5 billion in the form of paid-up preferred stock. This is in support of the application of the Bank for an upgrade of its commercial banking license to auniversal banking license. On March 31, 2022, the Bank listed its common shares with the PSE and raised P3.4 billion in additional capital as part of the requirements for the upgrade.

Under Section 121 of the MORB, *Minimum Required Capital,* the minimum capitalization requirement applicable for the Bank (commercial banks with more than 100 branches) amounted to P15.0 billion. On December 23, 2021, the BSP approved the upgrade of the Bank's banking license from commercial bank to universal bank (UB) subject to certain regulatory requirements. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. The minimum capitalization requirement for a UB with more than 100 branches amounted to P20.0 billion. As at December 31, 2022 and 2021, the reported unimpaired capital of the Bank amounted to P26.9 billion and P22.7 billion, respectively.

The guidelines on Bank's ICAAP under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework. In compliance with this new circular, the Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Bank. The level and structure of capital are assessed and determined in light of the Bank's business environment, plans, performance, risks and budget; as well asregulatory edicts. The deadline for submission of ICAAP documents is March 31 of each year.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles which differ from PFRSs in some respects.

The BSP sets and monitors compliance to minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 538, *Revised Risk-Based Capital Adequacy Framework for Universal and Commercial Banks and their Subsidiary Banks and Quasi-Banks,* which implemented the Revised Risk-Based Capital Adequacy Framework under Basel II effective July 1, 2007. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0%.

Under Section 125 and Appendix 59 of the MORB, the regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprised common stock, additional paid-in capital and surplus. Tier 2 composed upper tier 2 and lower tier 2. Upper tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision and deposit for common stock subscription. Lower tier 2 consists of the unsecured subordinated debt.

The following are the minimum capital requirements for UBs and KBs and their subsidiary banks and quasi-banks (QBs):

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs)
- 7.5% Tier 1 Capital/RWAs, and
- 10.0% Total Qualifying Capital (Tier1 plus Tier2)/RWAs

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-'going concern' [CET1 plus Additional Tier 1(ATI)] and Tier 2 -'gone concern.' A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.5% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and quasi-banks. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress.

The CET1 capital requirement includes as an additional capital buffer, the Countercyclical capital buffer (CcyB) of zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increases in the CcyB rate shall be effective 12 months after announcement while decreases shall be effective immediately.

The countercyclical buffer requirement will extend the size of the capital conservation buffer. A bank shall not be subject to any restriction on distribution if the following conditions are met:

- Has positive retained earnings as of the preceding quarter and has complied with the requirements on the declaration of dividends as provided in the MORB;

- Has CET1 of more than the total required (minimum CET1 ratio of 6.0% plus CCB of 2.5% plus CcyB at the rate determined by the MB) before distribution; and

- Has complied with the minimum capital ratios (CET1 ratio of 6.0%, Tier 1 ratio of 7.5% and 10.0% CAR) after the distribution.

Otherwise, the policy framework of the capital conservation buffer on the restriction on distributions shall apply, except for drawdowns. Thresholds on the restriction on distribution shall consider the CcyB requirement as an extension of the capital conservation buffer.

As at December 31, 2022 and 2021, based on the CAR reports submitted to BSP, the Bank's CAR of 17.97% and 21.57%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"), based on the Basel III framework. The decrease in the CAR ratio was primarily due to the increase in the credit risk weighted amount of loans and held-to-collect securities.

The breakdown of the Bank's risk-weighted assets as at December 31, 2022 and 2021 as reported to BSP follows (amounts in thousands):

	2022	2021
Credit risk-weighted assets	**P132,556,255**	P92,873,736
Operational risk-weighted assets	**10,450,670**	9,404,089
Market-risk weighted assets	**120,664**	332,908
	P143,127,589	P102,610,733

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2022 and 2021 (in millions) as reported to BSP which was compiled as per below:

	2022	2021
Tier 1 capital	**P24,646**	P21,199
Tier 2 capital	**1,076**	930
Total qualifying capital	**P25,722**	P22,129
Risk-weighted assets	**P143,128**	P102,611
Tier 1 capital ratio	**17.22%**	20.66%
Total capital ratio	**17.97%**	21.57%

Certain adjustments are made to PFRSs results and reserves to calculate CARwhich included the Bank's accounting of the following transactions that require different accounting treatments under PFRSs:

a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning;

b) accounting for investment properties.

The recognition of the Bank for prudential reporting is based on the accounting treatment approved by BSP (see Notes 15 and 16).

Under Section 129 of the MORB Basel III, leverage ratio is designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The Bank exceeded the minimum leverage ratio of 5.0% as at December 31, 2022 and 2021 which was complied as per below breakdown (amounts in thousands):

	2022	2021
Capital measure	**P24,645,529**	P21,199,531
Exposure measure	**235,849,588**	209,844,649
Leverage ratio	**10.45%**	10.10%

The LCR framework under Section 145 of the MORB promotes short-term resilience of liquidity risk profile of a bank. The LCR is the ratio of HQLAs to total net cash outflows. Under normal situation, the value of the ratio should be no lower than 100.0% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement commenced on January 01, 2018 and theprescribed minimum shall be set initially at 90% for 2018 and raised to the minimum level of 100% on January 01, 2019.

Based on the LCR reports submitted to the BSP as at December 31, 2022 and 2021, the Bank's LCR were 182.7% and 211.8%, respectively, which were above the prescribed minimum requirement set at 100.0%.

While the NSFR promotes long-term resilience of banks against liquidity risk and maintains stable funding profile in relation to the composition of its assets and off-balance sheet activities. The implementation of the minimum NSFR was phased-in, banks undergone observation period from July 1, 2018 up to December 31, 2018 while actual implementation commenced on January 01, 2019. The NSR is the ratio of Bank's available stable funding to its required stable funding and shall maintain at least 100.0% at all times.

As at December 31, 2022 and 2021, the reported NSFR of 154% and 190%, respectively, exceeded the required minimum of 100%.

This applies to UB/KBs as well as their subsidiary banks and quasi-banks with the framework anchored on the international standards issued by the Basel Committee on Banking Supervision known as the Basel 3 reforms.

25. Surplus Reserve

	2022	2021	2020
Reserve for general provision - special reserve	**P775,206,634**	P556,655,007	P208,882,885
Reserve for trust business	**148,200,862**	139,151,260	126,719,455
Reserve for self-insurance	**60,000,000**	60,000,000	60,000,000
	P983,407,496	P755,806,267	P395,602,340

Reserve for General Provision - Special Reserve
The BSP, through Circular No. 1011, *Guidelines on the Adoption of thePFRS 9*, requires appropriation of the Bank's retained earnings in case the computed allowance for credit losses on loans based on PFRS 9 is less than the BSP required 1.0% general provision on outstanding Stage 1 on-balance sheet loans, except for accounts considered as risk-free under existing regulations. Additional appropriation for reserve for general provision amounted to P218.6 million, P347.8 million, and (P14.5 million) in 2022, 2021 and 2020, respectively.

Reserve for Trust Business
In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Bank's authorized capital stock. Additional appropriation for reserve for trust business amounted to P9.0 million, P12.4 million, and P10.8 million in 2022, 2021 and 2020, respectively.

Reserve for Self-insurance
Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation and other unlawful acts of the Bank's personnel or third parties. No additional appropriation for Reserve for self-insurance in 2022, 2021, and 2020.

26. Interest Income on Debt Securities

This account consists of:

	Note	**2022**	2021	2020
Investment securities at amortized cost:	*11*			
Government securities		**P1,370,841,465**	P908,591,924	P571,132,356
Private debt securities		**100,869,054**	154,337,125	177,633,500
Financial assets at FVOCI:	*10*			
Government securities		**204,988,977**	168,875,905	150,809,611
Private debt securities		**5,085,038**	19,758,785	19,799,002
		1,681,784,534	1,251,563,739	919,374,469
Financial assets at FVPL:	*9*			
Government securities held for trading		**4,603,469**	14,420,446	16,991,151
		P1,686,388,003	P1,265,984,185	P936,365,620

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 0.2% to 8.6% in 2022, from 0.9% to 8.6% in 2021 and from 0.6% to 9.5% in 2020. Peso-denominated financial assets at FVPL bear annual interest ratesranging from 0.6% to 8.1%, from 0.7% to 8.1% and from 0.8% to 8.1% in 2022, 2021 and 2020, respectively.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 0.9% to 2.8%, from 0.02% to 2.9% and from 0.1% to 3.9%, respectively, in 2022, 2021 and 2020. Peso-denominated financial assets at FVOCI bear EIRs rangingfrom 3.6% to 6.7% in 2022, from 2.1% to 6.6% in 2021 and from 1.4% to 7.1% in 2020.

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 3.7% in 2022 and from 0.8% to 3.4% in 2021 and 2020. Peso-denominated investment securities at amortized cost bear EIRs ranging from 1.4% to 8.1% in 2022 and 2021 and from 1.7% to 8.1% in 2020.

27. Service Charges, Fees and Commissions

Service Charges, Fees and Commissions - Income
This account consists of:

	2022	2021	2020
Trust income	**P152,971,718**	P139,219,456	P124,291,947
Service charges	**148,551,460**	131,070,951	123,659,614
Credit card fees	**147,516,114**	115,655,338	90,918,959
Letters of credit fees	**122,780,721**	36,248,747	11,347,102
Underwriter’s fee	**95,900,297**	-	-
Commitment fee	**55,783,132**	11,511,432	26,054,795
Fees and commissions	**48,792,533**	26,587,398	2,999,204
Remittance fees	**41,087,314**	52,169,552	42,395,261
Penalty charges	**31,346,781**	8,098,809	8,626,070
Telegraphic transfer fees	**2,715,963**	2,480,761	2,363,815
Others	**10,185,844**	8,085,308	11,980,303
	P857,631,877	P531,127,752	P444,637,070

Service charges include charges on loans, ATM fees and deposit taking-related activities.

Underwriting fee earned by the Bank as compensation for underwriting a public offering or placing an issue in the market.

Others include commission on acceptance fee, insurance, auto and housing loans processing fee and sale of demand drafts.

Service Fees and Commissions - Expenses
This account consists of:

	2022	2021	2020
Transaction and service fees	**P187,294,357**	P141,375,266	P104,926,425
Mastercard fees	**59,034,910**	48,134,742	44,801,027
Fees and commissions	**43,533,852**	36,997,921	29,130,836
Others	**3,466,436**	3,198,544	4,515,221
	P293,329,555	P229,706,473	P183,373,509

Others include processing fee, handling fee and other various charges.

28. Trading and Investment Securities Gains (Losses) - net

This account consists of realized and unrealized gains (losses) from the following securities:

	Note	**2022**	2021	2020
Financial assets and liabilities at FVPL:				
Debt securities:				
Realized		**(P32,249,257)**	(P5,635,758)	P30,065,549
Unrealized	*9*	**3,032,696**	(4,189,634)	69,731,751
Financial assets at FVOCI	*10*	**-**	(68,883,753)	280,743,443
Investment securities at amortized cost	*11*	**-**	-	767,033,010
		(P29,216,561)	(P78,709,145)	P1,147,573,753

29. Employee Benefits

Compensation and Fringe Benefits
The details of the following accounts in 2022, 2021 and 2020 follow:

	2022	2021	2020
Salaries and allowances	**P1,097,273,510**	P988,536,430	P970,341,304
Bonuses	**349,320,000**	375,320,000	332,320,000
Employee benefits	**293,658,369**	285,629,019	371,032,809
Retirement benefits	**123,585,814**	144,948,491	124,768,607
Overtime	**40,973,832**	26,535,151	20,929,533
	P1,904,811,525	P1,820,969,091	P1,819,392,253

Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using projected unit credit method.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than 10 years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least 10 years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits but such retirement benefit shall be subject to the pertinent requirements of the BIR.

The Bank's retirement plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended, and complies with the minimum retirement benefitspecified under RA No. 7641, the "New Retirement Law."

The date of the last actuarial valuation is December 31, 2022. Valuations are performed on an annual basis.

As at December 31, 2022, 2021 and 2020, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2022	2021	2020
Average working life	**13.0**	13.0	13.0
Discount rate	**7.6%**	5.0%	3.9%
Future salary increases	**6.6%**	6.6%	6.6%

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability (assets) and its components(in thousands).

	Defined Benefits Obligation			**Fair Value of Plan Assets**			**Net Retirement Benefit Liability (Asset)**		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Balance at January 1	**P1,244,156**	P1,329,366	P1,137,202	**(P1,085,608)**	(P936,823)	(P822,084)	**P158,548**	P392,543	P315,118
Included in Profit or Loss									
Current service cost	**115,658**	129,639	108,067	**-**	-	-	**115,658**	129,639	108,067
Interest expense (income)	**62,208**	51,845	60,272	**(54,280)**	(36,536)	(43,570)	**7,928**	15,309	16,702
	177,866	181,484	168,339	**(54,280)**	(36,536)	(43,570)	**123,586**	144,948	124,769
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	**(299,036)**	(166,458)	196,092	**-**	-	-	**(299,036)**	(166,458)	196,092
Experience adjustment	**18,033**	(6,013)	(87,254)	**-**	-	-	**18,033**	(6,013)	(87,254)
Return on plan assets excluding interest income	**-**	-	-	**96,178**	(14,069)	20,251	**96,178**	(14,069)	20,251
	(281,003)	(172,471)	108,838	**96,178**	(14,069)	20,251	**(184,825)**	(186,540)	129,089
Others									
Contributions paid by the employer	**-**	-	-	**(170,457)**	(192,403)	(176,433)	**(170,457)**	(192,403)	(176,433)
Benefits paid	**(113,413)**	(94,223)	(85,013)	**113,413**	94,223	85,013	**-**	-	-
	(113,413)	(94,223)	(85,013)	**(57,044)**	(98,180)	(91,420)	**(170,457)**	(192,403)	(176,433)
Balance at December 31	**P1,027,606**	P1,244,156	P1,329,366	**(P1,100,754)**	(P1,085,608)	(P936,823)	**(P73,148)**	P158,548	P392,543

The movements of the remeasurement losses on retirement liability of the Bank follow:

	2022	2021	2020
Balance at beginning of year	**P262,547,387**	P449,088,000	P319,998,451
Remeasurement losses (gains) on:			
Defined benefits obligation	**(281,002,208)**	(172,472,150)	108,837,990
Plan assets	**96,178,021**	(14,068,463)	20,251,559
Net change in remeasurement losses (gains) recorded in OCI	**(184,824,187)**	(186,540,613)	129,089,549
Balance at end of year	**P77,723,200**	P262,547,387	P449,088,000

The actual return (loss) on plan assets amounted to (P41.9) million and P50.6 million in 2022 and 2021, respectively.

The Bank expects to contribute P180.5 million to its defined benefits retirement plan in 2023.

The major categories of the fair value of plan assets as at December 31, 2022 and 2021 follow:

	2022	2021
Investment securities:		
Government and other debt securities	**P614,885,776**	P601,982,555
Quoted equity securities	**270,829,395**	219,704,043
Unquoted equity securities	**2,600**	11,341,137
Deposits with the bank	**30,747,112**	37,470,693
Loans receivables	**170,241,796**	176,934,431
Other receivables	**14,047,453**	38,175,276
Total Plan Assets	**P1,100,754,132**	P1,085,608,135

Sensitivity Analysis
Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement liability of the Bank by the amounts shown below:

	December 31, 2022			
	Discount Rate		**Salary Increase Rate**	
	+1.00%	**-1.00%**	**+1.00%**	**-1.00%**
Present value of the defined benefit obligation	**P940,049,711**	**P1,128,828,588**	**P1,122,198,314**	**P944,152,299**
Fair value of plan assets	**(1,100,754,132)**	**(1,100,754,132)**	**(1,100,754,132)**	**(1,100,754,132)**
Net retirement liability (assets)	**(P160,704,421)**	**P28,074,456**	**P21,444,182**	**(P156,601,833)**

	December 31, 2021			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P1,117,210,293	P1,394,148,441	P1,382,061,451	P1,124,589,508
Fair value of plan assets	(1,085,608,135)	(1,085,608,135)	(1,085,608,135)	(1,085,608,135)
Net retirement liability	P31,602,158	P308,540,306	P296,453,316	P38,981,373

The maturity analyses of the undiscounted benefit payments as at December 31, 2022 and 2021 are as follows:

	2022	2021
1 - 5 years	**P443,062,358**	P380,432,662
6 - 10 years	**922,629,278**	848,892,576
11 - 15 years	**1,068,594,031**	1,114,695,317
16 years and up	**4,581,346,511**	4,417,461,354
	P7,015,632,178	P6,761,481,909

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The overall investment policy and strategy of the retirement plan is based on the Bank's suitability assessment, as provided by its Trust Services Group, in compliance with BSP requirements.

The weighted average duration of the defined benefit obligations is 9 years and 11 years as at December 31, 2022 and 2021, respectively. The expected average remaining working lives as at December 31, 2022 and 2021 is 13 years.

30. Rent and Utilities

The table below shows the breakdown of rent and utilities in 2022, 2021, and 2020.

	2022	2021	2020
Security services	**P220,318,339**	P180,368,900	P162,691,712
Repairs and maintenance	**187,630,410**	170,656,204	139,740,996
Power, light, water	**105,967,062**	71,469,631	59,612,389
Rent expense	**68,792,512**	59,358,776	68,607,055
Janitorial services	**38,559,704**	35,909,859	32,464,605
Insurance	**10,281,940**	14,520,536	13,226,714
Total	**P631,549,967**	P532,283,906	P476,343,471

Insurance refers to the insurance for the Bank's property and equipment.

Bank as Lessee

The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase ranging from 2.8% to18.5%.

The Bank also leases IT equipment such as ATMs and photocopier machine with contract term of 1 year. These leases are short-term and/or leases of low value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases. Rent expenses related to these contracts are charged against current operations (included under "Rent and utilities" account in the statements of income).

Information about leases for which the Bank is a lessee is presented below:

Right-of-Use Assets
Right-of-use assets relate to leased branch and office premises. Details of right-of-use assets are presented within property and equipment (see Note 14).

Lease Liabilities
See Note 5 for maturity analysis of lease liabilities as at December 31, 2022 and 2021.

The table below shows the amounts recognized in the statements of income in 2022, 2021 and 2020 related to leases under PFRS 16 (amounts in millions).

	2022	2021	2020
Interest on lease liabilities	**P28.2**	P35.0	P42.9
Expenses relating to short-term leases	**59.1**	59.4	44.4
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	**9.7**	8.9	13.2

Total cash outflow for leases recognized in 2022, 2021 and 2020 amounted to P303.2 million, P295.0 million and P280.9 million, respectively.

Bank as Lessor
The Bank leases out its commercial properties for office space. The Bank hasclassified these leases as operating leases because they do not transfersubstantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Bank on its commercial properties (shown under "Miscellaneous" in the statements of income) for the years ended December 31, 2022, 2021 and 2020 were P1.8 million, P0.5 million and P0.7 million, respectively, and includes rental income on investment properties (Note 15). The Bank alsorecognized income from the use of safety deposit boxes amounting to P3.0 million for years ended December 31, 2022 and 2021, and P2.8 million for the years ended December 31, 2020, respectively (see Note 31).

As at December 31, 2022 and 2021, the Bank has no future rental receivables under non-cancellable operating lease.

31. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Note	**2022**	2021	2020
Passed-on GRT		**P40,574,554**	P26,542,569	P33,438,750
Dividend income	*10*	**1,612,352**	5,709,161	12,228,425
Rent income	*30*	**4,834,797**	3,439,978	3,546,544
Others		**68,157,678**	14,873,615	16,204,006
		P115,179,381	P50,565,323	P65,417,725

Others include gain due to rent concessions, recovery from charged-off assets and excess chattel fees. Recovery from charged-off assets amounted to P56.1 million, P0.2 million and P0.6 million, respectively, in 2022, 2021 and 2022.

Miscellaneous Expense
This account consists of:

	2022	2021	2020
Communications	**P77,156,091**	80,744,268	52,048,887
Fines and penalties	**71,713,640**	P97,759,614	P61,931,157
Supervision and examination fee	**67,926,910**	57,535,251	55,138,108
Marketing	**57,421,253**	50,196,110	51,243,101
Forms and supplies	**45,915,052**	37,796,870	40,537,784
Messengerial services	**36,985,834**	53,659,322	53,324,266
Transportation and travel	**26,500,086**	16,446,128	11,465,185
Membership dues	**20,809,127**	16,439,851	13,307,104
Litigation and acquired assets-related expenses	**16,391,828**	10,166,679	5,416,646
Others	**125,759,860**	81,067,483	37,346,912
	P546,579,681	P501,811,576	P381,759,150

Others include management fee on deposits, charges on correspondent banks, other provisions and postage.

In 2021, universal banking license fee amounting to P24.5 million was accrued by the Bank under “Others”.

32. Income and Other Taxes

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

Regular Banking Unit
Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented under “Taxes and licenses” account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income tax expense include corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises Act* (CREATE Law), was signed into law and took effect on April 11, 2021. The following are certain provisions of the National Internal Revenue Code of 1997 that were amended and relevant to the Bank:

- Regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;

- Minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;

- The allowable deduction for interest expense shall be reduced by 20% of interest income subjected to final tax, instead of the previous 33%; and

- The imposition of 10% tax on improperly accumulated retained earnings is repealed.

The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a 3-year period from the year of incurrence.

In addition, Revenue Regulations (RR) No. 10-2002 provides for the ceiling on the amount of entertainment, amusement and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Bank is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue.

In 2011, the BIR issued RR 4-2011, *Proper allocation of costs and expenses amongst income earning of banks and other financial institutions for income tax reporting purposes*, which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU's taxable income.In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation.

Foreign Currency Deposit Unit
RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU, provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that maybe authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.

- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and

- Interest income derived by resident individual or corporation on deposits with FCDUs and OBUs are subject to 15.0% final tax.

Income tax expense consists of:

	2022	2021	2020
Current:			
Final	**P523,060,497**	P399,293,480	P278,627,049
RCIT	**73,242,737**	1,778,182	136,789,048
Tax benefit	**(61,363,313)**	-	(80,130,816)
MCIT	**-**	38,840,735	-
Adjustment for CREATE	**-**	(34,487,630)	-
	534,939,921	405,424,767	335,285,281
Deferred	**131,415,328**	218,263,891	(78,162,871)
	P666,355,249	P623,688,658	P257,122,410

The amount of tax benefit relates to MCIT of prior periods that is used to reduce current tax payable.

The amount of deferred tax income relates to the origination and reversal of temporary differences. In 2021, this amount includes the impact of CREATE Law, resulting to the remeasurement for items previously measured based on previous taxrate, amounting to P160.3 million and was recognized by the Bank in the current period.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the statements of income follows:

	2022	2021	2020
Income before income tax expense	**P2,466,423,849**	P1,830,307,823	P1,041,556,198
Income tax at statutory rate at 25% in 2022 and 2021 and 30% in 2020	**P616,605,962**	P457,576,956	P312,466,859
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	**114,721,794**	128,709,952	340,769,185
Changes in unrecognized deferred tax assets	**26,098,741**	59,508,039	87,538,287
Tax paid income	**(56,603,094)**	(28,047,183)	(129,117,988)
FCDU income	**(23,316,140)**	(25,301,259)	(71,635,416)
Nontaxable income	**(6,127,328)**	21,934,422	(209,326,488)
Others	**(5,024,686)**	9,307,731	(73,572,029)
Effective income tax	**P666,355,249**	P623,688,658	P257,122,410

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	Beginning Balance (December 31, 2021 Tax Effect)	**Amount (Charged) Credited to Profit or Loss**	**Amount Recognized in OCI**	**Ending Balance (December 31, 2022 Tax Effect)**
Deferred tax assets:				
Allowance for credit and impairment losses	**P717,937,427**	**(P68,134,673)**	**P -**	**P649,802,754**
Accumulated depreciation on foreclosed properties	**194,605,367**	**11,623,890**	**-**	**206,229,257**
Accrued employee benefits and other expenses	**118,820,779**	**27,405,840**	**-**	**146,226,619**
MCIT	**86,549,744**	**(61,363,313)**	**-**	**25,186,431**
Unrealized loss on foreclosed properties	**68,825,400**	**(5,098,758)**	**-**	**63,726,642**
Net lease liability	**17,539,091**	**(3,168,637)**	**-**	**14,370,454**
Accrued rent expense	**2,068,868**	**(601,706)**	**-**	**1,467,162**
	1,206,346,676	**(99,337,357)**	**-**	**1,107,009,319**
Deferred tax liability:				
Unrealized gain on foreclosed properties	**(371,185,504)**	**(10,334,942)**	**-**	**(381,520,446)**
Unrealized foreign exchange gain	**(40,050,140)**	**(12,924,659)**	**-**	**(52,974,799)**
Retirement benefits	**(25,999,968)**	**(11,717,808)**	**-**	**(37,717,776)**
Gain on investment properties sold under installments	**(25,605,648)**	**2,899,438**	**-**	**(22,706,210)**
	(462,841,260)	**(32,077,971)**	**-**	**(494,919,231)**
Net Deferred Tax Assets (Liabilities)	**P743,505,416**	**(P131,415,328)**	**P -**	**P612,090,088**

	Beginning Balance (December 31, 2020 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2021 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P1,052,927,615	(P334,990,188)	P -	P717,937,427
Accumulated depreciation on foreclosed properties	218,205,495	(23,600,128)	-	194,605,367
Accrued employee benefits and other expenses	139,098,172	(20,277,393)	-	118,820,779
MCIT	-	86,549,744	-	86,549,744
Unrealized loss on foreclosed properties	91,694,600	(22,869,200)	-	68,825,400
Net lease liability	19,497,250	(1,958,159)	-	17,539,091
Accrued rent expense	3,083,792	(1,014,924)	-	2,068,868
	1,524,506,924	(318,160,248)	-	1,206,346,676
Deferred tax liability:				
Unrealized gain on foreclosed properties	(458,952,068)	87,766,564	-	(371,185,504)
Unrealized foreign exchange gain	(48,340,734)	8,290,594	-	(40,050,140)
Retirement benefits	(16,963,513)	(9,036,455)	-	(25,999,968)
Gain on investment properties sold under installments	(34,883,273)	9,277,625	-	(25,605,648)
Unrealized gain on financial assets at FVOCI	(6,389,324)	-	6,389,324	-
Unrealized gain on financial assets at FVPL	(3,598,029)	3,598,029	-	-
	(569,126,941)	99,896,357	6,389,324	(462,841,260)
Net Deferred Tax Assets (Liabilities)	P955,379,983	(P218,263,891)	P6,389,324	P743,505,416

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Bank did not set up deferred tax assets on the following temporary differences and carry forward benefits of NOLCO and MCIT:

	2022		2021		2020	
	Deductible Temporary Differences	**Deferred Tax Asset**	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses	**P3,169,422,869**	**P792,355,717**	P3,073,627,758	P768,406,940	P3,027,818,815	P908,345,645
Unrealized loss on financial assets at FVPL	**4,539,344**	**1,134,836**	3,421,893	855,473	-	-
MCIT	**-**	**-**	-	-	91,992,619	91,992,619
Others	**216,589,515**	**54,147,379**	209,107,113	52,276,778	142,823,016	42,846,905
Deferred tax items not recognized in profit or loss	**3,390,551,728**	**847,637,932**	3,286,156,764	821,539,191	3,262,634,450	1,043,185,169
Remeasurement losses on retirement liability	**77,723,200**	**19,430,800**	262,547,387	65,636,847	449,088,000	134,726,400
Deferred tax items not recognized in OCI	**77,723,200**	**19,430,800**	262,547,387	65,636,847	449,088,000	134,726,400
	P3,468,274,928	**P867,068,732**	P3,548,704,151	P887,176,038	P3,711,722,450	P1,177,911,569

As at December 31, 2022 and 2021, the Bank has no carryforward NOLCO.

Details of the Bank’s RBU excess MCIT over RCIT as at December 31, 2022 follow:

Inception Year	Amount	Used	Balance	Expiry Year
2019	P61,363,313	(P61,363,313)	P -	2022
2021	25,186,431	-	25,186,431	2024
	P86,549,744	(P61,363,313)	P25,186,431	

33. Related Party Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usuallyarise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank: Provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed 30.0% of their respective total loans, other accommodations and guarantees. Loans, other credit accommodations, and guarantees granted by the Bank to its DOSRI for the purpose of project finance, shall be exempted from the 30.0% unsecured individual ceiling during the project gestation phase: Provided, That: the Bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

Except with the prior approval of the Monetary Board, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the bank or 100.0% of net worth whichever is lower: Provided, That in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank: Provided, That the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed 5.0% of such net worth: Provided, further, That the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank: Provided, finally, That these subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending bank.

The following table shows information on related party loans (amounts in thousands, except percentages):

	2022		2021	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI)**	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	**P258**	**P29,909,689**	P -	P29,201,574
Percent of DOSRI/Related Party loans to total loans	**0.00%**	**28.34%**	0.00%	38.70%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**39.98%**	0.00%	49.53%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.01%**	0.00%	0.01%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.03%**	0.00%	0.06%

The details of significant related party transactions of the Bank follow (amounts in thousands):

Category	*Note*	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Associate	*13*			
2022				
Investment in an associate		**P -**	**P39,523**	**24.26% equity interests in BIC which is a stockholder of the Bank**
Share in net loss of an associate		**133**	**-**	**Share in net loss of BIC**
2021				
Investment in an associate		-	39,662	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		1,039	-	Share in net loss of BIC
2020				
Investment in an associate		-	40,687	24.25% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		753	-	Share in net loss of BIC

Unless otherwise stated, RPTs disclosed are unsecured.

Category	Note	Amount/Volume 2022	2021	2020	Outstanding Balance 2022	2021	Nature, Terms and Conditions
Other Related Parties							
Financial assets at FVOCI:	*10*						
Equity securities		**P -**	P -	P -	**P18,823**	P18,232	8.57% equity interest in BANGE
Private debt securities		**-**	-	-	**-**	303,522	Matured bond with interest rate of 6.6%.
Maturities		**300,000**	-	-		-	
Investment securities at amortized cost	*11*	**-**	-	-	**381,680**	381,675	Long-term bonds with interest rates ranging from 4.5% to 8.1% with maturity years ranging from 2023 to 2025.
Maturities		**-**	1,330,350	332,380	**-**	-	Matured bond had interest rates ranging from 4.0% to 5.5%
Loans and receivables - net:	*12*						
Receivables from customers:		**-**	-	-	**29,820,614**	29,151,600	Term, housing, auto, salary and personal loans with interest rates ranging from 2.4% to 19.1% and with maturity of less than 1 year to 20 years; Collateral includes real estate mortgage, unregistered chattel mortgage, hold-out on deposit, assignment of contract and concession agreement, continuing surety agreement, mortgage trust indenture and pledge agreement on shares;
Availments		**49,176,944**	63,412,047	57,727,441	**-**	-	
Settlements		**40,503,492**	60,623,795	60,698,979	**-**	-	
Sales contract receivables and accrued interest receivables:		**-**	-	-	**177,332**	175,410	Sales contract receivables with annual interest rate of 10.5% and with maturity in 2021; accrued interest receivables and accounts receivables on loans, sales contract receivables and long-term bonds;
Availments		**-**	-	-	**-**	-	
Settlements		**-**	194	998	**-**	-	
Interest income		**1,560,266**	1,830,281	1,948,698	**-**	-	Interest income on loans, sales contract receivables and long-term bonds;
Deposit liabilities:	*18*	**-**	-	-	**52,293,651**	56,884,489	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Deposits		**5,689,342,609**	4,112,755,092	3,171,896,515	**-**	-	
Withdrawals		**4,888,848,456**	3,631,676,685	2,570,073,386	**-**	-	
Accrued interest payable	*21*	**260,241**	105,793	138,076	**39,391**	7,660	Interest expense and accrued interest payable on deposits;
Accrued other expenses and other liabilities	*21, 22*	**186,621**	182,914	144,915	**6,699**	2,267	Accrued other expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing; Other liabilities consists of accounts payable to Bank's officers; On demand, unsecured and non-interest bearing.
Fees and other income	*27, 31*	**292,932**	80,923	49,736	**-**	-	Loan, underwriting, and investment-related fees and commission income, gain from the cash sale transactions of foreclosed properties, dividend received from BANGE and passed-on GRT
Commitments and contingent liabilities	*38*	**-**	-	-	**21,644,130**	12,141,560	Bank guarantees in favor of related party, outstanding letters of credit, and committed credit line

Unless otherwise stated, RPTs disclosed are unsecured and balances are net of allowance

As at December 31, 2022 and 2021, outstanding bills purchased of related parties with contra account in “Other liabilities” amounted to P1.1 billion and P368.4 million, respectively (see Notes 12 and 22).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash. As of December 31, 2022 and 2021, the allowance for credit losses on outstanding transactions with other related parties amounted to P89.7 million and P85.2 million, respectively. Provision for credit losses recorded in 2022 on such related party transactions totaled to P4.5 million. Reversal of credit losses recorded in 2021 and 2020 on such related party transactions totaled to P276.4 million and P15.5 million, respectively. Such outstanding transactions include private debt securities at FVOCI, investment securities at amortized cost, receivables from customers, sales contract receivables and accrued interest receivable under the “Loans and receivables - net” account in the statements of financial position and commitment and contingent liabilities.

Transactions with Retirement Plan

The Bank’s retirement plan is managed and administered by the Bank’s Trust Services Group which is covered by an IMA Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 29.

Related unaudited financial information on assets/liabilities as at December 31, 2022 and 2021 and income/expense of the funds for the period ended December 31, 2022, 2021 and 2020 follow:

	2022	2021
Investment securities:		
Government and other debt securities	**P614,885,776**	P601,982,555
Quoted equity securities	**270,829,395**	219,704,043
Unquoted equity securities	**2,600**	11,341,137
Loans and other receivables	**184,289,249**	215,109,707
Deposits with the bank	**35,626,380**	37,470,693
Total Plan Assets	**P1,105,633,400**	P1,085,608,135
Due to broker	**P4,639,308**	P28,619,810
Trust fee payable	**224,016**	1,308,143
Other liabilities	**15,944**	69,048
Total Plan Liabilities	**4,879,268**	29,997,001
Net Plan Assets	**P1,100,754,132**	P1,055,611,134

Plan Income	**2022**	2021	2020
Interest income	**P35,630,193**	P27,713,620	P26,049,369
Trading and investment gains (losses) - net	**(30,901,624)**	(30,241,813)	(10,560,419)
Dividend income and others	**8,901,291**	9,477,411	8,193,257
	P13,629,860	P6,949,218	P23,682,207
Plan Expense			
Trust fees	**P2,775,610**	P2,461,431	P2,088,834
Other expenses	**2,134,774**	1,758,759	647,155
Provision for credit losses	**2,258,204**	11,821,715	73,991
	P7,168,588	P16,041,905	P2,809,980

As at December 31, 2022 and 2021, the retirement plan assets of the Bank include 730,670 shares of the Bank classified under financial assets at FVOCI. The shares of the Bank were listed in the PSE on March 31, 2022. As at December 31, 2022 and 2021, the fair market value of the shares amounted to P5.8 million and P11.3 million, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

Interest income on deposit with the Bank amounted to P4,257, P4,014, and P129,977 in 2022, 2021 and 2020, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the fund.

The Bank's contribution to its defined benefits retirement plan amounted to P170.5 million and P192.4 million in 2022 and 2021, respectively. Benefits paid outof the Bank's plan assets amounted to P113.4 million and P94.2 million in 2022 and 2021, respectively (see Note 29).

Compensation of Key Management Personnel of the Bank

The remuneration of directors and other members of key management under "Compensation and fringe benefits" account in the statements of income for the years ended December 31, 2022, 2021 and 2020 follows:

	2022	2021	2020
Short-term employee benefits	**P555,082,001**	P544,595,527	P530,809,650
Post-employment benefits	**37,075,744**	44,934,032	37,430,582
	P592,157,745	P589,529,559	P568,240,232

34. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001. The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, orrendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.

b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.

c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).

d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subjectto terms and conditions as may be imposed by PDIC.

<u>Settlement of Liabilities of TRB</u>
Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.

b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.

c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expensesincurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a "White Knight" by agreeing to the terms and conditions of the PSA with TRB, follows:

a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year government securities with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year government securities (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB's unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as "Miscellaneous assets".

   On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP's pertinent regulations on minimum capital requirement.

c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC's written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.

d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within 5 years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;

b. Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and

c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRSs. These transactions and their effects are described below:

<u>Assumption of NPAs of TRB</u>
In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 16). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2022, 2021 and 2020 were charged in full in the period incurred (see Note 16).

For its separate prudential reporting to BSP, the Bank recognized P1.3 billion provisions to fully recognize the impairment losses on the NPAs in 2022. In 2021, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million (see Note 16).

35. Notes to Statements of Cash Flows

The following is a summary of noncash activities of the Bank:

	2022	2021	2020
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	**P251,831,964**	P89,736,152	P46,108,250
Additions to ROU assets	**159,277,079**	45,242,843	220,979,671
Increase in sales contract receivables from sale of investment properties	**88,212,765**	92,323,023	43,862,200

The following table shows the reconciliation analysis of liabilities arising from financing activities for period ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Beginning balance	**P538,398,243**	P682,015,739	P646,104,589
Additions to lease liabilities	**155,593,019**	44,853,267	220,703,671
Interest accretion	**42,795,198**	35,033,242	42,921,243
Cash flows during the year:			
Proceeds	**15,004,528,892**	4,810,000,000	1,984,184,000
Settlements	**(7,808,150,989)**	(5,033,504,005)	(2,204,998,022)
	7,196,377,903	(223,504,005)	(220,814,022)
Other adjustments	**-**	-	(6,899,742)
Ending balance	**P7,933,164,363**	P538,398,243	P682,015,739

Other adjustments pertain to reductions to lease liabilities due to rent concessions and pre-termination of lease contracts.

As allowed by PAS 7, short-term borrowings from local banks amounting to P7.6 billion, P4.8 billion and P2.0 billion in 2022, 2021 and 2020, respectively, are presented in the statements of cash flows on a net basis. In 2022, cash proceeds include issuance of bonds payable amounting to P7.5 billion.

36. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

	2022	2021	2020
a. Net income	**P1,800,068,600**	P1,206,619,165	P784,433,788
b. Dividends on preferred shares*	**148,958,335**	57,291,667	-
c. Net income to equity holders of the Bank	**1,651,110,265**	1,149,327,498	784,433,788
d. Weighted average number of outstanding common shares**	**1,334,592,963**	1,122,411,120	1,122,411,120
e. Basic earnings per share (c/d)	**P1.24**	P1.02	P0.70

** potential dividends on preferred shares as these were not assumed to be converted.*

***Weighted average number of common shares in 2020 were adjusted retrospectively to reflect the change in par value from P100.0 per share to P10.0 per share.*

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

	2022	2021	2020
a. Net income to equity holders of the Bank	**P1,800,068,600**	P1,206,619,165	P784,433,788
b. Weighted average number of outstanding common shares and dilutive preferred shares:			
Outstanding common shares*	**1,334,592,963**	1,122,411,120	1,122,411,120
Potential common shares from assumed conversion of preferred shares	**416,666,670**	173,611,113	-
c. Total weighted average common shares	**1,751,259,633**	1,296,022,233	1,122,411,120
d. Diluted earnings per share (a/c)	**P1.03**	P0.93	P0.70

**Weighted average number of common shares in 2020 were adjusted retrospectively to reflect the change in par value from P100.0 per share to P10.0 per share.*

The following basic ratios measure the financial performance of the Bank:

	2022	2021	2020
Return on average equity	**7.01%**	6.01%	4.77%
Return on average assets	**0.86%**	0.65%	0.50%
Net interest margin on average earning assets	**3.73%**	3.42%	3.87%

37. Events After the Reporting Date

Subject to the approval of the Stockholders and the relevant government regulatory agencies, the BOD approved on February 28, 2023 the amendment of the Articles of Incorporation to increase the Bank's authorized capital stock from P21,575,114,700 (divided into 1,702,511,470 common shares and 455,000,000 preferred shares) to P28,198,773,840 (divided into 2,364,877,384 common shares and 455,000,000 preferred shares).

On the same date, the BOD also approved the amendment to the By-laws to (a) change the schedule of the annual stockholders' meeting from April to May, and (b) comply with Section 132 of the MORB, Section 29 and 34 of the Revised Corporation Code and Section 3 of the SEC Memorandum Circular No. 20 series of 2020.

38. Supplementary Information Required under BSP Circular No. 1074

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074, *Amendment to Regulations on Financial Audit of Banks.*

(a) Notes to the Financial Statements

a. *Capital Position* - please refer to Note 24.

b. *Leverage Ratio and Total Exposure Measure* - please refer to Note 24.

c. *Liquidity Position* (Liquidity Coverage Ratio and Net Stable Funding Ratio) - please refer to Note 24.

d. *Provisioning Methodology and Key Assumptions Used in Determining Allowance for Credit Losses* - please refer to Notes 3 and 5.

e. Accounting Policies - please refer to Note 3.

(b) Supplemental Information

- *Financial Performance Indicators - please refer to Note 36.*

- *Description of Capital Instruments Issued* - please refer to Note 24.

- *Significant Credit Exposures* - please refer to Note 5.

- *Breakdown of Total Loans* as to:
  i. Security - please refer to Note 12
  ii. Status - please refer to Note 12

- *Information on Related Party Loans* - please refer to Note 33.

- Commitments and Contingencies

  In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2022 and 2021:

	2022	2021
Contingent assets:		
Future/spot exchange bought	**P1,146,547,214**	P229,495,500
Fixed income securities purchased	**5,074,247**	25,218,255
Outward bills for collection	**255,590**	2,999,218
	P1,151,877,051	P257,712,973
Commitments and contingent liabilities:		
Trust department accounts	**P70,335,329,532**	P63,274,059,479
Unused commercial letters of credit	**15,638,084,869**	8,417,817,547
Committed credit line	**7,470,632,437**	6,828,080,056
Credit card lines	**3,601,177,914**	3,362,130,139
Outstanding guarantees	**3,438,552,342**	2,271,624,364
Future/spot exchange sold	**1,954,996,944**	841,483,500
Late deposits/payments received	**137,803,664**	4,636,985
Fixed income securities sold	**5,074,247**	-
Items held for safekeeping/securities held as collateral	**44,835**	42,112
	P102,581,696,784	P84,999,874,182

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2022 and 2021.

Trust Assets

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P70.3 billion(unaudited) and P63.3 billion (audited) as at December 31, 2022 and 2021, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P743.0 million and P674.0 million as at December 31, 2022 and 2021, respectively, which have been included under "Investment securities at amortized cost" (see Note 11), are deposited with BSP.

Other relevant disclosures required by BSP Circular No. 1074 are in Notes 12, 23, 32 and 35.

39. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in a note to the separate financial statements. The Bank presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

BANK OF COMMERCE

SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68
DECEMBER 31, 2022

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule (SRC) 68. It prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by the Revised SRC Rule 68. These are presented for purposes of filing with the SEC and is not required part of the basic financial statements.

PART I

Schedule A:	Schedule of Financial Soundness Indicators
Schedule B:	Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule C:	Relationship Map

PART II (Schedules Required by Annex 68-J of the Revised SRC Rule 68)

Schedule A:	Financial Assets
Schedule B:	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C:	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
Schedule D:	Long-Term Debt
Schedule E:	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule F:	Guarantees of Securities of Other Issuers
Schedule G:	Capital Stock

KPMG

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REPORT OF INDEPENDENT AUDITORS
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "Bank") as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 15, 2023.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company 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 Company'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 financial statements as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and no material exceptions were noted.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
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covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 102309-SEC, Group A, valid for five (5) years
covering the audit of 2022 to 2026 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563832
Issued January 3, 2023 at Makati City

March 15, 2023
Makati City, Metro Manila

BANK OF COMMERCE

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2022 AND DECEMBER 31, 2021

RATIO	FORMULA	RATIO 2022	RATIO 2021
Current Ratio	Total current assets / Total current liabilities	**0.61**	0.65
Acid Test Ratio	Total current financial assets / Total current liabilities	**0.60**	0.64
Solvency Ratio	Net income before non-cash expenses / Total liabilities	**0.01**	0.01
Debt to Equity Ratio	Total liabilities / Total equity	**6.76**	7.55
Asset to Equity Ratio	Total assets / Total equity	**7.76**	8.55
Interest Rate Coverage Ratio	Net Income before interest and taxes / Interest expense	**2.92**	3.63
Return on Equity	Net income / Average total equity	**7.01%**	6.01%
Return on Asset	Net income / Average total assets	**0.86%**	0.65%
Net Profit Margin	Net income / Total revenues	**22.18%**	19.38%
OTHER RATIOS			
Net Interest Margin	Net interest income / Average interest-earning assets	**3.73%**	3.42%
Cost to Income Ratio	Total operating expense / Total revenues	**0.68**	0.81
Debt to Assets Ratio	Total liabilities / Total assets	**0.87**	0.88
Loans to Deposit Ratio	Total gross loans* / Total deposits	**0.70**	0.55
Non-performing Loans Cover	Allowance for credit losses on loans / Non-performing loans	**89.05%**	83.21%
Non-performing Loans Ratio**	Non-performing loans / Total gross loans	**2.10%**	3.09%
Net Non-performing Loans Ratio**	Net non-performingloans / Total gross loans	**0.60%**	0.88%
Capital Adequacy Ratio	Total qualifying capital / Total risk-weighted assets	**17.97%**	21.57%

**Gross loans include receivables from customers (loans), interbank loans receivable and securities purchased under resale agreements.*
***Computed based on BSP Circular 941*

KPMG

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "Bank") as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, on which we have rendered our report dated March 15, 2023.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Bank taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Bank's management. Such additional components include:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedules Required by Annex 68-J of the Revised SRC Rule 68
- Relationship Map

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

KPMG

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 102309-SEC, Group A, valid for five (5) years covering the audit of 2022 to 2026 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563832
Issued January 3, 2023 at Makati City

March 15, 2023
Makati City, Metro Manila

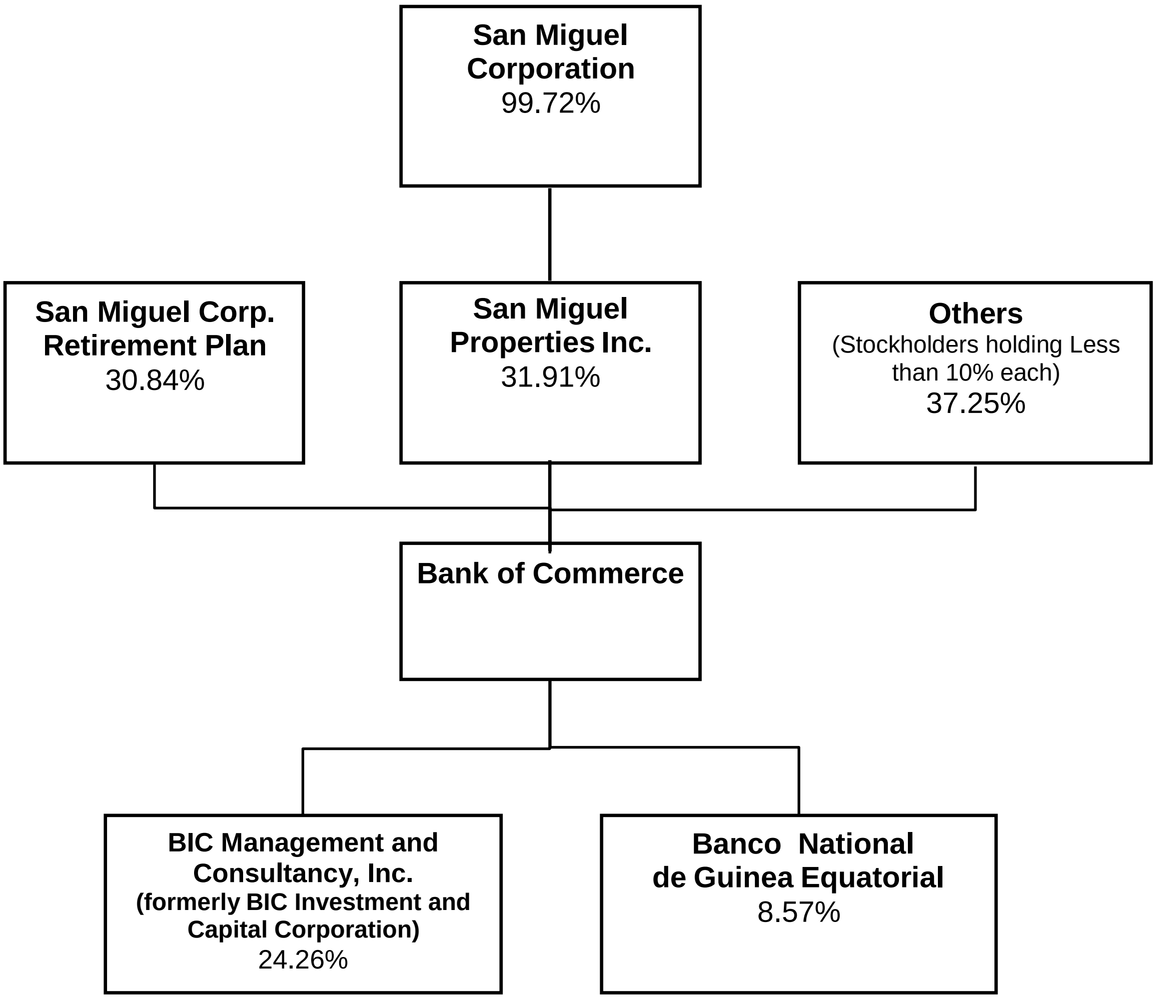
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2022

BANK OF COMMERCE
San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City

Unappropriated retained earnings, beginning		**P852,471,738**
Adjustments:		
Deferred tax assets recognized	(P1,206,346,676)	
Fair value adjustments on foreclosed properties	(1,209,440,415)	
Unrealized foreign exchange gain	(160,200,558)	
Unrealized gain on financial assets at fair value through profit or loss (FVPL)	(65,542,117)	
Unappropriated deficit available for dividend declaration, beginning as adjusted		**(1,789,058,028)**
Net income during the year closed to retained earnings	1,800,068,600	
Add/Less: Non-actual/unrealized income (expenses)		
Movement on deferred tax asset	99,337,357	
Unrealized gain on financial assets at FVPL	(3,032,696)	
Unrealized foreign exchange gain	(51,698,638)	
Fair value adjustments on foreclosed properties	(61,734,803)	
Add: Net income actually earned/realized during the year		**1,782,939,820**
Add: Appropriation to surplus reserves		**(227,311,229)**
Unappropriated deficit available for dividend declaration, end		**(P233,429,437)**

BANK OF COMMERCE

RELATIONSHIP MAP
DECEMBER 31, 2022



BANK OF COMMERCE

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2022
(in thousands)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amounts Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at Fair Value through Profit of Loss				
Philippine government	**P7,302**	**P7,259**	**P7,259**	**P4,502**
Other government	**-**	**-**	**-**	**101**
Private corporations	**373,971**	**344,809**	**344,809**	**-**
Derivatives	**58,543**	**28,933**	**28,933**	**-**
		P381,001	**P381,001**	**P4,603**
Financial Assets at Fair Value through Other Comprehensive Income				
Philippine government	**P6,230,245**	**P5,619,272**	**P5,619,272**	**P204,822**
Other government	**-**	**-**	**-**	**167**
Private corporations	**-**	**-**	**-**	**5,085**
Equity securities	**159**	**185,779**	**185,779**	**1,612**
		P5,805,051	**P5,805,051**	**P211,686**
Investment Securities at Amortized Cost				
Philippine government	**P42,656,458**	**P43,872,457**	**P41,104,643**	**P1,341,896**
Other government	**5,575,500**	**5,572,293**	**5,572,349**	**28,946**
Private corporations	**2,625,980**	**2,764,019**	**2,410,619**	**100,869**
		P52,208,769	**P49,087,611**	**P1,471,711**

BANK OF COMMERCE

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2022

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
NONE TO REPORT							
Indebtedness arise in the ordinary course of business.							

BANK OF COMMERCE

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
NONE TO REPORT							
Financial statements are not for consolidation.							

BANK OF COMMERCE

SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2022

Type 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 Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Long-term negotiable certificates of time deposit	P5,029,420,000	P -	P5,029,420,000	4.5000%	Quarterly interest payment	September 17, 2025
Bonds payable	7,500,000,000	-	7,442,251,269	5.0263%	Quarterly interest payment	July 29, 2024

BANK OF COMMERCE

SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2022

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year	Nature, Terms and Conditions
NONE TO REPORT			
No long term loans from related companies.			

BANK OF COMMERCE

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2022

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount of Guaranteed and Outstanding	Amount Owned by Person of which Statement is Filed	Nature of Guarantee
		NONE TO REPORT *No securities were guaranteed.*		

BANK OF COMMERCE

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under the 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
Common shares	1,702,511,470	1,403,013,920	-	1,060,517,880	578,240	341,917,800
Preferred Shares	455,000,000	416,666,670	416,666,670	416,666,670	-	-

* Include shares held by Principal/Substantial Stockholders
Required information is disclosed in Note 24: Capital Stock

PART V – ANNEXES

ANNEX A: LIST OF PROPERTIES OWNED OR LEASED BY THE BANK

I. PROPERTIES OWNED BY THE BANK

NO.	NAME OF BRANCH/ PROPERTY	LOCATION	TITLE NO.
1	**BATANGAS P. BURGOS BRANCH**	P. Burgos St., Barangay Poblacion, Batangas City	**T-40683**
2	**BROADCAST CITY BRANCH**	Capitol Hills Drive, Broadcast City Compound, Capitol Hills, Brgy. Old Balara, Quezon City	**T-225837**
3	**AYALA BRANCH**	6764 Phil. First Bldg, Ayala Avenue, Makati City	**47437**
4	**MARAMAG BRANCH**	Sayre Highway, Maramag, Bukidnon	T-36212
5	**CARMEN BRANCH**	Mc-Arthur Highway, Carmen, Rosales, Pangasinan	T-30890
6	**IBA ZAMBALES BRANCH**	Brgy. Zone II, Iba, Zambales	**T-45802**
7	**KABANKALAN BRANCH**	Guanzon Street and J. Cordova Street, Barangay 1, Kabankalan City, Neg. Occ.	**T-104029 / T-104030**
8	**GREENHILLS BRANCH**	Eisenhower Condominium, Eisenhower St., Greenhills, San Juan	**9397-R**
9	**SMPC - HEAD OFFICE**	SMPC No. 7 St., Francis Street., Mandaluyong City	**several CCTs**
		1-A	008-2011000095
		1-B	008-2011000096
		1-C	008-2011000097
		7-A	008-2012000219
		7-B	008-2012000218
		12-A	008-2011000098
		12-B	008-2011000099
		17-A	008-2011000100
		17-B	008-2011000101
		18-A	008-2011002076
		18-B	008-2011002077
		21-A	008-2011000102
		21-B	008-2011000103
		22-A	008-2011000104
		22-B	008-2011000105
		24-A	008-2011000106
		24-B	008-2011000107
		25	008-2011000108
		26	008-2011000109
10	**PASEO (portion of the building)**	Unit A, G/F Legaspi Tower 200 (South Wing), No. 107 Paseo De Roxas, Legaspi Village, Makati City	8700

II. PROPERTIES LEASED BY THE BANK

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term	
			Start	End
METRO MANILA				
Aduana	G/F FEMII Building, A. Soriano St., Brgy. 656, Intramuros, Manila	166,921.67	03/01/2018	02/28/2023
Alabang	Unit-6 El Molito-II Building, Madrigal Avenue cor. Alabang-Zapote Road, Brgy. Ayala Alabang, Muntinlupa City.	394,922.04	03/15/2022	03/14/2025
Banawe	No. 128-B, WAS Building, Banawe Street, Brgy. Tatalon, Quezon City.	167,071.59	04/03/2020	04/02/2025
Bel-Air Petron	363 Sen. Gil Puyat Ave., Brgy. Bel-Air, Makati City.	224,000.00	09/22/2021	09/21/2026
BF Homes	33 President's Ave., Brgy. B.F. Homes, Paranaque City.	211,849.68	04/04/2022	04/03/2027
Bicutan	G/F Filhome Builders Building, No. 68 Dona Soledad Ave., Betterliving Subdivision, Brgy. Don Bosco, Paranaque City.	77,792.40	07/01/2022	06/30/2027
Jupiter	64/66 Jupiter St., Brgy. Bel-Air, Makati City	86,851.82	03/17/2011	03/16/2026
Caloocan	100 8th Avenue cor. A. Del Mundo St., Brgy 058, Caloocan City.	78,440.67	08/01/2020	07/31/2025
Commonwealth	G/F Verde Oro Building, 535 Commonwealth Ave., Matandang Balara, Quezon City.	171,207.12	03/01/2022	02/28/2027
Concepcion	No. 52 A.M. PACLEB Building, Bayan-Bayanan Avenue, Brgy. Concepcion Uno, Marikina City.	151,200.00	08/23/2020	08/22/2025
Cubao	Unit 1, G/F Harvester Corporate Center, P. Tuazon Cor. 7th & 8th Ave., Brgy. Socorro, Cubao, Quezon City	436,800.00	08/01/2022	07/31/2027
Dasmariñas-Binondo	G/F, 304 STP Building, Dasmarinas cor. Marquina Sts., Brgy. 291, Binondo, Manila.	142,943.54	09/01/2020	08/31/2025
Del Monte	G/F Bank of Commerce Building, Del Monte Ave. cor. D. Tuazon St., Brgy. Maharlika, Quezon City	181,515.60	06/18/2019	06/17/2029
Dela Costa-Alfaro	G/F 100 Don Chua Lamko Building, H.V. Dela Costa cor. Leviste St., Salcedo Village, Brgy. Bel-Air, Makati City	238,563.36	11/01/2018	10/31/2023
Diliman	Commonwealth Ave., Cor. Masaya St., Brgy. Old Capitol Site, Quezon City	432,180.00	05/01/2020	04/30/2025
Eastwood-Petron	No. 188 E. Rodriguez Jr. Avenue (C-5), Brgy. Bagumbayan, Quezon City.	192,339.87	02/15/2021	02/14/2024
Sto. Cristo	G/F Kim Siu Ching Foundation Building, 471-483 Sto. Cristo cor. Jaboneros St., Brgy. 281 Binondo Manila	189,792.25	08/01/2018	07/31/2023
Ermita	1312 A. Mabini St., Brgy. 669, Ermita, Manila	184,766.75	10/01/2018	09/30/2023
E. Rodriguez	No. 84 Hemady St., New Manila, Brgy. Mariana, Quezon City.	218,186.60	01/01/2018	12/31/2022
Fort Bonifacio Global City	G/F Kensington Place, Burgos Circle, Brgy. Fort Bonifacio, Taguig City.	392,763.95	10/01/2022	09/30/2027
Grace Park	G/F No. 554 HGL Building, EDSA Cor. Biglang Awa Street, Brgy. 95, Caloocan City.	185,956.49	11/01/2013	10/31/2023
Juan Luna	No. 465 MCU Building, Juan Luna Street, Brgy. 287, Binondo, Manila.	315,190.49	09/19/2020	09/18/2025

Tomas Morato	Tomas Morato Ave., cor. Dr. Lascano St., Brgy. Sacred Heart, Quezon City	240,000.00	10/23/2022	10/22/2027
BC Name	**Business Address**	**Lease Rate Inclusive of 12% VAT**	**Lease Term**	
			Start	**End**
Katipunan-Petron	Katipunan Ave., cor. Mangyan Road, La Vista, Brgy. Pansol, Quezon City.	197,594.04	10/28/2021	02/14/2024
Las Pinas	G/F Pelayo Building, Alabang-Zapote Road, Manuela Subdivision, Brgy. Pamplona-III, Las Piñas City.	149,410.80	04/01/2018	03/31/2023
Makati Avenue-Zuellig	Unit 2, G/F Zuellig Building, Makati Ave., Cor. Paseo De Roxas & Sta. Potenciana Sts., Brgy. Bel-Air, Makati City.	504,896.00	01/01/2020	12/31/2026
Magallanes	G/F Tritan Plaza Building, San Antonio St., Paseo de Magallanes, Brgy. Magallanes, Makati City.	125,375.75	09/30/2018	09/29/2023
Malabon	29 Gov. Pascual Ave., Brgy. Acacia, Malabon City.	165,000.00	06/01/2016	05/31/2024
Malabon-Gen. Luna	No. 55 Gen. Luna St., Brgy. San Agustin, Malabon City.	105,025.98	03/01/2013	02/28/2023
Marcos Highway	Unit # 10, No. 4 Thaddeus Arcade, Gil Fernando Avenue corner Pitpitan Street, Brgy. San Roque, Marikina City.	188,409.14	09/01/2018	08/31/2023
Marikina	No. 258 J.P. Rizal St., Brgy. Sta. Elena, Marikina City	243,634.72	02/17/2018	02/16/2023
NAIA	IPT Building., Arrival Lobby, Terminal 1, Brgy. Sto. Nino, Pasay City.	19,238.56	01/01/2022	12/31/2022
NAIA Terminal-3	Stall No. 14, Arrival Lobby, NAIA Terminal 3, Brgy. 183, Pasay City.	35,569.22	01/01/2022	12/31/2022
Pasay Road	1006 Cedar Executive Building, A. Arnaiz Ave., San Lorenzo Village, Brgy. San Lorenzo, Makati City	451,057.47	11/01/2019	10/31/2024
Pasig	G/F Renaissance 2000 Tower, Meralco Ave., Brgy. San Antonio, Pasig City.	598,278.03	01/03/2019	01/02/2024
Pasong Tamo Ext.	2295 OPVI Centre, Pasong Tamo Extension, Brgy. Magallanes, Makati City	173,748.21	12/27/2017	12/26/2022
Port Area	G/F/ Mary Bachrach Building, 25th Cor. Delgado Sts., Brgy. 653, Port Area, Manila	113,899.52	09/01/1997	05/31/2012
Quezon Avenue	No. 8 Sto. Domingo Church Compound, Biak-Na-Bato St cor. Quezon Ave., Brgy. Sto. Domingo, Quezon City.	245,537.90	11/28/2019	11/27/2024
Quiapo	No. 609 Sales St., Brgy. 309, Quiapo, Manila.	168,652.61	09/01/2022	08/31/2027
Rockwell	P1 - Concourse Level, The Powerplant Mall, Rockwell Center, Brgy. Poblacion, Makati City	284,467.68	07/01/2021	06/30/2023
Fairview-Petron	G/F Petron Station, Commonwealth Avenue, Brgy. Fairview, Quezon City.	86,201.10	09/01/2022	08/31/2025
Ninoy Aquino Avenue	Unit W & Y, No. 707 Columbia Airfreight Complex, Ninoy Aquino Ave., Brgy. Sto. Nino, Paranaque City.	214,663.68	06/16/2018	06/15/2023
Salcedo	G/F Aguirre Building, Tordesillas cor. H.V. Dela Costa St., Salcedo Village, Brgy. Bel-Air, Makati City.	177,916.35	01/05/2022	01/04/2024
Soler	1004 Reina Regente cor. Soler St., Brgy. 292 Binondo, Manila	168,000.00	05/21/2022	05/20/2027
Resorts World	Unit R3, GF Star Cruises Centre, 100 Andrews Avenue, Newport City Brgy. 183, Pasay City	353,399.76	04/01/2020	01/31/2025
Sucat	8338 Fortuna-II Bldg., Dr. A. Santos Ave., Brgy. San Isidro, Paranaque City.	110,544.00	06/19/2022	06/18/2027
Taft Avenue	G/F Endriga Building, 2270 Taft Ave., Brgy. 725, Malate, Manila	126,489.34	12/21/2021	12/20/2028

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term Start	Lease Term End
Taft-PGH	G/F Mirasol Building, 854 G. Apacible St., cor. Taft Ave., Brgy. 676, Ermita, Manila	160,985.87	08/01/2020	07/31/2025
Tutuban	G/F, Units LS-CM19 & 20, Centermall-II, Tutuban Center, C.M. Recto Ave., Brgy. 248, Binondo, Manila	128,419.20	01/01/2022	12/31/2022
UN Avenue	No. 429 Victoria Building, United Nations Avenue, Brgy. 666, Ermita, Manila.	302,536.76	11/16/2018	11/15/2023
Valenzuela	Units 12 & 13, Puregold Shopping Complex, McArthur Highway, Brgy. Dalandan, Valenzuela City.	103,287.61	01/15/2019	01/14/2024
Visayas Avenue	15 Visayas Avenue Extension, Brgy. Culiat, Quezon City.	105,000.00	06/01/2020	05/31/2025
Wack-Wack Petron	No. 553 Shaw Blvd., Brgy. Wack-Wack, Greenhills East, Mandaluyong City, Manila.	189,249.46	06/01/2011	05/31/2026
West Avenue	68 West Ave., Brgy. West Triangle, Quezon City	123,484.33	07/01/2015	06/30/2023
West Triangle	1451 Quezon Ave., cor. Examiner St., Brgy. West Triangle, Quezon City.	310,857.78	01/01/2019	12/31/2023
Bonifacio High Street	G/F Active Fun Building, 9th Avenue corner 28th Street, Brgy. Fort Bonifacio, Taguig City	731,793.78	05/01/2014	04/30/2024
Pasig Boulevard	152 Pasig Boulevard, Brgy. Bagong Ilog, Pasig City.	150,090.71	10/16/2019	10/15/2024
Dela Rosa	G/F King's Court Building-II, 2129 Chino Roces Ave., Cor. Dela Rosa Street, Pio Del Pilar, Makati City	236,322.55	09/16/2019	09/15/2024

LUZON

Baguio	G/F YMCA Baguio Building, Post Office Loop (Upper Session Road), Brgy. Session Road, Baguio City, Benguet.	213,192.09	06/01/2019	05/31/2024
Laoag	Rizal corner Gen. Hizon St., Brgy. 7-A, Laoag City, Ilocos Norte.	143,877.35	05/16/2016	05/15/2025
Candon	National Highway, Brgy. San Jose, Candon City, Ilocos Sur.	207,774.07	10/01/2021	09/30/2026
Dagupan	Eastgate Plaza Building, A.B. Fernandez Avenue, Dagupan City, Pangasinan.	103,723.20	04/01/2018	03/31/2023
La Union	Northway Plaza, National Highway, Brgy Sevilla, San Fernando City, La Union.	106,534.35	12/01/2019	11/30/2024
Urdaneta	The Pentagon Building, McArthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan.	114,354.83	03/01/2018	02/28/2023
Vigan	G/F Plaza Maestro Commercial Complex, Florentino Cor. Jacinto Streets, Brgy. 1, Vigan City, Ilocos Sur.	193,024.87	02/19/2019	02/18/2024
Tuguegarao	No. 27 Bonifacio Cor. Washington Streets, Brgy. Centro 4, Tuguegarao City, Cagayan.	189,826.42	12/01/2018	11/30/2024
Santiago City, Isabela	G/F Oryza Hotel, Maharlika Highway, Brgy Villasis, Santiago City, Isabela.	117,600.00	09/17/2021	09/16/2026
Cauayan City, Isabela	G/F, Majesty Commercial Building, National Highway, Brgy. San Fermin, Cauayan, Isabela.	68,961.16	09/10/2021	09/08/2026
Angeles	McArthur Highway Cor. B. Aquino Street, Brgy. Lourdes Sur East, Angeles City, Pampanga.	196,363.92	03/18/2021	03/17/2026
Balanga	P. Paterno Street, Brgy. Poblacion, Balanga City, Bataan.	153,246.83	02/23/2021	02/22/2026
Balibago	McArthur Highway Cor. Victor Street, Brgy. Balibago, Angeles City, Pampanga.	152,497.43	02/01/2015	01/31/2025

Baliuag	G/F Doña Victoria Building, Gil Carlos Cor. Año Streets, Brgy. Poblacion, Baliuag, Bulacan.	278,764.64	09/09/2020	09/08/2028

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term	
			Start	End
Cabanatuan	G/F V. P Building, Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City, Nueva Ecija.	160,995.26	10/27/2018	10/26/2023
Malolos	Paseo Del Congreso, Brgy. Caingin, Malolos City, Bulacan.	100,800.00	03/20/2022	03/19/2027
San Fernando, Pampanga	G/F Insular Life Building, McArthur Highway, Brgy. Dolores, San Fernando, Pampanga.	252,304.68	06/16/2022	06/15/2027
Sta. Cruz	National Road Cor. Misola St., Brgy. Poblacion South, Sta. Cruz, Zambales.	41,160.00	02/17/2020	02/16/2030
Subic Freeport	G/F, The Venue, Annex Building, Rizal Highway, Subic Bay Freeport Zone 2222, Olongapo City, Zambales.	99,616.24	08/01/2020	07/31/2025
Tarlac	Block 4, Unit 110-112, G/F, Rising Sun Building, McArthur Highway, Brgy. San Nicolas, Tarlac City.	94,557.15	03/01/2019	02/28/2024
Angeles Nepomart	G/F ENTEC Building, Teresa Avenue, Nepo Mart Complex, Bgy Cutcut, Angeles City, Pampanga	111,478.80	07/15/2021	07/14/2026
Baliuag DRT Highway	3006 Augustine Square Commercial Complex, Doña Remedios Trinidad (DRT) Highway, Brgy. Pinagbarilan, Baliuag, Bulacan.	72,654.75	06/01/2021	05/31/2026
San Jose Del Monte	G/F Block 2, Lot 12, Quirino Highway, Cor. Diamond Crest Village, Brgy. San Manuel, San Jose Del Monte City, Bulacan.	121,874.76	10/01/2022	09/30/2027
Mabalacat	McArthur Highway, Brgy. San Francisco, Mabalacat, Pampanga.	66,836.70	02/24/2023	02/23/2024
Sta. Maria, Bulacan	G/F Jover Building, Narra Street, Bgy Sta. Clara, Sta. Maria, Bulacan.	81,033.75	06/16/2018	06/15/2023
San Fernando Sindalan	Jumbo Jenra, McArthur Highway, Bgy Sindalan, San Fernando City, Pampanga.	145,860.74	04/04/2019	04/03/2027
Batangas-Caedo	G/F Caedo Commercial Complex, Brgy. Calicanto, Batangas City.	112,000.00	04/01/2021	05/31/2026
Cainta	No. 40 Felix Ave., Brgy. San Isidro, Cainta, Rizal.	108,637.55	01/25/2019	01/24/2024
Calamba	Unit 6 & 7, New Parian Business Center, National Road, Brgy. Parian, Calamba City, Laguna.	157,374.03	01/01/2018	12/31/2022
Dasmariñas-Cavite	G/F Veluz-Frances Plaza Building, Aguinaldo Highway, Brgy. Zone 1, Dasmariñas City, Cavite.	103,723.20	07/01/2018	06/30/2023
Lipa	# 7 Bank of Commerce Building, CM Recto Avenue, Bgy 9-A, Lipa City, Batangas.	125,265.22	11/01/2022	10/31/2027
Lucena	G/F Bank of Commerce Building, Quezon Avenue cor. Lakandula Street, Brgy. IX, Lucena City, Quezon.	144,301.25	12/16/2020	12/15/2025
Imus	G/F Lot 3 Block 1, Aguinaldo Highway, Brgy. Anabu 1-B, Imus City, Cavite.	80,000.00	03/01/2022	02/28/2027
San Pedro	G/F Pacita Commercial Complex, National Highway, Brgy. Nueva, San Pedro Laguna.	201,429.02	06/21/2019	06/20/2024
Sta. Rosa	Shop 1-A, Paseo-III, Embarcadero Lane, Paseo De Santa Rosa, Brgy. Don Jose, Sta. Rosa City, Laguna	209,916.00	09/16/2020	09/15/2023
Tanauan	G-04 The Citywalk, No. 2 President Laurel Highway, Brgy. Darasa, Tanauan City, Batangas.	71,090.63	01/01/2022	12/31/2026

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term Start	Lease Term End
Calapan	G/F Leona Yap Ong Building, J.P. Rizal Street, Brgy. San Vicente Central, Calapan City, Oriental Mindoro.	181,535.86	05/20/2018	05/19/2023
Puerto Princesa	J.P. Rizal Avenue, Brgy. Manggahan, Puerto Princesa City, Palawan.	166,669.85	04/01/2018	03/31/2023
Legazpi City	G/F Diabetes One Stop Center, LANDCO Business Park, Brgy. Capantawan, Legazpi City, Albay.	130,277.28	07/01/2018	06/30/2023
Naga	G/F No. 258 Romar Building-1, Elias Angeles Street, Brgy. Dinaga, Naga City, Camarines Sur.	127,008.00	06/13/2022	06/12/2027

VISAYAS

Bacolod-Araneta	G/F Yusay Arcade, Araneta Street, Brgy. 15, Bacolod City, Negros Occidental.	244,866.86	12/05/2018	12/4/2023
Bacolod-Lacson	Corner 12th & Lacson Streets, Brgy. 4, Bacolod City, Negros Occidental.	247,665.60	03/15/2020	03/14/2025
Estancia	Clement Street, Brgy. 25, Estancia, Iloilo City.	58,800.00	01/30/2020	01/29/2025
Iloilo Iznart	G/F TCT Building, Iznart Street, Brgy. Danao, Iloilo City.	169,332.80	06/01/2019	05/31/2024
Iloilo - J.M. Basa	G/F TTW Building J.M. Basa & Mapa Sts., Brgy. Ortiz, Iloilo City.	178,934.57	10/29/2020	10/28/2025
Kalibo	No. 1280 Garcia Building, C. Laserna Street, Brgy. Poblacion, Kalibo, Aklan.	125,186.96	05/26/2022	05/25/2027
Roxas City	G/F Gaisano Arcade, Arnaldo Boulevard, Brgy. Baybay, Roxas City, Capiz.	82,753.06	03/18/2018	03/14/2023
Iloilo Atria	F&B 2, UPMC Building, Atria Park District, Bgy San Rafael, Iloilo City.	100,517.38	04/11/2021	12/31/2022
Bacolod Capitol	GR 04 & 05, 888 Chinatown Premier Mall, Cottage Road corner Gatuslao St., Brgy. 8, Bacolod City, Negros Occidental.	80,826.30	06/01/2021	05/31/2026
Cebu Banilad	First Jomica Realty & Development Bldg., No. 888 A. S. Fortuna St., Bgy Banilad, Mandaue City, Cebu	138,432.00	09/01/2021	08/31/2026
Cebu-Main	Cebu Woman's Club Building, B. Rodriguez St. Cor. Osmeña Blvd., Brgy. Sambag-II, Cebu City.	389,487.92	05/01/2018	04/30/2023
Cebu F. Cabahug	Units 5 & 6 GPH Central, F. Cabahug corner Pres. Roxas Sts., Bgy Kasambagan, Cebu City	96,462.58	02/01/2018	01/31/2023
Cebu Sto. Niño - Magallanes	G/F Unit 2, Martina Sugbo Building, P Burgos corner Magallanes Sts., Bgy Sto. Nino, Cebu City	246,226.80	02/01/2018	01/31/2023
Mandaue-NRA	G/F Mantawe Ave., North Reclamation Area, Brgy. Tipolo, Mandaue	168,667.73	10/16/2019	10/15/2024
Dumaguete	Rusiana Building, North Road, Capitol Area (National Highway), Barangay Daro, Dumaguete City	88,751.82	06/17/2019	06/16/2029
Lapu-Lapu	Unit 3-5 AJS Building, M.L. Quezon National Highway, Brgy. Pusok, Lapu-Lapu City, Mactan, Cebu	113,835.28	09/03/2022	09/2/2027

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term	
			Start	End
Mandaue	G/F Entienza Building, National Highway, Brgy. Bakilid, Mandaue City, Cebu.	163,570.39	09/16/2018	09/15/2023
Tagbilaran	G/F 0025 Karan's Building, B. Inting St., 2nd district, Bgy Poblacion 2, Tagbilaran City	109,971.48	02/01/2020	01/31/2025
Cebu Talisay	PCJ Building, National Highway, Bulacao, Talisay City, Metro Cebu	84,125.25	07/18/2018	07/17/2023
Ormoc	G/F H. Serafica Building, Real Street, Brgy. District 24, Ormoc City, Leyte	151,804.24	03/01/2020	01/31/2025
Tacloban	Door Nos. 12 & 13, RUL Building, Justice Romualdez St., Brgy. 15, Tacloban City	92,913.30	12/01/2020	11/30/2025

MINDANAO

Zamboanga Veterans	Veterans Avenue cor. Camachile Street, Brgy. Zone 3, Zamboanga City, Zamboanga Del Sur.	119,233.42	04/01/2018	03/31/2023
Pagadian	F. S. Pajares Avenue, Brgy. Gatas, Pagadian City, Zamboanga del Sur.	79,460.39	04/08/2018	04/07/2028
Cagayan De Oro-Velez	Don A. Velez-Akut Streets, Brgy. 16, Cagayan De Oro City, Misamis Oriental.	294,516.01	09/05/2010	09/04/2025
Cagayan De Oro-Lapasan	Suites 6 & 7, Gateway Tower-1, Limketkai Center, Lapasan Highway, Brgy. Lapasan, Cagayan De Oro City	235,440.77	05/01/2020	04/30/2030
Cagayan De Oro Carmen	Eric Tan Building, Vamenta Boulevard, Brgy. Carmen, Cagayan De Oro City.	103,064.26	03/03/2018	03/02/2023
Iligan City	M. Badelles corner De Leon Street, Barangay Poblacion, Iligan City, Lanao del Norte.	98,000.00	12/31/2021	12/30/2026
Davao-City Hall	G/F Valgoson's Realty Building, City Hall Drive, Brgy. 2-A, Davao City, Davao Del Sur.	185,112.21	08/01/2019	07/31/2029
Davao Lanang	Consuelo Bldg, Km. 7, Lanang, Davao City	195,256.17	07/16/2018	07/15/2023
Davao-Rizal	G/F CAP Development Center Building, Rizal Street, Brgy. 3-A, Davao City, Davao Del Sur.	122,629.02	06/01/2022	05/31/2032
Tagum City	Units 104-105 PLJ Building, Apokon Road, Magugpo Poblacion, Tagum City, Davao del Norte.	85,898.79	06/28/2021	06/27/2026
General Santos	G/F Sunshine Hardware Building, Santiago Blvd., Brgy. East, General Santos City, South Cotabato.	202,596.63	02/01/2018	01/31/2023
Butuan	G/F Cesia Building, Montilla Boulevard, Brgy. Urduja, Butuan City, Agusan Del Norte.	148,160.09	08/01/2019	07/31/2024

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 MANDALUYONG CITY on APR 17 2023 20__.

BANK OF COMMERCE
Issuer

By:

MICHELANGELO R. AGUILAR
President & CEO

ANTONIO S. LAQUINDANUM
EVP/CFO/CIO

EVITA C. CABALLA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of APR 17 2023 20__ affiant(s) exhibiting to me their evidence of identity as follows:

Names	Identification No.	Place of Issue	Valid Until
Michelangelo R. Aguilar	Passport No. P8692960A	DFA NCR East	September 9, 2028
Antonio S. Laquindanum	Passport No. P7572781B	DFA Manila	September 9, 2031
Evita C. Caballa	Passport No. P6253175A	DFA NCR East	March 1, 2028

JOYSHA D. MAGMANLAC
Notary Public
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0483-22
UNTIL DECEMBER 31,2023
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5109324/01.03 2023/MANDALUYONG CITY
IBP LIFETIME NO 09035
ROLL OF ATTORNEYS NO. 58611

Doc. No.: 491
Page No.: 100
Book No.: IX
Series: 2023

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	BANK OF COMMERCE
Location of Headquarters	San Miguel Properties Centre, 7 St. Francis Street, 1550 Mandaluyong City
Report Boundary: Legal entities (e.g., subsidiaries) included in this report	Bank of Commerce has no subsidiaries. As such, this Report discloses the Sustainability performance indicators limited to Bank of Commerce.
Business Model, including Primary Activities, Brands, Products, and Services	BankCom is a publicly listed Universal bank, licensed by the BSP. The Bank has been operating since 1963 and traces its origins to the Overseas Bank of Manila with headquarters in Binondo, Manila. In 2008, BankCom became an affiliate of SMC and introduced its new logo bearing the SMC escudo. In December 2020, the Intellectual Property Office (IPO) granted the copyright license for "BankCom" as the Bank's official short name. The Bank has a network of 140 branches and 261 automated teller machines (ATMs) strategically located nationwide. As one of the country's growing banks, now armed with it a Universal Banking authority, BankCom will now be able to provide a wider range of products and services essential to individual Filipinos, corporations and small- and medium-scale enterprises (SMEs), particularly those expanding as the economy recovers from the pandemic.
Reporting Period	January 1 to December 31, 2022
Highest Ranking Person responsible for this report	Antonio S. Laquindanum, EVP & Chief Financial Officer

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.
Bank of Commerce (BankCom or "the Bank") has identified topics which it has determined to be material because of its impact on the Bank's operations. Among major factors that contribute to BankCom's success are economic performance, environmental, human resources and service delivery, technological development, third party engagement practices, and customer management. Information on anti-corruption practices, customer privacy and data security, are also discussed as part of its legal obligations. These topics also directly affect the Bank's relationships with employees, shareholders, customers, counterparties, financial regulators, government, and communities. The projects and initiatives that align with the Sustainable Finance Framework and related circulars issued by the Bangko Sentral ng Pilipinas (BSP), as well as the United Nations (UN) Sustainable Development Goals have also been included, as these reinforce the Bank's values which highlight social contributions and not just financial performance. The Bank is providing disclosures for the first time having been listed in the Philippine Stock Exchange on March 31, 2022. The Bank ran a project led by the teams of Risk Management, Corporate Communications and Consumer Protection, and Compliance to achieve the objectives of a transition plan approved by the Board of Directors (BOD) in compliance with the transitory requirements under the BSP Circular 1085. The outcome of the project included the completion of the Bank's Environmental, Social, Governance (ESG) and Sustainability Framework Manual, and its approval by the BOD. To assist in determining material topics, the Bank also reviewed relevant standards for disclosure such as prescribed under BSP Memo M-022-042 or "Guidance on the Implementation of the Environmental and Social Risk Management (ESRM) System."

After arriving at an initial set of material topics, BankCom's ESG project heads compared them against the Philippine indicators, the ASEAN Sustainability-Linked Bond Standards, and the Bank's strategic targets and risk appetite to come out with a table of economic sectors, and their corresponding materiality and key performance indicators. As BankCom continues to improve its processes, enhance its policies and develop responsive products and services, the Bank's materiality process and topics will be reviewed and updated accordingly. The Securities and Exchange Commission requires reporting on impacts, risks, opportunities, and the management approach. These are evaluated on a topical level, and disclosures cut across several metrics.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	2022 Amount (in million Pesos)	Units
Direct economic value generated (revenue)	8,117	Php M
Direct economic value distributed:		
(a) Operating costs, including payments to suppliers and third party service providers	5,484	Php M
(b) Employee wages and benefits	1,905	Php M
(c) Interest payments to depositors	1,034	Php M
(d) Taxes paid/remitted to the government	666	Php M
(e) Investments to community (e.g., donations, corporate social responsibility (CSR))	9	Php M

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
As a universal bank, BankCom has been instrumental to the viability and continued expansion of small- and medium-scale industries, middle market establishments, and large corporates and conglomerates in various sectors, including beverages, food, packaging, energy, fuel and oil, infrastructure, property development and leasing, cement, car distributorship, and related financial services. Through its deposit, consumer credit, and corporate lending, trade, investment banking, trust, treasury management and remittance facilities, the Bank has enabled Filipino individuals and companies to achieve their financial goals and meet day-to-day transactional requirements. With a network of 140 branches located nationwide and online banking channels, BankCom provides retail and institutional financial consumers secure and efficient access to professionally designed and executed financial products.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	**BankCom's Vision, Mission and Service Promise** **Vision** Provider of exceptional financial services and solutions connecting consumer and business ecosystems that contribute to building the nation. **Mission** Our Mission is to deliver excellent banking experiences through competent and attentive professionals who put customers' needs first. **Service Promise** With integrity and financial stability, we commit to deliver superior service to you, our discerning customers. Through competent and warm professionals who understand, anticipate, and fulfil your needs with a sense of urgency in a safe and guest-friendly environment,

For the year ended December 31, 2022, BankCom's gross revenue and net income were Php 8,117M and Php 1,800M respectively.		we promise you a meaningful banking experience. **<u>BankCom's 5 ESG Priority Areas</u>** 1. Business Model & Innovation – Guided by our core values and service promise, we commit to deliver banking services through competent and attentive individuals, innovative digital solutions and segment-driven programs that put customers' needs first. 2. Human Capital – We provide skills training and focus on employee engagement so we can develop and nurture an innovative, customer-focused and resilient team. 3. Leadership & Governance – We remain vigilant in maintaining sound banking practices and methods through a rigorous system of checks and balances based on risk management programs that are continually reassessed and updated. 4. Environment – We responsibly manage resources and continue to improve our operational efficiency. With our improved operational efficiency, we minimize the impact to the environment of our internal processes. 5. Social – We strive to make banking inclusive, fair and accessible to financial consumers while ensuring that our products and services are developed and operated in the best interest of our depositors and other stakeholders.
What are the risk/s identified?	**Which stakeholders are affected?**	**Management approach**
The following risks may have adverse impacts on BankCom's business operations and may affect the Bank's financial performance: • COVID-19 pandemic • Disruption of operations • Digital banking technologies including expansion of fintechs	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	BankCom follows an institutionalized risk management framework for identifying, assessing, and addressing risk factors that affect or may affect its core businesses. The Bank's Risk Management Manual embodies this framework and the specific policies and procedures to execute the prescribed

• Changes in financial consumer preferences, income level, and purchasing power • Demand for credit, whether new or top-up • Ability of the largest shareholders to influence corporate actions • Cost of funds for lending activities • Increases and changes in applicable taxes, taxation laws, tax incentives • Increases and changes in BSP reserve requirement ratio (RRR), ceiling on credit card interest rate, fund transfer fees, and other service fees • Exposure to safety, health and environmental costs and liabilities • Greater competition within the financial services sector (banking, trust, non-bank financial institutions, fintechs) • Ability to distribute dividends • Fluctuations in foreign currency exchange rates and interbank interest rates (Fed and BSP) • Loss of experienced, skilled and qualified personnel and senior management if BankCom is unable to retain their services • Failure to comply with relevant regulations of BSP and other regulators, as well as national and local laws resulting in financial penalties or administrative or legal proceedings against the Bank, which may result in suspension or revocation of license or operation of its facilities • Continued compliance with safety, health, environmental, and zoning laws and regulations may affect the Bank's operations and financial condition. • Significant capital expenditures (e.g., IT projects), long-term investments, and expansion of distribution network (physical or virtual), which are subject to a number of risks and uncertainties • Arrangements with outsourced service providers (local and foreign), IT partners, remittance partners,		methodologies therein are incorporated in the operating policies of the concerned units and are reviewed by a Risk Management Officer. Every year or as may be required, the Bank formulates its Risk Appetite Statement to guide the decision-making on various transactions of the Bank. For each type of risk—credit, market, liquidity, operational, information technology—a dashboard showing the current risk exposure against approved limits or risk appetite is presented to the Board Risk Oversight Committee (BROC) and the BOD. Any mandates or directives from the BROC or the BOD are further tackled by the responsible Risk Management unit with the affected business or support unit. The outcome of these discussions may be further escalated to the Senior Executive Team (SET) if certain decisions are required. BankCom has a Business Continuity Management (BCM) Committee headed by the Branch Banking Group Head and composed of BankCom senior executives, managers, and employees in critical positions. The BCM Committee provides direction and decision-making on proposals for new or amended business continuity facilities and policies, disaster recovery (DR) testing activities, and IT infrastructure requirements. The Bank maintains and implements a Business Continuity Plan through its Risk Management Division (RSK) and Digital Services Group (DSG). The Bank constantly reviews its business impact analysis, risk assessments, and business continuity plans, and identifies opportunities for operational and policy improvements. For 2022, the accomplishment of the following BCP exercises was reported to the BCM Committee: A. Call Tree Activity/Testing – two test scenarios B. DR Testing – 14 times involving 14 systems

and other counterparties, which are subject to the economic, health, financial and other risks in the country of their home base		Rapid exchanges of information on weather disturbances which occurred during the second half of the year were also done by the BCM team and BCM Committee representatives. DR Testing is performed for the applications and frequency indicated as follows: A. Major Criticality Applications – Annually as required by BSP Circular No. 808 Series of 2013 on "Guidelines on Information Technology Risk Management for All Banks and Other BSP Supervised Institutions"; B. New Application Promoted to Production – within six (6) to eight (8) months from Go-Live date or as specified by its Project Charter; C. Other Applications with provisioned DR components – as approved by the BCM Committee Likewise, the Bank's Human Resources Management and Development Division (HRMDD) regularly reports to the SET the level of vaccination of employees. In its last report for December 2022, HRMDD reported that 99.9% of employees had been fully vaccinated, 84.8% had received the first booster, and 12% the second booster.[1] BankCom continues to schedule its employees for free onsite COVID-19 antigen surveillance testing in coordination with San Miguel Corporation (SMC).
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
In addition to revenues generated by BankCom, shareholder value creation is derived from many sources which include the development and roll-out of new products and services especially on its mobile app BankCom [Personal] and corporate internet banking or BankCom [Business] platform;	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	While the COVID-19 pandemic continues to affect the Bank's customers and its own operations, good treasury management and effective execution of credit policies, collection activities, business continuity plans, operational and logistical improvements,

[1] The percentages on vaccination are based on HRMDD's report as compiled in the SET Minutes of November 7, 2022.

efficiency improvements in its operations, growing brand and product visibility, enhancement of its branch and account management networks, expanding remittance partnerships, and technology transfers from its IT and payment network partners. The Bank also saw opportunities to further expand its relief and rehabilitation efforts targeted at helping communities affected by calamities and the pandemic. Through its CSR partners, the Bank has contributed to the professional implementation of community development activities targeting health management, sustainable livelihood, and financial literacy. With the expansion of the digital economy in response to pandemic-induced limitations, BankCom saw the opportunity to deploy virtual means to interact with customers, expand its customer contact points to Facebook, and release new security features in its mobile app BankCom [Personal] together with advisories to protect customers' accounts and transactions against rising cyber fraud.		and IT cost management helped mitigate its impact on the Bank's performance. BankCom continues to identify and develop new ways to enhance shareholder value and maintain significant and sustainable profitability and growth.

Climate-related risks and opportunities

Governance	Strategy	Risk Management	Metrics and Targets
The BOD determines the overall ESG direction, implementation, and strategies of the Bank. This involves institutionalizing the adoption of sustainability principles, including those covering Environmental and Social (E&S) risk areas in the Bank, by incorporating the same in the corporate governance and risk management frameworks as well as in the Bank's strategic objectives and operations, risk strategy, risk appetite and risk management policies and procedure.	BankCom recognizes that due to climate change, its business and operations are subject to physical and transition risks which redound to financial risks. First, the risk of financial loss due to structural damage caused by flooding, extreme weather disturbances and earthquake is multiplied by 140 times, corresponding to its number of branches. Second, as a lending institution, its financial condition is at risk when borrowing clients and/or their collaterals are	The ESG TWG, with the guidance of the BOD, CGCOM and BROC, is working on the application of the ESRMS guidelines and methodology in loan application, credit evaluation and risk rating processes under corporate and consumer lending, evaluation of potential branch sites by BBG using hazard mapping, criteria for supplier accreditation, and selection of ESG-related projects such as on managing the Bank's consumption of paper, water and energy, among others.	BankCom has aligned its own sustainability approach to the United Nations Sustainable Development Goals, the national goals as provided by the Philippine Statistics Authority (PSA), and the sustainability agenda of the SMC Group. In the energy sector in particular, the Philippine National Government (NG) has declared that its targeted share of renewable energy in the power generation mix will be 35% by 2030 and 50% by 2040.

The BROC and the Corporate Governance Committee (CGCOM) are the two Board-level committees that oversee the Bank's implementation of ESG regulations issued by the Securities and Exchange Commission (SEC) and the BSP. The status of the ESG Project, vis-à-vis the Board-approved Transition Plan in compliance to BSP Circular 1085, is reported monthly to the CGCOM. Likewise, the Bank's Chief Risk Officer (CRO) reports to the BROC matters concerning the Bank's Environmental and Social Risk Management System (ESRMS). The SET is responsible for the overall implementation of the Board-approved strategies and policies in relation to the sustainability objectives of the Bank. The ESG Technical Working Group (TWG) composed of heads and representatives of Risk Management Division, Corporate Communications and Consumer Protection Division, and Compliance Division executes the approved direction and strategies as well as develops and implement tactical plans to achieve objectives through the functional teams. Furthermore, Internal Audit Division and Compliance Division have embedded the Bank's ESG Framework in their audit and compliance program, respectively, for the year.	affected by environmental risk. To mitigate these risks, the Bank is in the process of incorporating hazard mapping tools in its policy documents relating to branch site selection as well as credit assessment. The Bank is also requiring its borrowers, whose projects have material environmental impact, to provide a copy of the Environmental Clearance Certificate (ECC) as one of the requirements to secure a loan facility with the Bank.	The Bank's Occupational Safety and Health (OSH) Program affirms the Bank's commitment to provide for the orientation and training of its employees on OSH, provision and dissemination of prescribed materials on safety and health, provision of Personal Protective Equipment (PPE) when necessary and other OSH-related requirements and activities, to ensure protection for the Bank's employees against injuries, illnesses and death through safe and healthy working conditions and environment. BankCom believes that mitigating climate change will deliver favorable impacts to its stakeholders and result in operational excellence.	Guided by its core values, BankCom shall embed ESG principles by: 1) Establishing policies, standards, guidelines, procedures and a roadmap to support the bank's commitment to sustainable development; 2) Developing and implementing risk measurement tools and systems that shall help the bank in ESG-related decision making; 3) Incorporating a governance structure to drive ESG in the organization; 4) Providing products and services which integrate ESG criteria; 5) Building internal capability of employees to promote a culture that fosters environmentally and socially responsible business decisions throughout support units and operations; 6) Communicating our sustainability efforts and initiatives with transparency and consistency across all channels.
Recommended Disclosures			

	(a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term In line with the NG's target of 35% share of renewable energy in the power generation mix, since 2021, BankCom has already been providing financing for non-coal power generation projects such as hydropower, bio-ethanol, natural gas, and other clean and renewable power projects.		
(b) Describe management's role in assessing and managing climate-related risks and opportunities	*b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning*	*b) Describe the organization's processes for managing climate-related risks*	*b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets*
The role of management in assessing and managing climate-related risks and opportunities is captured in the Bank's ESG and Sustainability Framework Manual ("ESG Manual"). The ESRMS, which is embedded in the ESG Manual, aligns with the BankCom's existing enterprise risk management framework. The ESRMS is composed of 1) Board and senior management oversight, 2) processes, policies and procedures, 3) monitoring and management information system, and 4) internal controls and audit. The ESRMS adheres to the guidelines prescribed by the BSP under BSP Circular No. 1128 on "Environmental and Social Risk Management Framework" issued in 2021, and BSP Memorandum No. M-	The Philippines has experienced a number of climate-related catastrophes in recent years, including typhoons, tsunamis, mudslides, fires, droughts and floods. BankCom recognizes that climate change and environmental hazards could pose significant risks to the continued viability of its core businesses and its financial soundness in general. BankCom is cognizant that environmental risks, i.e., physical and transition risks, translate to financial risks, as both transition and physical risks affect businesses, households and the economy. This will ultimately affect the level of exposure of the Bank to financial, operational, and other types of risks.	The Bank is currently integrating hazard mapping methodology in assessing potential branch sites, and climate-related risk evaluation procedure in credit rating. These procedures are in the process of being integrated in existing operating policy and procedures manuals.	The Bank's approach to target-setting uses a combination of NG's targets, SMC Group priorities, and the Bank's chosen UN SDGs. For one, the Bank is currently reviewing NG's targets on the share of renewable energy in the power generation mix and is studying how to align its annual targets for affected business or support units. These specific targets should fall within the SMC Group's sustainability targets as prescribed by its Core Sustainability Office (CSO). The targets are further fine-tuned according to the economic sectors identified as "high risk" based on their materiality level as provided in the "Illustrative KPIs Registry" of the International Capital

2022-042 on "Guidance on the Implementation of the Environmental and Social Risk Management (ESRM) System."			Market Association (ICMA) cited in the Draft "Guidelines on the Issuance of Sustainability-Linked Bonds under the ASEAN Sustainability-Linked Bond Standards in the Philippines" from SEC.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers		
(a) Construction	67%	%
(b) Consumables	100%	%

The procurement budget covers both capital expenditure such as for branch renovations/repairs including updating of signages and other branding elements, and operating expenses such as replenishment of pre-printed forms and other transaction media used in branch over-the-counter transactions.

In general, furniture, fixtures and equipment (FFEs) for new and newly-renovated branches are from NCR. For other branches, the replacement of minor FFEs (chairs, lateral cabinets) that does not affect the overall look and feel standards are purchased locally. Consumables for branches are also purchased locally. For construction, the Bank has started engaging local contractors. Two out of three on-going renovation projects were awarded to a local contractor.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
BankCom's branches operate in strategic locations nationwide. In order to ensure the safety and convenience of its customers, proper, timely and cost-effective maintenance of these facilities is essential. This requires a dependable source of construction services and materials that meet the Bank's standards and criteria. Moreover, in the course of fulfilling over-the-counter transactions at these branches, certain consumables need to be constantly replenished, such as account opening forms, transaction media, passbooks, and checkbooks. Particularly for materials which have stringent security requirements, such as checks, these require sourcing from local suppliers which are already accredited within the banking industry.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	BankCom has an established procurement process as well as an accreditation process for new suppliers. This ensures that the sourcing of services and materials is fair, cost-effective, and consistent with standards for quality and track record. In particular, proposals for branch repairs, renovations, and relocations are presented to the SET for approval. Depending on the total cost, the proposal may be endorsed further to the BOD for approval. On a yearly basis, third party service providers undergo a performance evaluation conducted by the concerned business or support unit. The results of the performance evaluation are used in making decisions when new requests for materials or services are submitted for canvassing.
What are the risk/s identified?	**Which stakeholders are affected?**	**Management approach**
Any material deviation from policy in so far as supplier selection, negotiation, and delivery of materials and services are concerned may severely affect the Bank's reputation and profits. The use of substandard materials and contractors or service providers with documentary deficiency (e.g., updated licenses) or known history of poor performance will negatively impact workmanship and actual cost, timeliness and quality of deliverables, and the Bank's reputation or compliance. These may affect the safety of the Bank's customers and employees, assessment of investors and stock analysts, and the image of its brand. In addition, failure to meet quality standards may result to requiring rework which entails additional time and cost. This may result to customer dissatisfaction, increase in customer complaints and potential negative publicity. In turn, this may result to customer attrition.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	BankCom has a Bid and Awards Committee (BAC) which executes the Bank's standards and policies on vendor accreditation and selection. The Bank's procurement and third party service provider evaluation process are documented in operating manuals and desk manuals which are reviewed regularly and updated accordingly. The approval process is documented in these manuals as well.

What are the opportunities identified?	Which stakeholders are affected?	Management approach
BankCom continues to explore qualified local contractors and third party service providers who have track record with other banks or banking associations, which can provide the Bank's requirements according to its standards. The Bank also sees opportunities to enhance its ESG accountability through: ● Integrating ESG criteria in supplier/vendor evaluation; ● Embedding ethical values in procurement processes; ● Promoting the use of technology to streamline branch transactions and reduce paper usage; and ● Increased participation of stakeholders in determining optimal and efficient procurement strategies.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	The Bank's Operating Policies Committee (OPCOM) reviews and renders decisions on proposals for new or amended provisions in the Bank's operating policy manuals, process improvements, and related matters. OPCOM's decisions are formally minuted and routed to its Members for review and sign-off. For proper documentation of the approved new or amended provisions in the pertinent manuals, the Methods and Standards Department manages an established process of drafting, review, finalization and official issuance of the new or amended manual or circular. The process of review covers all affected units, be they business or support, and is completed with the sign-offs from these reviewers and concurrence or notation from the control units. In particular, the Bank's General Services Division is currently consolidating comments and inputs from concerned units on the enhancement of the existing vendor/supplier evaluation form, whereby ESG criteria are to be considered.

<u>Anti-Corruption</u>

<u>Training on anti-corruption policies and procedures</u>

Elements of anti-corruption or anti-bribery e.g., on conflict of interest, are included in the Bank's current training programs delving on anti-money laundering, financial consumer protection, and corporate governance.

Disclosure	Participants	2022 Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been cascaded	1920 qualified employees	100	%
Percentage of directors and management that have received anti-corruption training	18 SET 15 BOD	100	%
Percentage of employees that have received anti-corruption training	1920 qualified employees	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been cascaded*		100	%

*Note: Advisory on the No Gift Policy is communicated verbally to existing/active suppliers and service providers (for couriers, record safekeeping, maintenance, messengerial and contractors).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Banking is a public trust. The lifeblood of a bank flows from individuals who entrust money and property because of their confidence that the institution will keep faith with them. BankCom therefore upholds the interest of its publics as the primary reason for its existence. Believing that public trust requires the highest degree of integrity, tested skills, and best effort, the Bank's foundation and focus are anchored on values, which enhance the lives of its publics. Thus, BankCom roots its basic relationships as persons on dignity; with others on trust; towards work on excellence, and resources on prudence.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	Anti-corruption is essentially included in trainings on Corporate Governance, Anti-Money Laundering, New Employees Orientation (NEO), and those intended for branch officers and staff members. The Bank has in place the following policies which touch on the anti-corruption and anti-bribery: • Whistleblowing Policy • Conflict of Interest Policy • Insider Trading Policy • Related Party Transactions Policy • Financial Consumer Protection Manual
What are the risk/s identified?	**Which stakeholders are affected?**	**Management approach**
Corruption can occur during interactions or transactions between the Bank's employees and the parties they deal with, be they fellow employees, customers, or vendors/service providers.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	The Bank's abovementioned policies are implemented to ensure transactions are arms-length and situations of conflict of interest are avoided. The Bank's policies also enable the protection of "whistleblowers" and conduct of due process in case of reports by employees and third parties on the commission of fraud, criminal offenses, corruption and bribery, serious danger, disregard of Bank policy, or deliberate concealment of the foregoing, by an employee or unit of the Bank. Training on Anti-Money Laundering is implemented bankwide and on a regular basis. It comes with an examination and a minimum score of 80% to be considered "Passed".
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Further training on anti-corruption and anti-corruption, supplemented by more frequent advisories and awareness campaigns about the Bank's policies related to anti-corruption and anti-bribery can be developed and rolled out.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	The Bank continues to promote awareness and accountability on anti-corruption and anti-bribery through its E-Learning Training Program and NEO for employees, and Corporate Governance training for the BOD and SET.

ENVIRONMENT

Resource Management

Energy consumption within the organization

Disclosure	2022 Quantity	Units
Energy consumption (electricity):	6,162,541.00	kWh
(a) Head Office	1,600,987.00	kWh
(b) Manila TAT Building	499,314.00	kWh
(c) Branches	4,062,240.00	kWh
Percentage of LED, CFL, and other energy-saving lamps to total electric lighting devices		
(a) Head Office	LED (20%); CFL (80%)	%
(b) Manila TAT Building	LED (10%); CFL (90%)	%
(c) Branches	LED/CFL (29%); Other (71%)	%
Energy consumption (gasoline and diesel)	28,420.25	Liters
(a) Head Office	17,871.45	Liters
(b) Manila TAT Building	2,300.00	Liters
(c) Branches	8,248.80	Liters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
BankCom uses grid electricity in its head office units and branches and other physical facilities. The Bank also maintains a fleet of vehicles to transport frontliners to clients, branches, business facilities, government offices, and the like. Some vehicles are assigned directly to senior officers while others are leased to junior and middle managers. Depending on the position, an officer may be entitled to fuel allowance availed through Petron stations. The country's supply of power is highly dependent on non-renewable energy sources, which can deplete. Non-renewable energy sources generate air pollutants that have a negative impact on people and the environment, as well as greenhouse gasses responsible for global warming.	• Employees • Shareholders • Customers • Communities	The Bank's General Services Division, which is part of the Operations Group, monitors the energy consumption of all the Bank's physical facilities. They are empowered to present recommendations to SET on ways and means to manage energy consumption or contribute to the achievement of NG goals in terms of shifting to LED lights, solar panels, and similar devices. As early as 2005, BankCom had already issued its policy on Cost Management. This policy manual prescribes specific measures to manage the usage of the lighting system, airconditioning system, electric fans and office appliances, and water conservation. Updating of the policy manual is ongoing.
What are the risk/s identified?	**Which stakeholders are affected?**	**Management approach**
Non-renewable energy sources are associated with the following risks: • Erratic price movements in the world market due to geopolitical dynamics and conflicts	• Employees • Shareholders • Customers • Communities	BankCom's approach begins with setting policy and direction on resource management. Alongside the updating of its cost management policy, the Bank is currently enhancing its vendor/ supplier evaluation criteria to include ESG. On a larger scale, the Bank through its OPCOM continues

• Expected depletion of the Malampaya gas fields by 2024, which accounts for 30% of Luzon's energy supply. • Ban on coal as fuel in compliance with the Montreal Protocol.		to review proposals on improving various branch and transacting banking processes, which bring about streamlining and better management of working hours and physical facilities. ESG education started in 2022 for employees and will continue in 2023 for external audiences. Subsequent to the issuance of the abovementioned policy amendments, infographic materials are planned to be released to echo the principles behind these policies and enjoin employees towards greater consciousness on resource management.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
The Bank sees the adoption of modern technologies and energy-saving designs for branch and head office operations. These include replacing desktops and old servers to more efficient laptops and IT hardware, hard phones with virtual IP phones, designing branches with LED fixtures, right-sized airconditioning systems, and readiness for possible installation of net metering systems in the future.	• Employees • Shareholders • Customers • Communities	The Bank through its GSD and Digital Services Group (DSG) continues to monitor and assess technologies and workflow designs to improve the efficiency of the Bank's head office and branch facilities and 24-hour network operations. The Bank also evaluates options for outsourcing certain processes, such as in the first level maintenance (FLM) and second level maintenance (SLM) of its ATM network to, in order to streamline its operations and reduce the need for prolonged working hours in the branches or head office. As a lender, the Bank continues to support clients who have funding requirements in the renewable energy sector.

Water consumption within the organization

Disclosure	2022 Quantity	Units
Water consumption	23,733.40	m^3
(a) Head Office	7,206.00	m^3
(b) Manila TAT Building	2,533.00	m^3
(c) Branches	13,994.40	m^3

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
As a financial services entity with physical offices, BankCom uses water for typical applications of employees, clients, and visitors in	• Employees • Shareholders • Customers	Water conservation has been in the management's agenda since 2005. An operations memorandum is in place

within a corporate facility. Due to the population of employees based in the head office, the combined utilization of water within a single location is highest in the head office and therefore has the highest impact to a community. However, the number of branches, currently at 140, also contributes to the wider geographical area in which the impact of the Bank's water consumption can be felt.	• Counterparties • Communities	which prescribes measures alongside other initiatives. These measures include immediately reporting to the building maintenance or GSD any faucet and other water fixtures found to be defective. Reminders on water conservation are also placed in washrooms and pantries with water facilities.
What are the risk/s identified?	**Which stakeholders are affected?**	**Management approach**
Among the risks are: • Water shortage when the rise in population and commercial establishments is not matched by the development of new water sources; and • Climate change, including prolonged drought, extreme weather disturbances, and flooding.	• Employees • Shareholders • Customers • Counterparties • Communities	The Bank's GSD and BBG will continue to make concerted efforts to identify and launch projects to manage water consumption of its branches and head office. This will include selecting building contractors with good track record in terms of the durability and appropriateness of materials used for installing the water connection, plumbing, and water fixtures in branches and head office facilities. The Bank will ensure its water conservation measures embedded in the cost management policy is continually updated.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
The continuing risk of a water shortage gives justification to the procurement and installation of water-saving fixtures, such as self-closing faucets and urinals that automatically flush after use.	• Employees • Shareholders • Customers • Counterparties • Communities	Water conservation continues to be a part of the agenda for designing and constructing new branches and other physical facilities with water connection. On the part of employees, adherence to the Bank's policy on cost management which tackles water conservation among others, is expected.

SOCIAL

<u>Employee Management</u>

<u>Employee Hiring and Benefits</u>

<u>Employee Data</u>

Disclosure	2022 Quantity	Units
Total number of employees	1,865	#
a. Number of female employees	1,160	#
b. Number of male employees	705	#
c. Percentage of female workers in the workforce	37.80%	%
d. Percentage of male workers in the workforce	62.20%	%
Attrition rate	17.28%	%
Ratio of lowest paid employee against minimum wage		Ratio
a. Probationary employee	111% versus Minimum Wage	Ratio
b. Regular employee	120% versus Minimum Wage	Ratio

Employee Benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	49%	30%
PhilHealth	Y	6%	4%
Pag-Ibig (loans)	Y	11%	9%
Parental leaves	Y	7%	5%
Vacation leaves	Y	97%	96%
Sick leaves	Y	63%	61%
Medical benefits (aside from PhilHealth)	Y	97%	97%
Housing assistance (aside from Pag-IBIG)	Y	43%	40%
Retirement fund (aside from SSS)	Y	17%	16%
Further education support	Y	2%	3%
Company stock options	N		
Telecommuting	N		
Flexible-working Hours	N		
(Others)			
Life Insurance	Y	0%	0%
Accident Insurance	Y	0%	0%
Emergency Leaves	Y	50%	46%
Rice Subsidy	Y	48%	45%
Clothing Allowance (in Kind / in Cash)	Y	96%	95%
Burial Assistance (Employees / Dependents)	Y	3%	3%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
As BankCom continues to grow its core businesses under a universal bank environment, ensuring that properly skilled human resources are continually provided while implementing policies and programs become even more challenging. <u>Talent retention</u> Due to the high level of sophistication of banking functions, talent acquisition and retention are critical to the Bank's success. Ensuring that the Bank attracts the right talent equipped with the appropriate skill sets, as well as retaining employees who are already experienced in its processes and systems, and whose loyalty and service are a major advantage, is a continuing challenge. <u>Compensation and benefits</u> BankCom provides its employees competitive remuneration—with base pay, healthcare benefits and bonuses comprising its overall compensation package. Staff (rank-and-file) compensation is aligned to the collective bargaining agreement. In spite of this, attrition remains a risk due to a number of factors, some of which go beyond the Bank's control. Two reasons for attrition which were often cited in 2022 were the higher compensation and option for working from home (WFH) offered by another organization. <u>Disruption of operations due to loss of key personnel</u>	The Bank's Human Resources Management and Development Division (HRMDD) works together with the SET and the Nominations and Compensation Review Committee (NCRCom). The NCRCom is responsible for the selection process for vacancies in Senior Officer positions and the review of the Bank's compensation policies, succession plan and HR-related manpower outsourcing activities. BankCom's benefits package, depending on position and rank, includes various affordable financing programs; health management organization (HMO) program for employees and extended dependents; fringe benefits; continued supply of free hygiene products, PPE and surveillance antigen testing. The Bank maintains a retirement program which is managed professionally. Flexi-time work arrangements had been accommodated by HRMDD based on meritorious cases since the past. During the pandemic and until last year, the Bank had put in place guidelines for WFH arrangement and travel expense-related requests. DSG ensured that qualified employees had laptops for WFH or stable access connections if they chose to work at the branch nearest their residence.

Attrition is a constant concern, especially for positions that are specialized or are in short supply in the market, as it can cause significant disruption of operations.	
What are the risk/s identified?	**Management approach**
Attrition of employees is tied to a number of reasons including: • dissatisfaction with their current compensation package vis-à-vis the attractiveness of an offer they received from another organization; • perception of lack of career growth; • workplace conflicts, etc. • option for a hybrid work arrangement Those conditions or situations pose the following risks: • Resignation of trained and tenured key personnel and, along with it, the shift of clients loyal to the individual; • Redistribution of work to the remaining employees, while a vacancy is not yet filled up, who may not necessarily be exposed to or fit for the job; and • Spread of dissatisfaction sentiment among peers of the resigned employees, leading to further attrition.	HRMDD has been launching programs aimed at employee development and retention including free virtual, onsite, and offsite training for all levels of employees; management development programs for senior executives at the country's prestigious business-oriented academies; tuition reimbursements for employees taking up masteral education; regular job evaluation to recognize expanded roles; employee engagement activities such as appreciation month; and various medical and mental health awareness programs. The Bank also cultivates a strong company culture that aligns to the core value of *malasakit* of the SMC Group. In cooperation with the Bank's Corporate Communications and Consumer Protection Division (CCCPD) and San Miguel Foundation (SMF), BankCom employees were provided opportunities to participate in life-enriching corporate social responsibility (CSR) activities conducted at various locations during the year, including reforestation and coastal cleanup drives. For its part, HRMDD together with the SMC CAO have brought in participants to workshops that deal with development of corporate programs catering to upliftment of the poor, inculcating greater awareness of gender-related issues and diversity within the workforce, and sustainability simulation sessions, to name a few. BankCom maintains a professional recruitment process expected of any financial institution supervised by the BSP. Besides onsite recruitment activities, the Bank also utilizes online platforms including its own website and Facebook Page to generate applicants for job postings. The Bank allows applicants to come from within the organization as a way to develop one's abilities in other areas of the Bank. Internal candidates, if qualified, are prioritized over external candidates. Meanwhile, for branch postings, local hiring is preferred. However, in cases where identified personnel with specific skills need to be relocated, the employee is given the option to decide and is provided additional assistance.
What are the opportunities identified?	**Management approach**
Aligned to the guidelines set forth by SMC's Corporate Human Resources group (CHR) and in light of the continuing health risks and rising concerns about traffic congestion in major urban areas as more and more workers need to physically report for work, the Bank can conduct regular reviews of existing policies as regards allowing qualified employees to extend their stay in branches and other offices of the Bank located near their residence; encouraging flexi-time work arrangements for employees whose functions are not required to be fixed to trading hours or other schedules or who need to attend masteral classes; and expanding available loan	BankCom continues to adopt the standard health safety protocols within its premises to ensure the protection of its employees and clients against COVID-19 infection. Through SMC's facilities, the Bank continues to provide free surveillance antigen testing to its employees, monitors any movement in cases of infection among its own employees and those of its third party service providers. HRMDD will also continue to implement its various programs catering to employees' medical and mental health, mastery of skills, future-readiness, compliance

amounts for employees to purchase or acquire their own residential units within proximity to their work base.	to regulations, and overall career advancement within the organization.

Employee Training and Development

Disclosure	2022 Quantity	Units
Percentage of Employees Offered E-Learning Training on:		
a. Information Security Awareness	100%	%
b. Financial Consumer Protection	100%	%
c. Business Continuity Management	100%	%
d. Anti-Money Laundering	100%	%
Percentage of Employees who Completed Executive Management Development Program		
a. Female senior officers	40%	%
b. Male senior officers	60%	%
Percentage of Employees who were Enlisted in Executive Management Development Program (new batch)		
c. Female senior officers	25%	%
d. Male senior officers	75%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
BankCom advocates training and employee development to meet the two-pronged objectives of providing employees with skills and competencies to be future-ready, and at the same enabling the Bank as a whole to deliver on its mission and purpose for its customers and other stakeholders. Training and employee development require tools, content, and platforms or channels wherein employees can learn and communicate freely, whether studying as a group or individually.	High-potential and high-performing employees are determined through an appraisal system that measures performance in the areas of achieving financial goals, strengthening internal business processes, and enhancing visibility and relevance to customers. Based on these areas, an employee's strengths and potentials are identified and matched against a career path to determine gaps that can be addressed through external training, on-the-job mentoring, and other forms of management interventions. These are articulated in a Development Action Plan (DAP). Examples of external trainings are those which touch on areas of operations, compliance and all other relevant areas of knowledge in Banking which are offered through the Bank Administration Institute of the Philippines (BAIPHIL). For the Senior Executive Team and selected officers, the Bank through HRMDD has also arranged leadership programs as well as executive training such as the Executive Management and Development Program of the Asian Institute of Management through the auspices of San Miguel Corporation's Corporate Human Resources (SMC Corporate HR). Besides skills training, HRMDD also rolled out an online program targeting employees' mental wellness, dubbed "Mindfulness Talks". For mandatory trainings required by BSP, such as on anti-money laundering, information security risk, financial consumer protection, and data privacy, HRMDD has rolled out the E-Learning Module, a browser-based training platform with post-training exam. The Bank through HRMDD also invests in online training platforms such as LinkedIn Learning and Udemy to provide employees identified through the DAP a wealth of banking and non-banking related

	training courses prepared by professionals from around the world.
What are the risk/s identified?	**Management approach**
Without continuous efforts to engage employees and upgrade their competencies through training: ● Skills may stagnate, and motivation may plateau, leading to a decline in productivity. ● Employees have low morale due to lack of employee development. ● Employees may feel unhappy and dissatisfied, which can result in reduced productivity and increased staff turnover. ● Lack of employee development or training can also result in an unsafe working environment.	BankCom has launched the following targeted training programs and continues to roll them out. A. STAFF TRAININGS • Presentation Skills Workshop (3 offerings) • Intentional Communication: An Effective Business Writing Workshop B. OFFICER TRAININGS • Presentation Skills Workshop (3 offerings) • Coaching for Managers Workshop (3 offerings) • Managing the Multigenerational Workforce Workshop (3 offerings) • Intentional Communication: An Effective Business Writing Workshop (2 offerings) C. DEPARTMENT AND DIVISION HEAD TRAINING • Communicating with Confidence: An Effective Presentation Skills Workshop] • Ateneo Leadership and Management Development Program • Developing the GM Mindset in the New Normal D. SENIOR EXECUTIVE TEAM TRAINING • Basic Corporate Governance (BAIPHIL) • AML/CFT/CPF (BSP Cir. No. 1022) for Directors & Senior Management (BAIPHIL) • Basic Business Finance (FINEX) • Leadership Mindset Series E. ALL EMPLOYEE AUDIENCES • Data Analytics for Business and Finance (De La Salle University) • Intermediate Excel Training for Bankers • Go Further with Excel (Advanced Functions, Pivot Tables) • IT Security in Banking Operations (BAIPHIL) • Accounting for Non-accountants with FS Analysis (BAIPHIL) • Enterprise Risk Management (BAIPHIL) • Accounting, Valuation and Risk Management (BAIPHIL) F. SESSIONS TARGETING SOCIAL* • Tipon & Tugon: A Conversation on Gender • Tai-Chi and Qi-Gong Class • Mindfulness Talk *in partnership with SMC CHR Responding to the spread of the Omicron variant of COVID-19 in the early part of the year, HRMDD ensured that standard health and safety protocols were observed in the workplace. The Omicron risk did not deter its efforts in advancing employees' skills and fulfilling its Learning and Development objectives. Throughout the year, HRMDD enabled employees through the Bank's proprietary E-Learning online facility to attend anti-money laundering, information security risk, business continuity, financial consumer protection, and data privacy training programs which the BSP requires. HRMDD also partnered with Branch Banking Group to conduct

	specialized programs through online facilities such as Zoom and Microsoft Teams. These provided essential training on Bank operating policies, regulations and customer requirements.
What are the opportunities identified?	**Management approach**
With the existing health safety protocols and realizing the cost effectiveness and efficiency of conducting training online for large audiences or for participants from different geographical locations, such as branches, the Bank foresees training using online platforms to continue to be relevant both for employees as well as for the Bank as a whole. Opportunities to conduct hybrid training and to develop better presentation materials using software and tools coming out in the market will enable the Bank to more effectively roll out professional development campaigns and strategies.	BankCom continues to update its E-Learning Module and explore tools available in Microsoft Office 365 to disseminate relevant information. HRMDD manages subscriptions of identified employees in LinkedIn Learning and Udemy, and engages these learners to discover what these facilities have to offer. In partnership with the project team leads for Environmental, Social and Governance (ESG), HRMDD shall be rolling out the Bank's first hybrid training using these tools.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs
Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Transform and Family Academy Programs with Meal-packing Activity (International Care Ministries Foundation)	**<u>Goal No. 2</u>** **<u>ZERO HUNGER</u>** This corporate social responsibility (CSR) project in partnership with International Care Ministries (ICM) Foundation strengthens families living in ultrapoverty—empowering them to make measurable progress in their struggle out of ultrapoverty and establishing them on trajectories of success. The Family Academy is aimed to provide educational, sanitary, parent-child coaching, and livelihood trainings. The Family Academy runs for 4-8 months. Transform is an intensive 16-week, adult life-skills capacity-building course for families living in ultrapoverty. BankCom employees are invited to volunteer in a Meal-packing Activity wherein employee-volunteers repack the dry, uncooked ingredients of the nutritious meals for distribution to our beneficiary communities. **This program also supports**	Reach may become limited to communities identified by partner institution which implements the program.	Starting with the meal-packing event, the Bank is exploring organizing the same across the country, in line with its branch-based sales activities.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	UN SDG 8: Decent Work and Economic Growth		
Masungi Georeserve Scholarship Fund	**<u>Goal No. 4</u>** **<u>QUALITY EDUCATION</u>** Masungi Georeserve is a protected landscape in the Upper Marikina Watershed in Rizal. The foundation behind the conservation and rehabilitation of this area employed nearby communities to serve as forest rangers, gardeners, security personnel and tour guides. The suspension of donation-generating tree-planting and mountaineering activities affected the household income of these employees. Children, studying at surrounding public elementary schools, are in need of financial assistance to sustain their education. The Bank provides financial assistance to the said foundation for the abovestated purpose **This program also supports** **UN SDG 15:** Life on Land	Assistance for higher education may still be needed as the children graduate from elementary education.	Corporate Communications and Consumer Protection Division (CCCPD) is preparing a new set of CSR criteria based on certain parameters.
BankCom Education Refund Program	**<u>Goal No. 5</u>** **<u>GENDER EQUALITY</u>** The Education Refund Program of BankCom supports employees, regardless of gender and whether rank-and-file or officer, to pursue masteral education in a university of choice, both for personal development and in order to achieve a higher level of proficiency in his/her chosen career in the Bank. Each semester or trimester as the case may be, the employee may accomplish a form to request for reimbursement of tuition and/or purchase of textbooks.	An employee with very little financial means may find it difficult to enroll, since the program is on a reimbursement basis, not advance support.	The Bank can provide financial assistance through an affordable multi-purpose loan facility based on certain criteria.
Operation Quench	**<u>Goal No. 6</u>** **<u>CLEAN WATER AND SANITATION</u>** In partnership with AISEC Alumni Philippines (AAP), the	The set of filters is enough to last for only 12 months and thus, they need to be replaced with a new set aftwards. Without continuous	CCCPD is preparing a new set of CSR criteria based on certain parameters.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	Bank through one of its Board Advisers extended financial assistance to Operation Quench for sets of water purifiers and filters to be provided to families in Olango Island in Cebu whose community was among those severely affected by calamity. Families in the said community were in dire need of potable water for drinking, cooking and for other basic requirements. **This program also supports** **UN SDG 11:** Sustainable Cities and Communities	financial support to purchase new filters, the purifiers may not be usable and the community will not have potable water.	
Project Finance	**Goal No. 7** **AFFORDABLE AND CLEAN ENERGY** In terms of sustainable finance, besides providing financing to a number of companies dealing in non-coal power generation projects such as hydropower, bio-ethanol, natural gas, and other clean or renewable power projects, BankCom is now also into solar power.	The Bank's Risk Appetite Statement for ESG, which has been recently approved, may impact on future credit evaluations depending on the limits it will set based on Philippine targets.	The Bank is in the process of formulating the limits and guidelines to operationalize the envisioned new ESG-linked credit processes.
WEAVEE (WE Assist Villages towards Economic Empowerment) Project (World Vision)	**Goal No. 9** **INDUSTRY, INNOVATION AND INFRASTRUCTURE** The Bank through its CSR program has partnered with World Vision Development Foundation, Inc. to support a project managed by SOGOD Inc (Sustainable Opportunities for Genuine Optimistic Development Inc.). In order to scale-up the project reach and beneficiaries, Sogod Inc. and World Vision work closely with the Municipal Local Government of Tabogon, Cebu in order to train local residents in basket weaving. This provides alternative livelihood opportunities for families, especially the most vulnerable.	As handicraft manufacturing relies heavily on market demand for indigenous products, the risk of customers shifting preferences to another type of native product may affect the long-term viability of this livelihood program.	CCCPD is preparing a new set of CSR criteria based on certain parameters.
BankCom [Personal] online banking	**Goal No. 12** **RESPONSIBLE CONSUMPTION AND PRODUCTION**	Cyber threats are a risk when using any online or internet-based platform.	BankCom has integrated several security features into the BankCom [Personal] mobile and

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	BankCom [Personal] is an online banking platform for individual clients of Bankcom to manage their bank accounts and perform various routine banking transactions such as fund transfer, bills payment, balance inquiry, or transaction history without using paper bank forms, checks, and manual procedures. BankCom [Personal] can be accessed through a mobile phone or personal computer.		web versions, aside from stringent password policies, to protect its users against cyber threats.
BankCom's policies on anti-corruption and anti-bribery: • Whistleblowing Policy • Conflict of Interest Policy • Insider Trading Policy • Related Party Transactions Policy • Financial Consumer Protection Framework	**Goal No. 16** **PEACE, JUSTICE AND STRONG INSTITUTIONS** As an institution of trust, the Bank ensures that its employees, service providers and counterparties are aware of its policies which touch on anti-corruption and anti-bribery. Through trainings on Corporate Governance, Anti-Money Laundering, Financial Consumer Protection, New Employees Orientation (NEO), HRMDD together with Compliance, Risk and Audit divisions provide employees with the information to identify situations that could lead to corruption and integrity issues.	When new suppliers or service providers are engaged, there's a risk that not all of their staff members are fully aware of the Bank's anti-bribery policies.	The Bank has designed a Supplier Sustainability Questionnaire which will be used for both accreditation of new suppliers as well as evaluation of existing suppliers' performance. This will contribute to keeping these suppliers aware of the Bank's policy.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Bank of Commerce** (the "**Bank**") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standard Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

FRANCIS C. CHUA
Chairman of the Board

MICHELANGELO R. AGUILAR
President and Chief Executive Officer

ANTONIO S. LAQUINDANUM
Executive Vice President and Chief Financial Officer

Signed this 4th day of April 2022.

APR 0 4 2022

SUBSCRIBED AND SWORN to before me this ___________________, affiants exhibiting their Senior Citizen and Passport ID as follows:

Names	**Identification No.**	**Place of Issue**	**Valid Until**
Francis C. Chua	Senior Citizen ID No. GGG-001082	San Juan, Metro Manila	N/A
Michelangelo R. Aguilar	Passport No. P8692960A	DFA NCR East	September 9, 2028
Antonio S. Laquindanum	Passport No. P7572781B	DFA Manila	September 9, 2031

Doc. No. 364
Page No. 74
Book No. VI
Series of 2022

JOYSHA D. MAGMANLAC
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0483-22
UNTIL DECEMBER 31, 2023
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CI
PTR NO. 3067589/01-12-2022/MANDALUYONG C
IBP LIFETIME NO. 09035
ROLL OF ATTORNEYS NO. 58611

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	4	2	2	1

COMPANY NAME

BANK OF COMMERCE

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

San Miguel Properties Centre
No. 7 St. Francis Street
Mandaluyong City

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

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	8982-6000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
145	Any day in April	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Antonio S. Laquindanum	ASLaquindanum@bankcom.com.ph	8982-6000	N/A

CONTACT PERSON's ADDRESS

12th Floor, San Miguel Properties Centre, No. 7 St. Francis St., Mandaluyong City

Note1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

KPMG

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Commerce (the "Bank"), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2021 and 2020, and its financial performance and its 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RECEIVED
Y M. PANDIÑO

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for Expected Credit Losses (ECL) for Loans and Receivables

The risk

The Bank's ECL for its loans and receivables is significant to our audit as it involves the exercise of significant management judgment. In calculating ECL, key areas of judgment include: determining the method to estimate ECL; defining default; identifying exposures with significant increase in credit risk; determining assumptions to be used in the ECL model such as expected recoveries from defaulted accounts and amount and timing of future cash flows; and incorporating forward-looking information, including the impact of the coronavirus pandemic.

Loans and receivables and the corresponding allowance for credit losses as at December 31, 2021 amounted to P77.92 billion and P3.54 billion, respectively. Reversal of credit losses in 2021 amounted to P634.82 million, net of provisions. The disclosures in relation to the allowance for credit losses are included in Notes 12 and 17 of the financial statements.

Our response

We obtained an understanding of the Bank's ECL methodologies and models for loans and receivables, as approved by the Credit Committee and the Board of Directors, and evaluated whether those are (a) established and implemented consistently in accordance with the underlying principles of PFRS 9 *Financial Instruments*; (b) appropriate in the context of the Bank's lending activities and asset portfolio; and (c) supported with processes and controls including documentations that capture in sufficient detail the judgment and estimation applied in the development of the ECL model.

We have performed the following procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of loans and other receivables:

- We tested the governance over the development, validation and approval of the ECL model including continuous reassessment performed by the Bank;

- We tested the design, implementation and operating effectiveness of key controls in the ECL process. This includes appropriate classification of loan to stages and assignment of loan risk rating, approval of restructured loans, review of underlying collateral valuation, and the calculation and recognition of the ECL allowance;

- We assessed whether the loans are classified to the appropriate stage and challenged the criteria used to categorize the loan to respective stages;

- On a sample basis, we performed an independent review in order to evaluate the appropriateness of the risk rating review and credit review processes done by the Bank. Accounts selected for review were based on a set of criteria designed to capture items with a high risk of material misstatement in the Bank's loan portfolios;

- We assessed the appropriateness of the inputs and assumptions as well as the formulas used in the ECL model, including the determination of the probability of default, loss given default and exposure at default;

- We performed model re-assessment through a series of statistical tests on the time series regression analysis and interpreted the results with the aim to verify, primarily, statistical significance;

- For forward-looking information used, we evaluated whether the historical and projected macro-economic factors (i.e. Wholesale Price Index, Interest Rate, Philippine Stock Index, Exchange Rate, Consumer Price Index, and Cash Remittances), were appropriate and sufficient. This included assessing the level of significance of the correlation of the forward-looking information to the default rates, as well as the impact of these variables in the ECL. We also reviewed management's use of expert credit judgment on the assessment of other macroeconomic factors as inputs in the ECL model;

- On selected non-performing accounts, we evaluated management's forecast of recoverable cash flows based on agreed restructuring plan, collateral valuation and estimates of recovery from other sources;

- We have tested the integrity of the data inputs by comparing data from source systems to the detailed ECL model; and

- We have assessed the appropriateness and adequacy of the disclosures made in the financial statements.

- We involved our Information Technology specialists to assist in testing the relevant automated control environments and application controls, and Financial Risk Management specialists to assist in assessing the Bank's ECL model.

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

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

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

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

KPMG

Auditors' Responsibilities for the Audit of the Financial Statements

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

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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074

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 to the financial statements is presented for purposes of filing with the BSP and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Bank. 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 auditors' report is Sheila Ricca G. Dioso.

R.G. MANABAT & CO.

SHEILA RICCA G. DIOSO
Partner
CPA License No. 0115382
BSP Accreditation No. 115382-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 115382-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 229-233-163
BIR Accreditation No. 08-001987-047-2019
Issued December 26, 2019; valid until December 25, 2022
PTR No. MKT 8854064
Issued January 3, 2022 at Makati City

April 4, 2022
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2022
RECEIVED
MARK ANTHONY M. PANDIÑO

TABLE OF CONTENTS

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

Bank of Commerce (the "Bank" or "BankCom") is one of the country's fast-growing commercial banks and is licensed by the Bangko Sentral ng Pilipinas ("BSP"). The Bank has been operating since 1963. In 2008, San Miguel Corporation ("SMC") bought into the Bank and became a majority stakeholder through the combined voting stake of San Miguel Corporation Retirement Fund and San Miguel Properties, Inc. in the Bank.

The refreshed capital and management resulted in strengthened banking operations, systems and services, and reinforced the Bank's stability. The Bank provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, transaction banking, corporate banking, treasury, asset management, trust and investments. In terms of service reach, the Bank has retail and corporate internet banking facilities, 140 branches and 250 automated teller machines ("ATMs") strategically located nationwide as of 31 December 2021.

The Bank's consolidated total assets amounted to ₱170.92 billion, ₱199.71 billion, as of 31 December 2020 and 2021, respectively. Net profit (loss) was ₱784.4 million and ₱1.2 billion for the years ended 31 December 2020 and 2021, respectively.

As at December 31, 2021 and 2020, based on the CAR reports submitted to BSP, the Bank's CAR of 21.57% and 16.60%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"), based on the Basel III framework. The increase in the CAR ratio was mainly due to the issuance of preferred shares in August 2021 and the movement in the credit risk weighted amount of loans and other risk assets.

Universal Banking License Application

On 23 December 2021, the Monetary Board of the BSP approved the upgrade of the banking license of BankCom from commercial bank to universal bank (UB) subject to the following conditions: (i) the Bank shall make a public offering of its shares in accordance with the rules of the SEC on minimum public ownership and listing rules of the PSE; and (ii) the Bank must list its shares in the PSE within one year from the date of the grant of UB license.

With a universal banking license, the bank will have more opportunities to generate and warehouse interest bearing assets like marketable securities, generate more fee-based income, and manage risk of securities underwritten and held for trading. This will also enable the Bank to enhance its marketing relationship with existing and prospective clients in the large corporate and middle market segments as it will be carrying a broader range of products, from traditional working capital lines and term loans to project finance, initial public offerings, mergers and acquisitions, financial advisory, etc. The latter services are essential to large businesses in planning their expansion programs as a response to the increasing demand brought about by the robust economy.

Impact of COVID-19 on Operations and Strategies

The 2020 pandemic severely curtailed the Bank operations primarily due to the closure of various branches around the country because of quarantine restrictions imposed by the Philippine government. Restrictions in movement also made it difficult for Bank employees to report to head office or open branches. Nonetheless, in 2021 the Bank continued to serve its customers and meet its regulatory obligations by using its existing Business Continuity Measures (“BCM”) and various efforts to mitigate the spread of the COVID-19 virus through measures such as the transition to a work-from-home arrangement, investment in technology to enable a conducive work-from- home arrangement for its employees, establishment of health and safety protocols within its premises, among others. As of this filing, all the Bank’s 140 branches nationwide are open for business and fully operational.

In 2021, the Bank recorded a net income of ₱1.2 billion as compared to 31 December 2020 of ₱784.4 million. This was driven by 6% increase in net interest income due to lower funding cost as interest expenses declined. Meanwhile, total operating expenses, including provisions, declined by 24.66% to ₱4.4 billion from ₱5.8 billion mainly due a net reversal of provision for credit losses which was recorded at ₱634.8 million as opposed to the prior year’s result of ₱962.5 million. In 2020, the Bank had a significant increase in provisions to anticipate credit losses brought about by the global pandemic. These provisions gradually decreased leading to the net reversal as of 31 December 2021 due to the continuous collection efforts to update non-current accounts.

As an affiliate of the SMC Group, the Bank has been able to leverage on the conglomerate’s testing facilities. Since the 2nd half of 2020 until 31 December 2021 at the least, Bank employees have been tested using the PCR method at least twice whether or not they have experienced any symptoms. Bank personnel have also been given the opportunity to take part in the COVID vaccination program currently planned for the SMC Group.

Given that the pandemic is continuing, the Bank is conducting the following activities to manage credit risk going forward:

The Corporate Banking Group together with the Credit Group closely monitors all corporate borrowers for signs of financial distress. The Bank proactively works with its borrowers to ensure they are able to meet their payment obligations.

The Consumer Lending Group has been asked to cap its growth and simply replace consumer loans that are being fully paid off. New loans now have increased equity requirements and the borrower’s ability to pay is scrutinized more closely in relation the effects of the ongoing pandemic.

The Credit Card Group has limited new credit cards to bank clients with higher average daily balance minimums or SMC ecosystem customers with higher income requirements and at least one (1) issued card from another bank.

The Bank continues to monitor the situation and continues to review its provisioning and capital levels.

RECENT DEVELOPMENTS

Development of New Loan Programs

Alongside the need to reduce the Bank’s exposure to affiliates, it has developed new loan programs intended to leverage off the SMC ecosystem composed of SMC’s network of customers, trade partners, suppliers, vendors, distributors, contractors, employees, among others. Loans to be generated from these lending programs are envisioned to gradually replace borrowings of the SMC Group. Moreover, as bulk of the potential customers from this segment operate within the middle market, clients tapped for these programs are anticipated to be a source of higher net interest margins as well as diversified, stickier deposit base.

Maiden Long Term Negotiable Certificates of Time Deposit Issuance

On 17 March 2020, the Bank issued ₱5.0 billion unsecured long-term negotiable certificates of time deposit ("LTNCDs") with 4.5% fixed interest rate and maturing on 17 September 2025. The issuance of the LTNCDs was approved by the Board of Directors ("BOD") on 25 June 2019 and by the BSP on 31 October 2019.

₱5.5 billion Preferred Shares Private Placement

On 5 August 2021, SMC Equivest Corporation ("SMC Equivest"), a wholly owned subsidiary of San Miguel Corporation, subscribed to 41,666,667 Series 1 Preferred Shares of Bank of Commerce for ₱5,500,000,044.00, which was fully paid on the same date. The preferred shares are cumulative, non-voting, non-participating, perpetual, and convertible into common shares at a ratio of 1:1 (i.e. one preferred share is convertible into one common share) and at the option of the preferred shareholder after five (5) years from the date of issuance, subject to requirements under laws, rules, and regulations. Dividends shall accrue at a rate of 2.50% p.a. in the first year, 3.00% p.a. in the second year, 4.00% p.a. in the third year, 5.00% p.a. in the fourth year, and 5.50% p.a. beginning on the fifth year onwards from issuance. The dividends shall be payable either in cash or in shares at the discretion of the Bank. The foregoing capital infusion is in compliance with the requirement of the BSP for the Bank to meet the minimum capitalization requirements for banks applying for a universal banking license. Prior to such subscription, SMC Equivest owned 4.69% of the outstanding capital stock of the Bank comprising of common shares. The terms and conditions of the Preferred Shares, including the dividend rate, were approved by the BSP.

Stock Split

On 25 May 2021, the Board of Directors approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (₱100.00) to Ten Pesos (₱10.00). The amendment resulted in the increase in common shares from 170,251,147 to 1,702,511,470 and an increase in preferred shares from 45,500,000 to 455,000,000. The amendment was approved by the Stockholders on 8 July 2021. The amendment on the Bank's Articles of Incorporation was approved by the BSP on 4 October 2021 and by the SEC on 2 November 2021.

Equity Restructuring

On 29 March 2021, the Board of Directors approved the Bank to undergo equity restructuring to wipe out the deficit amounting to ₱51,156,715 as of 31 December 2020 through the use of the Bank's paid-in surplus.

On 12 July 2021, the Bank received from BSP a "No Objection" response to its application for equity restructuring with the SEC, subject to the (i) Bank's compliance with the Commission's other requirements; and
condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within five (5) days from receipt thereof.

On 14 October 2021, the SEC approved the equity restructuring to wipe-out the deficit as at 31 December 2020 amounting to ₱51,156,715 against the paid-in surplus of ₱5.6 billion subject to the conditions that the remaining paid-in surplus of ₱5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

SMC Retirement and SMC Equivest Transfer of Shares

On 20 October 2021, SMC Equivest Corporation purchased from San Miguel Corporation Retirement Plan One Million Five Hundred Seventy-one Thousand Six Hundred (1,571,600) common shares of the Bank at a par value of ₱100.00 per share (15,716,000 common shares after the reduction in par value to ₱10.00 per share) comprising 1.4% of the Bank's total issued and outstanding common shares, for a total purchase price of Three Hundred Fifty-five Million Nine Hundred Thirty-five Thousand Nine Hundred Sixty-eight Pesos (₱355,935,968.00). The Certificate Authorizing Registration ("CAR") for the transfer of shares has been issued by the Bureau of Internal Revenue on 21 February 2022.

Appointment of Bank Officers

As of the date of this filing, the Bank appointed Mr. Martin Villalon as Head of the Bank's Investment Banking Group and Mr. Gregorio Yaranon, Jr. was appointed as the Bank's Chief Compliance Officer.

STRENGTHS

BankCom believes that its principal competitive strengths include the following:

- Strong support from SMC Group and synergies with the SMC ecosystem;
- Prudent balance sheet management with strong capitalization and liquidity to support a new growthphase;
- Effective risk management leading to high asset quality and balance sheet resilience;
- Augmented and invigorated management team overseen by seasoned and experienced Board;
- Strategic and well-balanced branch network footprint; and
- Nimble and agile company culture and workflow allows BankCom to act quick and prudently whenopportunities arise.

STRATEGIES

BankCom's strategic vision is to grow in the coming years to achieve economies of scale, improve efficiency, and be at par with the country's leading domestic banks. Within this time horizon, BankCom also envisions to enter into a new era of growth as it upgrades to a universal bank and maximizes the additional products, services and functions allowed in its universal banking license. BankCom aims to achieve sustainable growth across its business segments.

- Achieve scale and sustainable growth / client expansion by leveraging the broader SMC ecosystem;
- Leverage the universal banking license to expand product suite and service offering;
- Investment in Information Technology Infrastructure and Financial Technology to improve customerservice and touchpoints;
- Increase profitability through return-on-equity expansion as well as growth of fee income business;
- Build deeper relationships and activate cross sell opportunities by putting the needs of customers on theforefront; and

- Shareholder's commitment to environmental, social, and governance ("**ESG**") framework andregulatory compliance and advancing the culture of "*malasakit*".

RISKS RELATING TO THE OFFER

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Common Shares. These risks include the following:

RISKS RELATING TO THE BANK'S BUSINESS AND OPERATIONS

- The COVID-19 pandemic and the measures to contain the virus could adversely affect the Bank'sbusinesses.
- The Bank's business is highly regulated and government policies could adversely affect the Bank'soperations and profitability.
- The Bank is subject to credit, market, operational and liquidity risks which may have an adverse effecton its credit ratings and its cost of funds.
- The Bank may not be successful in implementing its growth strategies.
- An inability to manage the Bank's growth could disrupt its business and reduce its profitability.
- An inability to manage its growth may have an adverse effect on the Bank's business and results of operations.
- Increased exposure to consumer debt could result in increased delinquencies in the Bank's loan portfolios.
- The Bank's allowance for impairment and credit losses may be insufficient to cover future losses and to the extent the Bank increases such allowances, its financial performance will be adversely affected.
- The Bank's trading activities are subject to volatility and the Bank is diversifying away from the business.
- The Bank may be unable to recover the assessed value of its collateral when its borrowers default on their obligations, which may expose it to significant losses.
- The Bank has significant credit exposure to certain borrowers and industries. Deterioration in the performance of any of these industry sectors or the non-performance of a substantial portion of these loans could adversely impact the asset quality of its loan portfolio and business.
- The Bank relies principally on short-term deposits for its funding needs.
- The Bank may not be able to match the technology of its competitors. The Bank may fail to upgrade or effectively operate its information technology systems.

BANKING PRODUCTS AND ACTIVITIES

Overview

The Bank's principal areas of business are retail or branch banking, transaction banking, corporate banking, consumer loans, cards, treasury, cash management, remittance, and trust services. These products and services are delivered through various channels such as branches, internet banking, ATM machines, and through agent partners. The list of products and services is below.

Retail Products

- Savings Account with Debit Card (Mastercard)
- Savings Account with Passbook
- Savings Account Plus
- Checking Account
- Complete Checking Account
- US Dollar Savings Account
- Euro Savings Account
- Yuan Savings Account
- Junior Smart Savers Savings Account
- One Passbook Investment Account
- Time Deposit
- One-Year Time Deposit
- US Dollar Time Deposit
- Euro Time Deposit
- SSS Pension Account
- US Veterans Pension Savings Account (PHP and USD)
- Payroll Savings Account
- Philippine Retirement Authority (PRA) Savings and Time Deposit Accounts (PHP and USD)
- Cash Card (Mastercard)
- Long Term Negotiable Certificate Time of Deposit
- Corporate Savings Account/ Savings Account Plus/ Checking Account/ Checking Account Plus withCorporate Access Number

Corporate Banking

- Working Capital Loan
- Term Loan
- Capital Expenditure Financing
- Project Financing
- Small Business Loan – Term Loan
- Small Business Loan – Business Credit Line
- Foreign Currency Denominated Loan
- Trade Financing
- Letters of Credit
- Export Packing Credit
- Export Bills Purchase
- Domestic Bills Purchase

Consumer Loans

- Home Loan
- Auto Loan
- Salary Loan

Credit Card

- Bank of Commerce Mastercard

Trust Products and Services

- Unit Investment Trust Funds
  - Diversity Money Market Fund
  - Diversity Peso Bond Fund
  - Diversity Dollar Bond Fund
  - Diversity Dividend Focused Fund
- Trust and Other Fiduciary Services
  - Personal Management Trust
  - Employee Benefit Trust
  - Trust Under Indenture
  - Collateral Trust
  - Special Purpose Trust/Other Institutional Trust
- Investment Management Account
  - Other Agency Accounts
  - Facility / Loan Agency
  - Escrow Agency
  - Buyer and Seller Escrow
  - POEA Escrow
  - BIR Escrow
  - HLURB Escrow
  - Source Code Escrow
  - Other Escrow Accounts

Treasury Products

- Fixed Income Government Securities (Peso / Dollar)
- Corporate Bonds
- Foreign Exchange

Transaction Banking

- Cash Management Services

- BankCom Corporate
- Fund Manager Solutions*
- Deposit Inquiry Services
- Account Transaction History
- Bank Statement Downloading
- SOA Download (Multi-cash, MT940 and MT950 formats)
- Fund Transfer to Own Accounts
- Payments Management Solutions*
- Auto Credit Arrangement (ACA)
- Payroll Crediting Service
- Fund Transfer to Third Party Accounts
- Fund Transfer to Other Banks (PESONet/ Instapay)
- Manager's Check Cutting Service
- Corporate Check Cutting Service
- Collections Management Solutions*
- Auto Debit Arrangement (ADA)
- Other Services
- Direct Fund Transfer Facility
- Deposit Pick-Up Service
- Bills Payment Facility
- Payroll Plus
- Post-Dated Check Warehousing Facility
- Customs, Duties and Taxes Payments (via BankCom PAS5 Facility)
- BancNet - BIR Electronic Filing and Payment System (BIR eFPS)
- BancNet - eGovernment Facility (SSS, Pag-IBIG and PhilHealth Payments)

- Digital Channels
  - BankCom Personal
  - Point of Sale
  - Automated Teller Machines (ATM)
  - Fintech / Card Solutions

- Remittance Services
  - SikapPinoy OFW Account with Debit Card
  - SikapPinoy Asenso Program
  - Credit to Accounts with Bank of Commerce
  - Credit to Accounts with Other Philippine Banks via PesoNet
  - Credit to Accounts with Other Philippine Banks via Instapay
  - Cash Home Delivery
  - Cash Pick-up Services via Bank of Commerce Branches from International Remittance Partners:

        - Al Ansari Exchange LLC
        - Arab National Bank – TeleMoney
        - Bank Al Jazira – Fawri
        - Bank AlBilad – Enjaz
        - Family Express Canada
        - Eastern & Allied Pty Ltd (HaiHa Money Transfer)
        - MoneyGram
        - Prabhu Money Transfer
        - TransFast
        - U Remit International Corp.

- Cash Pick-up Services via Payout Partners:
    - M Lhuillier
    - Cebuana Lhuillier
    - LBC Express
    - Palawan Pawnshop
    - RD Pawnshop

- E-Government Payments of OFWs through Remittance Partners:
    - SSS Contributions / Loan Payments
    - PhilHealth Contributions
    - Pag-IBIG Contributions / Loan Payments

International Trade Services

- Import
    - Import Letter of Credit (LC) (Sight / Usance)
    - Payment Abstract Secure (PAS5) Enrollment and Customs Duties & Taxes Payment
    - Shipside Bond Guarantee
    - Airway Bill Endorsement
    - Foreign Exchange (FX) Purchase for Advance Payment of Importation
    - Negotiation of:
        - Open Account (OA)
        - Documents Against Payment (DP)
        - Documents Against Acceptance (DA)
        - Import Letter of Credit
    - Standby Letter of Credit (SBLC)
- Domestic
    - Domestic Letter of Credit
    - Domestic Standby Letter of Credit
    - Negotiation of Domestic Letter of Credit

- Export
  - Export Bills for Collection
  - Export Bills Purchased
  - Export Advances

Corporate Banking Group

Corporate Banking Group ("CBG") principally handles loans and other credit facilities for corporate institutional, and middle market clients. The Group continues to pursue lending activities which supports working capital and capex requirements of its clients. Embedded in its strategy is the aggressive expansion and further diversification of its credit portfolio with the intention of gradually reducing exposure to affiliate accounts.

CBG is focused on two major activities. The first is focused on building a loan portfolio comprised of non- affiliate accounts across multinationals and other conglomerates, large corporates, and SME market accounts, initially this will focus on transactions involving clients with dealings with the SMC Group (i.e., suppliers, dealers, distributors "the SMC ecosystem") under the Bank's program lending facilities. The second is to maintain the existing relationship with SMC affiliates (within the constraints of Regulatory Relief) with particular focus on project financing opportunities related to Philippine Government priorities.

CBG is keen on pursuing a more progressive approach to corporate lending, highlighted by the following:

- Supporting the financing requirements of corporate and small-medium enterprises as it actively; participates in big-ticket financing transactions aligned with the government's nation-building andeconomic recovery plans;
- Tapping capital market issuances as a means to generate a steady source of accrual;
- Working with product partners to offer more lending products to financially challenged customers;
- Strengthening collaborative efforts with other business units to step up cross-selling initiatives andboost fee-based income, such as trade-related fees;
- Further expanding its market reach by forging more business partnerships in provincial areas; andadding more on-ground managers to foster new relationships with rural enterprises.

CBG is equipping relationship managers and rank-and-file employees with the right knowledge and tools in building solid client relationships, which will be made possible by conducting more training programs that aim to enhance both hard and soft skills, while setting them in motion toward career development. Meanwhile, as the Bank adopts digital banking solutions, CBG is looking at implementing IT system updates for corporate loans, bank statement analysis, financial modeling, and portfolio management systems.

Branch Banking Group

Branch Banking Group ("BBG") oversees the Bank's retail banking business and serves as the nucleus for other business units to initialize programs for their respective markets. Running a network of 140 branches to date, the BBG team is composed of seasoned banking professionals with years of experience and expertise in the industry, focused on a singular objective of providing a consistent and comprehensive financial experience for the Bank’s affluent and middle-market customers.

Despite the pandemic, the BBG maintained its growth momentum for 2021. Through its 140 branches, BBG increased its total deposits by 15% or ₱22.6 billion of which CASA deposits increased 27.7% or ₱34.2 billion.

BBG took the challenging economic conditions in 2020 as an opportunity to serve a niche demand for a stable, long-term investment outlet. In partnership with Treasury Management Group (TMG), BBG launched the Bank’s maiden LTNCD issuance. With a team from BBG’s operations, business development, and branches at the helm, potential customers who matched the risk profile for investing were identified through the proprietary single customer view (SCV) facility. BBG managed and undertook the bookings, and ensured that all requirements complied with BSP guidelines, including educating investors, addressing concerns about LTNCD, and sending timely communications about the offering period, issuance dates, and information about selling agent. Prior to the enforced quarantines, BBG mounted roadshows held in Pampanga, Alabang, Laguna, Quezon City, Iloilo, Bacolod, Davao, Cagayan de Oro, Makati, and Manila, which generated ₱4.1 billion for LTNCD. With these gains, BBG continues to aggressively develop and market other high-yielding products for its clients.

Despite an increase in digital banking transactions, the role of branches in supporting the transactional needs of both consumers and merchants was magnified more in terms of ensuring problem-free acceptance of deposits, over-the-counter withdrawal, check clearing and encashment, account opening, card maintenance, and continuous operation of onsite ATMs. Branches also enabled business customers to use the products of Transaction Banking Group (“TBG”) by operating as their check releasing counters, facilitating deposit pickup, and performing account maintenance under auto-debit arrangements.

As customers’ primary point of contact, branches also served as an extension of the Bank’s customer assistance mechanism (CAM) in helping consumer loan borrowers and credit cardholders understand the most pertinent features and implications of the Bank’s announcements regarding Bayanihan I and II, as well as the BSP regulations that were enacted during the quarantine period.

Backed by these significant achievements, BBG looks forward with a sharper focus on the following areas:

- Aligning branch banking technology to improve the customer journey and overall experience
- Offering “phygital” products backed by streamlined processes
- Improving branch “look and feel” and transaction flow
- Refocusing branch roles toward more efficient servicing of customers

As each of these initiatives roll out, BBG is focused on meeting the needs of its diverse and growing depositor base, while managing emerging challenges under the new normal.

Transaction Banking Group

Transaction Banking Group (“TBG”) was formed in August 2018 with the end in view of creating value added banking solutions within the ‘ecosystem’ of its target clients based on latest global trends - from corporate, commercial / SMEs to retail (i.e. B2B, B2C and P2P). The main objective is to increase overall flows from these customers, by understanding their supply chain and provide electronic banking tools for it, thus becoming an avenue for incremental deposits, assets (trade finance) and fees (FX) to the bank. Product divisions under this group include cash management, trade finance, digital channels (ie. online banking, mobile banking / Fintech) and remittances.

Despite the fact that pandemic continues in 2021, TBG was able to grow by 81.4% in their business due to growing demands in trade transactions, especially in the domestic front. For industries in power and other commodities, requirements for bank guarantees continue which TBG Trade was able to win, close and execute. The digital space has also grown, whereby to date, the new mobile banking app launched has now reached 75,000 users with an average transactional volume of 350,000. The new fees for ABFC (Acquirer Based Fee Charges) increased current off us ATM withdrawals which also contributed to this growth. These growths in various niche products were able to offset the challenges we face in the remittance business, whereby despite the economy opening up, volume declines which is an effect of the decrease on deployed OFWs especially in the Middle East.

The unprecedented year that was 2020 saw the TBG reaping achievement after achievement that contributed to the growth in total income. This was made possible by the new deposit products and solutions that were launched to cater to the specific needs of a pandemic-afflicted clientele.

The Digital Channels Department marked a significant milestone with the launch of the Bank's first mobile banking app, which was also rebranded as BankCom Personal in July 2020. The timely introduction of the app complemented the increase of domestic fund transfer transactions during the quarantine period, now processing more than 50,000 InstaPay and PESONet transactions a month, corresponding to an 821% increase from a monthly average of 5,000 transactions from the previous 2019. Total enrollment also increased by 35%, reflecting the current demand for more online transactions by retail clients. Eight new billers were also added to the current 73 to further widen the range of BankCom Personal's bills payment transactions. A partnership with Dragonpay was also initiated to allow Bank clients to settle payments via BankCom Personal for merchants like SMC Mall, San Miguel Corporation's online selling portal, and other online sellers. To ease cash flow for its day-to-day operations, the Bank provided a Consolidator Solution, a digitally innovative platform which enabled merchants of SMC Mall to efficiently manage their collections and payments.

The Cash Management Division ("CMD") complemented the Bank's more aggressive approach in strengthening its digital channels by proactively offering electronic solutions for payment settlement. InstaPay and PESONet were offered to corporate clients who opted to use these channels for fund transfers during the lockdowns, as confinement limited mobility and access to our branches.

As coming to the aid of quarantined customers was a top priority, CMD also launched a more customer-centric direct service hotline that allowed the Bank to immediately address cash management concerns and inquiries.

Treasury Management Group

Treasury Management Group ("TMG") principally provides money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks.
Trade solutions were cross-sold to corporate clients who opened new accounts with the Bank. The Trade Department focused on meeting the needs of customers requiring guarantees to secure ordered goods through letters of credit. Continuous education on trade services and its benefits was also given optimum importance to target distributors and merchants whose businesses were based on consumer demand.

Though many businesses were caught unprepared by the pandemic and other unforeseen calamities, TBG was able to effectively navigate its wide range of businesses to adapt to the new normal, leveraging on more practical digital solutions to meet the changing financial requirements of retail and corporate clients.

In 2021, yields moved sideways with an upward bias as vaccination roll-out signaled the start of the country's recovery from the pandemic. This resulted in a muted trading gain for the first nine months of 2021. Interest accrual from its security holdings compensated for the lack of trading opportunities in the fixed income market. Meanwhile, its foreign exchange business remained stable capitalizing on occasional volatility in the USD/PHP pair. TMG further contributed by keeping the Bank's funding cost in check.

New market conditions nevertheless heightened the importance of liquidity and interest rate risk management. In particular, managing liquidity was critical as it can deteriorate quickly during times of crisis. At the onset of the pandemic, Liquidity and Asset Liability Management Division (LALMD) proactively increased buffer of high-quality liquid assets and built ample liquidity to fully cover short-term commitments and any potential funding needs. Against all odds, the Bank also successfully issued over ₱5 billion worth of LTNCD at the onset of the enhanced community quarantine. These moves served as a defense against possible liquidity stress and enabled the Bank to continue lending to support the economy despite the adverse situation. In addition, dynamic cash flow forecasting, liquidity scenario planning, stress testing and close monitoring of deposit fluctuations, funding concentration and liquidity metrics, such as Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Early Warning Indicators (EWIs), were undertaken to manage liquidity positions, meet funding obligations and strengthen funding capabilities. To mitigate margin compression in a low interest rate environment during the year, timely analyses and recommendations were provided by LALMD to the ALCO to support decisions like revisions to deposit pricing strategies and fund transfer pricing, which allowed the Bank to manage the interest rate risk sensitivity of the banking book. Consequently, despite the impact of falling asset yields, the Bank posted a higher net interest income for 2020 largely due to the significant decline in funding costs. The decrease in funding costs can be mainly attributed to the deposit mix shift and growth in low-cost savings and demand deposits, coupled with substantial decline in interest expense from high cost deposits.

Consumer Group

Consumer Group ("CG") principally manages home, automobile, and salary loans for individual customers. With a beefed-up Organic Channels Division, the Group actively partners with BBG to market consumer loan products to its valued customers around the country. It also maintained a partnership with real estate developers as well as a deepened relationship with automobile dealers through its account officers.

For 31 December 2021, CG's total revenue grew by amounted to ₱152 million. The Group continued to show a conservative risk posture. It focused on a selective market that met the risk criteria set by the Bank which was reviewed on a regular basis. This enabled the Group to improve the quality of its existing portfolio and to onboard only desirable borrowers that met its risk appetite. The focus on quality over quantity had shown encouraging results and had favorably impacted the Group's bottom line. The Group continues to monitor the country's response to the health crisis as it calibrates its risk appetite according to the developments that affect the strength of the consumer market.

In 2020 CG started the year on track to meet its ambitious growth targets. As the country implemented the strict community quarantine measures in March 2020, the Bank pivoted in its direction and focused on helping borrowers cope with banking challenges by deploying a skeletal team to attend to their critical needs as the country was in a lockdown.

Simultaneously, the Bank implemented a late payment relief plan even prior to the approval of the Bayanihan 1. A substantial number of the Bank's borrowers benefited from the Bayanihan 1 payment moratorium, and later in the year, more than a thousand of the qualified borrowers availed of the payment relief provisions of the Bayanihan to Recover as One Act (BARO).

2021 promises to be another opportune year for the Consumer Group as it takes on the following initiatives to sustain its efforts the past year:

- Provide home, auto, and salary loans to depositors, long-time partners, and the general public
- Renewing partnerships with real estate developers and auto dealers to provide home and auto loans tocreditworthy applicants; and
- Center its distribution among the 140 branches of the Bank, which serve as the nucleus for its productsand services

These efforts are driven by the Bank's continued vision of serving its target market more effectively through a variety of products punctuated by focused service despite the obstacles posed by the ongoing pandemic.

Credit Card Group

The Credit Card Group ("CCG") manages the end–to-end business requirements for the Bank's credit card product. The credit card product is a revolving loan facility that is offered to clients and applicants that meet the acceptance criteria. CCG has also recently taken on the task of marketing the use of Bank's debit card for purchases. The group is responsible for growing the fee revenues generated from debit card usage. CCG is also tasked to maintain relationships with various establishments (Merchants) to promote the usage of the Bank's card products.

Billings remained healthy despite the partial lockdowns imposed in the last few months and seen to improve as the economy opens up. Big ticket items such as hospitality and travel related purchases remain to be minimal, but anticipated to kick start and contribute to billings once travel restrictions are lifted.

For 2020, helping customers was the priority despite the challenging time, and this was reflected in the number of government-released mandates that were implemented in 2020. Bayanihan 1 and the BSP Interest Rate Cap for Credit Cards were rolled out with the intent to provide relief assistance and affordable interest to cardholders.

Aiding consumers was necessary to curb the effects of the pandemic, which resulted in job losses and subsequent consumer confidence downturn. Bank of Commerce continued to soldier on despite these hurdles with the aim to provide value and service to its thousands of cardholders.

Leveraging on the solid strategies that were laid out to address the crisis in 2020, CCG managed to reach a robust P2.89 billion in total billings, with almost 6,000 new cards issued. Despite a modest gross revenue that was directly hampered by the more than 300% increase in provisioning, the Bank continued to take a conservative stand and has fully provided credit card NPLs (non-performing loans).

For 2021, recovery remains to be the primary task, with the Bank focusing on working alongside its cardholders to rise together after the challenges of the past year.

Trust Services Group

Trust Services Group ("TSG") is the Bank's trust and fiduciary management arm. It is responsible for developing new business, account solicitation, and administration of personal and corporate investment accounts under the scope of trust, other fiduciary business, and investment management activities specifically licensed by the BSP.

TSG is organizationally, operationally and functionally separate and distinct from the other departments and businesses of the Bank. It is responsible for providing the Bank with the incremental funding it needs to realize growth objectives, while closely coordinating the funds-flow process with the other support units of the Bank to obtain optimum investment returns at all times. Under local regulations, TSG is allowed to perform asset management activities in its capacity as Trustee or Investment Manager.

For 31 December 2021, Trust Services Group's (TSG) total revenue grew despite the continued limited business activity. With physical distancing strictly enforced, TSG implemented a strategy to be closer to customers and branch marketing personnel through frequent voice/video calls, conferences and online meetings. Thus, products and services that embody protection and growth of savings was effectively promoted through this new delivery channel.

TSG is positioning itself to take advantage of these gains as the economy opens. Backed by the Bank's strong foundation, we are positive that bright prospects of financial growth will be present as we gear toward protecting and growing savings through prudent and informed investing.

CREDIT APPROVALS

Credit Rating/ Scoring System

The Bank's Internal Credit Risk Rating System ("ICRRS") is an established tool used to evaluate the credit risk associated with each borrower. It is a 10-grade rating scale that reflects an established blend of qualitative and quantitative factors containing both a borrower and facility dimension. The borrower dimension focuses on factors that affect the inherent credit quality of each borrower. The facility dimension, on the other hand, highlights the security and collateral arrangements and other similar risk influencing factors of each transaction.

In 2007, the Bank implemented a credit risk classification that is compatible with global rating standards in compliance with BSP. In 2018, the Bank completed the recalibration of the ICRRS.

Along with this, the Bank introduced expert scoring models for consumer loan applications (including credit cards) in 2015. These models together with other credit acceptance criteria are used to determine the Bank's application acceptance.

The Bank contracts external entities to review and validate the different rating models on a regular basis. Results of these validation exercises are reported to the management, the Board Risk Oversight Committee (BROC), and the Audit Committee.

Credit Approval Process

To ensure that the Bank is operating under a sound credit granting process, the approval for new credits as well as the amendment, renewal and refinancing of existing exposures has been aligned with the credit risk management structure of the Bank and clearly articulated in its written credit policy. In this process, the Bank has taken into consideration the different levels of appropriate approving authority and their corresponding approving authority limits, which have been commensurate with the risks of the credit exposures. It likewise implements an escalation process where approval for restructuring of credits, policy exceptions or excesses in internal limits is escalated to individual/committee with higher authorities. More so, the Bank is practicing proper coordination of relevant units and individuals as well as sufficient controls to ensure acceptable credit quality at origination.

Credit proposals are presented and justified by the lending officers via Credit Proposal Memo (CPM) / Offering Memo (OM). Such presentation shall only be made after a thorough evaluation and analysis of the borrower and the source of repayment. And to be consistent with safe and sound banking practice, the Bank shall grant credits only in amounts and for the periods of time essential for the effective completion of the activity to be financed and after ascertaining that the borrower is capable of fulfilling its commitments to the Bank.

Credit approving authority limits are approved by the Board of Directors. Each level of authority can act upon the proposals and transactions within the limits of its authority and in accordance with policies, limitations and restrictions set forth by the management and approved by the Board. Credit proposals that require committee approvals (i.e. Credit and Collection Committee, Executive Committee, and Board of Directors) are presented by the lending officers during the regular en banc meetings of each committee. There are, however, certain urgent transaction types that the policy allows to be routed to members of such committee for approval.

The Credit and Collection Committee plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan, within its authority and to endorse those credit proposals which are beyond its authority to the Executive Committee and/or the Board of Directors. It has also the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations.

Credit monitoring, Review Process, and DOSRI

In line with the BSP mandate for banks to effectively monitor the condition and quality of their individual and group credit portfolios, the Bank has developed and implemented comprehensive processes, procedures and information systems to attend to that mandate. These include criteria that identify and report problem credits to reasonably assure that they are appropriately monitored as well as administered and provided for. As such, any exception, breach and potential problem noted shall be promptly reported to management for corrective action, possible classification and/or provisioning and more frequent monitoring.

The Bank has established an independent unit to review the portfolio of the Corporate/commercial accounts and identify existing and potential areas of deterioration and assess the risks involved. In addition, the credit support units evaluate the degree to which a particular lending unit is complying with existing credit management policies.

Further to this, the Bank has been implementing more intensive monitoring on individual and aggregate exposures against prudential and internal limits on a regular basis. In the ordinary course of business, the Bank has loans and other transactions with its directors, officers, stockholders and related interests ("DOSRI"). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. 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 Bank's total capital funds or 15% of the Bank's total loan portfolio, whichever is lower.

The Bank's related party loans (amounts in thousands) are as follows:

	2021		2020	
	DOSRI Loans	Related Party Loans (inclusive of DOSRI)	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	P -	P29,201,574	P -	P21,783,009
Percent of DOSRI/Related Party loans to total loans	0.00%	38.70%	0.00%	29.80%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	49.53%	0.00%	62.71%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.01%	0.00%	0.04%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.06%	0.00%	0.07%

CUSTOMERS

The Bank is not dependent upon a single customer, the loss of which would have a material adverse effect on the registrant. There is no single customer that accounts for at least 20% of the Bank's total loan portfolio.

EMPLOYEES AND LABOR RELATIONS

As of 31 December 2021, the Bank had a total of 1,873 employees, 905 of which are engaged in a professional management capacity and classified as bank officers, and 968 were classified as rank-and-file employees.

The Bank fosters positive relations with and among its employees. It ensures that appropriate training and employee relations activities are available to employees at all levels.

The Bank's staff employees are members of the Bank of Commerce Employees Union ("BCEU"), except for employees holding confidential positions and belonging to the Information Technology Services Division. BCEU has been the sole and exclusive bargaining representative for all the regular rank-and-file employees of the Bank since 22 July 1986. The Bank and BCEU have a Collective Bargaining Agreement ("CBA") that governs the terms and conditions of employment of the staff. The existing CBA is valid until expired on 30 June 2023.

As of 31 December 2021, BCEU has a total of 789 members. None of the Bank's employees are on strike or have been on strike in the past three (3) years. To the best knowledge of the Bank, as of the date of this filing, there are no outstanding threats to strike from BCEU or any outstanding dispute with the BCEU.

The following table presents the number of employees by category as of the dates indicated:

	As of 31 December			
	2018	**2019**	**2020**	**2021**
Rank and File	969	1,000	920	968
Officers	836	897	990	905
Total	**1,805**	**1,897**	**1,910**	**1,873**

Significant Employees

While the Bank values the contribution of each employee, the Bank believes that there is no employee as of the date of this filing that whose resignation or loss would have a material adverse impact on the business.

Retirement Plan

The mandatory retirement age for a Bank employee is 60. The Bank has a funded non-contributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than ten (10) years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least ten (10) years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits such retirement benefits shall be subject to the pertinent requirements of the BIR.

An employee who has at least 5 years of service as a regular employee, shall be eligible to the resignation benefits if he resigns, subject to the pertinent requirements of the BIR.

The Bank's retirement plan is registered with the BIR as a tax-qualified plan and complies with the minimum retirement benefit specified under the law. The retirement fund is managed and administered by the Bank's Trust Services Division which is covered by an Investment Management Account.

Compensation Policy

The Bank observes overall compensation program on par with industry standards and aligned with the requirements of labor laws, rules, and regulations. The program considers performance and is commensurate with the individual's qualifications, experience, and expertise. Corollary to this, the

Bank utilizes data gathered from industry survey to ensure that remuneration packages of the employees are within industry standards. Likewise, employee performance is recognized through periodic performance assessments. This process provides the measure for commensurate salary increases and performance bonuses.

Insurance Policy

The Bank provides its regular employees with group life insurance and medical and hospitalization insurance coverage in line with good business practice and in accordance with Philippine standards. Insurance premium payments for these policies are paid entirely by the Bank.

BRANCH NETWORK

As of end-December 2021, the Bank has a total branch network of 140 branches nationwide, 62 in Metro Manila and 78 across various cities and provinces. Eight (8) of these were approved and opened within the last four (4) years. Some branches have been renovated to reflect the Bank's new standard look and feel, while some branches were strategically repositioned to sites that have more business potential and market accessibility.

The following table illustrates the coverage of the Bank's network in recent years and sets forth the number of branches as of 31 December 2018, 2019, and 2020, and 2021:

	As of 31 December			
	2018	**2019**	**2020**	**2021**
Metro Manila	61	61	61	62
Luzon	42	43	43	43
Visayas	23	23	23	22
Mindanao	13	13	13	13
Total Bank branches	139	140	140	140

Moving forward, the Bank aims to expand its reach, gain more market share, and defend its customer base through a "phygital" (physical + digital) strategy which uses relevant, cost-effective technologies to enable a more segment-driven delivery of branch banking services.

ATM NETWORK

	As of 31 December			
	2018	**2019**	**2020**	**2021**
Metro Manila	110	117	119	108
Luzon	89	92	90	86
Visayas	34	34	34	34
Mindanao	21	21	21	22
Total ATMs	254	264	264	250

Item 2. PROPERTIES

The Bank's head office is located at San Miguel Properties Centre, No. 7, St. Francis Street, Mandaluyong City. Its Main Office Branch is located in the same building.

The Bank leases the premises occupied by most of its branches and area offices. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 3% to 10%.

The Bank leases out some properties as office space. These non-cancellable have remaining lease terms ranging from 1 to 8 years.

Location	**As of 31 December 2020**	**As of 31 December 2021**
Owned Branches		
Metro Manila	4	4
Luzon	3	3
Visayas	1	1
Mindanao	1	1
TOTAL	**9**	**9**
Leased Branches		
Metro Manila	57	58
Luzon	40	40
Visayas	22	21
Mindanao	12	12
TOTAL	**131**	**131**

In addition, the Bank has a total of 2,752 Real and Other Properties Acquired for settlement of loans through foreclosure or dacion en pago broken down as follows:

Property Type	**No.**
Condominium	160
Condominium and Parking	4
Condominium Parking	53
Land	2,230
Land and Building	293
Townhouse	12
TOTAL	**2,752**

Item 3. LEGAL PROCEEDINGS

The Bank is involved in various pending legal proceedings, claims and investigations. Summaries of the more significant of these cases are set out below. Management nonetheless believes that none of the proceedings presently involving the Bank will (even if resolved against the Bank) have a material adverse effect on the Bank's operations, properties, assets, conditions (financial or otherwise), results of operations or profits, or on its ability to discharge its obligations.

Bureau of Internal Revenue - Declaratory Relief

Revenue Regulation No. 04-2011 prescribed allocation of expenses among different income streams of a bank or business unit. Several banks received preliminary or final assessment notices covering deficiency income taxes for the year 2011 following BIR's verification of returns and application of RR 4-2011. The banks filed this petition for declaratory relief to restrain the implementation of the new regulation and annul the same on constitutional grounds.

In May 2018, the trial court issued an order granting the petition and nullified RR 4-2011. The Department of Finance brought a petition for review directly to the Supreme Court praying for the reversal of the trial court's order. The case remains pending before the Supreme Court.

Anti-Money Laundering Council – Violation of AMLA

The Bank allegedly submitted covered transaction reports ("CTR") to the Anti-Money Laundering Council ("AMLC") beyond the 5-day reglementary period. The AMLC Secretariat thus charged the Bank with "non- compliance with the requirement to report covered and suspicious transactions," sanctioned as a "major violation" under the Rules on the Imposition of Administrative Sanctions (RIAS) under Republic Act No. 9160, as amended. The Bank responded to the AMLC's charge and explained that it should not be held liable under the RIAS because it had filed CTRs and substantially complied with the requirements of Philippine anti-money laundering laws and regulations. Additionally, the Bank pointed out that it implemented improvements to its reporting system.

Notably, a majority of the universal and commercial banks in the Philippines are faced with the same predicament. While the case was pending, the AMLC issued the Rules of Procedure in Administrative Cases ("RPAC") which repealed the RIAS. The RPAC, under Rule 2 Section 3 (e), allows the striking out of a case (as if no case was filed) upon payment of the appropriate assessment, which ranges from ₱5,000,000.00 to ₱10,000,000.00. The Bank has filed a manifestation and motion proposing to avail itself of this benefit under Rule 2 Section 3(e) of the RPAC, which is now being evaluated by the AMLC.

Presidential Commission on Good Government - Reconveyance of Assets

The Presidential Commission on Good Government ("PCGG") brought an action before the Sandiganbayan for reconveyance of assets relative to alleged ill-gotten wealth of former President Ferdinand Marcos claimed to have been deposited with Traders Royal Bank (TRB). The Bank was impleaded as additional defendant in an amended complaint as successor-in-interest of TRB, citing their Purchase & Sale Agreement ("PSA"). The Bank raised the defense that it did not acquire the disputed assets which were specifically excluded from the assets acquired and/or liabilities assumed from TRB under the PSA. The Sandiganbayan rendered a decision finding TRB liable for the alleged ill-gotten wealth of the former President but dismissed the case insofar as the Bank is concerned, affirming the Bank's position on exclusion of the disputed assets from the PSA and declaring that there was no merger between the two banks. The PCGG filed a motion for partial reconsideration with respect to the dismissal of the case in favor of the Bank. The Sandiganbayan denied the Motion for Partial Reconsideration filed by the PCGG, and maintained its decision absolving the Bank from PCGG's claim on the alleged ill-gotten wealth. PCGG filed a Motion for Extension of Time to file its Petition for Review on Certiorari with the Supreme Court, and the Bank is awaiting notice from the Supreme Court.

College Assurance Plan Philippines Inc. - Corporate Rehabilitation

The controversy originated from proceedings for corporate rehabilitation of College Assurance Plan Philippines Inc. ("CAPPI"). Trustee, Philippine Veterans Bank ("PVB"), and CAPPI claimed "interest" or dividends on the Bank's preferred shares that it redeemed from CAPPI, insisting that interest thereon is due. The Bank countered that payment of dividends requires BSP approval and that is not liable to pay "interest" or dividends in the absence of retained earnings. Pending resolution of the issue, an escrow fund was set up with PVB-Trust. The BSP subsequently disapproved the issuance of dividends by the Bank. Notwithstanding, the trial court ordered PVB-Trust to release funds from the escrow for payment of the interest "due and payable" on the redeemed preferred shares. Before the Bank received the order, PVB-Trust released the corresponding amount to CAPPI. The Bank elevated the matter to the Court of Appeals which decided in its favor, ordering CAPPI to return the amount it received from PVB. CAPPI and PVB filed separate petitions before the Supreme Court assailing the decision of the Court of Appeals.

CORPORATE AND SOCIAL RESPONSIBILITY

The Bank not only prioritizes its financial performance, but also focuses on making meaningful contributions to the development of the nation and welfare of the larger society. The Bank's Corporate Social Responsibility (CSR) efforts are geared toward fulfilling its long-standing commitment to community development, promoting financial literacy, and championing volunteer work. All these initiatives are also made possible by the firm commitment shown by highly regarded corporate partners and non-governmental organizations in rendering initial assistance, as well sustaining the efforts that had been started in the communities.

From organizing relief operations to expanding the delivery of essential services, the Bank's CSR initiatives reflected its dedication to active community participation with the aim of uplifting the lives of the people it serves. Past activities include:

Programs in Partnership with San Miguel Foundation, Inc. (SMFI):

(a) Team Malasakit

SMFI's flagship volunteerism initiative implemented various activities that showcased the true spirit of volunteerism and cooperation. Bank employee-volunteers provided relief operations and volunteer assistance for the following initiatives:

- Taal Volcano eruption relief operations in Batangas City: Employee-volunteers cleaned up and refilled hundreds of reusable water containers (through SMC-Infrastructure's Bulacan Bulk Water Plant Facility) for the province's evacuees and displaced residents
- COVID-19 Assistance: Much needed personal protective equipment (PPE) intended for medical frontliners were repacked by employee-volunteers; BankCom Cagayan de Oro branch procured essential supplies and helped distribute to Northern Mindanao Medical Center and J.R. Borja General Hospital; and
- Abutin Na10 campaign: The Department of Education and World Vision partnered up to provide 10 million students across the country access to printed instructional packets and gadgets for online learning activities. The bank

supported the campaign by matching total donations collected from employees, doubling the amount to ensure students get the best access to education during the pandemic

(b) ***Better World Diliman***

Bank of Commerce joined SMFI in its efforts in enhancing its community development projects for families in Metro Manila via Better World, the foundation's learning and livelihood arm. The Bank also donated a Mitsubishi L300 van to the facility, for the delivery and transfer of products and farm produce from provincial areas.

Typhoon Rolly and Ulysses Donation Drive and Relief Efforts

Employee-volunteers joined relief operations (soup kitchens, distribution of food and essential needs to displaced residents) and donation drives for victims affected by Typhoon Rolly and Ulysses in select provinces.

Family Academy Program and Food-Feeding Program in Partnership with International Care Ministries Foundation, Inc. (ICMFI)

An education program with a two-generational approach designed to empower parents in educating their children at home. Within a period of eight months, parents were equipped with basic curriculum in Math and phonics, and educational supplies as they become their kids' first teachers in a home setting. In addition to this, community residents were provided with free seminars and lessons on safe water, women's health and reproduction, disease recognition and prevention. The partnership also mounted a feeding program for families severely affected by the pandemic.

Community-Managed Savings and Credit Association (CoMSCA) in Partnership with World Vision

A program launched with World Vision which provided communities in Bohol with livelihood opportunities and the CoMSCA program which allowed residents to benefit from a local pool of capital for the financing of predictable expenses, facilitation of household cash-flow management, investment in short-term and income-generating activities. Residents were provided with basic financial education by employee-volunteers, to equip them on proper money management, saving for education, household and other family expenses, and livelihood ventures.

ChildHope and Pangarap Foundations

The Bank celebrated the Christmas season with an initiative that gave back to the community – the donation of its 2020 corporate giveaways budget to beneficiaries of both foundations, to help these institutions sustain their efforts in promoting education to children and developing community programs that benefit underprivileged families.

Masungi Georeserve Scholarship Program
Recognizing the need of the education sector to continue with their operations despite the pandemic,the Bank partnered with Masungi Georeserve to initiate a scholarship program for select students in nearby schools in Baras, Rizal. The Bank provided financial support and organized a donation among employees to collect cash or in-kind donations for the purchase of school items for student beneficiaries.

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

On November 9, 2021, the stockholders of the Bank held a special meeting, where 95.44% of the outstanding capital stock present or represented by proxy approved the following:

1. Minutes of the Special Meeting of Stockholders on July 8, 2021

2. Initial Public Offering of the Common Shares of the Bank

   The stockholders of the Bank approved the proposed initial public offering and the registration of up to 1,403,200,000 common shares of the Bank, including the primary public offer and sale of up to 28,700,000 common shares from its unissued capital stock.

   Further, the stockholders delegated to the management the approval of such other terms and conditions of the Offer Shares to comply with the requirements of the regulatory agencies.

3. Amendment of the Amended Articles of Incorporation of the Bank

   The stockholders of the Bank likewise approved the amendment of Article SEVENTH of the Bank's Amended Articles of Incorporation to include provisions on lock-up requirements prescribed by the rules and regulations of the Philippine Stock Exchange.

4. Amendment of the Amended By-Laws of the Bank

   Finally, the stockholders of the Bank approved the amendment of Sections 1, 3, 5 and 9 of Article II, Sections 1, 7, 8, 9, 10, 11, and 12 of Article III; Section 2 of Article VII; and Sections 1 and 3 of Article VIII of the Bank's Amended By-laws. The various amendments were approved to comply with the requirements of the Revised Corporation Code, as well as the rules and regulations of the Philippine Stock Exchange.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

The authorized common and shares as of December 31, 2021 amounted to ₱17 billion and ₱4.6 billion, respectively.

CORPORATE NAME:	BANK OF COMMERCE			
CAPITAL STRUCTURE				
AUTHORIZED CAPITAL STOCK				
	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (Php) No. of Shares X Par/Stated Value
	Common	1,702,511,470	10.00	17,025,114,700.00
	Preferred	455,000,000	10.00	4,550,000,000.00
TOTAL		**2,157,511,470**		**21,575,114,700.00**

SHAREHOLDERS

The following table sets out the 20 largest shareholders of the Bank as of December 31, 2021:

	Title or Class of Shares	Name of Record Owner	Citizenship	Number of Shares Held	Percentage to Total OCS
1	Common	San Miguel Properties, Inc. (SMPI)	Filipino	447,711,800	39.89%
2	Common	San Miguel Corporation Retirement Plan (SMCRP)	Filipino	432,626,860	38.54%
3	Common	Caritas Health Shield, Inc.	Filipino	109,666,640	9.77%
4	Common	SMC Equivest Corporation	Filipino	68,305,560	6.09%
5	Common	Alexcorp Profits Limited	BVI	14,749,100	1.31%
6	Common	Q-Tech Alliance Holdings, Inc.	Filipino	12,171,660	1.08%
7	Common	Equitable Banking Corp.	Filipino	8,401,500	0.75%
8	Common	PVB-TMG as Trustee of Comprehensive Annuity Plan Pension Trust Fund	Filipino	4,980,980	0.44%
9	Common	PVB-TMG as Trustee of College Assurance Plan Inc. Retirement Fund	Filipino	3,673,860	0.33%
10	Common	Comprehensive Annuity Plan Trust Fund	Filipino	3,626,870	0.32%
11	Common	Cabien Holdings, Inc.	Filipino	3,600,650	0.32%
12	Common	Ace Solid Holdings Corp.	Filipino	3,600,620	0.32%
13	Common	JGF Holdings, Inc.	Filipino	2,163,850	0.19%
14	Common	RDA Holdings, Inc.	Filipino	2,163,850	0.19%
15	Common	MV Holdings	Filipino	1,941,950	0.17%
16	Common	Bancommerce Capital Corp.	Filipino	1,476,350	0.13%
17	Common	Bank of Commerce – Trust Services Group as Trustee for Bank of Commerce Retirement Plan	Filipino	730,670	0.07%
18	Common	Rockshed Management, Inc.	Filipino	187,600	0.02%
19	Common	Commerce and Trade Insurance Brokerage, Inc.	Filipino	147,190	0.01%
20	Common	Evangelista, Rafael E.	Filipino	133,360	0.01%

Security Ownership of Management

The following table sets out the shareholding interests of the Bank's directors and senior management as of December 31, 2021:

Title of Class	Name	Position	Citizenship	Amount and Nature of Beneficial Ownership	% of total outstanding Shares
Common Shares	Jose T. Pardo	Chairman	Filipino	10 (Direct)	Nil
Common Shares	Francis C. Chua	Vice-Chairman	Filipino	10 (Direct)	Nil
Common Shares	Michelangelo R. Aguilar	President and CEO / Director	Filipino	10 (Direct)	Nil
Common Shares	Roberto C. Benares	Director	Filipino	10 (Direct)	Nil
Common Shares	Marito L. Platon	Director	Filipino	10 (Direct)	Nil
Common Shares	Carolina G. Diangco	Director	Filipino	10 (Direct)	Nil
Common Shares	Melinda Gonzales-Manto	Independent Director	Filipino	10 (Direct)	Nil
Common Shares	Aniano A. Desierto	Independent	Filipino	10	Nil
		Director		(Direct)	
Common Shares	Benedicta Du-Baladad	Director	Filipino	10 (Direct)	Nil
Common Shares	Fe B. Barin	Director	Filipino	10 (Direct)	Nil
Common Shares	Alexander R. Magno	Director	Filipino	10 (Direct)	Nil
Common Shares	Jose C. Nograles	Independent Director	Filipino	10 (Direct)	Nil
Common Shares	Rebecca Maria A. Ynares	Independent Director	Filipino	10 (Direct)	Nil
Common Shares	Mariano T. Katipunan, Jr.	Director	Filipino	10 (Direct)	Nil
Common Shares	Ricardo D. Fernandez	Independent Director	Filipino	10 (Direct)	Nil
	TOTAL			**150**	

Voting trust holders of 5% or more

The Bank is not aware of shareholders holding any Voting Trust Agreement for shares constituting 5.0% or more of the outstanding capital stock, or any such similar agreement.

Change in control of the registrant since beginning of last fiscal year

There has been no change in the control of the Bank since the beginning of its last fiscal year.

Item 6. Management’s Discussion and Analysis or Plan of Operations

Statement of Income for the Year Ended December 31, 2021 vs December 31, 2020

For the year ending December 31, 2021, Bank of Commerce earned Php1.21 billion in net income. The increase was mainly due to higher net interest income brought about by lower interest expense and service charges, fees, and commissions.

Total Interest Income was down by 2.94% at ₱6.10 billion from ₱6.28 billion last year. Interest income on loans and receivables declined by 11.48% to Php4.28 billion mainly due to the lower interest rate environment. On the other hand, interest income on investment securities at fair value through other comprehensive income (FVOCI) and at amortized cost went up by 36.13% to Php1.25 billion primarily from the additional purchases of investment securities at amortized cost. Interest income on interbank loans receivable and securities purchased under resale agreements increased by 32.87% to Php316.28 million, meanwhile interest income on due from BSP and other banks decreased by 13.97% to Php228.43 million. Interest income on financial assets at fair value through profit or loss (FVTPL) declined by 15.13% to Php14.42 million.

Total Interest Expense went down by 40.52% to Php696.99 million from the Php1.17 billion in the same period last year, primarily due to lower interest expense on deposit liabilities which decreased by 42.78% to Php645.26 million. Interest expense on lease liabilities also went down by 18.38% to Php35.03 million. On the other hand, interest expense on bills payable increased to Php16.69 million, mainly due to tax accruals.

Given the more significant decline of Interest Expenses, Net Interest Income for 2021 increased to Php5.40 billion, up 5.67% from the previous year’s Php5.11 billion.

Total Other Income was at Php826.34 million, 53.19% lower than the previous year. This is owing to a loss of Php78.71 million in trading and investment securities for 2021, compared to the gain of Php1.15 billion the previous year. Meanwhile, service charges, fees and commissions increased by 19.45% to Php531.13 million. Gains on foreclosure, and sale of property and equipment and foreclosed assets rose by 3.68x to Php274.99 million as a result of higher sale of foreclosed assets. Foreign exchange gains and miscellaneous income fell by 1.04% and 22.7%, respectively, to Php48.37 million and Php50.57 million.

Total Expenses, excluding provision for credit and impairment losses went up by 3.27% to Php5.03 billion. Compensation and fringe benefits slightly went up by 0.09% to Php1.82 billion as a result of the provisions on the collective bargaining agreement (CBA). Taxes and licenses decreased by 3.37% to Php802.19 million from lower documentary stamp taxes. Rent and utilities increased by 11.74% to Php532.28 million. Depreciation and amortization declined by 18.55% to Php462.53 million from lower depreciation expense on foreclosed assets. Insurance, on the other hand, grew by 19.31% to Php334.83 million on account of higher PDIC insurance from higher deposit volume. Service fees and commissions and subscription fees also increased by 25.27% and 11.44%, respectively, to Php229.71 million and Php107.65 million as a result of new subscriptions on systems. Entertainment and recreation expenses declined by 9.24% to Php97.39 million. Management and professional fees and amortization of software costs went up by 7.01% and 16.74%, respectively, to Php85.02 million and Php53.6 million. Miscellaneous expense also increased by 31.45% to Php501.81 million from Php381.76 million.

As a result of the reversal of provisions, the Bank’s provision for credit and impairment losses is at negative Php634.82 million for the year 2021.

The Bank recorded its share in the net loss of associate at Php1.04 million in 2021, 38.01% higher than the previous year of Php0.75 million.

Income Tax Expense amounted to Php623.69 million, 142.56% higher from Php257.12 million the previous year.

Statement of Comprehensive Income for the Year Ended December 31, 2021 vs December 31, 2020

The Bank posted a total comprehensive income of Php1.2 billion for 2021, 78.09% higher than Php671.47 million posted in the same period a year ago. This was primarily driven by the higher net income in 2021 which is partially offset by the net change in net unrealized losses of debt securities at FVOCI at Php320.19 million. Remeasurement losses on defined benefit plan increased to Php186.54 million based on actuarial adjustments.

Statement of Condition as of December 31, 2021 vs December 31, 2020

The Bank ended 2021 with total assets amounting to Php199.71 billion, 16.85% higher than previous year's Php170.92 billion mainly from the increase in investment securities at amortized cost alongside with the increase in loans and other receivables, and these were partially offset by the decrease in investment securities at fair value and lower interbank loans receivables.

Cash and Other Cash Items and Due from BSP accounts went up by 13.52% and 14.72%, respectively, to Php2.75 billion and Php45.37 billion. Due from other banks also increased by 1.58% to Php1.04 billion. Interbank loans receivable however went down by 13.25% to Php19.13 billion in 2021.

Financial assets at fair value declined by 63.75% to Php6.05 billion driven by the sale of financial assets at FVTPL and FVOCI which decreased to Php994.61 million and Php5.06 billion, respectively. Investment securities at amortized cost, on the other hand, increased by 3.69x to Php42.91 billion.

Loans and other receivables amounted to Php74.37 billion, 3.83% higher than the same period last year largely driven by increase in corporate loans. The Bank's loan-to-deposit ratio was recorded at 43.9%.

Investment in Associate continued its downtrend to Php39.66 million from Php40.69 million the previous year. Property and Equipment decreased by 11.27% to Php1.47 billion from Php1.66 billion in 2020. Investment Properties also went down to Php3.45 billion from Php3.62 billion. From Php955.38 million in 2020, deferred tax assets fell by 22.18% to Php743.51 million. Other Assets, on the other hand, increased by 12.16% to Php2.39 billion from Php2.13 billion in 2020.

Total liabilities increased to Php176.35 billion as of December 31, 2021, driven by the 15.16% increase in deposit liabilities. Increase in deposit liabilities to Php171.71 billion in 2021 was driven by higher demand and savings volumes which were up by 22.8% and 30.01%, respectively, to Php48.7 billion and Php108.87 billion, respectively. Manager's Checks and Accrued Interest, Taxes and Other Expenses also went up by 9.35% and 14.47%, respectively, to Php951.46 million and Php1.02 billion. Other liabilities, on the other hand, fell by 18.96% to Php2.66 billion from Php3.29 billion the previous year.

The Bank's total capital funds rose by 39.34% to Php23.36 billion as of December 31, 2021 from Php16.77 billion the previous year, owing to a Php5.5 billion capital infusion in 2021.

Key performance indicators of the Bank are as follows:

	2021	2020
Return on Average Assets	0.65%	0.50%
Return on Average Equity	6.01%	4.77%
Cost-to-Income Ratio	80.79%	70.84%
Net Non-Performing Loan Ratio	0.88%	0.89%
Capital Adequacy Ratio	21.57%	16.60%

The manner by which the Bank calculates the above indicators is as follows:

Return on Average Assets:	Net income divided by average total resources for the period indicated
Return on Average Equity:	Net income divided by average total capital funds for the period indicated
Cost-to-Income Ratio:	Total operating expenses divided by the sum of net interest income and other income
Net Non-Performing Loan Ratio:	(Total non-performing loans less specific loan loss reserves for NPL) divided by (total loans inclusive of interbank loans receivables)
Capital Adequacy Ratio:	Total qualifying capital divided by total risk-weighted assets (inclusive of credit, market and operational risk charge)

Statement of Income for the Year Ended December 31, 2020 vs December 31, 2019

As of 31 December 2020, the Bank reported a Net Income after Tax of Php784.43 million or a Php131.71 million or 20.18% increase from Php652.72 million for the same period last year. The increase in net income was mainly driven by higher gains in trading and investment securities. Total Interest Income went down by 3.86% to Php6.28 billion from Php6.53 billion recorded last year.

Interest Income on Loans and Receivables was slightly down by 1.62% to Php4.84 billion. Interest Income on Investment Securities at Fair Value through Other Comprehensive Income and at Amortized Cost was down by 17.70% or Php197.72 million to Php919.37 million mainly due to the sale of Investment Securities. Interest Income from deposits with BSP and Other Banks however went up by 62.45% to Php265.53 million in 2020 as part of the proceeds from the sale of Investment Securities was parked here. Interest earned from Interbank Loans Receivable and SPURA decreased by 24.57% to Php238.04 million in 2020 from Php315.57 million due to the decrease in interest rates. Interest earned from Financial Assets at Fair Value though Profit or Loss marginally increased to Php16.99 million.

Interest Expense on Deposit Liabilities decreased by 51.94% to Php1.13 billion from Php2.35 billion in 2019 due to the lower interest rate environment. Interest incurred from Bills Payable and Others also went down by 77.23% to Php1.11 million from Php4.86 million the same period last year. Interest Expense on Lease Liabilities dropped to Php42.92 million from Php45.36 million in 2019.

The Bank's Net Interest Income grew by 23.52% to Php5.11 billion from Php4.14 billion in 2019 due to the bigger drop in Interest Expenses than Interest Income.

Total Other Operating Income increased by 4.02% to Php1.77 billion from Php1.70 billion in 2019 primarily due to higher Trading and Investment Securities Gains. The increase in Other Operating Income was however tempered by the reduction in most other income sources due to the reduced business activities brought about by the pandemic. Total Other Operating Income contribution to Gross Income decreased from 29.10% to 25.68% as of year-end 2020.

The Bank posted a Php1.15 billion trading and investment securities gains versus a Php355.69 million in 2019 due to the favorable sale of Investment Securities. Service Charges, Fees and Commissions however dropped by 6.84% to Php444.64 million from Php477.27 million in 2019 due to the reduced business activity. Foreign Exchange gains also decreased to Php48.88 million from Php67.99 million in 2019 due to the more difficult operating environment. The Bank's Gain on Foreclosure and Sale of Property and Equipment and Foreclosed Assets significantly dropped by 82.53% to Php58.76M due to limited market opportunities. Miscellaneous Income also went down to Php65.42 million in 2020 from Php459.86 million due to impact of previous year's gain on exchange of property.

Other Operating Expenses, excluding provision for credit and impairment losses, increased by 4.46% to Php4.87 billion in 2020 from Php4.66 billion. Compensation and Fringe Benefits went up by 8.01% to Php1.82 billion due to the full year effects of hires from the second half of 2019. Taxes and Licenses rose to Php830.16 million, or 7.27% higher than the Php773.89 million for the same period in the previous year due to Gross Receipt Taxes paid on the higher revenues. Rent and Utilities went down to Php476.34 million in 2020 from Php505.77 million. Depreciation and Amortization increased by 18.19% from Php480.44 million in 2019 due to amortization of additional investments. Service Fees and Commission expenses were lower by 34.16% at Php183.37 million from Php278.52 million in 2019 due to the start of the Covid-19 Pandemic which halted several services from 3rd party providers.

The Bank posted Php280.64 million Insurance expenses while Entertainment and Recreation was at Php107.30 million. Management and Professional Fees increased to Php79.45 million from Php65.80 million in 2019 due to payments of various services rendered by professionals in relation to the issuance of LTNCD while Amortization of Software Costs increased by 34.45% from Php34.14 million the same period last year due to the recognition of additional amortization from various projects which were used in production. Miscellaneous Expense was at Php381.76 million in 2020 from Php399.78 million.

The Bank set aside Php962.51 million in Provision for Credit and Impairment Losses in 2020 mainly due to the increase in the Bank's Non-Performing Loans brought about by the pandemic.

The Bank recorded its share in the net loss of BIC at Php0.75 million, 73.72% lower than the Php2.86 million in 2019.

Statement of Condition as of December 31, 2020 vs December 31, 2019

The Bank's Total Assets as of 31 December 2020 stood at Php170.92 billion, which was 17.85% higher than the Php145.03 billion level in December 2019. The significant improvement in assets was due to the increased in due from banks and investment portfolios.

Loans and Receivables, net of allowance for credit losses and unearned interest income, representing 41.91% of total assets went down 2.87% or Php2.11 billion to Php71.63 billion in December 2020 from Php73.74 billion.

Cash and Other Cash Items increased by 36.26% to Php2.42 billion as of 31 December 2020 from Php1.78 billion. Due from BSP, representing 23.14% of total assets, increased to Php39.55 billion from Php21.96 billion in December 2019, and Due from Other Banks increased by 52.62% to Php1.02 billion in December 2020 from Php0.67 billion. On the other hand, Interbank Loans Receivable and Securities Purchased under Resale Agreements as of 31 December 2020 went up by 64.24% or Php8.63 billion to Php22.06 billion from Php13.43 billion in December 2019.

Investment Securities at Amortized Cost decreased by 59.44% to Php9.15 billion in December 2020 from Php22.55 billion. These investment securities represent 5.35% of total assets as of 31 December 2020.

Financial Assets at Fair Value through Profit or Loss stood at Php1.27 billion as of 31 December 2020. This was 20.09% higher than the Php1.05 billion level in December 2019.

Financial Assets at Fair Value through Other Comprehensive Income increased by Php14.03 billion to Php15.4 billion from Php1.39 billion in December 2019.

Investment in Associate slightly decreased to Php40.69 million from Php41.44 million in December 2019.

Property and Equipment decreased by 4.69% to Php1.66 billion in December 2020 from Php1.74 billion.

Investment Properties went down to Php3.62 billion as of 31 December 2020 from Php3.73 billion in December 2019.

Deferred Tax Assets increased by 8.53% to Php0.96 billion as of 31 December 2020 from Php0.88 billion in December 2019. On the other hand, Other Assets went up to Php2.13 billion as of 31 December 2020 from Php2.03 billion in December 2019.

The Bank's deposit levels, representing 96.72% of total liabilities, went up by 20.39% or Php25.25 billion to Php149.11 billion with the addition of Php5.03B LTNCD, from Php123.86 billion as of 31 December 2019. Savings and Time Deposits increased by 16.28% to Php83.74 billion and 16.92% to Php20.67 billion, respectively, while Demand Deposits grew by 16.10% to Php39.66 billion.

Manager's Checks and Acceptances Payable was recorded at Php0.87 billion as of 31 December 2020 from Php0.92 billion. Accrued Interest, Taxes and Other Expenses went up by 9.50% to Php0.89 billion from Php0.82 billion in December 2019. Other liabilities decreased to Php3.29 billion as of 31 December 2020 from Php3.34 billion.

The Bank's Equity went up by 4.17% to Php16.77 billion from Php16.09 billion as of 31 December 2019. The increase was mainly due to the Net Income for the year of 2019.

As of 31 December 2020, CAR was at 16.6%. This is above the minimum regulatory requirement of 10.0%. The Bank posted losses on 'Cumulative Translation Adjustment' under equity amounting to Php15.04 million, as compared with December 2019 which posted a gain of Php2.01 million.

Statement of Income for the Year Ended December 31, 2019 vs December 31, 2018

As of 31 December 2019, the Bank reported a Net Income after Tax of Php652.72 million or an increase of Php669.27 million compared to a Php16.54 million Net Loss after Tax for the same period last year. The increase in net income was due to higher core and other operating income. Net Income as a percentage to Gross Income improved to 11.19% as of 2019 compared to -0.38% as of 2018.

Total Interest Income grew by 25.18% or Php1.31 billion mainly due to higher Interest Income from loans. Interest Income on Loans and Receivables grew by 34.11% or Php1.25 billion mainly due to growth in the Bank's loan portfolio. Interest Income from deposits with BSP and Other Banks also went up by 68.76% to Php163.46 million in 2019, while Interest earned from Interbank Loans Receivable and SPURA increased to Php315.57 million in 2019 from Php266.13 million. On the other hand, Interest Income on Investment Securities at Fair Value through Other Comprehensive Income and at Amortized Cost was relatively flat at Php1.12 billion, while Interest earned from Financial Assets at Fair Value though Profit or Loss declined by 74.38% to Php16.06 million mainly due to the lower volume of securities.

Interest Expense on Deposit Liabilities increased by 55.49% to Php2.35 billion from Php1.51 billion in 2018 mainly due to higher interest rates. Interest incurred from Bills Payable and Others went down by 51.56% to Php4.86 million from Php10.02 million due to lower amount of Bills Payable. As a result of the adoption of PFRS 16 Leases, the Bank recognized Php45.36 million Interest Expense on Lease Liabilities in 2019.

The Bank's Net Interest Income grew by 11.80% to Php4.14 billion from Php3.70 billion in 2018 as growth in Interest Income was faster than Interest Expenses. Net Interest Income contribution to Gross Income however decreased to 70.90% as of year-end 2019 compared to 85.15% last year due to the more significant growth in Total Other Operating Income.

Total Other Operating Income increased by 163.58% or Php1.05 billion to Php1.70 billion from Php643.87 million in 2018 mainly due to higher Trading and Investment Securities Gains and Miscellaneous Income compared to the same period last year.

The Bank posted a Php355.69 million trading and investment securities gains versus a Php109.41 million trading and investment securities losses in 2018 due to favorable market condition. Service Charges, Fees and Commissions improved by 21.81% to Php477.27 million from Php391.81 million in 2018 through increased business activities. Foreign Exchange gains also increased to Php67.99 million from Php58.76 million in 2018. Moreover, the Bank recorded Php336.29 million Gains on Foreclosure and Sale of Property and Equipment and Foreclosed Assets, 62.16% higher than the Php207.38 million in 2018 from the sale of its foreclosed properties. Miscellaneous Income went up by 382.36% to Php459.86 million in 2019 from Php95.33 million due to gain on exchange of property.

Other Operating Expenses, excluding provision for credit and impairment losses, increased by 8.81% to Php4.66 billion in 2019 from Php4.28 billion. Compensation and Fringe Benefits went up by 8.14% to Php1.68 billion due to additional hires. Taxes and Licenses rose to Php773.89 million, or 10.09% higher than the Php702.95 million for the same period last year due to GRT on higher revenues. Rent and Utilities went down to Php505.77 million in 2019 from Php683.57 million whereas depreciation and amortization increased by 85.47% or Php221.40 million from Php259.04 million in 2018 due to adoption of PFRS 16 Leases. Service Fees and Commission expenses were higher at Php278.53 million from Php140.65 million in 2018 as various projects kicked off in the year where services from 3rd party providers were rendered.

The Bank posted Php245.45 million Insurance expenses while Entertainment and Recreation was at Php123.34 million. Management and Professional Fees went down to Php65.80 million from Php89.01 million in 2018 due to the decreased payments in various consultancy and professional fees while Amortization of Software Costs declined by 40.50% from Php34.14 million the same period last year due to maturities. Miscellaneous Expense was at Php469.09 million in 2019 from Php421.71 million due to expenses related to the increase in customer deposits and higher subscription fees.

The Bank set aside Php52.10 million in Provision for Credit and Impairment Losses in 2019. On the other hand, Reversal of Provision for Credit and Impairment Losses was posted at Php181.12 million in 2018.

The Bank recorded its share in the net loss of BIC at Php2.87 million, 55.33% higher than the Php1.84 million in 2018.

Statement of Condition as of December 31, 2019 vs December 31, 2018

The Bank's Total Assets as of 31 December 2019 stood at Php145.03 billion, which was 4.21% lower than the Php151.41 billion level in December 2018. The significant decrease in assets was due to the declined in due from other banks and investment portfolios.

Loans and Receivables, net of allowance for credit losses and unearned interest income, representing 50.85% of total assets increased by 2.04% or Php1.47 billion to Php73.74 billion in December 2019 from Php72.27 billion. Mortgage and Auto Loans grew by 22.06% and 28.79%, respectively.

Cash and Other Cash Items increased by 1.62% to Php1.78 billion as of 31 December 2019 from Php1.75 billion. Due from the BSP, representing 15.14% of total assets, increased to Php21.96 billion from Php21.42 billion in December 2018, while Due from Other Banks decreased by 82.53% to Php670.48 million in December 2019 from Php3.84 billion. On the other hand, Interbank Loans Receivable and Securities Purchased under Resale Agreements as of 31 December 2019 went up by 12.06% or Php1.45 billion to Php13.43 billion from Php11.98 billion in December 2018.

Investment Securities at Amortized Cost decreased by 2.86% to Php22.55 billion in December 2019 from Php23.21 billion. These investment securities represent 15.55% of total assets as of 31 December 2019.

Financial Assets at Fair Value through Other Comprehensive Income declined by 82.57% or Php6.58 billion to Php1.39 billion from Php7.97 billion in December 2018. The significant decrease in these securities was due to sale of investments in 2019.

Financial Assets at Fair Value through Profit or Loss stood at Php1.05 billion as of 31 December 2019. This was 42.62% lower than the Php1.84 billion level in December 2018.

Investment in Associate increased to Php41.44 million from Php39.98 million in December 2018.

Property and Equipment increased by 51.42% or Php591.24 million to Php1.74 billion in December 2019 from Php1.15 billion. The increase in Property and Equipment was due to the adoption of PFRS 16 Leases, which became effective 1 January 2019. As result of this adoption, the Bank recognized Right-of-Use assets amounting to Php550.48 million. The new standard introduced a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Prior to the adoption of PFRS 16, the Bank classified property leases as operating leases under PAS 17.

Investment Properties went up to Php3.73 billion as of December 31, 2019 from Php3.12 billion in December 2018 due to foreclosure and exchange of real estate properties. Meanwhile, Non-current Assets Held for Sale stood at Php48.12 million both in December 2019 and 2018.

Deferred Tax Assets decreased by 12.25% to Php880.30 million as of 31 December 2019 from Php1.00 billion in December 2018. On the other hand, Other Assets went up to Php2.03 billion as of December 2019 from Php1.76 billion in December 2018 due to the increase in creditable withholding tax and intangible assets.

The Bank’s deposit levels, representing 96.06% of total liabilities, went down by 5.58% or Php7.32 billion to Php123.86 billion from Php131.18 billion as of 31 December 2018. Savings and Time Deposits decreased by 7.21% to Php72.02 billion and 28.52% to Php17.68 billion, respectively, while Demand Deposits grew by 18.47% to Php34.16 billion.

Bills Payable declined by 99.98% to Php0.11 million as of 31 December 2019 from Php557.47 million. This was mainly due to the settlement of securities sold under repurchase agreement transactions.

Manager's Checks and Acceptances Payable was recorded at Php923.46 million as of 31 December 2019 from Php615.50 million. Accrued Interest, Taxes and Other Expenses went down by 14.79% to Php815.03 million from Php956.49 million in December 2018. Other liabilities increased to Php3.43 billion as of 31 December 2019 from Php2.60 billion.

The Bank's Equity went up by 3.79% to Php16.09 billion from Php15.51 billion as of 31 December 2018. The increase was mainly due to the Net Income for the year of 2019. Net Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Income increased by Php165.87 million to Php36.11 million. Remeasurement Losses on Retirement Liability stood at Php320.00 million as of 31 December 2019 from Php95.31 million.

As of 31 December 2019, CAR was at 15.93%. This is above the minimum regulatory requirement of 10.0%. The Bank posted gains on 'Cumulative Translation Adjustment' under equity amounting to Php2.01 million, as compared with December 2018 which posted a gain of Php12.64 million.

Item 7. Financial Statements

BANK OF COMMERCE
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2021	2020
ASSETS			
Cash and Other Cash Items		**P2,747,780,890**	P2,420,504,742
Due from Bangko Sentral ng Pilipinas	*17, 18*	**45,367,142,605**	39,547,210,722
Due from Other Banks	*17*	**1,039,456,479**	1,023,255,562
Interbank Loans Receivable and Securities Purchased under Resale Agreements	*8, 17*	**19,133,505,219**	22,055,827,932
Financial Assets at Fair Value through Profit or Loss	*9*	**994,612,772**	1,265,419,468
Financial Assets at Fair Value through Other Comprehensive Income	*10, 17, 32*	**5,055,116,576**	15,424,248,009
Investment Securities at Amortized Cost	*11, 17, 32*	**42,909,057,404**	9,146,277,511
Loans and Receivables	*12, 17, 32*	**74,374,125,167**	71,628,349,480
Investment in an Associate	*13, 17, 32*	**39,661,589**	40,687,406
Property and Equipment	*14, 17*	**1,472,398,367**	1,659,401,337
Investment Properties	*15, 17*	**3,448,314,535**	3,624,986,606
Deferred Tax Assets	*31*	**743,505,416**	955,379,983
Other Assets	*16, 17*	**2,387,937,153**	2,129,132,566
		P199,712,614,172	P170,920,681,324
LIABILITIES AND EQUITY			
Deposit Liabilities	*18, 32*		
Demand		**P48,702,339,755**	P39,659,286,077
Savings		**108,874,919,612**	83,743,820,681
Time		**9,107,143,873**	20,673,084,328
Long-term negotiable certificates		**5,029,420,000**	5,029,420,000
		171,713,823,240	149,105,611,086
Bills Payable	*19*	**-**	18,675
Manager's Checks		**951,460,497**	870,079,608
Accrued Interest, Taxes and Other Expenses	*20, 32*	**1,021,625,802**	892,463,477
Other Liabilities	*21, 32*	**2,662,971,101**	3,286,045,837
Total Liabilities		**176,349,880,640**	154,154,218,683
Equity			
Capital stock	*23*	**15,390,777,900**	11,224,111,200
Paid-in surplus	*23*	**6,776,694,869**	5,594,079,646
Surplus reserves	*24*	**755,806,267**	395,602,340
Retained earnings (Deficit)	*23*	**852,471,738**	(51,156,715)
Remeasurement losses on retirement liability	*28*	**(262,547,387)**	(449,088,000)
Net unrealized gains (losses) on financial assets at fair value through other comprehensive income	*10*	**(156,154,761)**	69,657,563
Cumulative translation adjustment		**7,010,814**	(15,404,017)
Share in other comprehensive loss of an associate	*13*	**(1,325,908)**	(1,339,376)
Total Equity		**23,362,733,532**	16,766,462,641
		P199,712,614,172	P170,920,681,324

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF INCOME

	Note	Period Ended December 31 2021	2020	2019
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	*12, 32*	**P4,284,455,772**	P4,840,143,949	P4,920,061,099
Investment securities at fair value through other comprehensive income and at amortized cost	*25, 32*	**1,251,563,739**	919,374,469	1,117,092,275
Interbank loans receivable and securities purchased under resale agreements	*8*	**316,281,375**	238,044,191	315,569,692
Due from Bangko Sentral ng Pilipinas and other banks	*18*	**228,434,625**	265,527,722	163,456,630
Other interest income:				
Financial assets at fair value through profit or loss	*25*	**14,420,446**	16,991,151	16,058,663
		6,095,155,957	6,280,081,482	6,532,238,359
INTEREST EXPENSE				
Deposit liabilities	*18, 32*	**645,260,590**	1,127,728,480	2,346,266,843
Lease liabilities	*29*	**35,033,242**	42,921,243	45,360,536
Bills payable and others	*19*	**16,691,365**	1,105,699	4,855,994
		696,985,197	1,171,755,422	2,396,483,373
NET INTEREST INCOME		**5,398,170,760**	5,108,326,060	4,135,754,986
OTHER INCOME				
Service charges, fees and commissions	*26, 32*	**531,127,752**	444,637,070	477,274,280
Gains on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16, 32*	**274,985,810**	58,764,927	336,288,436
Trading and investment securities gains (losses) - net	*27*	**(78,709,145)**	1,147,573,753	355,688,714
Foreign exchange gains - net		**48,367,204**	48,875,995	67,994,272
Miscellaneous	*30, 32*	**50,565,323**	65,417,725	459,861,228
		826,336,944	1,765,269,470	1,697,106,930
OTHER EXPENSES				
Compensation and fringe benefits	*28, 32*	**1,820,969,091**	1,819,392,253	1,684,538,431
Taxes and licenses	*15*	**802,193,452**	830,158,438	773,892,173
Provision for (reversal of) credit and impairment losses	*17*	**(634,819,513)**	962,509,599	52,095,015
Rent and utilities	*29*	**532,283,906**	476,343,471	505,773,088
Depreciation and amortization	*14, 15, 16*	**462,532,885**	567,850,860	480,444,851
Insurance		**334,825,533**	280,637,960	245,450,542
Service fees and commissions		**229,706,473**	183,373,509	278,525,116
Subscription fees		**107,646,170**	96,595,420	69,302,963
Entertainment and recreation		**97,393,528**	107,304,726	123,335,716
Management and professional fees	*32*	**85,022,359**	79,453,000	65,801,182
Amortization of software costs	*16*	**53,595,136**	45,907,917	34,144,155
Miscellaneous	*30*	**501,811,576**	381,759,150	399,784,678
		4,393,160,596	5,831,286,303	4,713,087,910

Forward

	Note	Period Ended December 31 2021	2020	2019
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		**P1,831,347,108**	P1,042,309,227	P1,119,774,006
SHARE IN NET LOSS OF AN ASSOCIATE	*13, 32*	**1,039,285**	753,029	2,865,073
INCOME BEFORE INCOME TAX EXPENSE		**1,830,307,823**	1,041,556,198	1,116,908,933
INCOME TAX EXPENSE	*31*	**623,688,658**	257,122,410	464,186,399
NET INCOME		**P1,206,619,165**	P784,433,788	P652,722,534
Earnings Per Share Attributable to Equity Holders of the Bank	*35*			
Basic		**P1.02**	P0.70	P0.58
Diluted		**0.93**	0.70	0.58

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

		Period Ended December 31		
	Note	2021	2020	2019
NET INCOME		**P1,206,619,165**	P784,433,788	P652,722,534
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified to profit or loss				
Net change in remeasurement losses on retirement liability	*28*	**186,540,613**	(129,089,549)	(224,686,360)
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	*10*	**31,555,000**	(412,381)	5,229,000
		218,095,613	(129,501,930)	(219,457,360)
Items that may be reclassified to profit or loss				
Net change in fair value of debt securities at FVOCI	*10*	**(320,194,577)**	314,704,714	359,733,308
Net change in fair value of debt securities at FVOCI taken to profit or loss	*10*	**68,883,753**	(280,743,443)	(198,827,405)
Net movement in cumulative translation adjustment		**22,414,831**	(17,418,897)	(10,624,175)
Share in other comprehensive income (loss) of an associate	*13*	**13,468**	(3,073)	4,326,471
		(228,882,525)	16,539,301	154,608,199
		(10,786,912)	(112,962,629)	(64,849,161)
TOTAL COMPREHENSIVE INCOME		**P1,195,832,253**	P671,471,159	P587,873,373

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock (Note 23)	Paid-in Surplus (Note 23)	Surplus Reserves (Note 24)	Retained Earnings (Deficit) (Note 23)	Remeasurement Losses on Retirement Liability (Note 28)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2020		P11,224,111,200	P5,594,079,646	P395,602,340	(P51,156,715)	(P449,088,000)	P89,657,563	(P15,404,017)	(P1,339,376)	P16,766,462,641
Net income for the year		-	-	-	1,206,619,165	-	-	-	-	1,206,619,165
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	186,540,613	-	-	-	186,540,613
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	31,555,000	-	-	31,555,000
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(320,194,577)	-	-	(320,194,577)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	68,883,753	-	-	68,883,753
Net movement in cumulative translation adjustment		-	-	-	-	-	-	22,414,831	-	22,414,831
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	13,468	13,468
Total comprehensive income for the year		-	-	-	1,206,619,165	186,540,613	(219,755,824)	22,414,831	13,468	1,195,832,253
Issuance of preferred stock	23	4,166,666,700	1,233,771,938	-	-	-	-	-	-	5,400,438,638
Transactions within equity:										
Transfer from surplus reserves	24	-	-	360,203,927	(360,203,927)	-	-	-	-	-
Application of paid-in surplus against deficit	23	-	(51,156,715)	-	51,156,715	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	6,056,500	-	(6,056,500)	-	-	-
		4,166,666,700	1,182,615,223	360,203,927	(302,990,712)	-	(6,056,500)	-	-	5,400,438,638
Balance as at December 31, 2021		P15,390,777,900	P6,776,694,869	P755,806,267	P852,471,738	(P262,547,387)	(P156,154,761)	P7,010,814	(P1,325,908)	P23,362,733,532

Forward

	Note	Capital Stock (Note 23)	Paid-in Surplus (Note 23)	Surplus Reserves (Note 24)	Retained Earnings (Deficit) (Note 23)	Remeasurement Losses on Retirement Liability (Note 28)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2019		P11,224,111,200	P5,594,079,646	P399,262,743	(P839,250,906)	(P319,998,451)	P36,106,673	P2,014,880	(P1,336,303)	P16,094,991,482
Net income for the year		-	-	-	784,433,788	-	-	-	-	784,433,788
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	(129,089,549)	-	-	-	(129,089,549)
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	(412,381)	-	-	(412,381)
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	314,704,714	-	-	314,704,714
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	(280,743,443)	-	-	(280,743,443)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	(17,418,897)	-	(17,418,897)
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	(3,073)	(3,073)
Total comprehensive income for the year		-	-	-	784,433,788	(129,089,549)	33,548,890	(17,418,897)	(3,073)	671,471,159
Transactions within equity:										
Transfer from surplus reserves	24	-	-	(3,660,403)	3,660,403	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	-	-	-	-	-	-
		-	-	(3,660,403)	3,660,403	-	-	-	-	-
Balance as at December 31, 2020		P11,224,111,200	P5,594,079,646	P395,602,340	(P51,156,715)	(P449,088,000)	P69,657,563	(P15,404,017)	(P1,339,376)	P16,766,462,641

Forward

	Note	Capital Stock (Note 23)	Paid-in Surplus (Note 23)	Surplus Reserves (Note 24)	Retained Earnings (Deficit) (Note 23)	Remeasurement Losses on Retirement Liability (Note 28)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2018		P11,224,111,200	P5,594,079,646	P454,994,785	(P1,547,973,982)	(P95,312,091)	(P129,757,730)	P12,639,055	(P5,662,774)	P15,507,118,109
Net income for the year		-	-	-	652,722,534	-	-	-	-	652,722,534
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	(224,686,360)	-	-	-	(224,686,360)
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	5,229,000	-	-	5,229,000
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	359,733,308	-	-	359,733,308
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	(198,827,405)	-	-	(198,827,405)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	(10,624,175)	-	(10,624,175)
Share in other comprehensive income of an associate		-	-	-	-	-	-	-	4,326,471	4,326,471
Total comprehensive income for the year		-	-	-	652,722,534	(224,686,360)	166,134,903	(10,624,175)	4,326,471	587,873,373
Transactions within equity:										
Transfer from surplus reserves	24	-	-	(55,732,042)	55,732,042	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	268,500	-	(268,500)	-	-	-
		-	-	(55,732,042)	56,000,542	-	(268,500)	-	-	-
Balance as at December 31, 2019		P11,224,111,200	P5,594,079,646	P399,262,743	(P839,250,906)	(P319,998,451)	P36,108,673	P2,014,880	(P1,336,303)	P16,094,991,482

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

		Period Ended December 31		
	Note	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax expense		**P1,830,307,823**	P1,041,556,198	P1,116,908,933
Adjustments for:				
Provision for (reversal of) credit and impairment losses	*17*	**(635,185,510)**	958,875,752	52,225,704
Depreciation and amortization	*14, 15, 16*	**462,532,885**	567,850,860	480,444,851
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16, 32*	**(274,985,810)**	(58,764,927)	(336,288,436)
Loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI)	*27*	**68,883,753**	(280,743,443)	(198,827,405)
Amortization of software costs	*16*	**53,595,136**	45,907,917	34,144,155
Unrealized loss (gain) on financial assets at fair value through profit or loss (FVPL)	*27*	**4,189,634**	(69,731,751)	(135,535,224)
Share in net loss of an associate	*13*	**1,039,285**	753,029	2,865,073
Gain on sale of investment securities at amortized cost	*27*	**-**	(767,033,010)	-
Miscellaneous income	*30*	**-**	(6,595,120)	(363,450,000)
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Interbank loans receivables	*8*	**106,515,133**	4,382,274	(110,883,214)
Financial assets at FVPL		**266,617,062**	(141,927,841)	918,184,476
Loans and receivables		**(2,049,407,264)**	1,142,980,036	(1,643,739,447)
Other assets		**(254,234,814)**	(184,442,772)	(202,644,680)
Increase (decrease) in:				
Deposit liabilities		**22,608,212,154**	25,249,423,016	(7,322,035,294)
Manager's checks		**81,380,889**	(53,380,133)	307,963,803
Accrued interest, taxes and other expenses		**90,609,895**	97,234,086	(100,619,502)
Other liabilities		**(386,245,709)**	(207,066,635)	(117,129,826)
Net cash generated from (absorbed by) operations		**21,973,824,542**	27,339,277,536	(7,618,416,033)
Income taxes paid		**(366,872,337)**	(355,090,693)	(338,334,083)
Net cash provided by (used in) operating activities		**21,606,952,205**	26,984,186,843	(7,956,750,116)

Forward

	Note	2021	2020	2019
		Period Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of:				
Financial assets at FVOCI		**P17,433,761,770**	P16,022,194,922	P10,024,308,116
Investment securities at amortized cost		**15,166,197,000**	20,043,309,156	1,557,000,000
Investment properties		**308,006,196**	50,090,800	94,051,694
Property and equipment		**45,240,223**	45,448,780	49,150,059
Additions to:				
Investment securities at amortized cost		**(48,933,469,733)**	(5,873,014,288)	(893,626,163)
Financial assets at FVOCI		**(7,358,521,216)**	(29,740,895,892)	(3,071,058,659)
Property and equipment	*14*	**(156,995,689)**	(98,228,754)	(207,302,263)
Software costs	*16*	**(48,972,849)**	(16,158,782)	(131,596,152)
Investment properties		**(1,098,889)**	(2,095,772)	(21,242,574)
Net cash provided by (used in) investing activities		**(23,545,853,187)**	430,650,170	7,399,684,058
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of preferred stock		**5,452,543,902**	-	-
Payment of lease liability		**(188,452,088)**	(177,806,359)	(148,056,647)
Settlement of bills payable		**(18,675)**	(86,420)	(557,366,520)
Net cash provided by (used in) financing activities	*34*	**5,264,073,139**	(177,892,779)	(705,423,167)
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**22,414,831**	(17,418,897)	(10,624,175)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,347,586,988**	27,219,525,337	(1,273,113,400)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items		**2,420,504,742**	1,776,398,932	1,748,070,945
Due from Bangko Sentral ng Pilipinas		**39,547,210,722**	21,955,496,031	21,424,140,231
Due from other banks		**1,023,255,562**	670,481,616	3,838,048,357
Interbank loans receivable and securities purchased under resale agreements		**21,949,327,179**	13,318,396,289	11,983,626,735
		64,940,298,205	37,720,772,868	38,993,886,268
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items		**2,747,780,890**	2,420,504,742	1,776,398,932
Due from Bangko Sentral ng Pilipinas		**45,367,142,605**	39,547,210,722	21,955,496,031
Due from other banks		**1,039,456,479**	1,023,255,562	670,481,616
Interbank loans receivable and securities purchased under resale agreements	*34*	**19,133,505,219**	21,949,327,179	13,318,396,289
		P68,287,885,193	P64,940,298,205	P37,720,772,868

Forward

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
Date APR 11 2022
RECEIVED
MARKANT

	Note	Period Ended December 31 2021	2020	2019
CASH FLOWS FROM INTEREST AND DIVIDENDS				
Operating Activities				
Interest received		**P5,013,594,767**	P5,183,736,446	P5,602,826,464
Interest paid		**P659,753,395**	P1,226,602,056	P2,496,181,179
Investing Activities				
Interest received		**P988,560,088**	P1,049,252,946	P1,185,867,090
Dividends received		**P5,709,161**	P12,228,425	P8,201,707
Financing Activities				
Interest paid		**P35,396,571**	P44,027,424	P55,071,532

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2022
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MARK ANTHONY M. PANDIÑO

BANK OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Bank of Commerce (the "Bank") is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on December 16, 1963. It provides commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, and trust services. The Bank's principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 140 branches nationwide as at December 31, 2021, 2020 and 2019.

San Miguel Properties, Inc. (SMPI) holds 39.89% ownership of the Bank's issued common shares as at December 31, 2021 and 2020. San Miguel Corporation Retirement Plan (SMCRP) holds 38.54% and 39.94% ownership of the Bank's issued common shares as at December 31, 2021 and 2020, respectively. Each of these shareholders have significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank's issued non-voting preferred shares as at December 31, 2021.

The Bank's original authority for its banking license was approved under Monetary Board (MB) Resolution No. 1045 dated October 4, 1963 as *The Overseas Bank of Manila*. The Bank received its Foreign Currency Deposit Unit (the "FCDU") license and launched its FCDU operations on September 23, 1983. The Bank received its Expanded FCDU license on March 10, 2010. The Bank was renamed Commercial Bank of Manila, Inc. on October 20, 1980, further renamed Boston Bank of the Philippines on July 27, 1988, and finally, Bank of Commerce on November 28, 1991.

On January 16, 2013, the SEC approved the Amended Articles of Incorporation to extend the corporate life of the Bank for another 50 years or up to December 16, 2063. Under Section 11, *Corporate Term* of the Revised Corporation Code issued on February 23, 2019, a corporation shall have perpetual existence unless its articles of incorporation provides otherwise. On January 30, 2020, the Board of Directors (BOD) approved the Amended Articles of Incorporation to reflect that the Bank's term of existence shall be perpetual. The said amendment was approved by the SEC on June 9, 2020.

The financial statements of the Bank were approved and authorized for issue by the BOD on April 4, 2022.

2. Basis of Preparation

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRSs, which are adopted and issued by the Philippine Financial Reporting Standards Council, consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

Basis of Measurement
The financial statements of the Bank have been prepared on a historical cost basis, except for the following items:

Items	Measurement Bases
Financial assets and liabilities at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Lease liability	Present value of remaining lease payments, discounted using the Bank's incremental borrowing rate
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency
The financial statements include accounts maintained in the Regular Banking Unit (the "RBU") and the FCDU. The functional currency of the RBU and the FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

All values are rounded to the nearest peso unless otherwise stated.

Presentation of Financial Statements
The Bank presents its statements of financial position broadly in the order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 22.

3. Summary of Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the new disclosures on segment reporting and earning per share which started in 2020. The policies are adopted by the Bank in relation to the Bank's capital market issuance and its listing in the Philippine Stock Exchange (PSE) (see Notes 18 and 36). There is no new standard, amendment or interpretation mandatorily effective starting January 1, 2021 that has a material impact to the Bank's financial statements. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Segment Reporting
The Bank's operating businesses are organized and managed separately according to nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. If the Bank changes the structure of its internal organization in a manner that causes composition of its reportable segment to change, the corresponding information for earlier periods, including interim periods, shall be restated unless the information is not available and the cost to develop it would be excessive. Financial information on business segments is presented in Note 7.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The General Ledger system of the Bank captures the transactions of a segment level, and segment performance is evaluated based on net income before reversal of credit and impairment losses, share in net loss of an associate, and income tax expense.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing the net income for the year attributable to equity holders of the Bank, after deducting dividends to preferred shareholders, by the weighted average number of common share s 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 for the year adjusted for the effects of any dilutive potential common shares.

Foreign Currency Transactions and Translation
Foreign exchange differences arising from foreign currency transactions and revaluation and translation of foreign currency-denominated assets and liabilities to functional currency are credited to or charged as part of "Foreign exchange gains -net" account in the statements of income, except for differences arising from the re-translations of equity securities at FVOCI which are recognized directly in "Net change in fair value on equity securities at FVOCI" in other comprehensive income (OCI).

The books of accounts of the FCDU of the Bank are maintained in USD with various transactions in foreign currencies. The foreign currency-denominated income and expenses in the books of accounts are translated into their USD equivalent based on the exchange rates prevailing at the time of transaction. The foreign currency-denominated assets and liabilities at the reporting dates are translated into USD using the Banking Association of the Philippines (BAP) closing rate prevailing at the reporting date.

The foreign currency-denominated monetary assets and liabilities in the RBU are translated to PHP based on the BAP closing rate prevailing at the end of the year. Foreign currency-denominated income and expenses are translated to PHP at the exchange rates prevailing at transaction dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

For reporting purposes, the FCDU income and expenses are translated to their equivalent in PHP based on the BAP weighted average rate (WAR) for the year. The assets and liabilities of the FCDU at the reporting date are translated into PHP using BAP closing rate at the reporting date. The exchange differences arising from translation (i.e. BAP WAR and BAP closing rate) of FCDU accounts to PHP as presentation currency are taken directly to OCI under "Net movement in cumulative translation adjustment" in the statements of comprehensive income. Upon disposal of the FCDU or 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.

Financial Instruments - Initial Recognition

- *Date of Recognition*
  Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Deposit liabilities, bills payable, and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

  Derivatives are recognized on trade date basis. Trade date is the date when an entity commits itself to purchase or sell an asset. Trade date accounting refers to: (a) the recognition of an asset to be received or the liability to be paid on the trade date, and (b) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a rece ivable from the buyer for payment on trade date.

- *Initial Recognition of Financial Instruments*
  All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at F VPL, initial measurement includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement
Financial Assets
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them.

The Bank's business model for managing financial assets refers to how it manages its financials 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.

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

Business Model Assessment
The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level, not on an instrument-by-instrument basis, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity'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 in which those risks are managed;

- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

SPPI Test
As part of the Bank's classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the lif e of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

To make the SPPI assessment, the Bank 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 solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Bank's measurement categories for financial assets are described below:

(i) *Financial Assets at FVPL*
Financial assets at FVPL include financial assets held for trading purposes, financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value. Equity securities are classified as financial assets at FVPL, unless the Bank designates an equity security that is not held for trading as at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, as described in succeeding sections, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are initially recognized and subsequently measured at fair value in the statements of financial position, with transaction costs recognized in the statements of income. Gains and losses arising from changes in the fair value of financial assets at FVPL and gains and losses arising from disposals of these securities are recognized under “Trading and investment securities gains (losses) - net” account in the statements of income. Interest earned or incurred is recorded as interest income or interest expense, respectively, while dividend income is recorded under “Miscellaneous income” account in the statements of income when the right to receive payme nt has been established.

Financial assets at FVPL include government and private debt securities held for trading, derivative instruments and debt securities that do not meet the SPPI test. Most of the Bank’s derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also take positions with the expectation of profiting from favorable movements in prices, rates or indices. The Bank is a counterparty to derivative contracts, such as currency forwards and warrants.

(ii) *Financial Assets at Amortized Cost*
The Bank measures debt financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset 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. They are subsequently measured at amortized cost using the effective interest method less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under "Interest income" in the statements of income. Gains and losses are recognized in the statements of income when the financial asset is derecognized, modified or impaired, as well as through the amortization process. The losses arising from expected credit losses (ECL) is recognized under "Provision for credit and impairment losses" account, while reversals of ECL are recognized under "Reversal of credit and impairment losses" account. The two accounts are netted off in the statements of income. The effects of revaluation on foreign-currency denominated financial assets are recognized under "Foreign exchange gains - net" account in the statements of income.

The Bank's financial assets at amortized cost include cash and other cash items (COCI), exclusive of cash on hand, amounts due from Bangko Sentral ng Pilipinas (BSP) and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA), investment securities at amortized cost, loans and receivables from customers, sales contract receivables, unquoted debt securities, accrued interest receivable, accounts receivable and other receivables.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As at December 31, 2021 and 2020, the Bank has not made such designation.

(iii) Financial Assets at FVOCI

- *Debt Securities*
  The Bank measures debt securities at FVOCI if both of the following conditions are met:

  - the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

  - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

  Debt securities at FVOCI are subsequently measured at fair value with unrealized gains and losses arising from fair valuation recognized in OCI under the 'Net unrealized gains (losses) on financial assets at FVOCI' account in the equity section of the statements of financial posit ion. Interest income and foreign exchange gains and losses are recognized in the statements of income in the same manner as for financial assets measured at amortized cost. The ECL arising from impairment of such investments are recognized in the statements of income with a corresponding charge to "Provision for credit and impairment losses" account if the resulting ECL is impairment losses and to "Reversal of credit and impairment losses" if the resulting ECL is reversal of impairment. Other fair value changes to measure the instrument at fair value is recognized in OCI.

  Upon derecognition, the cumulative gains or losses previously recognized in OCI are recognized under "Trading and investment securities gains (losses) - net" account in the statements of income.

- *Equity Securities*
  At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity securities as at FVOCI. Designation as at FVOCI is not permitted if the equity security is held for trading.

  Equity securities designated at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in OCI under "Net unrealized gains (losses) on financial assets at FVOCI" account in the equity section of the statements of financial position. Dividends earned on holding equity securities designated at FVOCI are recognized in the statements of income as "Miscellaneous income" when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in OCI is reclassified to "Retained earnings (Deficit)" account in the equity section of the statements of financial position. Equity securities designated at FVOCI are not subject to impairment assessment.

  The Bank designated all equity securities that are not held for trading as at FVOCI on initial application of PFRS 9, Financial Instruments.

Financial Liabilities
The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or at FVPL.

Financial liabilities are classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities measured at FVPL. Financial liabilities measured at FVPL consists of: (a) financial liabilities held-for-trading, including derivative liabilities that are not accounted for as hedging instruments; and (b) financial liabilities designated at fair value through profit or loss.

The Bank may, at initial recognition, irrevocably designate financial liabilities as measured at FVPL.

The Bank's financial liabilities at amortized cost include deposit liabilities, bills payable, manager's checks, accrued interest and other expenses (except accrued employee and other benefits and accrued taxes payable) and other liabilities (except withholding tax payable, retirement liability and ECL on off -balance sheet exposures).

Financial liabilities at FVPL include derivative liabilities held-for-trading arising from cross-currency swap and forward contracts. Similar to derivative assets, any gains or losses arising from changes in fair values of derivative liab ilities are taken directly to "Foreign exchange gains - net" in the statements of income. Derivatives are carried as liabilities when the fair value is negative.

Reclassification of Financial Assets and Liabilities
The Bank can reclassify financial assets if the objective of its business model for managing the financial asset changes. Reclassification of financial assets designated at FVPL or equity securities at FVOCI at initial recognition is not permitted.

A change in the objective of the Bank's business model will be effected only at the beginning of the next reporting period following the ch ange in the business model.

Financial liabilities are not reclassified.

Modifications of Financial Assets and Financial Liabilities

Financial Assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expire. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in statements of income and expenses as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

To determine whether a modification of a financial asset is substantial or non-substantial, the guidance set out in this policy should be applied. Where it is not clear whether a "substantial modification" has occurred based on the application of this guidance, a 10.0% net present value change (equivalent to the PFRS 9 - test for financial liabilities) should be applied as a backstop.

In some cases, whether or not a modification is substantial will be clear with little or no analysis while in others a high degree of judgment may be required.

The modification of a financial asset could involve one or both of the following:

- Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;

- Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

Based on the Bank's policy, the delineation between substantial and non-substantial modifications should focus on category (a) modifications, specifically changes in credit limit, tenor, currency or SPPI characteristics.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original EIR of the asse t and recognizes the resulting adjustment as a modification gain or loss in statement of income.

For floating-rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modificatio n adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such modification is carried out because of the financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial Liabilities
The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The differ ence between the carrying amount of the financial liability derecognized and consideration paid is recognized in statement of income. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original EIR and the resulting gain or loss is recognized in statement of income. For floating-rate financial liabilities, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining terms of the modified financial liability by re-computing the EIR on the instrument.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Bank retains the right to receive cash flows f rom the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or

- the Bank has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of ownership of the asset; or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control of the asset.

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another financial liability 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 in the respective carrying amounts is recognized in the statements of income.

<u>Impairment of Financial Assets</u>
The Bank recognizes ECL for loan and other debt financial assets at amortized cost and at FVOCI, together with loans commitments and financial guarantee contracts. No impairment loss is recognized on equity securities.

Expected Credit Loss Methodology
The Bank measures ECL in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. PFRS 9 requires a loss allowance to be recognized at an amount equal to either the 12 -month ECL or lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

Staging Assessment
For non-impaired financial instruments:

- Stage 1: Comprised of performing financial instruments which have not experienced SICR since initial recognition or have low credit risk as of reporting date. This stage recognizes a 12-month ECL for the financial instruments categorized under this group.

- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have ob jective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

  For credit-impaired financial instruments:

- Stage 3: Comprised of non-performing financial instruments with one or more loss events occurring since the original recognition or assets with objective evidence of impairment at reporting date. Financial instruments falling within this stage have objective evidence of impairment thus requiring the recognition of lifetime ECL.

Definition of “Default” and “Cure”
The Bank generally classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (i.e. breach of covenant) and quantitative (i.e. overdue status and non-payment on another obligation of the same borrower/issuer to the Bank). An instrument is considered to be no longer in default (i.e. to have cured) when there is sufficient evidence to support that full collection of principal and interests is probable and payments are received for at least six (6) months. This definition is consistent with the definition of non-performing loans (NPL) under Section 304 of Manual of Regulations for Banks (MORB), *Past Due Accounts and Non-Performing Loans*.

Credit Risk at Initial Recognition
The Bank makes full use of its Internal Credit Risk Rating System (ICRRS) for corporate loans and credit scorecards for consumer loans to determine the credit risk of exposures at initial recognition. The ICRRS is devised to assess the level of risk associated with each borrower using a combination of both quantitative and qualitative factors. Subsequent credit assessments and approvals are also considered in determining the credit risk. On the other hand, credit scorecard is a tool used to evaluate the credit risk associated to individual customers. Customer-specific factors and internal data are taken into consideration to calculate a credit score. The credit decision is based on the output of the credit score and policy rules.

Significant Increase in Credit Risk
The definition of a SICR varies by portfolio where the determination of the chan ge in credit risk includes both the quantitative and qualitative factors.

The Bank applies the movement in its Corporate Loan account's credit risk rating and assessment of breach in watchlist triggers to indicate a possible significant credit downgrade or upgrade through a risk rating matrix. For the remaining portfolios, the Bank considers that a SICR occurs no later than when an asset is more than 30 days past due. The total number of days past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Furthermore, the Bank’s internal credit assessment may consider a counterparty to have a SICR since initial recognition if it is identified to have well-defined credit weaknesses. These may include adverse changes in the financial, managerial, economic and/or political nature of a business. Credit weakness can be established by an unsatisfactory track record that merits close monitoring and attention from management.

If there is evidence that there is no longer a SICR relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. For unrated financial instruments, the SICR is measured using the number of days past due which is also consistent with the staging criteria presented above.

ECL Parameters and Methodologies
ECL is a function of the following credit risk parameters:

(a) Probability of Default (PD)
The PD is the measure of likelihood that a borrower will be unable to settle his obligation/s on time and in full over a given time period, either over the next 12 months (12-month PD) or over the remaining life (Lifetime PD) of the loan obligation. In 2021, the Bank uses its ICRRS, credit scorecards and other relevant drivers of default to segment exposures with homogenous risk characteristics. In 2020, only ICRRS was used for segmentation. PD estimate, being one of the fundamental basis for credit risk modelling, plays a vital role in the estimation of ECL for the Bank.

Point-in-Time (PiT) PD calibration was done to reflect the current trends in business and credit cycle. In 2021, macroeconomic forecasts were incorporated to come up with PiT PDs that are unbiased and for ward-looking projections of future default risk.

(b) Loss Given Default (LGD)
In 2020, LGD measures the percentage amount of credit losses incurred and not recovered at the time of default. LGD estimation is based on historical cash flow recoveries. Calculation of the LGD is adjusted for some assets to consider cashflow recoveries on collateral. For some financial assets, the Bank supplemented internal assessments with regulatory thresholds to arrive at the LGD assumption.

In 2021, LGD estimation also considered the present value calculation and cost adjustment in determining the recoveries.

(c) Exposure at Default (EAD).
EAD is defined as the outstanding amount of credit exposure at the time of default. EAD is estimated by modelling the historical data on both the actual drawn and undrawn amounts for each credit facility. In 2021, the EAD estimate was revised to account for time horizon for which EAD needs to be estimated, projected cash flows until the estimated point of default and remaining loan term. This provides a more robust estimate of the total amount the Bank is exposed to.

Forward-looking Information
The Bank incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL.

The only forward-looking economic variable used in each of the economic scenarios for the ECL calculations in 2020 is GDP growth. In 2021, the Bank enhanced its ECL methodology by incorporating multiple future macroeconomic expectations in order to estimate credit losses on the basis of probability-weighted outcomes. The Bank has performed statistical analysis of historical data to determine which macroeconomic variables (MEVs) are correlated with the performance of specific loan portfolios. The MEVs considered were obtained using publicly available sources such as BSP and Philippine Statistical Association. A broad range of forward looking information are assessed as economic inputs. Based on histo rical data analysis, the Bank found significant relationships between MEVs and credit risk which vary by product type. Forward looking MEVs used include Wholesale Price Index, Interest Rate, Philippine Stock Index, Exchange Rate, Consumer Price Index, and Cash Remittances. The selected MEVs were confirmed using experienced credit judgment.

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 this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Refer to Notes 4 and 17 on the changes made in the ECL parameters in the current period.

Restructured Loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. When the loan has been restructured but not derecognized, the Bank also reassesses whether there has been a SICR and conside rs whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Write-offs
Financial assets are written off either partially or in full when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included under "Miscellaneous income" in the statements of income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

'Day 1' Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) as part of current operations in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized as part of current operations in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

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

As at December 31, 2021 and 2020, the Bank did not have any financial instrument that qualified for offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include COCI, amounts due from BSP and other banks and interbank loans receivable and SPURA with original maturities of three months or less from dates of placement and that are subject to insignificant risk of changes in value.

COCI consist of cash on hand and checks and other cash items. Cash on hand refers to the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATMs).

Repurchase and Reverse Repurchase Agreements
Securities sold under repurchase agreements (SSURA) at a specified future date ("repos") are not derecognized from the statements of financial position. The corresponding cash received, including accrued interest, is recognized in the statements of financial position as liability of the Bank, ref lecting the economic substance of such transaction.

Conversely, SPURA to resell at a specified future date ("reverse repos") are not recognized in the statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Bank is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the statements of income and is amortized over the life of the agreement using the effective interest method.

Financial Guarantees and Undrawn Loan Commitments
Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual values of undrawn loan commitments, where the loans agreed to be provided are on market terms, are not recorded in the statements of financial position. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to loan commitments is recognized under "Other liabilities" in the statements of financial position.

In the ordinary course of business, the Bank issues financial guarantees in favor of other parties. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee in accordance with PFRS 15. The financial guarantee is subsequently carried at the higher of the amount of loss allowance determined in accordance with the ECL model and the amount initially recognized, less when appropriate, the cumulative amount of income recognized in accordance with PFRS 15.

Non-current Assets Held for Sale
Non-current assets held for sale include assets with or without improvements that are to be recovered principally through a sale transaction rather than through continuing use, available for immediate distribution in their present condition, highly probable to be sold within one year, and are included in the sales auction program for the year. Assets held for sale are stated at the lower of its carrying amount and fair value less costs to sell.

The Bank measures a non-current asset that ceases to be classified as held for sale at the lower of:

- the carrying amount before the non-current asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the non-current asset not been classified as held for sale; and

- the recoverable amount at the date of the subsequent decision not to sell.

The Bank includes any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in income from continuing operations in the year in which the asset ceases to be held for sale.

As at December 31, 2021 and 2020, the Bank has no outstanding non-current assets held for sale.

Investment in an Associate

An associate is an entity over which the Bank has significant influence but no control. This is a rebuttable presumption in case the equity interest of the Bank in an entity is between 20.0% and 50.0%. The Bank's equity investment in BIC Management and Consultancy, Inc. (formerly Bancommerce Investment Corporation) (BIC) represents 24.26% of BIC's capital stock. Accordingly, the Bank's equity investment in BIC is treated as an investment in an associate accounted for under the equity method of accounting since there is no indication of control.

Under the equity method, an investment in an associate is carried in the statements of financial position at cost plus post-acquisition changes in the Bank's share in the net assets of the associate. The Bank's share in an associate's post-acquisition profits or losses is recognized in the statements of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in equity.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the Bank's interest in the associate.

The reporting period of BIC is on a calendar year basis. BIC's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Property and Equipment

Land is stated at cost less any impairment in value. Depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any costs that are directly attributable to bringing the property and equipment to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put to operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in the increase in the future economic benefits 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 and amortization are calculated on a straight-line basis over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the terms of the related lease, whichever is shorter.

Estimated useful lives of property and equipment are as follows:

	Years
Building	50
Furniture, fixtures and equipment	3 - 7
Leasehold improvements	5 - 15

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period the asset is derecognized.

The asset's residual values, useful lives and method of depre ciation and amortization are reviewed, and adjusted if appropriate, at each reporting date.

Investment Properties

Investment properties are composed of assets acquired from foreclosure or *dacion en pago* and land and building that are vacant and no longer used for administrative purposes (previously owner-occupied property), and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is initially recognized at the fair value of the asset acquired unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carry ing amount of the asset given up is recorded as "Gain on foreclosure" under "Gain on foreclosure and sale of property and equipment and foreclosed assets - net" in the statement of income. Foreclosed properties are classified under "Investment properties" upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

The Bank applies the cost model in subsequently measuring its investment properties. Land is carried at cost less any impairment in value and depreciable properties acquired are carried at cost. Cost is the fair value of the asset at acquisition date, less any accumulated depreciation and any impairment in value. Transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of cost of the investment properties.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or 10 years, whichever is lower. The estimated useful life 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.

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

Repairs and maintenance costs relating to investment propert ies are normally charged to statements of income in the period in which the costs are incurred.

An investment property is derecognized when it has either been dispo sed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property is recognized in the statements of income under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” account in the period of derecognition.

<u>Other Properties Acquired</u>

Other properties acquired, included under “Other assets” account in the statements of financial position, include chattel mortgage properties fore closed in settlement of loan receivables. The Bank applies the cost model of accounting for these assets. Under the cost model, these assets are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or three years, whichever is lower. The estimated useful lif e 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 bene fits from items of other properties acquired.

The carrying values of the other properties acquired 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 assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference bet ween the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” account in the period of derecognition.

Intangible Assets
Intangible assets consist of software costs and branch licenses. Intangible assets acquired separately, included under “Other assets” account in the statements of financial position, are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. Internally generated intangible assets are not capitalized but recognized in the statements of income in the period when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in account ing estimates.

The amortization expense on intangible assets with finite lives is recogniz ed in the statements of income under the expense category consistent with the function of the intangible asset. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the c arrying amount of the asset and are recognized in the statements of income in the period when the asset is derecognized.

Branch Licenses
Branch licenses are granted by the BSP and capitalized on the basis of the costs incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

Software Costs
Software costs include costs incurred relative to the purchase of the Bank’s software and are amortized on a straight-line basis over 5 years. Software costs are carried at cost less accumulated amortization and any impairment in value.

Impairment of Investment in an Associate and Non-financial Assets
Investment in an Associate, Non-current Assets Held for Sale, Property and Equipment, Investment Properties, Other Properties Acquired and Intangible Assets under “Other Assets”
At each reporting date, the Bank assesses whether there is any indication of impairment on investment in an associate, non-current assets held for sale, property and equipment, investment properties, other properties acquired and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

The net recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or cash-generating unit) exceeds its net recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, 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 (or cash-generating unit).

An impairment loss is charged against operations in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statements of income.

After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurement

The Bank measures financial instruments, such as, financial assets and liabilities at FVPL, financial assets at FVOCI and net retirement liability which is measured at present value of the defined benefit obligation less fair value of plan assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 6.

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 to the Bank.

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 best economic interest.

The 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.

Fair Value Hierarchy

The majority of valuation models deploy only observable market data as inputs. This has not changed as a result of COVID-19, however the Bank has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

The Bank evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the reporting date.

For certain financial instruments, the Bank may use data that is not readily observable in current markets. If the Bank uses unobservable market data, then the Bank needs to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, the Bank derives unobservable inputs from other relevant mar ket data and compares them to observed transaction prices where available.

The Bank 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 f or identical assets or liabilities.

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank 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 reporting period.

External appraisers are involved for valuation of significant assets such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standar ds are maintained. Particularly, the external appraisers must hold a recognized and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

Valuation from external appraisers are subject to quality assurance by the Bank to ensure that the minimum requirements and standards for appraisals are met. The minimum requirements and standards entail consistency and accuracy of the information in the appraisal reports. The appraisal undertaking must comply with the provisions of the Philippine Valuation Standards (PVS). Market value is defined by PVS as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably , prudently, and without compulsion.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 6.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable.

Determining whether the Bank is acting as a Principal or an Agent
The Bank assesses its revenue arrangements against the following indicators to determine whether it is acting as a principal or an agent:

- whether the Bank has primary responsibility for providing the services;
- whether the Bank has discretion in establishing prices; and
- whether the Bank has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.

The Bank has determined that it is acting as a principal in its revenue arrangements except for activities where the Bank acts in a fiduciary or custodian capacity such as nominee, trustee, or agent. The Bank recognizes income from fiduciary and custodianship activities under "Service charges, fees and commission" account in the statements of income.

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

Revenues within the Scope of PFRS 15:
The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

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. This arises from deposit-related processing transactions and charges from late payments on loans and drawing against insufficient funds of depositors.

Fees and Commissions

(i) Fee Income Earned from Services that are Provided over a Certain Period of Time
Fees earned for the provision of services over a period of time are accrued over that period. These include guarantee fees, credit related fees, investment fund fees, custodian fees, fiduciary fees, portfolio and other management fees. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period. If a drawdown was expected and the commitment expires without the Bank making the loan, the commitment fees are recognized as fee income on expiry of the scheduled drawdown.

(ii) Fee Income Earned from Providing Transaction Services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as brokerage fees for the arrangement of the acquisition of shares or other securities are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statements of income when the syndication has been completed and the Bank retains no part of the loans for itself or retains a part of the loan at the same EIR as for the other participants.

Discounts Earned and Awards Revenue on Credit Cards
Discounts received are taken up as income upon receipt from member establishments of charges arising from credit availments by the Bank's cardholders. These discounts are computed based on certain agreed rates and are deducted from the amounts remitted to the member establishments. These also include interchange income from transactions processed by Mastercard, a card network, and fees from cash advance transactions of cardholders.

The amount allocated to the loyalty programmes is deferred and recognized as revenue when the award credits expire or the likelihood of the customer redeeming the loyalty points becomes remote. Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated based on the estimated stand-alone selling prices. Income generated from customer loyalty programmes is recognized in 'Service charges, fees and commissions' in the statements of income.

Other Income
Income from the sale of services is recognized upon completion of the service. Income from sale of properties is recognized when control over properties transfers to the recipients, measured as the difference between the transaction price and the properties' carrying amounts and presented under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" in the statements of income.

Revenues Outside the Scope of PFRS 15

Interest Income
Interest income is recognized in the statements of income for all financial assets measured at amortized cost and debt securities at FVOCI as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses. The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently, except for repricing loans. The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in statements of income as interest income or expense.

Interest on interest-bearing financial assets at FVPL is recognized based on the contractual rate.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Bank 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 Bank reverts to calculating interest income on a gross basis.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statements of financial position. The unearned discount is taken up to interest income over the installment term and is computed using the effective interest method.

Trading and Investment Securities Gains or Losses
Trading and investment securities gains or losses represent results arising from disposal of debt securities at FVOCI and trading activities (realized gains and losses) and from the changes in fair value of financial assets and liabilities at FVPL (unrealized gains or losses).

Dividends
Dividends are recognized when received or when the Bank's right to receive the dividends is established.

Rental Income
Payments received under operating lease arrangements are recognized in the statements of income on a straight-line basis over the term of the lease.

Recovery on Charged-off Assets
Income arising from collections on accounts or recoveries from imp airment of items previously written off is recognized in the statement of income in the year of recovery.

Expense Recognition

Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen to the Bank and can be measured reliably.

Interest Expense

Interest expense for all interest-bearing financial liabilities is recognized in “Interest expense” in the statements of income using the EIR of the financial liabilities to which they relate.

Other Expenses

Other expenses include losses and expenses that arise in the ordinary course of business of the Bank and are recognized when incurred.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has presented legal or constructive obligation to pay this amount as a result of past service provided by the employer and the obligation can be estimated reliably.

Retirement Benefits

The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

The retirement benefits liability recognized in the statements of financial position in respect of the defined benefits retirement plan is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on high quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement liability.

Remeasurements of the defined benefit liability, which include actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Bank determines the net interest expense (income) on the retirement benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement benefit liability (asset), taking into account any changes in the retirement liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income. The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Equity

“Capital Stock” is recorded at par for all shares issued and outstanding.

“Paid-in Surplus” represents the proceeds in excess of par value. Incremental costs incurred which are directly attributable to the issuance of new shares are charged to “Paid-in surplus”.

“Retained Earnings (Deficit)” represents the accumulated earnings (losses) of the Bank.

“Surplus Reserves” represent the appropriation of retained earnings in relation to allowance for credit losses which are less than the 1.0% general provision prescribed by the BSP for regulatory purposes, 10.0% of the Bank’s profit from trust business, and self-insurance of the Bank.

Leases

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

Bank as Lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises, the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and any impairment losses, adjusted for certain remeasurements of the lease liability. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove any improvements made. The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Bank’s incremental borrowing rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings f rom various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase, extension or termination option is reasonably certain not to be exercised or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in “Property and equipment” and lease liabilities in “Other liabilities” in the statements of financial position.

Short-term Leases and Leases of Low-value Assets
The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Bank recognizes the lease payments associated with these leases as a rent expense on a straight-line basis over the lease term.

Bank as a Lessor
At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank is a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

<u>Income Tax Expense</u>
Current Tax
Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax
Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that suf ficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year 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 reporting date. These reflect uncertainty related to income taxes, if there is any.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank 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 charged to current operations, 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Assets and Liabilities

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

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

Events After the Reporting Date

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

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 Bank acts in a fiduciary capacity such as nominee, trustee or agent.

Amendments to Standards Issued but Not Yet Adopted
A number of amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Bank has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements.

Effective January 1, 2022

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to* PAS 16*, Property, Plant and Equipment).* The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets).* The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e., it comprises both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.*

  - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9).* The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilitie s, the fees paid net of fees received included in the discounted cash flows include only fees 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.

  - *Lease Incentives (Amendment to Illustrative Examples Accompanying PFRS 16 Leases).* The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  The amendments are effective for annual reporting periods beginning on or af ter January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- *Classification of Liabilities as Current or Non-current (Amendments to PAS 1 Presentation of Financial Statements).* To promote consistency in application and clarify the requirements on determining whether a liability is current or non -current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

  In November 2021, the International Accounting Standards Board issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

  - Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.

  - Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

Comments on the Exposure Draft was due on March 21, 2022.

▪ *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the f inancial statements that are subject to measurement uncertainty. The amendments also clarif y the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or af ter January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

▪ *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes).* The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

4. Critical Judgments and Estimates

The preparation of financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

<u>Significant Judgments</u>
In the process of applying the Bank's accounting policies, management has made the following significant judgments, apart from those involving e stimations, which may have the most significant effect on amounts recognized in the financial statements:

a) *Leases*

Bank as Lessee
The Bank leases properties, land and buildings for the premises it uses for its operations.

The Bank recognizes right-of-use assets and lease liabilities for most leases -on-balance sheet leases. However, the Bank has elected not to recognize right-of-use assets and lease liabilities for leases involving assets of low value. The same policy is likewise applied for short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight- line basis over the lease term.

Significant judgment was exercised by the Bank in determining the discount rate to be used in calculating the present value of right-of-use assets and lease liabilities. The discount rate is represented by the incremental borrowing rate which is Bloomberg Valuation (BVAL) rate and credit spread as determined by the Bank.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in Notes 14 and 21, respectively.

Bank as Lessor
The Bank has entered into commercial property lease agreements for its property and equipment, and investment properties. The Bank has determined that it retains all the signif icant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

In determining whether or not a lease should be treated as an operating lease, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer of executory costs, among others, are considered.

b) *Business Model Assessment*

The Bank manages its financial assets based on the business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investing and trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e. group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e. not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to, taking into consideration the objectives of each business model established by the Bank. The level of aggregation at which the business model is applied is based on the specific activities being undertaken by each business unit of the Bank to achieve its stated objectives and other relevant factors such as risks affecting the business model, key performance indicators in evaluating the business model, and how managers of the business are compensated.

The Bank assesses the performance of each business model by considering the activities undertaken by the business models, placing the appropriate key performance indicators and monitoring the frequency of sales activities. PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers facts and circumstances present to assess whether an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a hold-to-collect business model and whether the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

In September and October 2020, the Bank sold government securities classified as Investment securities at amortized cost and was assessed as consistent with the hold-to-collect business model since the sale was not more than infrequent (see Note 11). The sale was deemed to be not more than infrequent since it was approved only once during the year and transpired within the approved time period.

c) *Testing the Cash Flow Characteristics of Financial Assets*

In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e. cash flows that are non-SPPI, does not meet the amortized cost and FVOCI criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

d) *Functional Currency*

PAS 21, *The Effects of Changes in Foreign Exchange Rates* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- the currency that mainly influences sales prices for financial instruments and services;

- the currency in which funds from financing activities are generated; and

- the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstance relevant to the Bank, the functional currency of the Bank's RBU book of accounts and FCDU book of accounts have been determined to be PHP and USD, respectively.

PHP and USD are the currencies of the primary economic environment in which the Bank operates. These are the currencies that mainly influence the income and costs arising from the Bank operations.

e) Provisions and Contingencies

The Bank, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between provisions and contingencies (see Note 37).

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

(i) Expected Credit Losses on Financial Assets, Loan Commitments and Financial Guarantees

The Bank reviews its financial assets at amortized cost and debt securitie s at FVOCI, loan commitments and financial guarantees to assess the amount of credit losses to be recognized in the statements of financial position at least on an annual basis or more frequently, as deemed necessary. The measurement of ECL under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of a SICR. These estimates are driven by a number of factors, changes to which can result in different levels of allowances.

In 2021, the ECL methodology of the Bank was optimized to recalibr ate and improve the accuracy of the ECL models using updated data. Significant factors affecting the estimates on the enhanced ECL model include:

- The default and credit impaired financial assets were aligned across all credit portfolios;
- PD segmentation was based on the staging criteria (i.e. delinquency age buckets, internal credit risk ratings and loan status);
- The LGD takes into account post-default relevant information such as cost of recoveries and curing rate. LGD was adjusted to its present value of expected cash flows using risk-adjusted interest rate. The final LGD estimates were pooled by collateral type;
- EAD estimates consider (a) time horizon for which EAD needs to be estimated, (b) projected cash flows until the estimated point of default and (c) remaining loan term;
- The Bank used three economic scenarios to arrive at probability-weighted ECL estimates. These scenarios represent a most likely outcome (that is, the 'Baseline' or central scenario) and two less likely scenarios on the either side of the central (that is, the 'Optimistic' and 'Pessimistic', respectively). The scenario weights were developed based on the relative frequency distribution of historical GDP data. Both the 'Optimistic' and 'Pessimistic' scenarios reflect the lower and upper levels whereas the 'Baseline' scenario represents the central distribution; and
- The impact of Covid-19 has been appropriately incorporated in the impairment allowance calculation using more recent data. The Bank has updated the macroeconomic expectations in the model to consider the effects of Covid-19 pandemic situation.

In 2020, ECL is determined based on the following key factors:

- PD segmentation is mainly driven by the internal risk rating and application scores for corporate loans and consumer finance, respectively;
- LGD varies by the availability and type of collateral;
- EAD is determined as the total amount owed at the time of default;
- The scenarios for forward-looking adjustment is based on a single macroeconomic indicator;
- Considering the COVID-19 pandemic that started in 2020, the Bank needed to apply certain adjustments on the estimation of parameters and assumptions in order to account for the impact of this unforeseen event. The general methodology for the ECL calculation remains the same. However, the projection of the forward-looking components was updated;
- The Bank used the most recent supportable and available information to establish the probable effects of the pandemic to the performance of the Bank's exposures;
- The scenario weights were also adjusted giving a bigger probability to the pessimistic scenario to account for the uncertainties brought by the pandemic; and
- The Bank identified accounts that are vulnerable to the impact of COVID-19 and these were subjected to individual impairment assessment. These accounts are closely monitored paying more attention to their actual performance during the year.

Refer to Notes 3 and 5 for the detailed discussions of the inputs, assumptions and estimation uncertainty used in measuring ECL under PFRS 9. The impact in 2021 of the change in ECL parameters as discussed above and the related allowance for credit losses subject to ECL are disclosed in Note 17.

(ii) Fair Value of Financial Instruments

Where the fair values of financial assets and liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported f air values of financial instruments.

(iii) Impairment of Investment in an Associate and Non-Financial Assets

Investment in an Associate, Non-current Assets Held for Sale, Property and Equipment, Investment Properties, Other Properties Acquired, and Intangible Assets under "Other Assets"

The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

a) significant underperformance relative to expected historical or projected future operating results;

b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and

c) significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its net recoverable amount. Net recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying values of non-current assets held for sale, investment in an associate, property and equipment, investment properties, other properties acquired and intangible assets under "Other Assets" are disclosed in Notes 13, 14, 15 and 16, respectively.

(iv)) Estimated Useful Lives of Property and Equipment, Investment Properties, Other Properties Acquired and Software Costs

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from property and equipment and computer software.

The estimated useful lives of property and equipment, investment properties, other properties acquired and software costs are disclosed in Note 3.

(v) Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that sufficient taxable income will be available against which the related tax benefits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the forecasted timing and amount of future taxable income together with future tax planning strategies.

The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized and the unrecognized deferred tax assets are disclosed in Note 31.

(vi) Present Value of Retirement Benefit Obligation

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consiste nt with the expected employee benefit payout as at reporting date. The present value of the Bank's retirement obligation and the fair value of plan assets are disclose d in Note 28.

(vii) Contingencies

The Bank is currently involved in various legal proceedings. The probable costs for the resolution of these proceedings has been estimated by management, in consultation with the legal counsels handling the Bank's legal defense in these matters, and is based upon an analysis of potential results.

Management currently does not believe that these proceedings will have a material adverse effect on the Bank's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 37).

5. Financial Risk Management Objectives and Policies

<u>Introduction</u>

The business of banking involves financial risks which must be measured, monitored and managed by an effective risk management system embedded throughout the whole organization. Effective risk management ensures that financial risks are properly identified, assessed, measured and managed. The diligent monitoring and management of all financial risks, notably credit, interest rate risk in the banking book (IRRBB), market and liquidity risk require the development of a risk-conscious culture that will influence daily business activities and decision-making.

The Bank believes that effective risk management will not only minimize potential or actual losses but will also optimize earnings by correctly pricing its products and services commensurate to the risks taken. Its risk mission and objectiv es are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

<u>Risk Management Structure</u>

The BOD is ultimately responsible for identifying and controlling risks. However, there are separate independent units at the BOD and management levels, which are responsible for managing and monitoring f inancial risk.

Board of Directors

The BOD is primarily responsible for the sound governance of the Bank, promotion of the highest standards of ethics and integrity. It approves and oversees the implementation of the Bank's strategic objectives and establishes and maintains sound risk management system for the whole institution. The BOD approves and reviews the institutional tolerance for risks, business strategies and risk philosophy.

Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the BOD in fulfilling its corporate governance responsibilities and in providing oversight in the implementation of the Bank's Compliance System. It is responsible for ensuring due observance of corporate governance principles and guidelines across the Bank.

Related Party Transactions Committee (RPTCom)

The RPTCom assists the BOD in fulfilling its responsibility of ensuring that transactions with related parties are arm's length. It covers proper identifi cation of related parties, recording and vetting of transactions with them including disclosures in financial reports, which must be consistent with relevant legal and regulatory requirements, and Bank policies.

Audit Committee
The Audit Committee represents and assists the BOD in its general oversight of the Bank's financial reporting policies, practices and control and internal and external audit functions. It oversees the relationship with the independent external auditors, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditors, and the experience of the Committee's members in business, financial and accounting matters.

Board Risk Oversight Committee (BROC)
The BROC, a sub-committee of the BOD, oversees the Bank's risk management system. It has the power to approve procedures for implementing risk and capital management policies. The BROC shall assist the BOD with its oversight function to identify and evaluate risk exposures, develop risk management strategies, implement and periodically review the risk management framework and promote a risk management culture in the Bank.

Risk Management Division (RSK)
The RSK is responsible for the creation and oversight of the Bank's corporate risk policy. It is responsible for making recommendations to the BOD on corporate policies and guidelines for risk measurement, management and reporting. It also reviews the system of risk limits, compliance to said limits and validates the reports of the risk-taking personnel. The RSK reports to the BROC.

Asset Liability Management Committee (ALCO)
The ALCO is responsible for setting, developing and implementing the Bank's Asset Liability Management (ALM) and hedging policy. It also reviews the allocation of resources, pricing of products and foreign exchange position of the Bank.

Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)
The ICAAPcom is responsible for overseeing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

Credit and Collections Committee (Crecom)
The Crecom plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan (whether short or long) within its authority and to endorse those credit proposals which are beyond its authority to the Executive Committee (Excom) and/or the BOD. It has likewise the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations. On top of these, the Crecom studies and deliberates proposals intended to adopt new credit policies or to amend existing ones or to offer new loan products or programs, prior to endorsement to the Senior Executive Team and Excom for approval.

Internal Audit Division
Internal Audit Division is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to examine, evaluate and improve the effectiveness of risk management, internal control and governance processes of the Bank. The Internal Audit Division reports to the Audit Committee.

Legal Services Division
The primary functions of the Bank's Legal Services Division are composed of rendering legal advice and document review to ensure that relevant laws are disseminated and complied with, the Bank's interest is duly protected, and identified risks are either eliminated or minimized and imparted to responsible units of the Bank. The Division also handles cases filed for and against the Bank.

Compliance Division
The Compliance Division is responsible for coordinating, monitoring and facilitating the Bank's compliance with regulatory requirements. It is responsible for implementing the Bank's Compliance Program and the Money Laundering and Terrorist Financing Prevention Program (MTPP).

Risk Measurement and Reporting Systems
The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by the RSK.

Market risks are measured by mark-to-market and Value-at-Risk (VAR) analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit risks are measured via risk classifications of accounts using ICRRS together with BSP risk classification of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowance for losses including changes thereon, when necessary. All risk information is processed, analyzed and consolidated for proper reporting to the BOD through the BROC and Audit Committee, as well as the Senior Executive Team and various management committees of the Bank.

Actual and estimated risk exposures/losses at Treasury, Corporate, Consumer Business and Credit Cards, Operations and Information Te chnology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate match ing, trading gains and losses, sensitivity and back-testing results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, service level of major information technology systems and ATMs.

Risk Mitigation
To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency and interest rate risk. The Bank also observes limits on positions, losses, and market sensitivitie s to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes.

<u>Risk Concentration</u>

The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposure status and act upon limit breaches whenever necessary.

<u>Credit Risk</u>

The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management, and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

There has been no material change on the Bank's exposure to credit risk or the manner in which it manages and measures the risk since prior financial year.

Derivative Financial Instruments

The Bank enters into currency forward contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. These derivatives are accounted for as non-hedges, with the fair value changes being reported in the statements of income for the period under "Foreign exchange gains - net" account. Credit risk, in respect of derivative financial instruments, is limited to those with positive fair values, which are reported as "Financial assets at FVPL" in the statements of financial position.

Credit-related Commitment Risks

The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

Credit Risk Exposures

The table below shows the Bank's maximum exposure on receivables from customers and sales contract receivables, net of unearned interest income and allowance for credit losses, before and after collateral to credit risk as at December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Maximu m Exposure		Maximum Exposure	
	Before Collateral	**After Financial Effect of Collateral or Credit Enhancement**	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	**P58,288,237,487**	**P47,828,341,389**	P55,358,855,966	P49,192,891,513
Housing loans	**8,153,639,607**	**2,876,874,485**	7,924,342,343	3,638,959,697
Auto loans	**3,014,014,009**	**198,131,864**	3,873,064,570	529,309,808
Agri-agra loans	**1,216,852,115**	**1,024,119,022**	293,758,988	256,413,315
Bills purchased, import bills and trust receipts	**386,638,323**	**378,999,050**	634,184,181	634,184,181
Direct advances	**369,416,862**	**-**	428,696,320	29,894,682
Others	**1,666,550,443**	**1,665,970,866**	1,502,363,886	1,490,088,834
	73,095,348,846	**53,972,436,676**	70,015,266,254	55,771,742,030
Sales contract receivables	**351,462,925**	**53,952,557**	398,422,865	53,712,557
	P73,446,811,771	**P54,026,389,233**	P70,413,689,119	P55,825,454,587

For the other financial assets, the carrying amounts represen t the maximum exposure to credit risk as at December 31, 2021 and 2020.

As at December 31, 2021 and 2020, fair value of collateral held for loans and receivables amounted to P85.8 billion and P79.0 billion, respectively.

The table below shows the Bank's maximum exposures, net of unearned interest income, relating to financial assets carried under Stage 3 as at December 31, 2021 and 2020:

	December 31, 2021			
	Maximum Exposure			
	Before Collateral	**Financial Effect of Collateral or Credit Enhancement**	**After Financial Effect of Collateral or Credit Enhancement**	**Expected Credit Loss**
Receivables from customers:				
Term loans	**P643,153,780**	**P180,079,143**	**P463,074,637**	**P623,299,524**
Housing loans	**768,753,530**	**616,516,325**	**152,237,205**	**136,587,297**
Auto loans	**582,133,025**	**565,263,444**	**16,869,581**	**446,901,830**
Direct advances	**163,188,326**	**-**	**163,188,326**	**163,188,326**
Bills purchased, import bills and trust receipts	**76,426,393**	**-**	**76,426,393**	**76,426,393**
Agri-agra loans	**17,663,370**	**14,362,060**	**3,301,310**	**17,663,370**
Others	**618,220,325**	**661,296**	**617,559,029**	**601,570,397**
	2,869,538,749	**1,376,882,268**	**1,492,656,481**	**2,065,637,137**
Sales contract receivables	**130,630,640**	**76,678,083**	**53,952,557**	**54,719,038**
	P3,000,169,389	**P1,453,560,351**	**P1,546,609,038**	**P2,120,356,175**

	December 31, 2020			
	Maximum Exposure			
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P601,684,734	P138,889,579	P462,795,155	P593,710,939
Housing loans	754,847,638	478,482,475	276,365,163	305,219,778
Auto loans	494,798,184	470,238,412	24,559,772	252,159,442
Bills purchased, import bills and trust receipts	73,709,827	-	73,709,827	73,709,827
Direct advances	163,188,320	-	163,188,320	163,188,320
Agri-agra loans	17,663,370	14,362,060	3,301,310	17,663,370
Others	590,785,517	599,155	590,186,362	559,082,099
	2,696,677,590	1,102,571,681	1,594,105,909	1,964,733,775
Sales contract receivables	153,595,022	99,882,465	53,712,557	54,708,682
	P2,850,272,612	P1,202,454,146	P1,647,818,466	P2,019,442,457

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2021 and 2020.

Collateral and Other Credit Enhancements
The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. Guidelines are implemented regarding the acceptability of types of collateral valuation and parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions: cash or securities;

- For commercial lending: mortgages over real properties, inventory and trade receivables and chattel mortgages; and

- For retail lending: mortgages over real properties and financed vehicles.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, in the event that the value of the collateral depreciates due to various factors affecting the collateral.

It is the Bank's policy to dispose repossessed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank's accredited brokers and/or formulating programs to attract buyers like offering fixed interest rates for an extended period of time and reduced rates for downpayment as compared to prevailing market rates, among others.

Credit Quality Per Class of Financial Assets
The credit quality of financial assets is assessed and managed by the Bank using both external and internal credit ratings. The Bank's ICRRS is an established tool used to evaluate the Credit Risk associated with each borrower. The ICRRS assigns a score to each account based on a combination of qu antitative and qualitative factors. The scores assigned to each obligor is equivalent to the risk associated to each individual. The scoring model is reviewed and validated by external parties regularly to ensure that the model is risk ranking properly. The risk rating is used as one of the measures of the Bank's risk appetite and as a factor in impairment calculation.

Based on the evaluation of the facility risk factor (FRF), the borrower risk rating (BRR) can be upgraded or downgraded to come up with the final credit risk rating (CRR). Such CRR is eventually used in the determination of the ECL.

BRR Disclosure
In compliance with BSP, the Bank implemented in 2007 a credit risk classification that is compliant with global rating standards. The BRR is the evaluation of the credit worthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. The BRR measures the borrower's credit quality by looking into three major aspects, namely, financial condition, industry analysis and management quality. The financial condition is assessed by the Bank through financial ratio analysis based on the latest available financial information of the borrower. The Bank performs industry anal ysis by reviewing actual and expected significant changes in the political, regulatory, and technological environment of the borrower or in its business activities. Management quality is assessed by reviewing the experience and quality of management and management's business strategy. In addition, management's business planning and management of banking relationship are also considered. Each section is given the following point allocation:

Section	Maximum Points	Section Rating
Financial Condition	240	40%
Industry Analysis	210	30%
Management Quality	150	30%
TOTAL	**600**	**100%**

There are several rating factors per section which can earn points depending on the four (4) quality judgment levels as follows:

Good	- 30 points
Satisfactory	- 20 points
Still Acceptable	- 10 points
Poor	- 0 point

If there is no available information for a specif ic factor, a rating of "Poor" will be given.

The BRR is used to determine the credit quality of the Bank's corporate accounts. Loan accounts are classified according to a 1 -10 rating scale based on BRR results, as follows:

	Final Score	Equivalent Risk Rating	Calculated BRR
High Grade	>177	Excellent	1
	150 - 176	Strong	2
	123 - 149	Good	3
Standard Grade	96 - 122	Satisfactory	4
	68 - 95	Acceptable	5
	<68	Watchlist	6
Substandard Grade		Special Mention	7
Impaired		Substandard	8
		Doubtful	9
		Loss	10

High Grade or accounts with BRR of 1-3 are loans where the risk of the Bank are good to excellent in terms of risk quality and where the likelihood of the non-payment of obligation is less likely to happen.

Standard Grade or accounts with BRR of 4-6 are loans where the risk of the Bank ranges from satisfactory to acceptable with some f orm of weakness and where repayment capacity needs to be watched.

Substandard Grade or accounts with BRR of 7 are loans observed to have potential weaknesses and require a closer observation than the accounts under the Standard rating since if weaknesses are uncorrected, repayment of the loan may be affected increasing the credit risk to the Bank.

Past due but not impaired are those accounts for which contractual principal and interest payments were past due but that the Bank still believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Impaired accounts are loans classified by the Bank as Substandard, Doubtful and Loss where there are experiences of past due accounts and there are well-defined weaknesses where collection or liquidation of obligation may be or is already jeopardized.

Unrated accounts include consumer loans portfolio, credit card receivables, benefit loans, accounts receivables, sales contract receivables and returned checks and other cash items (RCOCI). The Bank is currently building a separate credit rating system for these accounts to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment.

The BRR can be subject to an upgrade/downgrade on the basis of the following:

Group Affiliation:

(a) When a borrower belongs to a group of companies, it can be upgraded up to the rating of the parent company provided that the parent company has a BRR of 4 or better.

(b) However, if the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.

(c) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.

(d) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.

(e) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

FRF:

(a) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.

(b) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

The adjustment on the BRR based on the FRF will be based on the following:

Upgrade	The facility is cash collateralized or covered by marketable securities
	Full collateralization of other assets
	3rd party guarantees in accordance with the BRR of the guarantor an upgrade should be set to the BRR of the guarantor
Downgrade	Borrower is a potential candidate for a downgrade if the facility is clean or a major part of the facilities are pledged to other creditors

The following table shows the credit quality of loans and receivables, excluding unquoted debt securities (gross of allowance for credit losses and net of unearned interest income) as at December 31, 2021 and 2020 (amounts in thousands).

	December 31, 2021										
	Term Loans	**Housing Loans**	**Auto Loans**	**Bills Purchased, Import Bills and Trust Receipts**	**Direct Advances**	**Agri Agra Loans**	**Others***	**Total Receivables from Customers**	**Sales Contract Receivables**	**Other Receivables****	**Total**
Stage 1											
Neither past due nor impaired:											
High grade	**P19,015,644**	**P -**	**P -**	**P367,481**	**P368,948**	**P731,487**	**P -**	**P20,483,560**	**P -**	**P495,969**	**P20,979,529**
Standard grade	**38,057,707**	**-**	**10,086**	**19,445**	**3,885**	**328,882**	**-**	**38,420,005**	**-**	**146,767**	**38,566,772**
Unrated	**-**	**6,984,226**	**2,705,050**	**-**	**-**	**-**	**1,617,776**	**11,307,052**	**262,286**	**238,419**	**11,807,757**
	57,073,351	**6,984,226**	**2,715,136**	**386,926**	**372,833**	**1,060,369**	**1,617,776**	**70,210,617**	**262,286**	**881,155**	**71,354,058**
Stage 2											
Neither past due nor impaired:											
Standard grade	**1,176,151**	**-**	**-**	**-**	**-**	**7,314**	**-**	**1,183,465**	**-**	**7,642**	**1,191,107**
Substandard grade	**13,356**	**-**	**-**	**-**	**-**	**142,680**	**-**	**156,036**	**-**	**338**	**156,374**
Past due but not impaired	**4,995**	**576,085**	**245,887**	**-**	**-**	**-**	**47,968**	**874,935**	**16,048**	**46,585**	**937,568**
Impaired	**139,244**	**-**	**-**	**-**	**-**	**12,950**	**-**	**152,194**	**-**	**1,278**	**153,472**
	1,333,746	**576,085**	**245,887**	**-**	**-**	**162,944**	**47,968**	**2,366,630**	**16,048**	**55,843**	**2,438,521**
Stage 3											
Impaired	**643,154**	**768,754**	**582,133**	**76,426**	**163,188**	**17,663**	**618,220**	**2,869,538**	**130,631**	**832,998**	**3,833,167**
	643,154	**768,754**	**582,133**	**76,426**	**163,188**	**17,663**	**618,220**	**2,869,538**	**130,631**	**832,998**	**3,833,167**
	P59,050,251	**P8,329,065**	**P3,543,156**	**P463,352**	**P536,021**	**P1,240,976**	**P2,283,964**	**P75,446,785**	**P408,965**	**P1,769,996**	**P77,625,746**

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2020										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P10,722,487	P -	P -	P343,391	P396,810	P -	P -	P11,462,688	P -	P188,908	P11,651,596
Standard grade	44,580,817	-	6,515	298,194	2,371	278,823	-	45,166,720	-	242,354	45,409,074
Unrated	-	6,900,837	2,912,243	-	-	-	1,416,982	11,230,062	287,217	739,428	12,256,707
	55,303,304	6,900,837	2,918,758	641,585	399,181	278,823	1,416,982	67,859,470	287,217	1,170,690	69,317,377
Stage 2											
Neither past due nor impaired:											
Standard grade	498,894	-	502	-	-	-	-	499,396	-	1,517	500,913
Substandard grade	227,928	-	-	-	-	-	-	227,928	-	1,357	229,285
Past due but not impaired	-	861,790	819,172	-	-	-	79,137	1,760,099	15,345	75,679	1,851,123
Impaired	-	-	-	-	36,954	17,785	-	54,739	-	12	54,751
	726,822	861,790	819,674	-	36,954	17,785	79,137	2,542,162	15,345	78,565	2,636,072
Stage 3											
Impaired	601,685	754,848	494,798	73,710	163,188	17,663	590,786	2,696,678	153,595	765,107	3,615,380
	601,685	754,848	494,798	73,710	163,188	17,663	590,786	2,696,678	153,595	765,107	3,615,380
	P56,631,811	P8,517,475	P4,233,230	P715,295	P599,323	P314,271	P2,086,905	P73,098,310	P456,157	P2,014,362	P75,568,829

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2021 and 2020 (amounts in thousands).

	December 31, 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	**P3,703,686**	**P -**	**P -**	**P3,703,686**
Standard grade	**11,049,978**	**2,743,350**	**-**	**13,793,328**
Unrated	**3,382,638**	**-**	**-**	**3,382,638**
	P18,136,302	**P2,743,350**	**P -**	**P20,879,652**

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P2,948,400	P -	P -	P2,948,400
Standard grade	2,574,078	-	-	2,574,078
Unrated	3,729,527	-	-	3,729,527
	P9,252,005	P -	P -	P9,252,005

Sensitivity of ECL to Future Economic Conditions

The ECL are sensitive to judgments and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. The Bank performs a sensitivity analysis on the ECL recognized on material classes of its assets.

The table below shows the loss allowance on receivables from customers assuming other plausible scenarios were weighted 100.0% instead of applying scenario probability weights. For ease of comparison, the table provides loss allowance amounts for the current and previous year using the same sen sitivity analysis (amounts in thousands). Scenario 1 represents improving conditions that lead to lower ECL for each material asset class while Scenario 2 assumes more unfavorable forward-looking estimates for each material asset class which lead to increasing ECL.

	December 31, 2021			
	Gross	**ECL Allowance**		**Probability-**
	Exposure	**Scenario 1**	**Scenario 2**	**weighted**
Term Loans	**P59,050,251**	**P720,602**	**P801,499**	**P762,014**
Housing Loans	**8,329,065**	**167,586**	**218,604**	**175,426**
Auto Loans	**3,543,156**	**503,884**	**575,357**	**529,142**
Agri-Agra Loans	**1,240,976**	**20,361**	**27,713**	**24,123**
Direct Advances	**536,021**	**166,574**	**166,633**	**166,604**
Bills Purchased, Import Bills and Trust Receipts	**463,352**	**76,705**	**76,723**	**76,714**
Others*	**2,283,964**	**616,903**	**618,784**	**617,413**
	P75,446,785	**P2,272,615**	**P2,485,313**	**P2,351,436**

**Comprised of benefit loans, salary loans and credit cards.*

	December 31, 2020			
	Gross	ECL Allowance		Proba bility -
	Exposure	Scenario 1	Scenario 2	weighted
Term Loans	P56,631,811	P1,271,405	P1,273,622	P1,272,955
Housing Loans	8,517,475	562,947	606,325	593,133
Auto Loans	4,233,230	358,715	360,809	360,166
Agri-Agra Loans	314,271	20,509	20,514	20,512
Direct Advances	599,323	170,626	170,627	170,627
Bills Purchased, Import Bills and Trust Receipts	715,295	81,111	81,111	81,111
Others*	2,086,905	584,517	584,596	584,540
	P73,098,310	P3,049,830	P3,097,604	P3,083,044

**Comprised of benefit loans, salary loans and credit cards.*

Loans with Renegotiated Terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates receivable from customers in financial difficulties to maximize collection opportunities and minimize the risk of default. The carrying amounts per class of loans and receivables whose terms have been renegotiated are as follows:

	2021	2020
Term loans	**P283,192,322**	P254,866,548
Housing loans	**56,736,908**	14,109,526
Agri-Agra loans	**30,613,524**	35,447,897
Auto loans	**838,456**	-
Others	**40,647,707**	-
	P412,028,917	P304,423,971

For financial assets such as amounts due from BSP and other banks, interbank loans receivable and SPURA, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost, and unquoted debt securities classified as loans, the credit quality is assessed using external credit rating (such as Standard & Poor's, Fitch, Moody's, etc.) of the respective counterparties considering relevant BSP mandates, as follows:

	December 31, 2021		
	AA - A	**BBB and Below or Unrated**	**Total**
Loans and advances to banks: **			
Due from BSP	**P45,373,267,996**	**P -**	**P45,373,267,996**
Due from other banks	**601,812,095**	**437,784,729**	**1,039,596,824**
Interbank loans receivable and SPURA	**19,136,088,591**	**-**	**19,136,088,591**
	65,111,168,682	**437,784,729**	**65,548,953,411**
Financial assets at FVPL:			
Private debt securities	**490,887,983**	**-**	**490,887,983**
Government securities held-for-trading	**50,353,544**	**427,871,745**	**478,225,289**
Derivative assets*	**-**	**25,499,500**	**25,499,500**
	541,241,527	**453,371,245**	**994,612,772**
Financial assets at FVOCI:			
Government securities**	**-**	**4,569,700,778**	**4,569,700,778**
Private debt securities**	**303,522,000**	**-**	**303,522,000**
Equity securities	**-**	**181,893,798**	**181,893,798**
	303,522,000	**4,751,594,576**	**5,055,116,576**
Investment securities at amortized cost:			
Government securities**	**-**	**40,331,752,498**	**40,331,752,498**
Private debt securities**	**1,072,193,659**	**1,510,872,599**	**2,583,066,258**
	1,072,193,659	**41,842,625,097**	**42,914,818,756**
Loans and receivables - gross:			
Unquoted debt securities***	**-**	**291,578,204**	**291,578,204**
	P67,028,125,868	**P47,776,953,851**	**P114,805,079,719**

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1 in 2021*
****Accounts are impaired and carried at Stage 3 in 2021*

	December 31, 2020		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P39,552,550,316	P -	P39,552,550,316
Due from other banks	585,644,975	437,748,745	1,023,393,720
Interbank loans receivable and SPURA	22,058,805,871	-	22,058,805,871
	62,197,001,162	437,748,745	62,634,749,907
Financial assets at FVPL:			
Government securities held-for-trading	-	639,004,121	639,004,121
Private debt securities	602,403,847	-	602,403,847
Derivative assets*	-	24,011,500	24,011,500
	602,403,847	663,015,621	1,265,419,468
Financial assets at FVOCI:			
Government securities**	8,403,032,875	6,545,064,097	14,948,096,972
Private debt securities**	314,963,700	-	314,963,700
Equity securities	-	161,187,337	161,187,337
	8,717,996,575	6,706,251,434	15,424,248,009
Investment securities at amortized cost:			
Government securities**	-	5,934,456,406	5,934,456,406
Private debt securities**	2,740,704,556	472,348,002	3,213,052,558
	2,740,704,556	6,406,804,408	9,147,508,964
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,198	291,578,198
	P74,258,106,140	P14,505,398,406	P88,763,504,546

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1 in 2020*
****Accounts are impaired and carried at Stage 3 in 2020*

Aging Analysis of Past Due but not Impaired
The table below shows the aging of past due but not impaired loans and receivables as at December 31, 2021 and 2020.

	December 31, 2021			
	1 - 30 Days	**31 - 60 Days**	**61 - 90 Days**	**Total**
Receivable from customers (gross):				
Housing loans	**P -**	**P359,915,759**	**P216,169,450**	**P576,085,209**
Auto loans	**-**	**143,710,623**	**102,176,538**	**245,887,161**
Term loans	**-**	**4,995,009**	**-**	**4,995,009**
Others	**-**	**43,123,393**	**4,844,607**	**47,968,000**
Sales contract receivables	**6,996,915**	**8,645,684**	**405,626**	**16,048,225**
Other receivables*	**35,937**	**32,250,983**	**14,298,027**	**46,584,947**
	P7,032,852	**P592,641,451**	**P337,894,248**	**P937,568,551**

** Comprised of accrued interest receivables, accounts receivables, and RCOCI*

	December 31, 2020			
	1 - 30 Days	31 - 60 Days	61 - 90 Days	Total
Receivable from customers (gross):				
Housing loans	P -	P673,551,296	P188,239,086	P861,790,382
Auto loans	-	612,973,894	206,198,449	819,172,343
Term loans	-	-	-	-
Others	-	69,893,369	9,243,545	79,136,914
Sales contract receivables	12,461,595	2,883,599	-	15,345,194
Other receivables*	352,305	50,320,326	25,006,068	75,678,699
	P12,813,900	P1,409,622,484	P428,687,148	P1,851,123,532

** Comprised of accrued interest receivables, accounts receivables, and RCOCI*

Impairment Assessment
The Bank recognizes credit losses on financial assets at amortized cost and debt securities at FVOCI based on whether it has had a significant increase in credit risk since initial recognition. ECLs are recognized in two (2) stages. For credit exposur es for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk since prior financial year.

Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2021					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Deposit liabilities:						
Demand	**P48,702,340**	**P -**	**P -**	**P -**	**P -**	**P48,702,340**
Savings	**42,109,036**	**62,170,350**	**4,628,431**	**378**	**-**	**108,908,195**
Time	**32,916**	**6,346,781**	**1,559,037**	**1,267,042**	**-**	**9,205,776**
Long-term negotiable certificates	**-**	**55,952**	**170,372**	**5,643,638**	**-**	**5,869,962**
Bills payable	**-**	**-**	**-**	**-**	**-**	**-**
Manager's checks	**-**	**951,460**	**-**	**-**	**-**	**951,460**
Accrued interest and other expenses*	**-**	**541,850**	**-**	**-**	**-**	**541,850**
Lease liabilities	**-**	**36,851**	**167,294**	**351,360**	**37,907**	**593,412**
Other liabilities**	**-**	**373,471**	**1,165,705**	**-**	**280,236**	**1,819,412**
Total Undiscounted Financial Liabilities	**P90,844,292**	**P70,476,715**	**P7,690,839**	**P7,262,418**	**P318,143**	**P176,592,407**

**amounts exclude accruals of employee and other benefits, taxes payable and rent*

***amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures*

	December 31, 2020					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	P39,659,286	P -	P -	P -	P -	P39,659,286
Savings	33,274,332	48,919,548	1,577,378	-	-	83,771,258
Time	143,148	17,511,243	1,582,798	1,593,462	-	20,830,651
Long-term negotiable certificates	-	55,952	170,372	5,869,962	-	6,096,286
Bills payable	-	-	19	-	-	19
Manager's checks	-	870,080	-	-	-	870,080
Accrued interest and other expenses*	-	469,849	-	-	-	469,849
Lease liabilities	-	37,748	182,289	486,398	61,072	767,507
Other liabilities**	-	640,566	1,209,081	-	279,766	2,129,413
Total Undiscounted Financial Liabilities	P73,076,766	P68,504,986	P4,721,937	P7,949,822	P340,838	P154,594,349

** amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures*

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments (amounts in thousands):

	December 31, 2021				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Commitments	**P3,362,130**	**P1,140,164**	**P8,005,120**	**P6,100,614**	**P18,608,028**
Contingent liabilities	**60,071,070**	**847,512**	**1,408,058**	**4,478,628**	**66,805,268**
	P63,433,200	**P1,987,676**	**P9,413,178**	**P10,579,242**	**P85,413,296**

	December 31, 2020				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,708,362	P282,538	P516,618	P3,578,850	P8,086,368
Contingent liabilities	36,015,914	702,357	1,163,616	3,406,457	41,288,344
	P39,724,276	P984,895	P1,680,234	P6,985,307	P49,374,712

<u>Interest Rate Risk in the Banking Book</u>
The loans provided by the Bank to its borrowers are mostly funded by the deposits of its branch and corporate customers. The difference in the interest revenues from loans and the interest expense in servicing deposits provide the bulk of the Bank's Net Interest Income (NII). Aside from loans, interest revenue is also generated from holdings in debt securities, repurchase agreements (repo), and other interest -bearing assets. Occasionally, the Bank taps interbank loans and other sources of funding to supplement deposits, which are subject to additional interest expense.

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate fund raisers (e.g., branch deposits). FTP helps units evaluate profitability and calculate returns upon deal origination. Furthermore, the FTP framework insulates them from interest rate risk. The Central Funding Unit (CFU), under the Treasury Management Group, manages the Bank's overall IRRBB. CFU is the first line of defense for both IRRBB and Liquidity Risk. While the Bank does not have intentions to hedge IR RBB via interest rate swaps in the short-term, it actively manages IRRBB by growing its sources of stable funds to match long-term assets.

The FTP policy is properly documented and is transparent to all parties. The FTP interest rates are anchored by widely-used and market-driven benchmark rates such as BVAL and BSP interest rate corridor rates for Peso; US Libor and USD-denominated bonds issued by the Philippines for USD. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

The NII, and ultimately earnings and capital, is vulnerable to adverse fluctuations interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sen sitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions, if more applicable.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered "liability sensitive" since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

RSK monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented to ALCO and BROC on a monthly basis. To ensure that the Bank's net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank's risk appetite statements.

The Bank makes use of an internally developed Earnings-at-Risk (EAR) model for measuring IRRBB. EAR simulates the contraction of the projected NII over the next 12 months using historical changes in interest rate ben chmarks such as BVAL for PHP and US Libor for USD. The balance sheet size and shape are assumed to remain static for the next 12 months. Non-maturity deposits (NMD) or current-savings accounts (CASA) are split into two classifications, core deposits and vo latile deposits.

The volatile or non-core portion of the NMD/CASA is spread over short-term buckets based on behavioral average life. Core deposits are slotted in the 3 - 5 years bucket. Interest rate option risk embedded in loans and time deposits that alter the timing of balance sheet items are incorporated in the model. The model captur es the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario simulated by the model impacts the exercise of the interest rate option. More prepayment is expected if interest rates decline while more pre-termination is expected as interest rates increase.

The table sets forth the Bank's interest rate repricing gap as at December 31, 2021 and 2020.

	December 31, 2021								
In Millions	**Up to 1 Month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**1 - 3 Years**	**3 - 5 Years**	**Beyond 5 Years**	**Non-rate Sensitive**	**Total**
Resources									
Cash and COCI	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P2,748**	**P2,748**
Due from BSP	**27,135**	**-**	**-**	**-**	**-**	**-**	**-**	**18,232**	**45,367**
Due from other banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,176**	**4,176**
Interbank loans receivable	**15,800**	**113**	**-**	**-**	**-**	**-**	**-**	**(2)**	**15,911**
Financial assets at FVPL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**995**	**995**
Financial assets at FVOCI	**358**	**315**	**1,810**	**1,893**	**689**	**-**	**-**	**(192)**	**4,873**
Investment securities at AC	**1,033**	**95**	**498**	**1,586**	**11,932**	**14,464**	**13,850**	**(337)**	**43,121**
Loans - net	**17,201**	**15,752**	**6,432**	**9,919**	**6,997**	**9,381**	**4,926**	**1,807**	**72,415**
Other resources	**244**	**11**	**-**	**-**	**-**	**-**	**-**	**9,423**	**9,678**
	P61,771	**P16,286**	**P8,740**	**P13,398**	**P19,618**	**P23,845**	**P18,776**	**P36,850**	**P199,284**
Liabilities and Equity									
Deposit liabilities:	**P65,191**	**P31,096**	**P9,259**	**P939**	**P925**	**P64,304**	**P -**	**P -**	**P171,714**
Demand deposits	**7,504**	**6,269**	**2,226**	**-**	**-**	**32,703**	**-**	**-**	**48,702**
Savings deposits	**7,188**	**5,750**	**2,794**	**-**	**-**	**26,340**	**-**	**-**	**42,072**
Time deposits	**50,499**	**19,077**	**4,239**	**939**	**925**	**232**	**-**	**-**	**75,911**
Long-term negotiable certificates	**-**	**-**	**-**	**-**	**-**	**5,029**	**-**	**-**	**5,029**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,414**	**4,414**
	65,191	**31,096**	**9,259**	**939**	**925**	**64,304**	**-**	**4,414**	**176,128**
Capital funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,156**	**23,156**
	P65,191	**P31,096**	**P9,259**	**P939**	**P925**	**P64,304**	**P -**	**P27,570**	**P199,284**
Total periodic gap	**(P3,420)**	**(P14,810)**	**(P519)**	**P12,459**	**P18,693**	**(P40,459)**	**P18,776**	**P9,280**	**P -**

	December 31, 2020								
In Millions	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P2,421	P2,421
Due from BSP	24,857	-	-	-	-	-	-	14,691	39,548
Due from other banks	-	-	-	-	-	-	-	7,049	7,049
Interbank loans receivable	15,819	-	107	-	-	-	-	(2)	15,924
Financial assets at FVPL	-	-	-	-	-	-	-	1,265	1,265
Financial assets at FVOCI	2,385	2,624	6,718	1,945	1,543	-	-	48	15,263
Investment securities at AC	177	1,139	1,467	1,411	4,375	886	25	(331)	9,149
Loans - net	17,924	17,162	6,808	5,091	6,332	11,776	2,326	2,683	70,102
Other resources	279	1	-	-	-	-	-	9,243	9,523
	P61,441	P20,926	P15,100	P8,447	P12,250	P12,662	P2,351	P37,067	P170,244
Liabilities and Equity									
Deposit liabilities:	P56,180	P31,044	P2,970	P1,355	P955	P56,601	P -	P -	P149,105
Demand deposits	5,767	4,575	348	-	-	28,969	-	-	39,659
Savings deposits	5,582	4,249	968	307	-	22,147	-	-	33,253
Time deposits	44,831	22,220	1,654	1,048	955	456	-	-	71,164
Long-term negotiable certificates	-	-	-	-	-	5,029	-	-	5,029
Other liabilities	-	-	-	-	-	-	-	4,853	4,853
	56,180	31,044	2,970	1,355	955	56,601	-	4,853	153,958
Capital funds	-	-	-	-	-	-	-	16,286	16,286
	P56,180	P31,044	P2,970	P1,355	P955	P56,601	P -	P21,139	P170,244
Total periodic gap	P5,261	(P10,118)	P12,130	P7,092	P11,295	(P43,939)	P2,351	P15,928	P -

The Bank manages interest rate risk separately for its RBU and FCDU books. The interest rate risk of the RBU of the Bank from its accounts is managed in PHP while the FCDU of the Bank, regardless of original currency is managed in USD. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's results of operations and OCI:

	December 31, 2021			
Currency	**Changes in Interest Rates (In Basis Points)**	**Sensitivity of Net Interest Income (In Millions)**	**Sensitivity of Trading Gains - net on FA at FVPL (In Millions)**	**Sensitivity Of OCI (In Millions)**
PHP	**+200**	**(P42.80)**	**(P17.07)**	**(P440.31)**
USD	**+100**	**0.32**	**(28.85)**	**(100.92)**
PHP	**-200**	**42.80**	**17.07**	**440.31**
USD	**-100**	**(0.32)**	**28.85**	**100.92**

	December 31, 2020			
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity Of OCI (In Millions)
PHP	+200	(P55.88)	(P43.71)	(P354.54)
USD	+100	2.97	(29.49)	(25.23)
PHP	-200	55.88	43.71	354.54
USD	-100	(2.97)	29.49	25.23

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and liabilities held as at December 31 , 2021 and 2020.

The sensitivity of "Trading and investment securities gains (losses) - net" and OCI is calculated by revaluing fixed-rate financial assets at FVPL and debt securities at FVOCI, respectively, as at December 31, 2021 and 2020. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Market Risk

Market risk arises from the potential decline in earnings and capital due to adver se changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to two sources of market risk, namely: 1) market pric e risk in the trading book; and 2) foreign exchange risk from open foreign currency exposures. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first two.

There has been no material change to the Bank's exposure to market risk or the manner in which it manages and measures the risk since prior financial year.

Market Price Risk in the Trading Book

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank's RSK simulates the trading book's VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, monthly and yearly losses.

Value-at-Risk Methodology

VAR serves as the Bank's key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk. The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank's VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

The table below summarizes the results of the Bank's VAR calculations as at December 31, 2021 and 2020.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
2021				
As at December 31, 2021	**P2,007,233**	**P2,147,907**	**P38,772,700**	**P40,671,327**
Average	**1,333,091**	**3,418,377**	**36,592,519**	**39,975,735**
Highest	**4,880,412**	**7,633,611**	**51,049,930**	**60,384,640**
Lowest	**70,786**	**1,692,119**	**15,273,243**	**18,303,243**
2020				
As at December 31, 2020	P1,726,310	P4,018,818	P15,499,166	P18,371,364
Average	1,430,556	4,250,037	31,705,591	36,000,815
Highest	3,916,042	16,499,017	81,809,349	92,052,475
Lowest	535,935	384,686	1,718,683	4,051,594

Currency Risk

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure based on its assets and liabilities is within conservative limits for a financial institution engaged in a type of business similar to that of the Bank.

Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolios in the FCDU. Banks are required by BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

Similar to market price risk in the trading book, the Bank employs limits and a VAR model to manage the risk that possible interest or currency movements pose. Such limits are prudently set and the position status is monitored on a daily basis.

The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2021 and 2020. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (based on USD equivalents in thousands):

	December 31, 2021			
	USD	**Euro**	**Others**	**Total**
Assets				
Due from other banks	**$438**	**$883**	**$406**	**$1,727**
Interbank loans	**5,100**	**-**	**-**	**5,100**
Loans and receivables	**1,254**	**-**	**-**	**1,254**
Total assets	**6,792**	**883**	**406**	**8,081**
Liabilities				
Deposit liabilities	**-**	**1,419**	**-**	**1,419**
Other liabilities	**802**	**5**	**14**	**821**
Total liabilities	**802**	**1,424**	**14**	**2,240**
Net Exposure	**$5,990**	**($541)**	**$392**	**$5,841**
Amount in PHP	**P305,484**	**(P27,590)**	**P19,992**	**P297,885**

	December 31, 2020			
	USD	Euro	Others	Total
Assets				
Due from other banks	$686	$750	$391	$1,827
Interbank loans	3,100	-	-	3,100
Loans and receivables	856	-	-	856
Total assets	4,642	750	391	5,783
Liabilities				
Deposit liabilities	-	742	-	742
Other liabilities	122	54	3	179
Total liabilities	122	796	3	921
Net Exposure	$4,520	($46)	$388	$4,862
Amount in PHP	P217,064	(P2,209)	P18,633	P233,488

The table below indicates the currencies which the Bank has significant exposu re to as at December 31, 2021 and 2020 based on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Change in currency rates are based on the historical movements of each currency for the same period:

	Philippine Peso Appreciates by	**Effect on Profit before Tax (In Millions)**	**Philippine Peso Depreciates by**	**Effect on Profit before Tax (In Millions)**
December 31, 2021				
Currency				
USD	**P1.00**	**(P5.99)**	**(P1.00)**	**P5.99**
Euro	**0.50**	**0.27**	**(0.50)**	**(0.27)**
Others	**0.40**	**(0.16)**	**(0.40)**	**0.16**

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2020				
Currency				
USD	P1.00	(P4.52)	(P1.00)	P4.52
Euro	0.50	0.02	(0.50)	(0.02)
Others	0.40	(0.16)	(0.40)	0.16

Given the nature and amount of the Bank’s equity investments portfolio in 2021 and 2020, management believes the Bank’s exposure to currency risk is considered minimal.

Equity Price Risk
Given the nature and amount of the Bank’s equity investments portfolio in 2021 and 2020, management believes the Bank’s exposure to equity price r isk is considered minimal.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

COCI, Due from BSP and Other Banks and Interbank Loans Receivable and SPURA - Fair values approximate carrying amounts given the short-term nature of the instruments.

Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost) - Fair values are generally based on quoted market prices. If not readily available, fair values are estimated using either values obtained from independent parties offering pricing ser vices or adjusted quoted market prices of comparable investments or using disco unted cash flow methodology.

Equity Securities (Financial Assets at FVOCI) - Fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers.

Derivative Instruments (Financial Assets and Financial Liabilities at FVPL) - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Loans and Receivables - The estimated fair values of long-term receivables from customers and sales contract receivables are equal to the estimated f uture cash flows expected to be received which are discounted using current market rates (i.e. BVAL and Libor). Fair value of short-term receivable from customers, sales contract receivables, accounts receivables, accrued interest receivables, and RCOCI approximates carrying amounts given the short-term nature of the accounts.

Investment Properties - Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.

Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit Liabilities - Fair values of long-term time deposits are estimated using the discounted cash flow methodology, where future cash f lows are discounted using the current market rate (i.e. BVAL and Libor) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term time deposits approximate fair value. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bills Payable - For long-term bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted u sing the current market rate and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bills payable approximate fair value.

Manager's Checks, Accrued Interest and Other Expenses and Other Liabilities (excluding non-financial liabilities) - Carrying amounts approximate fair values due to the short-term nature of the accounts. Due to preferred shareholders is determined to be long term in nature due to a pending dispute which affects maturity. Fair value cannot be estimated reliably due to lack of supportable data available.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	December 31, 2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	**P478,225**	**P283,418**	**P194,807**	**P -**	**P478,225**
Private debt securities	**490,888**	**-**	**-**	**490,888**	**490,888**
Derivative assets	**25,500**	**-**	**25,500**	**-**	**25,500**
Financial assets at FVOCI:					
Government securities	**4,569,701**	**918,851**	**3,650,850**	**-**	**4,569,701**
Private debt securities	**303,522**	**303,522**	**-**	**-**	**303,522**
Equity securities	**181,894**	**144,565**	**-**	**37,329**	**181,894**
	P6,049,730	**P1,650,356**	**P3,871,157**	**P528,217**	**P6,049,730**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	**P40,326,340**	**P15,617,463**	**P24,219,580**	**P -**	**P39,837,043**
Private debt securities	**2,582,717**	**2,059,920**	**521,950**	**-**	**2,581,870**
Loans and receivables:					
Receivables from customers	**73,132,658**	**-**	**-**	**95,269,564**	**95,269,564**
Less unearned interest	**37,309**	**-**	**-**	**37,309**	**37,309**
	73,095,349	**-**	**-**	**95,232,255**	**95,232,255**
Sales contract receivables	**351,703**	**-**	**-**	**427,310**	**427,310**
	116,356,109	**17,677,383**	**24,741,530**	**95,659,565**	**138,078,478**
Non-financial Assets					
Investment properties	**3,448,315**	**-**	**-**	**9,297,901**	**9,297,901**
	P119,804,424	**P17,677,383**	**P24,741,530**	**P104,957,466**	**P147,376,379**

Forward

	December 31, 2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	**P9,107,144**	**P -**	**P9,098,652**	**P -**	**P9,098,652**
Long-term negotiable certificates	**5,029,420**	**-**	**5,116,369**	**-**	**5,116,369**
Bills payable	**-**	**-**	**-**	**-**	**-**
	P14,136,564	**P -**	**P14,215,021**	**P -**	**P14,215,021**

	December 31, 2020				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	P639,004	P558,716	P80,288	P -	P639,004
Private debt securities	602,404	-	602,404	-	602,404
Derivative assets	24,011	-	24,011	-	24,011
Financial assets at FVOCI:					
Government securities	14,948,097	12,363,794	2,584,303	-	14,948,097
Private debt securities	314,964	314,964	-	-	314,964
Equity securities	161,187	123,560	-	37,627	161,187
	P16,689,667	P13,361,034	P3,291,006	P37,627	P16,689,667
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	P5,933,637	P3,751,321	P2,314,803	P -	P6,066,124
Private debt securities	3,212,641	2,758,716	483,296	-	3,242,012
Loans and receivables:					
Receivables from customers	70,038,051	-	-	81,238,432	81,238,432
Less unearned interest	22,784	-	-	22,784	22,784
	70,015,267	-	-	81,215,648	81,215,648
Sales contract receivables	398,423	-	-	493,875	493,875
	79,559,968	6,510,037	2,798,099	81,709,523	91,017,659
Non-financial Assets					
Investment properties	3,624,987	-	-	8,135,990	8,135,990
	P83,184,955	P6,510,037	P2,798,099	P89,845,513	P99,153,649
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	P20,673,084	P -	P20,727,448	P -	P20,727,448
Long-term negotiable certificates	5,029,420	-	5,425,681	-	5,425,681
Bills payable	19	-	19	-	19
	P25,702,523	P -	P26,153,148	P -	P26,153,148

In 2020, due to changes in market conditions for certain government securities measured at FVPL and FVOCI, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVPL and at FVOCI, with carrying amounts of P12.6 million and P441.8 million, respectively, in 2020, were transferred from Level 1 to Level 2 of the fair value hierarchy.

There have been no transfers from Level 1 to Level 2 of the fair value hierarchy in 2021.

In 2021, the Bank reclassified the fair value level of its private debt securities at FVPL as at December 31, 2020 to Level 3 (see Note 9).

In 2021 and 2020, there have been no transfers into and out of Level 3 of the fair value hierarchy.

An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. The fair value of the Level 3 instruments is based on cost which approximates its fair value.

The carrying values of the financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at December 31, 2021 and 2020.

7. Segment Reporting

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to Senior Manage ment who is responsible for allocating resources to the segments and assessing their performance. The Bank's business segments follow:

Treasury Management Group - principally provides money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks.

Corporate Banking Group - principally handles loans and other credit facilities for corporate institutional, and middle market clients.

Branch Banking Group - principally supervises customers' deposits and offers standard customer transactional services through the branch network.

Consumer Group - principally manages home, automobile, and salary loans for individual customers.

Others - includes but not limited to Credit Cards, Transaction Banking, Trust, and Acquired Assets. Other operations of the Bank also include operations and financial control groups.

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. The Bank has no significant customers which contributes 10.00% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the period ended December 31, 2021, 2020 and 2019 for statement of income items, and as at December 31, 2021 and December 31, 2020 for statement of financial position items follow (amounts in millions):

	December 31, 2021					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Income						
Net interest income:						
Third party	**P1,614**	**P3,328**	**(P560)**	**P896**	**P120**	**P5,398**
Intersegment	**(1,256)**	**(1,321)**	**3,879**	**(629)**	**(673)**	**-**
Net interest income	**358**	**2,007**	**3,319**	**267**	**(553)**	**5,398**
Non-interest income	**(29)**	**40**	**83**	**31**	**702**	**827**
Total revenues	**329**	**2,047**	**3,402**	**298**	**149**	**6,225**
Other expenses	**147**	**199**	**2,040**	**146**	**2,496**	**5,028**
Income (losses) before provision for credit losses and income tax expense	**P182**	**P1,848**	**P1,362**	**P152**	**(P2,347)**	**P1,197**
Reversal of credit and impairment losses						**(P635)**
Share in net loss of an associate						**1**
Income tax expense						**624**
Net income						**P1,207**
Other Segment Information						
Capital expenditures	**P1**	**P7**	**P52**	**P2**	**P53**	**P115**
Depreciation and amortization	**P4**	**P3**	**P63**	**P7**	**P386**	**P463**

	December 31, 2021					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Financial Position						
Total assets	**P93,887**	**P63,564**	**P22,497**	**P12,386**	**P7,379**	**P199,713**
Total Liabilities	**7,845**	**69**	**164,790**	**102**	**3,544**	**176,350**

	December 31, 2020					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P1,173	P3,677	(P1,023)	P1,013	P268	P5,108
Intersegment	(1,416)	(2,019)	4,840	(716)	(689)	-
Net interest income	(243)	1,658	3,817	297	(421)	5,108
Non-interest income	1,204	78	86	10	387	1,765
Total revenues	961	1,736	3,903	307	(34)	6,873
Other expenses	308	219	1,736	153	2,452	4,868
Income (losses) before provision for credit losses and income tax expense	P653	P1,517	P2,167	P154	(P2,486)	P2,005
Provision for credit and impairment losses						P963
Share in net loss of an associate						1
Income tax expense						257
Net income						P784
Other Segment Information						
Capital expenditures	P3	P2	P34	P4	P44	P87
Depreciation and amortization	P4	P3	P256	P7	P298	P568

	December 31, 2020					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Financial Position						
Total assets	P71,291	P60,263	P18,595	P12,811	P7,961	P170,921
Total Liabilities	9,118	3	141,729	111	3,193	154,154

	December 31, 2019					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P1,029	P3,173	(P1,150)	P927	P157	P4,136
Intersegment	(481)	(1,993)	3,469	(670)	(325)	-
Net interest income	548	1,180	2,319	257	(168)	4,136
Non-interest income	437	287	124	74	775	1,697
Total revenues	985	1,467	2,443	331	607	5,833
Other expenses	213	400	1,661	157	2,230	4,661
Income (losses) before provision for credit losses and income tax expense	P772	P1,067	P782	P174	(P1,623)	P1,172
Provision for credit and impairment losses						P52
Share in net loss of an associate						3
Income tax expense						464
Net income						P653
Other Segment Information						
Capital expenditures	P4	P -	P49	P7	P129	P189
Depreciation and amortization	P4	P3	P74	P7	P392	P480

Non-Interest income consists of trading and investment securities gains (losses), service charges, fees and commissions, foreign exchange gains, gain on foreclosure, and sale of property and equipment and foreclosed assets and miscellaneous income.

Other expenses consist of compensation and fringe benefits, taxes and licenses, rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, entertainment and recreation, management and professional fees, amortization of software costs, share in net loss of associate and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	Note	**2021**	2020
SPURA		**P15,800,317,280**	P15,819,273,408
Interbank loans receivable		**3,335,771,311**	6,239,532,463
		19,136,088,591	22,058,805,871
Less allowance for credit losses	*17*	**2,583,372**	2,977,939
		P19,133,505,219	P22,055,827,932

Interbank loans receivable consists of short-term loans granted to other banks.

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

Interest income on SPURA and interbank loans receivable follows:

	2021	2020	2019
SPURA	**P316,263,835**	P234,610,084	P272,552,691
Interbank loans receivable	**17,540**	3,434,107	43,017,001
	P316,281,375	P238,044,191	P315,569,692

Peso-denominated interbank loans receivable bear interest rates ranging from 3.5% to 3.9% and from 4.0% to 5.3% in 2020 and 2019, respectively. No short-term peso-denominated loans were granted by the Bank to other banks in 2021. Dollar-denominated interbank loans receivable bear interest rates ranging from 0.1% to 0.5%, from 0.1% to 1.7% and from 1.6% to 2.3% in 2021, 2020 and 2019 , respectively.

SPURA bears interest rate of 2.0% in 2021 and interest rates ranging from 2.0% to 4.0% and from 4.0% to 4.8% in 2020 and 2019, respectively.

9. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2021	2020
Private debt securities	**P490,887,983**	P602,403,847
Government securities held-for-trading	**478,225,289**	639,004,121
Derivative assets	**25,499,500**	24,011,500
	P994,612,772	P1,265,419,468

Private debt securities pertain to investment in MRT III bonds that does not qualify as SPPI, thus, mandatorily classified and measured as financial assets at FVPL.

As at December 31, 2021, 2020 and 2019, financial assets at FVPL are adjusted for unrealized loss of P4.2 million, and unrealized gain of P69.7 million and P135.5 million, respectively (see Note 27).

Derivative Financial Instruments
This includes warrants amounting to $50 thousand acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding of certain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount and leverage exposure. The leverage exposure is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The leverage exposure indicates the volume of transactions outstanding as at December 31, 2021 and 2020 and is not indicative of either market risk or credit risk.

	December 31, 2021			December 31, 2020		
	Derivative Assets	**Notional Amount**	**Leverage Exposure**	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	**P25,499,500**	**$50,000**	**$ -**	P24,011,500	$50,000	$ -

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	Note	**2021**	2020
Government securities		**P4,569,700,778**	P14,948,096,972
Private debt securities	*32*	**303,522,000**	314,963,700
Equity securities	*32*	**181,893,798**	161,187,337
		P5,055,116,576	P15,424,248,009

As at December 31, 2021 and 2020, the ECL allowance on debt securities at FVOCI included under "Net unrealized gains (losses) on financial assets at FVOCI" amounted to P0.7 million and P1.8 million, respectively (see Note 17).

Equity Securities
This account consists of ordinary shares from a foreign financial institution and a telecommunications company and club shares. The Bank has designated these equity securities as at FVOCI.

Equity securities include the Bank's 8.57% equity interest in Banco National de Guinea Equatorial (BANGE) as part of its partnership with the National Government of the Republic of Equatorial Guinea. Dividend income received from BANGE in 2020 and 2019 amounted to P3.0 million and P5.5 million, respectively, booked under "Miscellaneous Income" in the statements of income (see Notes 30 and 32). No dividend was received from BANGE in 2021.

In 2021 and 2019, the Bank disposed club shares with carrying value of P10.6 million and P0.03 million, respectively, and transferred to "Retained earnings (Deficit)" account the realized gain of P6.1 million and P0.3 million in 2021 and 2019, respectively. In 2020, there were no disposals of equity securities.

Dividend income in 2021, 2020 and 2019 from equity securities at FVOCI amounted to P5.7 million, P12.2 million and P8.2 million, respectively (see Note 30).

Net Unrealized Gains (Losses) on Financial Assets at FVOCI
The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

	Note	**2021**	2020	2019
Balance at beginning of year		**P69,657,563**	P36,108,673	(P129,757,730)
Net unrealized gains (losses) recognized as OCI		**(293,920,562)**	315,724,110	368,927,255
Realized losses (gains) taken to profit or loss	*27*	**68,883,753**	(280,743,443)	(198,827,405)
Effect of tax	*31*	**6,389,324**	(3,084,165)	(3,305,159)
Realized gains taken to retained earnings		**(6,056,500)**	-	(268,500)
ECL on debt securities at FVOCI	*17*	**(1,108,339)**	1,652,388	(659,788)
Balance at end of year		**(P156,154,761)**	P69,657,563	P36,108,673

11. Investment Securities at Amortized Cost

This account consists of:

	Note	2021	2020
Government securities		**P40,331,752,498**	P5,934,456,406
Private debt securities	*32*	**2,583,066,258**	3,213,052,558
		42,914,818,756	9,147,508,964
Less allowance for credit losses	*17*	**5,761,352**	1,231,453
		P42,909,057,404	P9,146,277,511

In September and October 2020, the Bank sold government securities classified as Investment securities at amortized cost with total carrying value of P11.8 billion for peso denominated government securities and $51.3 million for dollar denominated government securities. The Bank realized gain from the sale of these securities amounting to P570.5 million and $4.0 million (P196.6 million) for peso and dollar denominated government securities, respectively (see Note 27).

The sales were made as part of the Bank's initiatives to preserve its capital and provide a buffer over regulatory minimum levels. The capital of the Bank was directly threatened by the increasing past due and NPL brought by the unforeseen and historical COVID-19 pandemic which required a significant increase in provision for credit losses on loans. The Bank assessed that the sale did not result in changes to the objectives of the hold-to-collect business model as the sale was infrequent. The remaining investment securities continue to be measured at amortized cost.

No investment securities at amortized cost were sold in 2021.

12. Loans and Receivables

This account consists of:

	Note	2021	2020
Receivables from customers:			
Term loans		**P59,050,250,905**	P56,631,811,377
Housing loans		**8,329,292,292**	8,517,583,659
Auto loans		**3,543,209,363**	4,233,260,023
Agri-agra loans		**1,241,364,426**	314,820,702
Direct advances		**537,504,714**	600,996,331
Bills purchased, import bills and trust receipts	*21*	**463,352,225**	715,294,705
Others		**2,319,120,588**	2,107,327,349
		75,484,094,513	73,121,094,146
Less unearned interest income		**37,309,436**	22,784,328
		75,446,785,077	73,098,309,818
Accrued interest receivable:			
Loans and receivables		**614,200,832**	783,484,965
Trading and investment securities		**358,148,082**	99,472,481
Due from BSP and other banks		**1,429,147**	3,394,000
Interbank loans receivable and SPURA		**702,236**	2,121,071
Accounts receivable		**794,692,800**	1,125,879,319
Sales contract receivables		**408,965,309**	456,157,168
Unquoted debt securities		**291,578,204**	291,578,198
RCOCI		**822,302**	10,500
		77,917,323,989	75,860,407,520
Less allowance for credit losses	*17*	**3,543,198,822**	4,232,058,040
		P74,374,125,167	P71,628,349,480

Bills purchased, import bills and trust receipts include bills pur chased with contra account in “Bills purchased - contra” under “Other Liabilities” amounting to P420.0 million and P684.4 million as at December 31, 2021 and 2020, respectively (see Notes 21 and 32). Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the Bank to its clients.

Other receivables from customers pertain to consumer loans such as benefit loans, salary loans, and credit cards.

Accounts receivable mainly consist of amounts due from customers and other parties under open-account arrangements, advances for buyers of foreclosed propertie s, receivables from employees and other miscellaneous receivables.

Sales contract receivables arise mainly from the sale of foreclosed properties booked under “Investment properties” and “Non-current assets held for sale” accounts.

On March 25, 2020, Republic Act (RA) No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1”) was enacted. Bayanihan 1 provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest falling due within the enhanced community quarantine period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, RA No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2”), was enacted. Under Bayanihan 2, a one-time 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 interest, penalties, fees and other charges, thereby extending the maturity of the said loans.

Based on the Bank’s assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. The impact of loan modifications amounted to a loss of P29.6 million. For the year ended December 31, 2020, the net impact of the loan modification after subsequent accretion of the modified loan amounted to P24.8 million and were recorded in “Interest income” in the statement of income. For the period ended December 31, 2021, accretion of loan modification that were recorded in “Interest income” in the statement of income amounted to P7.0 million.

BSP Regulatory Reporting
As at December 31, 2021 and 2020, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2021		2020	
	Amount	**%**	Amount	%
Loans secured by:				
Deposit hold-out	**P5,115,340**	6.8	P620,771	0.9
Real estate	**4,671,629**	6.2	4,109,378	5.6
Continuing surety agreement	**4,448,004**	5.9	3,901,408	5.3
Deed of pledge	**2,667,139**	3.5	3,307,404	4.5
Chattel	**2,650,902**	3.5	3,331,699	4.6
Corporate guaranty	**2,480,565**	3.3	1,083,855	1.5
Deed of assignment	**1,287,561**	1.7	1,609,305	2.2
Mortgage trust indenture	**1,050,200**	1.4	1,263,800	1.7
Certificate of participation	**1,000,000**	1.3	1,000,000	1.4
Others*	**12,611,275**	16.7	5,838,974	8.0
	37,982,615	50.3	26,066,594	35.7
Unsecured	**37,501,480**	49.7	47,054,500	64.3
	P75,484,095	100.0	P73,121,094	100.0

**Others include post-dated checks and various collaterals on omnibus loan and security agreement*

As at December 31, 2021 and 2020, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2021		2020	
	Amount	**%**	Amount	%
Electricity, gas, steam, and air-conditioning supply	**P21,406,795**	**28.4**	P15,331,150	21.0
Real estate activities	**16,058,865**	**21.3**	16,784,796	23.0
Manufacturing	**11,557,523**	**15.3**	9,010,927	12.3
Construction	**9,218,129**	**12.2**	10,328,230	14.1
Wholesale and retail trade, repair of motor vehicles and motorcycles	**4,732,528**	**6.3**	2,791,156	3.8
Financial and insurance activities	**1,823,796**	**2.4**	3,742,904	5.1
Water supply, sewerage, waste management and remediation activities	**1,416,877**	**1.9**	1,401,877	1.9
Accommodation and food service activities	**1,148,574**	**1.5**	943,691	1.3
Agriculture, forestry and fishing	**948,852**	**1.3**	1,064,300	1.5
Transportation and storage	**784,920**	**1.0**	1,353,153	1.9
Administrative and support service activities	**190,625**	**0.2**	185,583	0.2
Arts, entertainment and recreation	**-**	**0.0**	3,500,204	4.8
Others*	**6,196,611**	**8.2**	6,683,123	9.1
	P75,484,095	**100.0**	P73,121,094	100.0

**Others include Information and Communication, Professional Activities, Education, Personal Consumption and other various activities*

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio or 10.0% of Tier 1 capital.

As at December 31, 2021 and 2020, the Bank does not have credit concentration in any particular industry that exceeds 30.0% of total loan portfolio.

As at December 31, 2021, 10% of Tier 1 capital amounted to P2.1 billion and the table above includes the five industry groups exceeding this level as of that date.

The table also includes the seven industry groups above the 10% of Tier 1 capital (P1.5 billion) as at December 31, 2020. The BROC and CRECOM constantly monitor these credit risk concentrations to ensure they are within the risk appetite of the Bank.

Under 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, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayme nt of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if n ot 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.

As at December 31, 2021 and 2020, the breakdown of receivables from customers as to status, is as follows (amounts in thousands)

	December 31, 2021		
	Performing	**Non-performing**	**Total**
Corporate	**P60,060,363**	**P810,213**	**P60,870,576**
Consumers	**11,085,873**	**1,425,312**	**12,511,185**
Credit Card	**1,045,892**	**539,477**	**1,585,369**
Others	**428,784**	**50,871**	**479,655**
	P72,620,912	**P2,825,873**	**P75,446,785**

	December 31, 2020		
	Performing	Non-performing	Total
Corporate	P56,763,889	P812,410	P57,576,299
Consumers	12,037,018	1,332,698	13,369,716
Credit Card	899,064	503,353	1,402,417
Others	701,661	48,217	749,878
	P70,401,632	P2,696,678	P73,098,310

As at December 31, 2021 and 2020, the NPLs of the Bank, as reported to BSP, are as follows:

	2021	2020
Gross NPLs	**P2,825,873**	P2,698,793
Less deductions as required by BSP	**2,018,591**	1,908,728
Net NPLs	**P807,282**	P790,065

Gross and net NPL ratios of the Bank are 3.1% and 0.9%, respectively, as at December 31, 2021 and 3.0% and 0.9%, respectively, as at December 31, 2020.

As at December 31, 2021 and 2020, restructured loans amounted to P412.0 million and P304.4 million, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2021 and 2020, restructured receivables from customer s considered as NPLs amounted P218.3 million and P195.8 million, respectively.

On March 14, 2020, the BSP issued BSP Memorandum No. M-2020-008 Regulatory Reliefs for BSP-supervised financial institutions (BSFIs) Affected by the COVID-19, as amended by M-2020-0032 dated April 27, 2020 and M-2020-0022 dated April 8, 2020. The said memorandum provides for certain temporary regulatory relief measures for financial institutions supervised by the BSP as follow:

- Staggered booking of allowance for credit losses over a maximum of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of March 8, 2020, subject to prior approval of the BSP;

- Exclusion from the computation of past due and non-performing classification, the loans by borrowers in affected areas which should have been reclassified as past due as of March 8, 2020, including those loans becoming past due or non-performing six months thereafter, subject to the following: (a) such loans shall be reported to the BSP; (b) the exclusion shall be allowed from March 8, 2020 until December 31, 2021; and (c) BSP documentary requirements for restructuring of loans may be waived provided that the Bank will adopt appropriate and prudent operational control measures;

- Non-imposition of monetary policies for delays incurred in the submission of all supervisory reports to BSP due to be submitted from March 8, 2020 up to six months thereafter;

- Non-imposition of penalties on legal reserve deficiencies computed under Section 255 of the MORB starting from reserve week following March 8, 2020 up to six months thereafter, subject to prior approval of the BSP;

- Increase in the Single Borrower's Limit (SBL) from 25.0% to 30.0% until March 31, 2021;

- Allowance of (a) loans to Micro, Small and Medium Enterprises (MSMEs) and (b) loans to critically-impacted large enterprises as alternative mode of compliance with reserve requirements until December 31, 2021; and

- Provision of financial assistance to officers affected by the present health emergency, for the grant of loans, advances or any other forms of cred it accommodations, subject to the submission by the Bank of a request for BSP approval within 30 calendar days from the approval thereof of the BOD.

As of December 31, 2021 and 2020, there has been no availment of the reliefs provided by BSP.

Interest Income on Loans and Receivables
This account consists of:

	2021	2020	2019
Receivables from customers:			
Term loans	**P3,135,826,861**	P3,502,896,604	P3,729,495,585
Housing loans	**551,299,617**	570,443,567	501,280,911
Auto loans	**264,452,515**	351,866,491	327,044,238
Agri-agra loans	**38,283,650**	26,051,159	34,055,163
Direct advances	**18,021,144**	25,320,441	33,414,850
Bills purchased, import bills and trust receipts	**1,008,184**	280,959	5,023,182
Others	**250,289,916**	336,682,833	255,918,893
	4,259,181,887	4,813,542,054	4,886,232,822
Sales contract receivable	**25,273,885**	26,601,895	33,828,277
	P4,284,455,772	P4,840,143,949	P4,920,061,099

**Others pertain to interest income from consumer loans such as benefit loans, salary loans, and credit cards.*

As at December 31, 2021, 2020 and 2019, 48.0%, 44.3% and 44.7%, respectively, of the total receivables from customers were subject to periodic interest repricing. Peso-denominated loans earn annual fixed interest rates ranging from 1.0% to 54.0%, from 1.3% to 54.0% and from 1.6% to 54.0% in 2021, 2020 and 2019, respectively. Dollar-denominated loans earn annual fixed interest rates ranging from 1.2% to 8.0% in 2021 and 2020 and from 2.9% to 8.5% in 2019.

Sales contract receivables bear fixed interest rates ranging from 5.3% to 11.6% in 2021 and from 3.4% to 12.1% in 2020 and 2019.

13. Investment in an Associate

The details of movements of the Bank's equity investment in BIC follow:

	Note	**2021**	2020	2019
Acquisition cost (24.26%-owned)		**P75,395,200**	P75,395,200	P75,395,200
Accumulated equity in net loss and OCI:				
Balance at beginning of year		**(28,782,008)**	(28,025,906)	(29,487,304)
Share in net loss		**(1,039,285)**	(753,029)	(2,865,073)
Share in other comprehensive income (loss)		**13,468**	(3,073)	4,326,471
Balance at end of year		**(29,807,825)**	(28,782,008)	(28,025,906)
Allowance for impairment loss	*17*	**(5,925,786)**	(5,925,786)	(5,925,786)
	32	**P39,661,589**	P40,687,406	P41,443,508

The following table shows the summarized financial information of BIC:

	2021**	2020*	2019*
Assets	**P175,202,382**	P177,630,567	P182,018,232
Liabilities	**(11,716,852)**	(11,733,886)	(11,439,777)
Net assets	**163,485,530**	165,896,681	170,578,455
Revenues	**1,740,041**	956,700	1,168,192
Net loss for the year	**(2,468,943)**	(4,669,104)	(4,039,329)
Other comprehensive loss	**57,793**	(12,670)	(5,106)
Total comprehensive loss	**(2,411,150)**	(4,681,774)	(4,044,435)

** Based on 2019 and 2020 audited financial statements*
*** Based on 2021 unaudited numbers*

As at December 31, 2021 and 2020, the Bank's subscribed capital stock in BIC amounted to P75.8 million out of BIC's outstanding capital stock of P312.5 million.

14. Property and Equipment

The movements in property and equipment follow:

		December 31, 2021					
	Note	**Land**	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-Use Assets** (Note 29)	**Total**
Cost							
Balance at January 1		**P41,569,630**	**P854,170,133**	**P1,540,355,955**	**P829,058,742**	**P940,405,219**	**P4,205,559,679**
Additions		**-**	**18,017,685**	**114,949,628**	**24,028,376**	**45,242,843**	**202,238,532**
Disposals		**-**	**-**	**(85,117,636)**	**-**	**(12,688,642)**	**(97,806,278)**
Reclassification	*16*	**-**	**-**	**189,582**	**-**	**-**	**189,582**
Balance at December 31		**41,569,630**	**872,187,818**	**1,570,377,529**	**853,087,118**	**972,959,420**	**4,310,181,515**
Less Accumulated Depreciation and Amortization							
Balance at January 1		**-**	**242,821,509**	**1,197,935,505**	**775,846,438**	**323,398,988**	**2,540,002,440**
Depreciation and amortization		**-**	**22,717,268**	**104,126,463**	**23,658,730**	**194,007,195**	**344,509,656**
Disposals		**-**	**-**	**(40,196,208)**	**-**	**(12,688,642)**	**(52,884,850)**
Balance at December 31		**-**	**265,538,777**	**1,261,865,760**	**799,505,168**	**504,717,541**	**2,831,627,246**
Allowance for impairment losses	*17*	**5,022,885**	**1,133,017**	**-**	**-**	**-**	**6,155,902**
Net Book Value at December 31		**P36,546,745**	**P605,516,024**	**P308,511,769**	**P53,581,950**	**P468,241,879**	**P1,472,398,367**

		December 31, 2020					
	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 29)	Total
Cost							
Balance at January 1		P41,569,630	P852,916,703	P1,535,856,312	P818,750,027	P762,476,355	P4,011,569,027
Additions		-	1,253,430	86,666,609	10,308,715	220,979,671	319,208,425
Disposals		-	-	(82,166,966)	-	(43,050,807)	(125,217,773)
Balance at December 31		41,569,630	854,170,133	1,540,355,955	829,058,742	940,405,219	4,205,559,679
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	220,640,955	1,122,019,787	751,645,607	170,031,581	2,264,337,930
Depreciation and amortization		-	22,180,554	113,180,003	24,200,831	196,113,592	355,674,980
Disposals		-	-	(37,264,285)	-	(42,746,185)	(80,010,470)
Balance at December 31		-	242,821,509	1,197,935,505	775,846,438	323,398,988	2,540,002,440
Allowance for impairment losses	*17*	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31		P36,546,745	P610,215,607	P342,420,450	P53,212,304	P617,006,231	P1,659,401,337

	Note	December 31, 2019 Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 29)	Total
Cost							
Balance at January 1		P41,569,630	P845,238,581	P1,649,552,985	P808,309,177	P550,480,190	P3,895,150,563
Additions		-	7,678,122	189,183,291	10,440,850	211,996,165	419,298,428
Disposals and others		-	-	(302,879,964)	-	-	(302,879,964)
Balance at December 31		41,569,630	852,916,703	1,535,856,312	818,750,027	762,476,355	4,011,569,027
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	198,472,522	1,267,389,443	722,813,031	-	2,188,674,996
Depreciation and amortization		-	22,168,433	108,753,170	28,832,576	170,031,581	329,785,760
Disposals		-	-	(254,122,826)	-	-	(254,122,826)
Balance at December 31		-	220,640,955	1,122,019,787	751,645,607	170,031,581	2,264,337,930
Allowance for impairment losses	*17*	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31		P36,546,745	P631,142,731	P413,836,525	P67,104,420	P592,444,774	P1,741,075,195

In 2021, 2020 and 2019 net gains on sale of property and equipment under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” account in the statement of income amounted to P0.3 million, P0.5 million and P0.4 million, respectively.

As at December 31, 2021 and 2020, the cost of fully depreciated property and equipment still in use amounted to P1.7 billion and P1.6 billion, respectively.

15. Investment Properties

The movements in investment properties follow:

	Note	**December 31, 2021** **Land**	**Buildings**	**Total**
Balance at January 1		**P3,354,902,161**	**P1,177,252,394**	**P4,532,154,555**
Additions		**6,038,866**	**58,065,161**	**64,104,027**
Disposals		**(137,060,531)**	**(41,185,952)**	**(178,246,483)**
Balance at December 31		**3,223,880,496**	**1,194,131,603**	**4,418,012,099**
Less Accumulated Depreciation				
Balance at January 1		**-**	**727,351,651**	**727,351,651**
Depreciation		**-**	**75,962,263**	**75,962,263**
Disposal		**-**	**(24,892,448)**	**(24,892,448)**
Balance at December 31		**-**	**778,421,466**	**778,421,466**
Less Allowance for Impairment Losses	*17*	**185,103,589**	**6,172,509**	**191,276,098**
		P3,038,776,907	**P409,537,628**	**P3,448,314,535**

	Note	December 31, 2020 Land	Buildings	Total
Balance at January 1		P3,382,699,201	P1,117,837,397	P4,500,536,598
Additions		11,786,963	12,404,057	24,191,020
Disposals		(39,584,003)	(11,919,235)	(51,503,238)
Reclassification		-	58,930,175	58,930,175
Balance at December 31		3,354,902,161	1,177,252,394	4,532,154,555
Less Accumulated Depreciation				
Balance at January 1		-	595,014,287	595,014,287
Depreciation		-	125,259,084	125,259,084
Disposal		-	(3,730,338)	(3,730,338)
Reclassification		-	10,808,618	10,808,618
Balance at December 31		-	727,351,651	727,351,651
Less Allowance for Impairment Losses	*17*	172,547,531	7,268,767	179,816,298
		P3,182,354,630	P442,631,976	P3,624,986,606

	Note	December 31, 2019 Land	Buildings	Total
Balance at January 1		P2,892,960,147	P925,714,857	P3,818,675,004
Additions		559,494,733	319,842,177	879,336,910
Disposals		(69,755,679)	(127,719,637)	(197,475,316)
Balance at December 31		3,382,699,201	1,117,837,397	4,500,536,598
Less Accumulated Depreciation				
Balance at January 1		-	529,929,280	529,929,280
Depreciation		-	73,682,841	73,682,841
Disposal		-	(8,597,834)	(8,597,834)
Balance at December 31		-	595,014,287	595,014,287
Allowance for Impairment Losses	*17*	165,124,070	10,629,048	175,753,118
		P3,217,575,131	P512,194,062	P3,729,769,193

As at December 31, 2021 and 2020, the aggregate market value of investment properties amounted to P9.3 billion and P8.1 billion, respectively. Information about the fair value measurement of investment properties is presented in Note 6.

Gain on foreclosure and sale of investment properties under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" consists of the following:

	2021	2020	2019
Gain on assets sold	**P258,763,846**	P45,987,545	P134,937,859
Gain on foreclosure	**3,877,212**	1,104,271	193,461,664
	P262,641,058	P47,091,816	P328,399,523

Rental income on investment properties (included in "Miscellaneous income" account in the statements of income) in 2021, 2020 and 2019 amounted to P0.1 million, P0.2 million P1.6 million, respectively (see Note 30).

Direct operating expenses on investment properties that generated rental income (included under “Rent and utilities” account, “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account and “Taxes and licenses” account in the statements of income) amounted to P0.02 million in 2021. No direct operating expenses on investment properties that generated rental income were incurred in 2020 and 2019. Direct operating expenses on investment properties such as security and insurance expenses, included under “Rent and utilities” account, litigation expenses, included under “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account, and real estate taxes, included under “Taxes and licenses” account in the statements of income, that did not generate rental income in 2021, 2020 and 2019 amounted to P74.0 million, P68.4 million and P70.2 million, respectively (see Note 30).

16. Other Assets

This account consists of:

	Note	**2021**	2020
Miscellaneous assets - TRB	*33*	**P4,435,560,125**	P4,435,569,820
Creditable withholding tax		**1,538,203,367**	1,277,486,389
Intangible assets*		**358,695,778**	363,318,065
Sinking fund	*23*	**280,236,108**	279,765,823
Documentary stamps		**124,742,541**	102,095,989
Prepaid expenses		**46,468,703**	21,596,789
Other properties acquired*		**20,415,042**	51,041,236
Others		**199,521,077**	213,982,609
		7,003,842,741	6,744,856,720
Less allowance for impairment losses	*17*	**4,615,905,588**	4,615,724,154
		P2,387,937,153	P2,129,132,566

**net of accumulated amortization/depreciation, gross of allowance for impairment losses*

Others include security deposit, unused supplies and forms and petty cash fund.

Miscellaneous Assets - TRB

This account includes non-performing assets (NPAs) amounting to P4.4 billion as at December 31, 2021 and 2020 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 33). Pursuant to the requirements of PFRS, the impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2021 and 2020, were charged in full in the period incurred.

For its separate prudential reporting to BSP, the Bank was allowed under the MB Resolution No. 1751, dated November 8, 2001, as further amended by MB Resolution No. 489, dated April 3, 2003 and pursuant to MB Resolu tion No. 1950, dated November 21, 2013, to defer the full recognition of the impairment losses. The Bank annually recognizes provisions for impairment losses to gradually meet the foregoing provisioning requirement based on the net yield earned by the Bank from the Financial Assistance Agreement (FAA) with Philippine Deposit Insurance Corporation (PDIC) until November 29, 2013 when the collateralized government securities was sold and the obligation was fully settled. In 2021 and 2020, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million (see Note 33).

Intangible Assets
Intangible assets consist of:

	Note	**2021**	2020
Software costs*		**P298,695,778**	P303,318,065
Branch licenses		**60,000,000**	60,000,000
		358,695,778	363,318,065
Less allowance for impairment losses	*17*	**90,278,696**	90,278,696
		P268,417,082	P273,039,369

**net of accumulated amortization, gross of allowance for impairment losses*

Movements in software costs follow:

	2021	2020	2019
Cost			
Balance at January 1	**P877,878,810**	P861,720,028	P730,123,876
Additions	**48,972,849**	16,158,782	131,596,152
Balance at end of year	**926,851,659**	877,878,810	861,720,028
Less Accumulated Amortization			
Balance at January 1	**574,560,745**	528,652,828	494,508,673
Amortization for the year	**53,595,136**	45,907,917	34,144,155
Balance at end of year	**628,155,881**	574,560,745	528,652,828
Less Allowance for Impairment Losses	**90,278,696**	90,278,696	90,278,696
Net Book Value	**P208,417,082**	P213,039,369	P242,788,504

Other Properties Acquired
Movements in the other properties acquired follow:

	Note	**2021**	2020	2019
Cost				
Balance at January 1		**P225,430,172**	P246,655,672	P228,602,522
Additions		**41,210,000**	24,013,000	49,947,500
Disposals		**(44,651,000)**	(45,238,500)	(31,511,000)
Reclassification	*14*	**(1,705,172)**	-	-
Write-off		**-**	-	(383,350)
Balance at end of year		**220,284,000**	225,430,172	246,655,672
Less Accumulated Depreciation				
Balance at January 1		**174,388,936**	106,187,895	38,239,801
Depreciation for the year		**42,060,966**	86,916,796	76,976,250
Disposals		**(15,065,354)**	(18,715,755)	(8,644,806)
Reclassification	*14*	**(1,515,590)**	-	-
Write-off		**-**	-	(383,350)
Balance at end of year		**199,868,958**	174,388,936	106,187,895
Less Allowance for Impairment Losses		**-**	-	25,777
Net Book Value		**P20,415,042**	P51,041,236	P140,442,000

In 2021, 2020 and 2019, gain on foreclosure amounted to P1.2 million, P0.2 million and P1.6 million, respectively. Gain on sale of other properties acquired under "Gains on foreclosure and sale of property and equipment and foreclosed assets -net" amounted to P10.3 million, P11.0 million and P5.9 million in 2021, 2020 and 2019, respectively.

17. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2021, 2020 and 2019 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2021					
	Due from BSP	**Due from Other Banks**	**Interbank Loans Receivable and SPURA** (Note 8)	**Financial Assets at FVOCI** (Note 10)	**Investment Securities at Amortized Cost** (Note 11)	**Total**
ECL allowance, January 1, 2021	**P5,340**	**P138**	**P2,978**	**P1,770**	**P1,231**	**P11,457**
Provision for (reversal of) credit and impairment losses for the year	**785**	**(3)**	**(431)**	**(1,138)**	**4,493**	**3,706**
Foreign exchange differences	**-**	**6**	**36**	**30**	**37**	**109**
ECL allowance, December 31, 2021	**P6,125**	**P141**	**P2,583**	**P662**	**P5,761**	**P15,272**

	December 31, 2020					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2020	P2,964	P87	P1,813	P118	P2,965	P7,947
Provision for (reversal of) credit and impairment losses for the year	2,376	55	1,204	1,687	(1,707)	3,615
Foreign exchange differences	-	(4)	(39)	(35)	(27)	(105)
ECL allowance, December 31, 2020	P5,340	P138	P2,978	P1,770	P1,231	P11,457

	December 31, 2019					
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	Total
ECL allowance, January 1, 2019	P2,893	P518	P1,618	P777	P3,109	P8,915
Provision for (reversal of) credit and impairment losses for the year	71	(423)	221	(656)	(119)	(906)
Foreign exchange differences	-	(8)	(26)	(3)	(25)	(62)
ECL allowance, December 31, 2019	P2,964	P87	P1,813	P118	P2,965	P7,947

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2021, 2020 and 2019.

The ECL allowance on financial assets at FVOCI is included in the "Net unrealized gains (losses) on financial assets at FVOCI" account in the statements of financial position (see Note 10).

As at December 31, 2021 and 2020, ECL on off-balance sheet exposures amounted to P70.7 million and P32.2 million, respectively, (see Note 21). In 2021, 2020 and 2019, the Bank recognized reversal of ECL on loan co mmitment and financial guarantees amounting to P38.5 million, P15.7 million and P8.0 million, respectively.

In 2021, the Bank recognized a reversal of allowance for credit losses on loans and receivables amounting to P339.1 million, which is included in the "Reversal of credit and impairment losses" account in the statements of income, as a result of the changes made in the ECL parameters to improve the accuracy of the ECL models (see Notes 3 and 4). The amount of the effect in future periods is not disclosed because estimating the impact is impracticable.

The table below summarizes the movement in ECL allowances on loans and receivables in 2021, 2020 and 2019 (amounts in thousands).

	December 31, 2021										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2021	P629,890	P199,431	P79,230	P7,401	P380	P1,642	P19,744	P937,718	P2,872	P16,292	P956,882
Provision for credit and impairment losses	(457,085)	(151,063)	35,763	(7,113)	3,029	4,311	17,659	(554,499)	(120)	(8,078)	(562,697)
Transfer from Stage 1	(76,052)	(35,299)	(87,484)	-	-	(4,190)	(25,575)	(228,600)	(253)	(5,856)	(234,709)
Transfer from Stage 2	1,217	2,472	5,437	-	-	-	64	9,190	4	206	9,400
Transfer from Stage 3	-	736	474	-	-	-	2	1,212	120	27	1,359
Foreign exchange differences	1,820	7	-	-	7	26	21	1,881	-	10	1,891
	99,790	16,284	33,420	288	3,416	1,789	11,915	166,902	2,623	2,601	172,126
Stage 2											
ECL Loans, January 1, 2021	49,354	88,482	28,776	-	7,059	1,207	5,714	180,592	153	31,627	212,372
Provision for credit and impairment losses	(47,694)	(58,919)	72,494	-	(7,244)	(726)	(2,641)	(44,730)	(52)	3,309	(41,473)
Transfer from Stage 1	37,999	12,455	28,461	-	-	4,190	1,480	84,585	110	2,048	86,743
Transfer from Stage 2	(1,217)	(22,255)	(82,928)	-	-	-	(676)	(107,076)	(101)	(9,727)	(116,904)
Transfer from Stage 3	-	2,791	2,017	-	-	-	44	4,852	50	176	5,078
Movement due to foreclosure/settlement	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	482	-	-	-	185	-	7	674	-	58	732
	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Stage 3											
ECL Loans, January 1, 2021	593,711	305,220	252,160	73,710	163,188	17,663	559,082	1,964,734	54,709	1,043,361	3,062,804
Provision for credit and impairment losses	(10,209)	(207,100)	73,070	-	-	-	16,410	(127,829)	(60)	43,377	(84,512)
Transfer from Stage 1	38,053	22,844	59,023	-	-	-	24,095	144,015	143	3,808	147,966
Transfer from Stage 2	-	19,783	77,491	-	-	-	612	97,886	97	9,521	107,504
Transfer from Stage 3	-	(3,527)	(2,491)	-	-	-	(46)	(6,064)	(170)	(203)	(6,437)
Movement due to foreclosure/settlement	-	(632)	(12,351)	-	-	-	-	(12,983)	-	(1,080)	(14,063)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	1,745	-	-	2,716	-	-	1,417	5,878	-	5,385	11,263
	623,300	136,588	446,902	76,426	163,188	17,663	601,570	2,065,637	54,719	1,104,169	3,224,525
TOTAL											
ECL Loans, January 1, 2021	1,272,955	593,133	360,166	81,111	170,627	20,512	584,540	3,083,044	57,734	1,091,280	4,232,058
Provision for credit and impairment losses	(514,988)	(417,082)	181,327	(7,113)	(4,215)	3,585	31,428	(727,058)	(232)	38,608	(688,682)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(632)	(12,351)	-	-	-	-	(12,983)	-	(1,080)	(14,063)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	4,047	7	-	2,716	192	26	1,445	8,433	-	5,453	13,886
	P762,014	P175,426	P529,142	P76,714	P166,604	P24,123	P617,413	P2,351,436	P57,502	P1,134,261	P3,543,199

**Comprised of benefit loans, salary loans and credit cards.*

***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2020										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2020	P595,718	P160,023	P93,507	P7,830	P1,022	P1,412	P23,986	P883,498	P3,986	P12,918	P900,402
Provision for credit and impairment losses	93,568	279,607	125,749	(420)	6,421	230	(2,358)	502,797	(633)	12,140	514,304
Transfer from Stage 1	(56,149)	(241,584)	(140,802)	-	(7,059)	-	(1,854)	(447,448)	(499)	(8,812)	(456,759)
Transfer from Stage 2	-	1,316	735	-	-	-	28	2,079	13	56	2,148
Transfer from Stage 3	-	82	41	-	-	-	-	123	5	4	132
Foreign exchange differences	(3,247)	(13)	-	(9)	(4)	-	(58)	(3,331)	-	(14)	(3,345)
	629,890	199,431	79,230	7,401	380	1,642	19,744	937,718	2,872	16,292	956,882
Stage 2											
ECL Loans, January 1, 2020	86,618	11,943	5,674	-	-	1,842	437	106,514	96	25,241	131,851
Provision for credit and impairment losses	(2,657)	43,875	26,193	-	235	(635)	(213)	66,798	(23)	9,325	76,100
Transfer from Stage 1	49,354	81,028	27,681	-	7,059	-	632	165,754	73	3,113	168,940
Transfer from Stage 2	(6,039)	(48,896)	(30,809)	-	-	-	(199)	(85,943)	(67)	(5,996)	(92,006)
Transfer from Stage 3	-	532	37	-	-	-	5,057	5,626	74	3	5,703
Movement due to foreclosure/settlement	(77,922)	-	-	-	-	-	-	(77,922)	-	-	(77,922)
Foreign exchange differences	-	-	-	-	(235)	-	-	(235)	-	(59)	(294)
	49,354	88,482	28,776	-	7,059	1,207	5,714	180,592	153	31,627	212,372
Stage 3											
ECL Loans, January 1, 2020	587,504	88,278	94,418	76,156	163,188	17,663	318,069	1,345,276	54,373	1,042,371	2,442,020
Provision for credit and impairment losses	(4,826)	9,420	24,142	(62)	-	-	356,011	384,685	(65)	(5,082)	379,538
Transfer from Stage 1	6,795	160,556	113,121	-	-	-	1,222	281,694	426	5,699	287,819
Transfer from Stage 2	6,039	47,580	30,074	-	-	-	171	83,864	54	5,940	89,858
Transfer from Stage 3	-	(614)	(78)	-	-	-	(5,057)	(5,749)	(79)	(7)	(5,835)
Movement due to foreclosure/settlement	-	-	(9,517)	-	-	-	-	(9,517)	-	(882)	(10,399)
Write-off	-	-	-	-	-	-	(108,923)	(108,923)	-	-	(108,923)
Foreign exchange differences	(1,801)	-	-	(2,384)	-	-	(2,411)	(6,596)	-	(4,678)	(11,274)
	593,711	305,220	252,160	73,710	163,188	17,663	559,082	1,964,734	54,709	1,043,361	3,062,804
TOTAL											
ECL Loans, January 1, 2020	1,269,840	260,244	193,599	83,986	164,210	20,917	342,492	2,335,288	58,455	1,080,530	3,474,273
Provision for credit and impairment losses	86,085	332,902	176,084	(482)	6,656	(405)	353,440	954,280	(721)	16,383	969,942
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	(77,922)	-	(9,517)	-	-	-	-	(87,439)	-	(882)	(88,321)
Write-off	-	-	-	-	-	-	(108,923)	(108,923)	-	-	(108,923)
Foreign exchange differences	(5,048)	(13)	-	(2,393)	(239)	-	(2,469)	(10,162)	-	(4,751)	(14,913)
	P1,272,955	P593,133	P360,166	P81,111	P170,627	P20,512	P584,540	P3,083,044	P57,734	P1,091,280	P4,232,058

**Comprised of benefit loans, salary loans and credit cards.*

***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2019										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2019	P592,605	P129,606	P66,540	P3,662	P466	P4,911	P18,026	P815,816	P4,748	P6,381	P826,945
Provision for credit and impairment losses	33,062	26,326	31,634	4,180	568	(1,657)	7,008	101,121	(537)	5,748	106,332
Transfer from Stage 1	(27,836)	(7,773)	(8,775)	-	-	(1,842)	(1,095)	(47,321)	(306)	(1,080)	(48,707)
Transfer from Stage 2	-	8,416	2,669	-	-	-	124	11,209	34	1,812	13,055
Transfer from Stage 3	-	3,454	1,439	-	-	-	84	4,977	47	61	5,085
Foreign exchange differences	(2,113)	(6)	-	(12)	(12)	-	(161)	(2,304)	-	(4)	(2,308)
	595,718	160,023	93,507	7,830	1,022	1,412	23,986	883,498	3,986	12,918	900,402
Stage 2											
ECL Loans, January 1, 2019	174,686	15,909	4,614	-	-	-	271	195,480	48	25,247	220,775
Provision for credit and impairment losses	(90,393)	1,192	(2,579)	-	-	-	(17)	(91,797)	(50)	23,211	(68,636)
Transfer from Stage 1	716	3,544	4,996	-	-	1,842	265	11,363	99	264	11,726
Transfer from Stage 2	1,609	(11,526)	(4,108)	-	-	-	(170)	(14,195)	(36)	(23,555)	(37,786)
Transfer from Stage 3	-	2,824	2,751	-	-	-	88	5,663	35	88	5,786
Movement due to foreclosure/settlement	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	-	-	-	-	(14)	(14)
	86,618	11,943	5,674	-	-	1,842	437	106,514	96	25,241	131,851
Stage 3											
ECL Loans, January 1, 2019	699,277	64,352	87,948	78,525	163,652	17,663	245,855	1,357,272	54,726	988,978	2,400,976
Provision for credit and impairment losses	(136,029)	25,057	19,351	(594)	(464)		73,136	(19,543)	(480)	35,725	15,702
Transfer from Stage 1	27,120	4,229	3,779	-	-	-	830	35,958	207	816	36,981
Transfer from Stage 2	(1,609)	3,110	1,439	-	-	-	46	2,986	2	21,743	24,731
Transfer from Stage 3	-	(6,278)	(4,190)	-	-	-	(172)	(10,640)	(82)	(149)	(10,871)
Movement due to foreclosure/settlement	-	(2,192)	(13,909)	-	-	-	-	(16,101)	-	(1,259)	(17,360)
Foreign exchange differences	(1,255.00)	-	-	(1,775)	-	-	(1,626)	(4,656)	-	(3,483)	(8,139)
	587,504.00	88,278	94,418	76,156	163,188	17,663	318,069	1,345,276	54,373	1,042,371	2,442,020
TOTAL											
ECL Loans, January 1, 2019	1,466,568	209,867	159,102	82,187	164,118	22,574	264,152	2,368,568	59,522	1,020,606	3,448,696
Provision for credit and impairment losses	(193,360)	52,575	48,406	3,586	104	(1,657)	80,127	(10,219)	(1,067)	64,684	53,398
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(2,192)	(13,909)	-	-	-	-	(16,101)	-	(1,259)	(17,360)
Foreign exchange differences	(3,368)	(6)	-	(1,787)	(12)	-	(1,787)	(6,960)	-	(3,501)	(10,461)
	P1,269,840	P260,244	P193,599	P83,986	P164,210	P20,917	P342,492	P2,335,288	P58,455	P1,080,530	P3,474,273

Comprised of benefit loans, salary loans and credit cards.

***Comprised of accrued interest receivables, accounts receivables and RCOCI*

The table below summarizes the movement in the gross carrying amounts of financial assets, other than loans and receivables, in 2021 and 2020 (amounts in thousands).

	December 31, 2021				
	Due from BSP	**Due from Other Banks**	**Interbank Loans Receivable and SPURA** (Note 8)	**Financial Assets at FVOCI** (Note 10)	**Investment Securities at Amortized Cost** (Note 11)
Gross carrying amount, January 1, 2021	**P39,552,550**	**P1,023,394**	**P22,058,806**	**P15,424,248**	**P9,147,509**
New assets purchased or originated	**3,256,626,243**	**7,809**	**3,826,932,412**	**6,827,432**	**49,388,879**
Assets derecognized or repaid	**(3,253,886,243)**	**(10,151)**	**(3,826,951,339)**	**(17,433,762)**	**(15,166,197)**
Other movements*	**3,080,718**	**18,545**	**(2,903,790)**	**237,199**	**(455,372)**
Gross carrying amount, December 31, 2021	**P45,373,268**	**P1,039,597**	**P19,136,089**	**P5,055,117**	**P42,914,819**

**Includes movements in outstanding balances and foreign exchange differences*

	December 31, 2020				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2020	P21,958,460	P670,568	P13,431,093	P1,389,857	P22,550,797
New assets purchased or originated	2,608,260,913	19,120	2,224,513,173	29,751,469	5,989,528
Assets derecognized or repaid	(2,590,910,913)	(39,070	(2,217,983,223)	(16,022,195)	(20,043,309)
Other movements*	244,090	372,776	2,097,763	305,117	650,493
Gross carrying amount, December 31, 2020	P39,552,550	P1,023,394	P22,058,806	P15,424,248	P9,147,509

**Includes movements in outstanding balances and foreign exchange differences*

The table below summarizes the movement in the gross carrying amounts on loans and receivables in 2021 and 2020 (amounts in thousands).

	December 31, 2021										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2021	P55,303,304	P6,900,837	P2,918,758	P641,585	P399,181	P278,823	P1,416,982	P67,859,470	P287,217	P1,170,690	P69,317,377
New assets purchased or originated	31,008,059	907,420	903,817	15,067	386,811	1,128,509	469,469	34,819,152	121,023	318,734	35,258,909
Assets derecognized or repaid	(24,817,680)	(240,632)	(265,286)	(486,730)	(394,272)	(248,071)	(195,496)	(26,648,167)	(11,512)	(622,693)	(27,282,372)
Transfer from Stage 1	(1,355,663)	(484,351)	(232,962)	-	-	(149,993)	(48,640)	(2,271,609)	(25,256)	(113,111)	(2,409,976)
Transfer from Stage 2	33,872	429,581	308,144	-	-	-	6,784	778,381	357	11,327	790,065
Transfer from Stage 3	-	76,241	12,504	-	-	-	423	89,168	11,993	1,525	102,686
Other movements***	(3,098,541)	(604,870)	(929,839)	217,004	(18,887)	51,101	(31,746)	(4,415,778)	(121,536)	114,683	(4,422,631)
	57,073,351	6,984,226	2,715,136	386,926	372,833	1,060,369	1,617,776	70,210,617	262,286	881,155	71,354,058
Stage 2											
Gross carrying amount, January 1, 2021	726,822	861,790	819,674	-	36,954	17,785	79,137	2,542,162	15,345	78,565	2,636,072
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(655,564)	(42,248)	(79,086)	-	(36,954)	-	(15,054)	(828,906)	(2,885)	(30,103)	(861,894)
Transfer from Stage 1	1,307,997	318,127	144,007	-	-	149,993	20,472	1,940,596	10,989	45,988	1,997,573
Transfer from Stage 2	(33,872)	(563,003)	(419,746)	-	-	-	(8,039)	(1,024,660)	(10,083)	(24,739)	(1,059,482)
Transfer from Stage 3	-	73,184	10,337	-	-	-	579	84,100	5,029	2,083	91,212
Other movements***	(11,637)	(71,765)	(229,299)	-	-	(4,834)	(29,127)	(346,662)	(2,347)	(15,951)	(364,960)
	1,333,746	576,085	245,887	-	-	162,944	47,968	2,366,630	16,048	55,843	2,438,521
Stage 3											
Gross carrying amount, January 1, 2021	601,685	754,848	494,798	73,710	163,188	17,663	590,786	2,696,678	153,595	1,056,685	3,906,958
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(4,039)	(107,696)	(47,665)	-	-	-	(5,873)	(165,273)	(11,789)	(25,662)	(202,724)
Transfer from Stage 1	47,666	166,224	88,955	-	-	-	28,168	331,013	14,267	67,123	412,403
Transfer from Stage 2	-	133,422	111,602	-	-	-	1,255	246,279	9,726	13,412	269,417
Transfer from Stage 3	-	(149,425)	(22,841)	-	-	-	(1,002)	(173,268)	(17,022)	(3,608)	(193,898)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Other movements***	(2,158)	(28,619)	(42,716)	2,716	-	-	4,886	(65,891)	(18,146)	16,626	(67,411)
	643,154	768,754	582,133	76,426	163,188	17,663	618,220	2,869,538	130,631	1,124,576	4,124,745
Total											
Gross carrying amount, January 1, 2021	56,631,811	8,517,475	4,233,230	715,295	599,323	314,271	2,086,905	73,098,310	456,157	2,305,940	75,860,407
New assets purchased or originated	31,008,059	907,420	903,817	15,067	386,811	1,128,509	469,469	34,819,152	121,023	318,734	35,258,909
Assets derecognized or repaid	(25,477,283)	(390,576)	(392,037)	(486,730)	(431,226)	(248,071)	(216,423)	(27,642,346)	(26,186)	(678,458)	(28,346,990)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-	-
Other movements***	(3,112,336)	(705,254)	(1,201,854)	219,720	(18,887)	46,267	(55,987)	(4,828,331)	(142,029)	115,358	(4,855,002)
	P59,050,251	P8,329,065	P3,543,156	P463,352	P536,021	P1,240,976	P2,283,964	P75,446,785	P408,965	P2,061,574	P77,917,324

*Comprised of benefit loans, salary loans and credit cards.
**Comprised of accrued interest receivables, accounts receivables and RCOCI
***Includes movements in outstanding balances and foreign exchange differences

	December 31, 2020										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2020	P56,117,848	P7,993,664	P4,312,736	P800,463	P765,368	P294,531	P1,803,761	P72,088,371	P398,621	P1,129,974	P73,616,966
New assets purchased or originated	26,701,798	784,403	887,809	641,585	446,383	247,344	358,892	30,068,214	59,627	1,120,087	31,247,928
Assets derecognized or repaid	(23,425,918)	(177,266)	(237,521)	(800,463)	(755,645)	(252,499)	(175,708)	(25,825,020)	(31,971)	(883,242)	(26,740,233)
Transfer from Stage 1	(740,284)	(1,191,508)	(1,038,585)	-	(36,954)	-	(458,306)	(3,465,637)	(49,855)	(108,137)	(3,623,629)
Transfer from Stage 2	-	39,885	27,235	-	-	-	1,149	68,269	1,322	1,896	71,487
Transfer from Stage 3	-	1,102	1,436	-	-	-	-	2,538	471	59	3,068
Other movements***	(3,350,140)	(549,443)	(1,034,352)	-	(19,971)	(10,553)	(112,806)	(5,077,265)	(90,998)	(89,947)	(5,258,210)
	55,303,304	6,900,837	2,918,758	641,585	399,181	278,823	1,416,982	67,859,470	287,217	1,170,690	69,317,377
Stage 2											
Gross carrying amount, January 1, 2020	308,470	251,179	180,775	-	-	22,338	10,283	773,045	9,585	26,664	809,294
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(301,354)	(13,099)	(17,709)	-	-	-	(2,904)	(335,066)	(616)	(16,341)	(352,023)
Transfer from Stage 1	726,822	795,254	787,817	-	36,954	-	60,489	2,407,336	7,378	76,933	2,491,647
Transfer from Stage 2	(6,130)	(165,733)	(96,204)	-	-	-	(2,726)	(270,793)	(6,668)	(9,410)	(286,871)
Transfer from Stage 3	-	4,938	1,177	-	-	-	17,020	23,135	7,377	53	30,565
Other movements***	(986)	(10,749)	(36,182)	-	-	(4,553)	(3,025)	(55,495)	(1,711)	666	(56,540)
	726,822	861,790	819,674	-	36,954	17,785	79,137	2,542,162	15,345	78,565	2,636,072
Stage 3											
Gross carrying amount, January 1, 2020	598,518	249,628	199,334	76,156	163,188	17,663	322,575	1,627,062	120,071	1,043,142	2,790,275
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(13,635)	(9,156)	(12,744)	-	-	-	(2,285)	(37,820)	(2,686)	(20,551)	(61,057)
Transfer from Stage 1	13,462	396,254	250,768	-	-	-	397,817	1,058,301	42,477	31,204	1,131,982
Transfer from Stage 2	6,130	125,848	68,969	-	-	-	1,577	202,524	5,346	7,514	215,384
Transfer from Stage 3	-	(6,040)	(2,613)	-	-	-	(17,020)	(25,673)	(7,848)	(112)	(33,633)
Write-off	-	-	-	-	-	-	(108,923)	(108,923)	-	-	(108,923)
Other movements***	(2,790)	(1,686)	(8,916)	(2,446)	-	-	(2,955)	(18,793)	(3,765)	(4,512)	(27,070)
	601,685	754,848	494,798	73,710	163,188	17,663	590,786	2,696,678	153,595	1,056,685	3,906,958
Total											
Gross carrying amount, January 1, 2020	57,024,836	8,494,471	4,692,845	876,619	928,556	334,532	2,136,619	74,488,478	528,277	2,199,780	77,216,535
New assets purchased or originated	26,701,798	784,403	887,809	641,585	446,383	247,344	358,892	30,068,214	59,627	1,120,087	31,247,928
Assets derecognized or repaid	(23,740,907)	(199,521)	(267,974)	(800,463)	(755,645)	(252,499)	(180,897)	(26,197,906)	(35,273)	(920,134)	(27,153,313)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	(108,923)	(108,923)	-	-	(108,923)
Other movements***	(3,353,916)	(561,878)	(1,079,450)	(2,446)	(19,971)	(15,106)	(118,786)	(5,151,553)	(96,474)	(93,793)	(5,341,820)
	P56,631,811	P8,517,475	P4,233,230	P715,295	P599,323	P314,271	P2,086,905	P73,098,310	P456,157	P2,305,940	P75,860,407

**Comprised of benefit loans, salary loans and credit cards.*

***Comprised of accrued interest receivables, accounts receiv ables and RCOCI*

****Includes movements in outstanding balances and foreign exchange differences*

Movement in allowance for impairment losses as at December 31, 2021, 2020 and 2019 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

	December 31, 2021				
	Investment in Associate (Note 13)	**Property and Equipment** (Note 14)	**Investment Properties** (Note 15)	**Other Assets** (Note 16)	**Total**
Balance at beginning of year	**P5,926**	**P6,156**	**P179,816**	**P4,615,724**	**P4,807,622**
Provision for impairment losses for the year	**-**	**-**	**11,460**	**181**	**11,641**
Foreign exchange differences	**-**	**-**	**-**	**-**	**-**
Balance at end of year	**P5,926**	**P6,156**	**P191,276**	**P4,615,905**	**P4,819,263**

	December 31, 2020				
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P175,753	P4,615,167	P4,803,002
Provision for impairment losses for the year	-	-	4,063	564	4,627
Foreign exchange differences	-	-	-	(7)	(7)
Balance at end of year	P5,926	P6,156	P179,816	P4,615,724	P4,807,622

	December 31, 2019				
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P166,121	P4,617,177	P4,795,380
Provision for (reversal of) impairment losses for the year	-	-	9,632	(2,002)	7,630
Foreign exchange differences	-	-	-	(8)	(8)
Balance at end of year	P5,926	P6,156	P175,753	P4,615,167	P4,803,002

18. Deposit Liabilities

Long-term Negotiable Certificates of Time Deposit (LTNCTD)
On March 17, 2020, the Bank issued unsecured LTNCTD with 4.5% fixed interest rate at par value of P5.0 billion and maturing on September 17, 2025. The issuance of the LTNCTD was approved by the BOD on June 25, 2019 and by the BSP on October 31, 2019. The issuance was listed in the Philippine Dealing and Exchange Corporation.

Reserve Requirement
On March 31, 2020, the BSP issued Circular No. 1082 reducing the reserve requirement to 12.0% effective on the reserve week starting on April 3, 2020.

As at December 31, 2021 and 2020, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P18.5 billion and P15.4 billion as at December 31, 2021 and 2020, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rate of 1.5% in 2021 and interest rates ranging from 1.5% to 3.5% and from 3.5% to 4.3% in 2020, and 2019, respectively. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 1.7% to 2.0%, from 1.7% to 4.3% and from 4.2% to 5.2% in 2021, 2020, and 2019, respectively. Interest income on Due from BSP amounted to P226.4 million, P255.2 million and P104.9 million in 2021, 2020, and 2019, respectively.

Interest expense on deposit liabilities follows:

	2021	2020	2019
Demand	**P53,357,209**	P44,728,904	P35,708,157
Savings	**276,548,245**	710,148,562	1,912,211,483
Time	**89,031,236**	194,935,281	398,347,203
LTNCTD	**226,323,900**	177,915,733	-
	P645,260,590	P1,127,728,480	P2,346,266,843

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.3% in 2021, 2020 and 2019. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 1.3% in 2021 and from 0.1% to 3.0% in 2020 and 2019.

19. Bills Payable

This account consists of SSURA, short-term borrowings from local banks and borrowings from rediscounting facility availed by TRB from Social Security System, which was assumed by the Bank in connection with the PSA entered into by the Bank with the TRB in 2002. As at December 31, 2021 and 2020, borrowings from rediscounting facility amounted to nil and P0.02 million, respectively. As at December 31, 2020, these borrowings were collateralized by certain receivables from customers amounting to P0.04 million.

As at December 31, 2021 and 2020, there are no financial assets at FVOCI pledged and transferred under SSURA transactions and no short-term borrowings from local banks.

Interest expense consists of:

	2021	2020	2019
Local banks	**P223,871**	P272,528	P2,660,677
SSURA	**-**	-	597,709
Other borrowings	**16,467,494**	833,171	1,597,608
	P16,691,365	P1,105,699	P4,855,994

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 1.7% to 2.5%, interest rate of 1.9%, interest rates ranging from 5.0% to 5.3% in 2021, 2020 and 2019, respectively. Foreign currency denominated short-term borrowings from local banks are subject to annual interest rate of 1.3% in 2020. No foreign currency denominated short-term borrowings in 2021 and 2019.

SSURA were subject to annual interest rate of 2.8% in 2019.

Borrowings from rediscounting facility are subject to annual interest rate of 8.0% in 2021 and 2020 and annual interest rates ranging from 8.0% to 12% in 2019.

In 2021, interest expense on other borrowings includes interest expense on tax settlement amounting to P16.3 million.

20. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	Note	**2021**	2020
Interest payable:			
Deposit liabilities	*18*	**P37,146,820**	P51,639,625
Bills payable and others	*19*	**16,329,798**	1,762
		53,476,618	51,641,387
Employee and other benefits		**338,297,519**	338,329,853
Insurance		**168,765,955**	144,295,518
Penalties		**165,383,371**	141,485,559
Taxes payable		**133,568,593**	73,083,225
Fees and commissions		**20,350,249**	22,796,639
Building repairs and maintenance		**16,383,548**	5,531,391
Equipment-related expenses		**14,643,673**	23,502,169
Management and professional fees		**13,022,486**	9,360,289
Security		**10,417,981**	14,942,413
Rent		**7,910,069**	11,201,623
Others		**79,405,740**	56,293,411
		P1,021,625,802	P892,463,477

In 2021, taxes payable includes liability for tax settlement amounting to P33.5 million and others includes accrual of universal banking license fee amounting to P24.5 million.

Other accrued expenses include accruals for marketing and advertising, utilities expenses, janitorial, messengerial, and various expenses attributable to the Bank's operations.

21. Other Liabilities

This account consists of:

	Note	**2021**	2020
Accounts payable		**P757,587,121**	P874,595,629
Lease liability	*29*	**538,398,243**	681,997,064
Bills purchased - contra	*12*	**373,471,093**	640,565,660
Due to preferred shareholders	*23*	**280,236,108**	279,765,823
Other credits-dormant		**193,930,421**	178,948,793
Retirement liability	*28*	**158,547,517**	392,542,958
Due to Treasurer of the Philippines		**139,817,762**	56,618,723
Withholding tax payable		**75,903,545**	49,898,110
ECL on off-balance sheet exposures	*17*	**70,709,667**	32,194,847
Miscellaneous		**74,369,624**	98,918,230
		P2,662,971,101	P3,286,045,837

Accounts payable mainly pertains to advance loan payments from borrowers, inward and outward remittances received by the Bank pending payment or application to designated deposit accounts.

Other credits - dormant account includes long outstanding Managers' Checks that are yet to be encashed by the payees, which have been outstanding for more than one (1) year from the dates of checks.

ECL on off-balance sheet exposures relate to committed credit line, credit card lines, outstanding guarantees and unused commercial letter of credits (see Note 37).

Miscellaneous include deposits for keys of safety deposit boxes, SSS payable and unclaimed salaries of resigned employees.

22. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled within and/or after more than 12 months after the reporting period (amounts in thousands):

		2021			2020		
	Note	**Within 12 Months**	**Over 12 Months**	**Total**	Within 12 Months	Over 12 Months	Total
Financial Assets - gross							
COCI		**P2,747,781**	**P -**	**P2,747,781**	P2,420,505	P -	P2,420,505
Due from BSP	*18*	**45,373,268**	**-**	**45,373,268**	39,552,550	-	39,552,550
Due from other banks		**1,039,597**	**-**	**1,039,597**	1,023,394	-	1,023,394
Interbank loans receivable and SPURA	*8*	**19,136,089**	**-**	**19,136,089**	22,058,806	-	22,058,806
Financial assets at FVPL:	*9*						
Private debt securities		**-**	**490,888**	**490,888**	-	602,404	602,404
Government securities held-for-trading		**478,225**	**-**	**478,225**	639,004	-	639,004
Derivative assets		**-**	**25,500**	**25,500**	-	24,011	24,011
Financial assets at FVOCI:	*10*						
Government securities		**-**	**4,569,701**	**4,569,701**	10,545,490	4,402,607	14,948,097
Private debt securities		**303,522**	**-**	**303,522**	-	314,964	314,964
Equity securities		**-**	**181,894**	**181,894**	-	161,187	161,187
Investment securities at amortized cost - gross:	*11*						
Government securities		**2,938,689**	**37,393,064**	**40,331,753**	1,794,104	4,140,353	5,934,457
Private debt securities		**-**	**2,583,066**	**2,583,066**	2,358,976	854,076	3,213,052
Loans and receivables - gross:	*12*						
Receivable from customers:							
Term loans		**28,703,719**	**30,346,532**	**59,050,251**	22,498,929	34,132,883	56,631,812
Housing loans		**1,400,974**	**6,928,319**	**8,329,293**	1,673,336	6,844,248	8,517,584
Auto loans		**1,017,877**	**2,525,332**	**3,543,209**	1,499,126	2,734,134	4,233,260
Agri-agra loans		**1,121,100**	**120,264**	**1,241,364**	266,282	48,537	314,819
Direct advances		**480,823**	**56,682**	**537,505**	596,077	4,920	600,997
Bills purchased, import bills and trust receipts		**463,352**	**-**	**463,352**	715,295	-	715,295
Others		**1,790,690**	**528,430**	**2,319,120**	1,635,536	471,791	2,107,327
Accrued interest receivable		**974,480**	**-**	**974,480**	888,473	-	888,473
Accounts receivable		**794,693**	**-**	**794,693**	1,125,879	-	1,125,879
Sales contract receivables		**155,905**	**253,060**	**408,965**	168,409	287,748	456,157
Unquoted debt securities		**291,578**	**-**	**291,578**	291,578	-	291,578
RCOCI		**822**	**-**	**822**	10	-	10
Investment in associate	*13*	**-**	**75,395**	**75,395**	-	75,395	75,395
		109,213,184	**86,078,127**	**195,291,311**	111,751,759	55,099,258	166,851,017
Non-financial Assets - gross							
Property and equipment	*14*	**-**	**4,310,182**	**4,310,182**	-	4,205,560	4,205,560
Investment properties	*15*	**-**	**4,418,012**	**4,418,012**	-	4,532,155	4,532,155
Deferred tax assets - net	*31*	**-**	**743,505**	**743,505**	-	955,380	955,380
Other assets	*16*	**1,731,011**	**6,100,857**	**7,831,868**	1,416,804	6,077,002	7,493,806
		1,731,011	**15,572,556**	**17,303,567**	1,416,804	15,770,097	17,186,901
		P110,944,195	**P101,650,683**	**P212,594,878**	P113,168,563	P70,869,355	P184,037,918
Less:							
Allowance for credit and impairment losses	*17*			**8,377,073**			P9,049,367
Accumulated depreciation and amortization	*14, 15, 16*			**4,438,074**			4,016,304
Unearned interest	*12*			**37,309**			22,784
Accumulated equity in net loss	*13*			**29,808**			28,782
Total				**P199,712,614**			P170,920,681

	Note	2021 Within 12 Months	2021 Over 12 Months	2021 Total	2020 Within 12 Months	2020 Over 12 Months	2020 Total
Financial Liabilities							
Deposit liabilities:	18						
Demand		**P48,702,340**	**P -**	**P48,702,340**	P39,659,286	P -	P39,659,286
Savings		**108,874,542**	**378**	**108,874,920**	83,743,821	-	83,743,821
Time		**7,889,178**	**1,217,966**	**9,107,144**	19,162,549	1,510,535	20,673,084
LTNCTD		**-**	**5,029,420**	**5,029,420**	-	5,029,420	5,029,420
Bills payable	19	**-**	**-**	**-**	19	-	19
Manager's checks		**951,460**	**-**	**951,460**	870,080	-	870,080
Accrued interest and other expenses*	20	**541,850**	**-**	**541,850**	469,849	-	469,849
Other liabilities**	21	**1,720,250**	**637,561**	**2,357,811**	2,036,987	774,422	2,811,409
		168,679,620	**6,885,325**	**175,564,945**	145,942,591	7,314,377	153,256,968
Non-financial Liabilities							
Accrued taxes and other expense payable	20	**479,776**	**-**	**479,776**	422,615	-	422,615
Other liabilities	21	**305,160**	**-**	**305,160**	474,636	-	474,636
		784,936	**-**	**784,936**	897,251	-	897,251
		P169,464,556	**P6,885,325**	**P176,349,881**	P146,839,842	P7,314,377	P154,154,219

*amounts exclude accruals of employee and other benefits, tax es payable and rent

**amounts exclude withholding tax payable, retirement liability and ECL of loan commitments and financial guarantees

Refer to Note 5 for the discussions on the Bank's policy on liquidity risk and funding management.

23. Capital

The Bank's capital stock consists of the following as at December 31:

	Shares 2021	Shares 2020	Shares 2019	Amount 2021	Amount 2020	Amount 2019
Authorized Capital Stock						
Common stock, from P100 par value in 2020 to P10 par value in 2021	**1,702,511,470**	170,251,147	212,500,000	**P17,025,114,700**	P17,025,114,700	P21,250,000,000
Preferred stock, from P100 par value in 2020 to P10 par value in 2021	**455,000,000**	45,500,000	7,500,000	**4,550,000,000**	4,550,000,000	750,000,000
	2,157,511,470	215,751,147	220,000,000	**P21,575,114,700**	P21,575,114,700	P22,000,000,000
Issued and Outstanding						
Common stock	**1,122,411,120**	112,241,112	112,241,112	**P11,224,111,200**	P11,224,111,200	P11,224,111,200
Preferred stock	**416,666,670**	-	-	**4,166,666,700**	-	-
	1,539,077,790	112,241,112	112,241,112	**P15,390,777,900**	P11,224,111,200	P11,224,111,200
Paid-in Surplus						
Common stock				**P5,542,922,931**	P5,594,079,646	P5,594,079,646
Preferred stock				**1,233,771,938**	-	-
				P6,776,694,869	P5,594,079,646	P5,594,079,646

Reconciliation of the number of shares outstanding at the beginning and at the end of the periods:

	Common Shares 2021	Common Shares 2020	Common Shares 2019	Preferred Shares 2021	Preferred Shares 2020	Preferred Shares 2019
Balance as of January 1	**112,241,112**	112,241,112	112,241,112	**-**	-	-
Issuance during the year	**-**	-	-	**41,666,667**	-	-
Adjustment for 10-to-1 Stock Split	**1,010,170,008**	-	-	**375,000,003**	-	-
Balance as of December 31	**1,122,411,120**	112,241,112	112,241,112	**416,666,670**	-	-

Preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders after 5 years from issue date, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of the Bank and subject to the other terms and conditions as may be fixed by the BOD, required under regulations, and to the extent permitted by applicable law.

The Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P280.2 million and P279.8 million as at December 31, 2021 and 2020, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 21 to the financial statements. As at December 31, 2021 and 2020, the related sinking fund which is recorded under "Other assets" account amounting to P280.2 million and P279.8 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 16).

On April 8, 2010, the SEC approved the Bank's application for the increase in authorized capital stock from P6.0 billion, divided into 52.5 million common shares and 7.5 million preferred shares both with the par value of P100 each, to P22.0 billion divided into 212.5 million common shares and 7.5 million preferred shares both with the par value of P100 each. The related amendment to the Articles of Incorporation of the Bank relative to its proposed increase in authorized capital stock from P6.0 billion to P22.0 billion was approved by BSP and the SEC on March 26, 2010 and April 8, 2010, respectively.

During its meeting on January 18, 2011, the BOD of the Bank passed a resolution approving the following:

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to SMPI and SMCRP amounting to 2,800,000 shares and 1,972,735 shares, respectively; and

- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

In this connection, the Bank secured the approval of the MB of BSP for such sale of shares and assignment of subscription of the shares of Valiant. This is mandated in BSP's MORB since the total shareholdings of Valiant entitles it to a board seat. The Board also approved that the sale of shares and assignment of subscription rights be recorded in the stock and transfer book of the Bank only after the approval of the MB has been obtained.

On March 30, 2011, the MB of BSP approved the sale of shares of Valiant. In 2011, the Bank's subscribed common stock totaling 59,741,113 shares have been fully paid in accordance with the subscription agreement.

On April 30, 2019, the BOD and the Stockholders approved to amend the Articles of Incorporation to deny pre-emptive rights. The said amendment was approved by the BSP on August 16, 2019 and by the SEC on September 5, 2019.

On January 30, 2020, the BOD and the Stockholders approved the amendment of the Articles of Incorporation to (a) reflect that the Bank's terms of existence shall be perpetual (b) retire 4,248,853 redeemed preferred shares thereby decreasing the Bank's authorized capital stock to P21,575,114,700 (c) reclassify 3,251,147 existing unissued preferred shares into new unissued preferred shares and (d) reclassify 42,248,853 existing unissued common shares into new unissued preferred shares. The amendments resulted in total new preferred shares of 45,500,000 with par value of P100 and decrease in common shares to 170,251,147 with par value of P100. These were approved by the BSP on May 21, 2020 and by the SEC on June 9, 2020.

On January 26, 2021, the BOD approved the issuance of 41,666,667 preferred shares to San Miguel Corporation at P132.0 per share. These shares will be issued out of the unissued Series 1 Preferred Shares of the Bank. On March 8, 2021, the Bank received from BSP a "No Objection" to the provisions in the indicative terms and conditions of these Preferred Shares, provided that the Bank shall contin uously comply with the regulation for the inclusion of preferred shares as part of Additional Tier 1 capital under Appendix 59, Risk-based Capital Adequacy Framework for the Philippines Banking System, of the Manual Regulations for Banks. On June 29, 2021, the BOD approved the change of investor f or preferred shares from San Miguel Corporation to SMC Equivest Corporation, a wholly owned subsidiary of San Miguel Corporation and an existing stockholder of the Bank. On August 5, 2021, the Bank issued 41,666,667 Series 1 Preferred Shares to SMC Equivest Corporation at P132.0 per share. Transaction costs on the issuance of preferred shares amounting to P99.6 million were charged against "Paid-in surplus".

On May 25, 2021 and July 8, 2021, the BOD and the Stockholders, respectively, approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (P100.0) to Ten Pesos (P10.0). The amendment resulted in increase in common shares from 170,251,147 to 1,702,511,470 and increase in preferred shares from 45,500,000 to 455,000 ,000. This amendment was approved by the BSP on October 4, 2021 and by the SEC on November 2, 2021.

On October 28, 2021 and November 9, 2021, the BOD and Stockholders, respectively, approved the primary public offer and sale of up to 280,700,000 common shares from unissued capital stock. As disclosed in Note 36, the SEC and the PSE approved on February 15 and February 16, 2022, respectively, the Initial Public Offer of the Bank and the listing is scheduled on March 31, 2022.

On the same dates, the BOD and the Stockholders also approved the amendment to the Articles of Incorporate to align sections around the sale, assignment, and disposal of shares with the lock up requirements of the Philippine Stock Exchange. The By-laws were also amended to update sections on stockholders, the Board of Directors, certificates of stock and the transfer of shares of stock. On December 31, 2021, the BSP approved the request of the Bank to amend its Articles of Incorporation and By-laws. As disclosed in Note 36, the amendment on the Bank's Articles of Incorporation and By-laws was approved by the SEC on January 28, 2022.

Equity Restructuring

On March 29, 2021, the BOD approved the Bank to undergo equity restructuring to wipe out the deficit amounting to P51,156,715 as at December 31, 2020 through the use of the Bank's Paid-in surplus.

On July 12, 2021, the Bank received from BSP a "No Objection" response to its application for equity restructuring with the SEC, subject to the (i) Bank's compliance with the Commission's other requirements; and (ii) condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within five (5) days from receipt thereof.

On October 14, 2021, the SEC approved the equity restructuring to wipe-out the deficit as at December 31, 2020 amounting to P51,156, 715 against the Paid-in surplus of P5.6 billion subject to the conditions that the remaining Paid-in surplus of P5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

Capital Management
The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is actively being managed to cover risks inherent in the Bank's operations. In 2009, SMPI and SMCRP infused additional capital amounting to P3.3 billion in the form of paid-up common stock. On February 18, 2010 and March 1, 2010, major stockholders infused P271.9 million and P2.1 billion, respectively, into the Bank in the form of advances for future stock subscriptions, which shall be treated as part of the Bank's paid-up capital upon the SEC's approval thereon and on the increase in the Bank's authorized capital stock.

On August 5, 2021, SMC Equivest Corporation infused additional capital amounting P5.5 billion in the form of paid-up preferred stock. This is in support of the application of the Bank for an upgrade of its commercial banking license to a universal banking license.

Under Section 121 of the MORB, *Minimum Required Capital,* the minimum capitalization requirement applicable for the Bank (commercial banks with more than 100 branches) amounted to P15.0 billion. On December 23, 2021, the BSP approved the upgrade of the Bank's banking license from commercial bank to universal bank (UB) subject to certain regulatory requirements. The minimum capitalization requirement for a UB with more than 100 branches amounted to P20.0 billion. While BSP approval is contingent on the Bank having a successful Initial Public Offer, as at December 31, 2021 and 2020, the reported unimpaired capital of the Bank amounted to P22.7 billion and P16.5 billion, respectively.

The guidelines on bank's ICAAP under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework. In compliance with this new circular, the Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Bank. The level and structure of capital are assessed and determined in light of the Bank's business environment, plans, performance, risks and budget; as well as regulatory edicts. The deadline for submission of ICAAP documents is March 31 of each year.

Regulatory Qualifying Capital
Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles which differ from PFRSs in some respects.

The BSP sets and monitors compliance to minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 538, *Revised Risk-Based Capital Adequacy Framework for Universal and Commercial Banks and their Subsidiary Banks and Quasi-Banks,* which implemented the Revised Risk-Based Capital Adequacy Framework under Basel II effective July 1, 2007. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0%.

Under Section 125 and Appendix 59 of the MORB, the regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprised common stock, additional paid-in capital and surplus. Tier 2 composed upper tier 2 and lower tier 2. Upper tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision and deposit for common stock subscription. Lower tier 2 consists of the unsecured subordinated debt.

The following are the minimum capital requirements for UBs and KBs and their subsidiary banks and quasi-banks (QBs):

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs)
- 7.5% Tier 1 Capital/RWAs, and
- 10.0% Total Qualifying Capital (Tier1 plus Tier2)/RWAs

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-'going concern' [CET1 plus Additional Tier 1(ATI)] and Tier 2 -'gone concern.' A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.5% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and quasi-banks. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress.

The CET1 capital requirement includes as an additional capital buffer, the Countercyclical capital buffer (CcyB) of zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increases in the CcyB rate shall be effective 12 months after announcement while decreases shall be effective immediately.

The countercyclical buffer requirement will extend the size of the capital conservation buffer. A bank shall not be subject to any restriction on distribution if the f ollowing conditions are met:

- Has positive retained earnings as of the preceding quarter and has complied with the requirements on the declaration of dividends as provided in the MORB;

- Has CET1 of more than the total required (minimum CET1 ratio of 6.0% plus CCB of 2.5% plus CcyB at the rate determined by the MB) before distribution; and

- Has complied with the minimum capital ratios (CET1 ratio of 6.0%, Tier 1 ratio of 7.5% and 10.0% CAR) after the distribution.

Otherwise, the policy framework of the capital conservation buffer on the restriction on distributions shall apply, except for drawdowns. Thresholds on the restriction on distribution shall consider the CcyB requirement as an extension of the capital conservation buffer.

As at December 31, 2021 and 2020, based on the CAR reports submitted to BSP, the Bank's CAR of 21.57% and 16.60%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"), based on the Basel III framework. The increase in the CAR ratio was mainly due to the issuance of preferred shares in August 2021 and the movement in the credit risk weighted amount of loans and other risk assets.

The breakdown of the Bank's risk-weighted assets as at December 31, 2021 and 2020 as reported to BSP follows (amounts in thousands):

	2021	2020
Credit risk-weighted assets	**P92,873,736**	P87,988,590
Operational risk-weighted assets	**9,404,089**	8,310,351
Market-risk weighted assets	**332,908**	733,210
	P102,610,733	P97,032,151

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2021 and 2020 (in millions) which was compiled as per below:

	2021	2020
Tier 1 capital	**P21,199**	P15,120
Tier 2 capital	**930**	984
Total qualifying capital	**P22,129**	P16,104
Risk-weighted assets	**P102,611**	P97,032
Tier 1 capital ratio	**20.66%**	15.58%
Total capital ratio	**21.57%**	16.60%

Certain adjustments are made to PFRSs results and reserves to calculate CAR which included the Bank's accounting of the following transactions that require different accounting treatments under PFRSs:

a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning;

b) accounting for investment properties.

The recognition of the Bank for prudential reporting is based on the accounting treatment approved by BSP (see Notes 15 and 16).

Under Section 129 of the MORB Basel III, leverage ratio is designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The Bank exceeded the minimum leverage ratio of 5.0% as at December 31, 2021 and 2020 which was complied as per below breakdown (amounts in thousands):

	2021	2020
Capital measure	**P21,199,531**	P15,120,329
Exposure measure	**209,844,649**	174,068,012
Leverage ratio	**10.10%**	8.69%

The LCR framework under Section 145 of the MORB promotes short -term resilience of liquidity risk profile of a bank. The LCR is the ratio of HQLAs to total net cash outflows. Under normal situation, the value of the ratio should be no lower than 100.0% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement commenced on January 01, 2018 and the prescribed minimum shall be set initially at 90% for 2018 and raised to the minimum level of 100% on January 01, 2019.

Based on the LCR reports submitted to the BSP as at December 31, 2021 and 2020, the Bank's LCR were 211.8% and 165.0%, respectively, which were above the prescribed minimum requirement set at 100.0%.

While the NSFR promotes long-term resilience of banks against liquidity risk and maintains stable funding profile in relation to the composition of its assets and off-balance sheet activities. The implementation of the minimum NSFR was phased-in, banks undergone observation period from July 1, 2018 up to December 31, 2018 while actual implementation commenced on January 01, 2019. The NSR is the ratio of Bank's available stable funding to its required stable funding and shall maintain at least 100.0% at all times.

As at December 31, 2021 and 2020, the reported NSFR of 190% and 161%, respectively, exceeded the required minimum of 100%.

This applies to UB/KBs as well as their subsidiary banks and quasi-banks with the framework anchored on the international standards issued by the Basel Committee on Banking Supervision known as the Basel 3 reforms.

24. Surplus Reserve

	2021	2020	2019
Reserve for general provision - special reserve	**P556,655,007**	P208,882,885	P223,344,419
Reserve for trust business	**139,151,260**	126,719,455	115,918,324
Reserve for self-insurance	**60,000,000**	60,000,000	60,000,000
	P755,806,267	P395,602,340	P399,262,743

The BSP, through Circular No. 1011, *Guidelines on the Adoption of the PFRS 9*, requires appropriation of the Bank's Retained earnings in case the computed allowance for credit losses on loans based on PFRS 9 is less than the BSP required 1.0% general provision on outstanding Stage 1 on-balance sheet loans, except for accounts considered as risk-free under existing regulations.

In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Bank's authorized capital stock.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation and other unlawful acts of the Bank's personnel or third parties.

25. Interest Income on Debt Securities

This account consists of:

	Note	2021	2020	2019
Investment securities at amortized cost:	*11*			
Government securities		**P908,591,924**	P571,132,356	P754,709,801
Private debt securities		**154,337,125**	177,633,500	171,893,382
Financial assets at FVOCI:	*10*			
Government securities		**168,875,905**	150,809,611	162,313,770
Private debt securities		**19,758,785**	19,799,002	28,175,322
		1,251,563,739	919,374,469	1,117,092,275
Financial assets at FVPL:	*9*			
Government securities held for trading		**14,420,446**	16,991,151	16,058,663
		P1,265,984,185	P936,365,620	P1,133,150,938

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 0.9% to 8.6% in 2021, from 0.6% to 9.5% in 2020 and from 0.3% to 8.6% in 2019. Peso-denominated financial assets at FVPL bear annual interest rates ranging from 0.7% to 8.1%, from 0.8% to 8.1% and from 3.6% to 8.1% in 2021, 2020 and 2019, respectively.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 0.02% to 2.9%, from 0.1% to 3.9%, and from 2.0% to 3.9%, respectively, in 2021, 2020 and 2019. Peso-denominated financial assets at FVOCI bear EIRs ranging from 2.1% to 6.6% in 2021, from 1.4% to 7.1% in 2020 and from 6.0% to 7.2% in 2019.

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 3.4% in 2021 and 2020 and from 2.0% to 3.4 in 2019. Peso-denominated investment securities at amortized cost bear EIRs ranging from 1.4% to 8.1% in 2021, from 1.7% to 8.1% in 2020 and from 3.2% to 8.1% in 2019.

26. Service Charges, Fees and Commissions

This account consists of:

	2021	2020	2019
Trust income	**P139,219,456**	P124,291,947	P107,985,620
Service charges	**131,070,951**	123,659,614	142,303,916
Credit card fees	**115,655,338**	90,918,959	114,954,396
Remittance fees	**52,169,552**	42,395,261	41,849,712
Letters of credit fees	**36,248,747**	11,347,102	16,036,627
Fees and commissions	**26,587,398**	2,999,204	3,285,774
Commitment fee	**11,511,432**	26,054,795	2,280,159
Penalty charges	**8,098,809**	8,626,070	19,629,875
Telegraphic transfer fees	**2,480,761**	2,363,815	3,053,339
Others	**8,085,308**	11,980,303	25,894,862
	P531,127,752	P444,637,070	P477,274,280

Service charges include charges on loans, ATM fees and deposit taking-related activities.

Others include commission on acceptance fee, insurance, auto and housing loans processing fee and sale of demand drafts.

27. Trading and Investment Securities Gains (Losses) - net

This account consists of realized and unrealized gains (losses) from the following securities:

	Note	**2021**	2020	2019
Financial assets and liabilities at FVPL:				
Debt securities:				
Realized		**(P5,635,758)**	P30,065,549	P21,326,085
Unrealized	*9*	**(4,189,634)**	69,731,751	135,535,224
Financial assets at FVOCI	*10*	**(68,883,753)**	280,743,443	198,827,405
Investment securities at amortized cost	*11*	**-**	767,033,010	-
		(P78,709,145)	P1,147,573,753	P355,688,714

28. Employee Benefits

Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual co st is determined using projected unit credit method.

The Bank’s retirement benefits are based on the employee’s years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than 10 years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least 10 years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits but such retirement benefit shall be subject to the pertinent requirements of the BIR.

The Bank’s retirement plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended, and complies with the minimum retirement benefit specified under RA No. 7641, the “New Retirement Law.”

The date of the last actuarial valuation is December 31, 2021. Valuations are performed on an annual basis.

As at December 31, 2021, 2020 and 2019, the principal actuarial assumptions used in determining retirement benefits liability for the Bank’s retirement plan are shown below:

	2021	2020	2019
Average working life	**13.0**	13.0	13.0
Discount rate	**5.0%**	3.9%	5.3%
Future salary increases	**6.6%**	6.6%	6.6%

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability and its components (in thousands).

	Defined Benefits Obligation			Fair Value of Plan Assets			Net Retirement Benefit Liability		
	2021	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Balance at January 1	**P1,329,366**	P1,137,202	P822,021	**(P936,823)**	(P822,084)	(P620,813)	**P392,543**	P315,118	P201,208
Included in Profit or Loss									
Current service cost	**129,639**	108,067	76,083	**-**	-	-	**129,639**	108,067	76,083
Interest expense (income)	**51,845**	60,272	62,474	**(36,536)**	(43,570)	(47,182)	**15,309**	16,702	15,292
	181,484	168,339	138,557	**(36,536)**	(43,570)	(47,182)	**144,948**	124,769	91,375
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	**(166,458)**	196,092	234,215	**-**	-	-	**(166,458)**	196,092	234,215
Experience adjustment	**(6,013)**	(87,254)	(5,378)	**-**	-	-	**(6,013)**	(87,254)	(5,378)
Return on plan assets excluding interest income	**-**	-	-	**(14,069)**	20,251	(4,151)	**(14,069)**	20,251	(4,151)
	(172,471)	108,838	228,837	**(14,069)**	20,251	(4,151)	**(186,540)**	129,089	224,686
Others									
Contributions paid by the employer	**-**	-	-	**(192,403)**	(176,433)	(202,151)	**(192,403)**	(176,433)	(202,151)
Benefits paid	**(94,223)**	(85,013)	(52,213)	**94,223**	85,013	52,213	**-**	-	-
	(94,223)	(85,013)	(52,213)	**(98,180)**	(91,420)	(149,938)	**(192,403)**	(176,433)	(202,151)
Balance at December 31	**P1,244,156**	P1,329,366	P1,137,202	**(P1,085,608)**	(P936,823)	(P822,084)	**P158,548**	P392,543	P315,118

The movements of the remeasurement losses on retirement liability of the Bank follow:

	2021	2020	2019
Balance at beginning of year	**P449,088,000**	P319,998,451	P95,312,091
Remeasurement losses (gains) on:			
Defined benefits obligation	**(172,472,150)**	108,837,990	228,837,578
Plan assets	**(14,068,463)**	20,251,559	(4,151,218)
	(186,540,613)	129,089,549	224,686,360
Balance at end of year	**P262,547,387**	P449,088,000	P319,998,451

The actual return on plan assets amounted to P50.6 million and P23.3 million in 2021 and 2020, respectively.

The Bank expects to contribute P170.5 million to its defined benefits retirement plan in 2022.

The major categories of the fair value of plan assets as at December 31, 2021 and 2020 follow:

	2021	2020
Investment securities:		
Government and other debt securities	**P601,982,555**	P515,228,053
Quoted equity securities	**219,704,043**	211,844,705
Unquoted equity securities	**11,341,137**	10,986,031
Deposits with the bank	**37,470,693**	69,142,094
Loans receivables	**176,934,431**	122,556,146
Other receivables	**38,175,276**	7,065,856
Total Plan Assets	**P1,085,608,135**	P936,822,885

Sensitivity Analysis
Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement liability of the Bank by the amounts shown below:

	December 31, 2021			
	Discount Rate		**Salary Increase Rate**	
	+1.00%	**-1.00%**	**+1.00%**	**-1.00%**
Present value of the defined benefit obligation	**P1,117,210,293**	**P1,394,148,441**	**P1,382,061,451**	**P1,124,589,508**
Fair value of plan assets	**1,085,608,135**	**1,085,608,135**	**1,085,608,135**	**1,085,608,135**
Net retirement liability	**P31,602,158**	**P308,540,306**	**P296,453,316**	**P38,981,373**

	December 31, 2020			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P1,184,591,907	P1,502,174,842	P1,486,931,398	P1,193,854,763
Fair value of plan assets	936,822,885	936,822,885	936,822,885	936,822,885
Net retirement liability	P247,769,022	P565,351,957	P550,108,513	P257,031,878

The maturity analyses of the undiscounted benefit payments as at December 31, 2021 and 2020 are as follows:

	2021	2020
1 - 5 years	**P380,432,662**	P346,025,220
6 - 10 years	**848,892,576,**	774,482,245
11 - 15 years	**1,114,695,317**	1,108,344,179
16 years and up	**4,417,461,354**	4,353,924,242

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The overall investment policy and strategy of the retirement plan is based on the Bank's suitability assessment, as provided by its Trust Services Group, in compliance with BSP requirements.

The weighted average duration of the defined benefit obligations is 11 years and 12 years as at December 31, 2021 and 2020, respectively. The expected average remaining working lives as at December 31, 2021 and 2020 is 13 years.

Compensation and Fringe Benefits

The details of the following accounts for the year ended December 31 follow:

	2021	2020	2019
Salaries and allowances	**P988,536,430**	P970,341,304	P939,044,104
Bonuses	**375,320,000**	332,320,000	298,945,157
Employee benefits	**285,629,019**	371,032,809	318,705,457
Retirement benefits	**144,948,491**	124,768,607	91,375,015
Overtime	**26,535,151**	20,929,533	36,468,698
	P1,820,969,091	P1,819,392,253	P1,684,538,431

29. Lease Contracts

Bank as Lessee

The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts incl ude escalation clauses, most of which bear an annual rent increase ranging from 3.0% to 18.5%.

The Bank also leases IT equipment such as ATMs and photocopier machine with contract term of 1 year. These leases are short-term and/or leases of low value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases. Rent expenses related to these contracts are charged against current operations (included under “Rent and utilities” account in the statements of income).

Information about leases for which the Bank is a lessee is presented below:

Right-of-Use Assets

Right-of-use assets relate to leased branch and office premises. Details of right-of-use assets are presented within property and equipment (see Note 14).

Lease Liabilities

See Note 5 for maturity analysis of lease liabilities as at December 31, 2021 and 2020.

The table below shows the amounts recognized in the statement of income in 2021, 2020 and 2019 related to leases under PFRS 16 (amounts in millions).

	2021	2020	2019
Interest on lease liabilities	**P35.0**	P42.9	P45.4
Expenses relating to short-term leases	**59.4**	44.4	56.0
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	**8.9**	13.2	10.5

Total cash outflow for leases recognized in the statement of cash flows in 2021, 2020 and 2019 amounted to P295.0 million, P280.9 million and P275.9 million, respectively.

Bank as Lessor

The Bank leases out its commercial properties for office space. The Bank has classified these leases as operating leases, because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Bank on its commercial properties (shown under "Miscellaneous" in the statements of income) for the years ended December 31, 2021, 2020 and 2019 were P0.5 million, P0.7 million and P2.6 million, respectively, and includes rental income on investment properties (Note 15). The Bank also recognized income from the use of safety deposit boxes amounting to P3.0 million, P2.8 million and P2.9 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 30).

As at December 31, 2021 and 2020, the Bank has no future rental receivables under non-cancellable operating lease.

30. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Note	**2021**	2020	2019
Passed-on GRT		**P26,542,569**	P33,438,750	P54,649,626
Dividend income	*10*	**5,709,161**	12,228,425	8,201,707
Rent income	*29*	**3,439,978**	3,546,544	5,509,668
Gain on exchange		**-**	-	363,450,000
Others		**14,873,615**	16,204,006	28,050,227
		P50,565,323	P65,417,725	P459,861,228

In December 2019, the Bank received a parcel of land located in Sto. Domingo, Quezon City, as a replacement for certain assets (condominium units) booked as investment properties. The assignment of the condominium units to the Bank was made in 1998 as settlement of a loan. However, the covering Condominium Certificates of Title could not be transferred to the Bank since the related project was not completed by the developer. In order to finally settle the issues relating to the above condominium units, a settlement agreement has been executed by the Bank and the borrower to replace the recorded condominium units with the above mentioned parcel of land.

The Bank recognized gain from exchange of properties and provision for deferred tax (included in "Income tax expense" account in the statements of income (see Note 31) from this transaction amounting to P363.5 million and P109.0 million, respectively.

Others include gain due to rent concessions, recovery from charged-off assets and excess chattel fees.

Miscellaneous Expense
This account consists of:

	Note	2021	2020	2019
Fines and penalties		**P97,759,614**	P61,931,157	P41,932,646
Communications		**80,744,268**	52,048,887	57,879,402
Supervision and examination fee		**57,535,251**	55,138,108	47,807,051
Messengerial services		**53,659,322**	53,324,266	52,025,020
Marketing		**50,196,110**	51,243,101	73,927,301
Forms and supplies		**37,796,870**	40,537,784	38,009,159
Transportation and travel		**16,446,128**	11,465,185	22,657,826
Membership dues		**16,439,851**	13,307,104	12,670,088
Litigation and acquired assets-related expenses	*15*	**10,166,679**	5,416,646	11,388,756
Others		**81,067,483**	37,346,912	41,487,429
		P501,811,576	P381,759,150	P399,784,678

Others include management fee on deposits, charges on correspondent banks and postage.

In 2021, universal banking license fee amounting to P24.5 million was accrued by the Bank under "Others".

31. Income and Other Taxes

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

Regular Banking Unit
Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented under "Taxes and licenses" account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income tax expense include corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises Act* (CREATE Law), was signed into law and took effect on April 11, 2021. The following are certain provisions of the National Internal Revenue Code of 1997 that were amended and relevant to the Bank:

- Regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;

- Minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;

- The allowable deduction for interest expense shall be reduced by 20% of interest income subjected to final tax, instead of the previous 33%; and

- The imposition of 10% tax on improperly accumulated retained earnings is repealed.

The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a 3-year period from the year of incurrence.

In addition, Revenue Regulations (RR) No. 10-2002 provides for the ceiling on the amount of entertainment, amusement and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Bank is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue.

In 2011, the BIR issued RR 4-2011, *Proper allocation of costs and expenses amongst income earning of banks and other financial institutions for income tax reporting purposes*, which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU's taxable income. In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation.

Foreign Currency Deposit Unit
RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU, provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.

- Gross onshore income or interest income from foreign currency loans granted b y FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and

- Interest income derived by resident individual or corporation on deposits with FCDUs and OBUs are subject to 15.0% final tax.

Income tax expense consists of:

	2021	2020	2019
Current:			
Final	**P399,293,480**	P278,627,049	P281,701,979
MCIT	**38,840,735**	-	61,363,313
Adjustment for CREATE	**(34,487,630)**	-	-
RCIT	**1,778,182**	136,789,048	1,536,421
Tax benefit	**-**	(80,130,816)	-
	405,424,767	335,285,281	344,601,713
Deferred	**218,263,891**	(78,162,871)	119,584,686
	P623,688,658	P257,122,410	P464,186,399

The amount of tax benefit relates to previously unrecognized MCIT of prior periods that is used to reduce current tax payable.

The amount of deferred tax income relates to the origination and reversal of temporary differences. In 2021, this amount includes the impact of CREATE Law, resulting to the remeasurement for items previously measured based on previous tax rate, amounting to P160.3 million and was recognized by the Bank in the current period.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the statements of income follows:

	2021	2020	2019
Income before income tax expense	**P1,830,307,823**	P1,041,556,198	P1,116,908,933
Income tax at statutory rate	**P457,576,956**	P312,466,859	P335,072,680
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	**128,709,952**	340,769,185	319,664,541
Changes in unrecognized deferred tax assets	**59,508,039**	87,538,287	12,565,790
Tax paid income	**(28,047,183)**	(129,117,988)	(142,426,503)
FCDU income	**(25,301,259)**	(71,635,416)	(28,009,350)
Nontaxable income	**21,934,422**	(209,326,488)	(79,941,478)
Others	**9,307,731**	(73,572,029)	47,260,719
Effective income tax	**P623,688,658**	P257,122,410	P464,186,399

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	Beginning Balance (December 31, 2020 Tax Effect)	**Amount (Charged) Credited to Profit or Loss**	**Amount Recognized in OCI**	**Ending Balance (December 31, 2021 Tax Effect)**
Deferred tax assets:				
Allowance for credit and impairment losses	**P1,052,927,615**	**(P334,990,188)**	**P -**	**P717,937,427**
Accumulated depreciation on foreclosed properties	**218,205,495**	**(23,600,128)**	**-**	**194,605,367**
Accrued employee benefits and other expenses	**139,098,172**	**(20,277,393)**	**-**	**118,820,779**
MCIT	**-**	**86,549,744**	**-**	**86,549,744**
Unrealized loss on foreclosed properties	**91,694,600**	**(22,869,200)**	**-**	**68,825,400**
Net lease liability	**19,497,250**	**(1,958,159)**	**-**	**17,539,091**
Accrued rent expense	**3,083,792**	**(1,014,924)**	**-**	**2,068,868**
	1,524,506,924	**(318,160,248)**	**-**	**1,206,346,676**
Deferred tax liability:				
Unrealized gain on foreclosed properties	**(458,952,068)**	**87,766,564**	**-**	**(371,185,504)**
Unrealized foreign exchange gain	**(48,340,734)**	**8,290,594**	**-**	**(40,050,140)**
Retirement benefits	**(16,963,513)**	**(9,036,455)**	**-**	**(25,999,968)**
Gain on investment properties sold under installments	**(34,883,273)**	**9,277,625**	**-**	**(25,605,648)**
Unrealized gain on financial assets at FVOCI	**(6,389,324)**	**-**	**6,389,324**	**-**
Unrealized gain on financial assets at FVPL	**(3,598,029)**	**3,598,029**	**-**	**-**
	(569,126,941)	**99,896,357**	**6,389,324**	**(462,841,260)**
Net Deferred Tax Assets (Liabilities)	**P955,379,983**	**(P218,263,891)**	**P6,389,324**	**P743,505,416**

	Beginning Balance (December 31, 2019 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2020 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P1,052,927,615	P -	P -	P1,052,927,615
Accumulated depreciation on foreclosed properties	175,304,119	42,901,376	-	218,205,495
Accrued employee benefits and other expenses	100,210,650	38,887,522	-	139,098,172
Unrealized loss on foreclosed properties	87,296,490	4,398,110	-	91,694,600
Net lease liability	16,066,416	3,430,834	-	19,497,250
Accrued rent expense	1,441,827	1,641,965	-	3,083,792
	1,433,247,117	91,259,807	-	1,524,506,924
Deferred tax liability:				
Unrealized gain on foreclosed properties	(457,536,129)	(1,415,939)	-	(458,952,068)
Unrealized foreign exchange gain	(54,429,444)	6,088,710	-	(48,340,734)
Gain on investment properties sold under installments	(36,211,019)	1,327,746	-	(34,883,273)
Unrealized gain on financial assets at FVOCI	(3,305,159)	-	(3,084,165)	(6,389,324)
Unrealized gain on financial assets at FVPL	-	(3,598,029)	-	(3,598,029)
Retirement benefits	(1,464,089)	(15,499,424)	-	(16,963,513)
	(552,945,840)	(13,096,936)	(3,084,165)	(569,126,941)
Net Deferred Tax Assets (Liabilities)	P880,301,277	P78,162,871	(P3,084,165)	P955,379,983

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Bank did not set up deferred tax assets on the following temporary differences and carry forward benefits of NOLCO and MCIT:

	2021		2020		2019	
	Deductible Temporary Differences	**Deferred Tax Asset**	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses	**P3,073,627,758**	**P768,406,940**	P3,027,818,815	P908,345,645	P2,280,245,612	P684,073,684
Unrealized loss on financial assets at FVPL	**3,421,893**	**855,473**	-	-	1,556,373	466,912
MCIT	**-**	**-**	91,992,619	91,992,619	172,123,436	172,123,436
NOLCO	**-**	**-**	-	-	207,378,429	62,213,529
Others	**209,107,113**	**52,276,778**	142,823,016	42,846,905	122,564,407	36,769,322
Deferred tax items not recognized in profit or loss	**3,286,156,764**	**821,539,191**	3,262,634,450	1,043,185,169	2,783,868,257	955,646,883
Remeasurement losses on retirement liability	**262,547,387**	**65,636,847**	449,088,000	134,726,400	319,998,451	95,999,535
Deferred tax items not recognized in OCI	**262,547,387**	**65,636,847**	449,088,000	134,726,400	319,998,451	95,999,535
	P3,548,704,151	**P887,176,038**	P3,711,722,450	P1,177,911,569	P3,103,866,708	P1,051,646,418

As at December 31, 2021 and 2020, the Bank has no carryforward NOLCO.

Details of the Bank's RBU excess MCIT over RCIT as at December 31, 2021 follow:

Inception Year	Amount	Expired	Balance	Expiry Year
2018	P30,629,306	P30,629,306	P -	2021
2019	61,363,313	-	61,363,313	2022
2021	25,186,431	-	25,186,431	2024
	P117,179,050	P30,629,306	P86,549,744	

32. Related Party Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank: Provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed 30.0% of their respective total loans, other accommodations and guarantees. Loans, other credit accommodations, and guarantees granted by the Bank to its DOSRI for the purpose of project finance, shall be exempted from the 30.0% unsecured individual ceiling during the project gestation phase: Provided, That: the Bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

Except with the prior approval of the Monetary Board, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the bank or 100.0% of net worth whichever is lower: Provided, That in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank: Provided, That the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed 5.0% of such net worth: Provided, further, That the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank: Provided, finally, That these subsidiar ies and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending bank.

The following table shows information on related party loans (amounts in thousands):

	2021		2020	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI)**	DOSRI Loans	Related Party Loans (inclusiveof DOSRI)
Total outstanding loans	**P -**	**P29,201,574**	P -	P21,783,009
Percent of DOSRI/Related Party loans to total loans	**0.00%**	**38.70%**	0.00%	29.80%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**49.53%**	0.00%	62.71%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.01%**	0.00%	0.04%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.06%**	0.00%	0.07%

The details of significant related party transactions of the Bank follow (amounts in thousands):

Category	*Note*	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Associate	*13*			
2021				
Investment in an associate		**P -**	**P39,662**	**24.26% equity interests in BIC which is a stockholder of the Bank**
Share in net loss of an associate		**1,039**	**-**	**Share in net loss of BIC**
2020				
Investment in an associate		-	40,687	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		753	-	Share in net loss of BIC
2019				
Investment in an associate		-	41,444	24.25% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		2,865	-	Share in net loss of BIC

Unless otherwise stated, RPTs disclosed are unsecured.

Category	Note	Amount/Volume 2021	2020	2019	Outstanding Balance 2021	2020	Nature, Terms and Conditions
Other Related Parties							
Financial assets at FVOCI:	*10*						
Equity securities		**P -**	P -	P -	**P18,232**	P18,531	8.57% equity interest in BANGE
Private debt securities		**-**	-	-	**303,522**	314,964	Long-term bond with interest rate of 6.6% with maturity in 2022. Matured bond had interest rate of 5.9%
Maturities		**-**	-	558,581	**-**	-	
Investment securities at amortized cost	*11*	**-**	-	-	**381,675**	1,711,696	Long-term bonds with interest rates ranging from 4.5% to 8.1% with maturity years ranging from 2023 to 2025.
Maturities		**1,330,350**	332,380	-	**-**	-	Matured bond had interest rates ranging from 4.0% to 5.5%
Loans and receivables - net:	*12*						
Receivables fromcustomers:		**-**	-	-	**29,151,600**	21,449,789	Term, housing, auto, salary and personal loans with interest rates ranging from 2.4% to 18.1% and with maturity of less than 1 year to 20 years; Collateral includes real estate mortgage, unregistered chattel mortgage, hold-out on deposit, assignment of contract and concession agreement, continuing surety agreement, mortgage trust indenture and pledge agreement on shares;
Availments		**63,412,047**	57,727,441	97,558,958	**-**	-	
Settlements		**60,623,795**	60,698,979	100,372,158	**-**	-	
Sales contract receivables and accrued interest receivables:		**-**	-	-	**175,410**	130,863	Sales contract receivables with annual interest rate of 10.5% and with maturity in 2021; accrued interest receivables and accounts receivables on loans, sales contract receivables and long-term bonds;
Availments		**-**	-	-	**-**	-	
Settlements		**194**	998	32,491	**-**	-	
Interest income		**1,830,281**	1,948,698	2,337,264	**-**	-	Interest income on loans, sales contract receivables and long-term bonds;
Deposit liabilities:	*18*	**-**	-	-	**56,884,489**	42,747,440	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Deposits		**4,112,755,092**	3,171,896,515	3,654,227,740	**-**	-	
Withdrawals		**3,631,676,685**	2,570,073,386	2,330,818,579	**-**	-	
Accrued interest payable	*20*	**105,793**	138,076	558,705	**7,660**	2,377	Interest expense and accrued interest payable on deposits;
Accrued other expenses and other liabilities	*21*	**182,914**	144,915	166,865	**2,267**	2,951	Accrued other expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing; Other liabilities consists of accounts payable to Bank's officers; On demand, unsecured and non-interest bearing.
Fees and other income	*26, 30*	**80,923**	49,736	62,269	**-**	-	Loan and investment-related fees and commission income, gain from the cash sale transactions of foreclosed properties, dividend received from BANGE and passed-on GRT
Commitments and contingent liabilities	*37*	**-**	-	-	**12,141,560**	1,811,745	Bank guarantees in favor of related party and outstanding letters of credit

Unless otherwise stated, RPTs disclosed are unsecured and balances are net of allowance

As at December 31, 2021 and 2020, outstanding bills purchased of related parties with contra account in "Other liabilities" amounted to P368.4 million and P419.8 million, respectively (see Notes 12 and 21).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash. As of December 31, 2021 and 2020, the allowance for credit losses on outstanding transactions with other related parties amounted to P85.2 million and P361.6 million, respectively. Reversal of credit losses recorded in 2021, 2020 and 2019 on such related party transactions totaled to P276.4 million, P15.5 million and P98.7 million, respectively. Such outstanding transactions include private debt securities at FVOCI, investment securities at amortized cost, receivables from customers, sales contract receivables and accrue d interest receivable under the "Loans and receivables - net" account in the statements of financial position and commitment and contingent liabilities.

Transactions with Retirement Plan

The Bank's retirement plan is managed and administered by the Bank's Trust Services Group which is covered by an IMA Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 28.

Related information on assets/liabilities as at December 31, 2021 and 2020 and income/expense of the funds for the period ended December 31, 2021, 2020 and 2019 follow:

	2021	2020
Investment securities:		
Government and other debt securities	**P601,982,555**	P515,228,053
Quoted equity securities	**219,704,043**	211,844,705
Unquoted equity securities	**11,341,137**	10,986,031
Loans and other receivables	**215,109,707**	129,622,002
Deposits with the Bank	**37,470,693**	71,106,690
Total Plan Assets	**P1,085,608,135**	P938,787,481
Due to Broker	**P28,619,810**	P1,728,636
Trust fee payable	**1,308,143**	201,974
Other liabilities	**69,048**	33,986
Total Plan Liabilities	**P29,997,001**	P1,964,596

Plan Income	**2021**	2020	2019
Interest income	**P27,713,620**	P26,049,369	P25,325,513
Trading and investment gains (losses) - net	**(30,241,813)**	(10,560,419)	1,742,765
Dividend income and others	**9,477,411**	8,193,257	6,625,221
	P6,949,218	P23,682,207	P33,693,499
Plan Expense			
Trust fees	**P2,461,431**	P2,088,834	P1,755,143
Other expenses	**1,758,759**	647,155	752,211
Provision for credit losses	**11,821,715**	73,991	277,864
	P16,041,905	P2,809,980	P2,785,218

As at December 31, 2021 and 2020, the retirement plan assets of the Bank include 73,067 shares of the Bank classified under financial assets at FVOCI. The allowance for probable losses on the retirement plan's shares of the Bank amounted to P10.7 million and P11.1 million as at December 31, 2021 and 2020, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

Interest income on deposit with the Bank amounted to P4,014, P129,977 and P10,537 in 2021, 2020 and 2019, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the fund.

The Bank's contribution to its defined benefits retirement plan amounted to P192.4 million and P176.4 million in 2021 and 2020, respectively. Benefits paid out of the Bank's plan assets amounted to P94.2 million and P85.0 million in 2021 and 2020, respectively (see Note 28).

Compensation of Key Management Personnel of the Bank

The remuneration of directors and other members of key management included in the "Compensation and fringe benefits" account in the statements of income for the period ended December 31, 2021, 2020 and 2019 follows:

	2021	2020	2019
Short-term employee benefits	**P544,595,527**	P530,809,650	P536,003,622
Post-employment benefits	**44,934,032**	37,430,582	29,240,005
	P589,529,559	P568,240,232	P565,243,627

33. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001. The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.

b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.

c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).

d. The Bank arranged with PDIC a liquidity f acility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

<u>Settlement of Liabilities of TRB</u>
Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.

b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.

c. Any gain on sale of the dacion properties within the 10 -year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a “White Knight” by agreeing to the terms and conditions of the PSA with TRB, follows:

a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year government securities with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20 -year government securities (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB’s unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as “Miscellaneous assets”.

   On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP’s pertinent regulations on minimum capital requirement.

c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC’s written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.

d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within 5 years as defined in the FAA, establish new banking offic es or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;

b. Extension of the FAA for such limited period as shall exactly be sufficient to f ully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and

c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRSs. These transactions and their effects are described below:

Assumption of NPAs of TRB
In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 16). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2021, 2020 and 2019 were charged in full in the period incurred (see Note 16).

For its separate prudential reporting to BSP, the Bank continues to recognize the P4.4 billion impairment losses on a staggered basis as provided under MB No. 1950 (see Note 16).

34. Notes to Statements of Cash Flows

As at December 31, 2021 and 2020, interbank loans receivable amounting to nil and P106.5 million, respectively, were not considered as part of cash and cash equivalents, having a maturity of more than 3 months.

The following is a summary of noncash activities of the Bank:

	2021	2020	2019
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	**P89,736,152**	P46,108,250	P433,122,836
Increase in sales contract receivables from sale of investment properties	**92,323,023**	43,862,200	118,925,434

The following table shows the reconciliation analysis of liabilities arising from financing liabilities for period ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Beginning balance	**P682,015,739**	P646,104,589	P557,471,615
Lease liabilities	**-**	-	587,782,880
	682,015,739	646,104,589	1,145,254,495
Additions to lease liabilities	**44,853,267**	220,703,671	206,273,261
Interest accretion	**35,033,242**	42,921,243	45,360,536
Cash flows during the year:			
Proceeds	**4,810,000,000**	1,984,184,000	6,554,445,000
Settlements	**(5,033,504,005)**	(2,204,998,022)	(7,305,228,703)
	(223,504,005)	(220,814,022)	(750,783,703)
Other adjustments	**-**	(6,899,742)	-
Ending balance	**P538,398,243**	P682,015,739	P646,104,589

Other adjustments pertain to reductions to lease liabilities due to rent con cessions and pre-termination of lease contracts.

As allowed by PAS 7, short-term borrowings from local banks amounting to P4.8 billion, P2.0 billion and P6.6 billion in 2021, 2020 and 2019, respectively, are presented in statements of cash flows on a net basis.

35. Financial Performance Indicators

Basic earnings per share amounts were computed as f ollows:

	2021	2020	2019
a. Net income	**P1,206,619,165**	P784,433,788	P652,722,534
b. Dividends on preferred shares*	**57,291,667**	-	-
c. Net income to equity holders of the Bank	**1,149,327,498**	784,433,788	652,722,534
d. Weighted average number of outstanding common shares**	**1,122,411,120**	1,122,411,120	1,122,411,120
e. Basic earnings per share (c/d)	**P1.02**	P0.70	P0.58

** potential dividends on preferred shares as these were not assumed to be converted.*
***Weighted average number of common shares in 2020 and 2019 were adjusted retrospectively to reflect the change in par value from P100.0 per share to P10.0 per share.*

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

	2021	2020	2019
a. Net income to equity holders of the Bank	**P1,206,619,165**	P784,433,788	P652,722,534
b. Weighted average number of outstanding common shares and dilutive preferred shares			
Outstanding common shares*	**1,122,411,120**	1,122,411,120	1,122,411,120
Potential common shares from assumed conversion of preferred shares	**173,611,113**	-	-
c. Total weighted average common shares	**1,296,022,233**	1,122,411,120	1,122,411,120
d. Diluted earnings per share (a/c)	**P0.93**	P0.70	P0.58

**Weighted average number of common shares in 2020 and 2019 were adjusted retrospectively to reflect the change in par value from P100.0 per share to P10.0 per share.*

The following basic ratios measure the financial performance of the Bank:

	2021	2020	2019
Return on average equity	**6.01%**	4.77%	4.13%
Return on average assets	**0.65%**	0.50%	0.44%
Net interest margin on average earning assets	**3.42%**	3.87%	3.45%

36. Events after the Reporting Date

On January 28, 2022, the SEC approved the amendments to the Articles of Incorporation to align sections around the sale, assignment, and disposal of shares with the lock up requirements of the Philippine Stock Exchange. The SEC also approved the amendment to the By-laws to update sections on stockholders, the Board of Directors, certificates of stock, and the transfer of shares of stock.

On February 15 and February 16, 2022, the SEC and PSE, approved the Initial Public Offer application of the Bank. The price-settling date was set on March 11, 2022 and the offer period ran from March 16 to March 22. The listing is scheduled on March 31, 2022.

On February 22, 2022, the BOD approved the amendments to the Articles of Incorporation to change its purpose from a Commercial Bank to a Universal Bank pursuant to BSP MB Resolution No. 1798 dated December 23, 2021. The By-laws were also amended to comply with Sections 28 and 52 of the Revised Corporation Code.

37. Supplementary Information Required under BSP Circular No. 1074

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074, *Amendment to Regulations on Financial Audit of Banks.*

(a) Commitments and Contingencies

In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2021 and 2020:

	2021	2020
Contingent assets:		
Future/spot exchange bought	**P229,495,500**	P168,080,500
Fixed income securities purchased	**25,218,255**	248,291
Outward bills for collection	**2,999,218**	3,286,476
	P257,712,973	P171,615,267
Commitments and contingent liabilities:		
Trust department accounts	**P63,687,480,988**	P39,422,371,051
Unused commercial letters of credit	**8,417,817,547**	800,505,453
Committed credit line	**6,828,080,056**	3,577,500,000
Credit card lines	**3,362,130,139**	3,708,362,146
Outstanding guarantees	**2,271,624,364**	1,165,637,379
Future/spot exchange sold	**841,483,500**	528,253,000
Late deposits/payments received	**4,636,985**	171,532,610
Fixed income securities sold	**-**	496,582
Items held for safekeeping/securities held as collateral	**42,112**	54,088
	P85,413,295,691	P49,374,712,309

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the co llateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2021 and 2020.

(b) Trust Assets

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P63.7 billion (unaudited) and P39.4 billion (audited) as at December 31, 2021 and 2020, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P674.0 million and P504.0 million as at December 31, 2021 and 2020, respectively, which have been included under "Investment securities at amortized cost" (see Note 11), are deposited with BSP.

Other relevant disclosures required by BSP Circular No. 1074 are in Notes 12, 23, 32 and 35.

38. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in a note to the separate financial statements. The Bank presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

BANK OF COMMERCE

SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68
DECEMBER 31, 2021

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule (SRC) 68. It prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by the Revised SRC Rule 68. These are presented for purposes of filing with the SEC and is not required part of the basic financial statements.

PART I

Schedule A:	Schedule of Financial Soundness Indicators
Schedule B:	Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule C:	Relationship Map

PART II (Schedules Required by Annex 68-J of the Revised SRC Rule 68)

Schedule A:	Financial Assets
Schedule B:	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C:	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
Schedule D:	Long-Term Debt
Schedule E:	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule F:	Guarantees of Securities of Other Issuers
Schedule G:	Capital Stock

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REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "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 4, 2022.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company 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 Bank'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 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.

R.G. MANABAT & CO.

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Partner
CPA License No. 0115382
BSP Accreditation No. 115382-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 115382-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 229-233-163
BIR Accreditation No. 08-001987-047-2019
Issued December 26, 2019; valid until December 25, 2022
PTR No. MKT 8854064
Issued January 3, 2022 at Makati City

April 4, 2022
Makati City, Metro Manila

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
BANK OF COMMERCE

AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

RATIO	FORMULA	RATIO 2021	2020
Current Ratio	Total currentassets / Total current liabilities	**0.65**	0.77
Acid Test Ratio	Total current financial assets / Total current liabilities	**0.64**	0.76
Solvency Ratio	Net income before non-cash expenses / Total liabilities	**0.01**	0.02
Debt to Equity Ratio	Total liabilities / Total equity	**7.55**	9.19
Asset to Equity Ratio	Total assets / Total equity	**8.55**	10.19
Interest Rate Coverage Ratio	Net Income before interest and taxes / Interest expense	**3.63**	1.89
Return on Equity	Net income / Average total equity	**6.01%**	4.77%
Return on Asset	Net income / Average total assets	**0.65%**	0.50%
Net Profit Margin	Net income / Total revenues	**19.38%**	11.41%
OTHER RATIOS			
Net Interest Margin	Net interestincome / Average interest-earning assets	**3.42%**	3.87%
Cost to Income Ratio	Total operating expense / Total revenues	**0.81**	0.71
Debt to Assets Ratio	Total liabilities / Total assets	**0.88**	0.90
Loans to Deposit Ratio	Total gross loans* / Total deposits	**0.55**	0.64
Non-performing Loans Cover	Allowance for credit losses on loans / Non-performing loans	**83.21%**	114.24%
Non-performing Loans Ratio**	Non-performingloans / Total gross loans	**3.09%**	3.03%
Net Non-performing Loans Ratio**	Net non-performingloans / Total gross loans	**0.88%**	0.89%
Capital Adequacy Ratio	Total qualifying capital / Total risk-weighted assets	**21.57%**	16.60%

**Gross loans include receivables from customers (loans), interbank loans receivable and securities purchased under resale agreements.*
***Computed based on BSP Circular 941*

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "Bank") as at December 31, 2021, 2020 and 2019, on which we have rendered our report dated April 4, 2022.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Bank taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Bank's management. Such additional components include:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Supplementary Schedules of Annex 68-J
- Map of Conglomerate

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

SHEILA RICCA G. DIOSO
Partner
CPA License No. 0115382
BSP Accreditation No. 115382-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 115382-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 229-233-163
BIR Accreditation No. 08-001987-047-2019
Issued December 26, 2019; valid until December 25, 2022
PTR No. MKT 8854064
Issued January 3, 2022 at Makati City

April 4, 2022
Makati City, Metro Manila

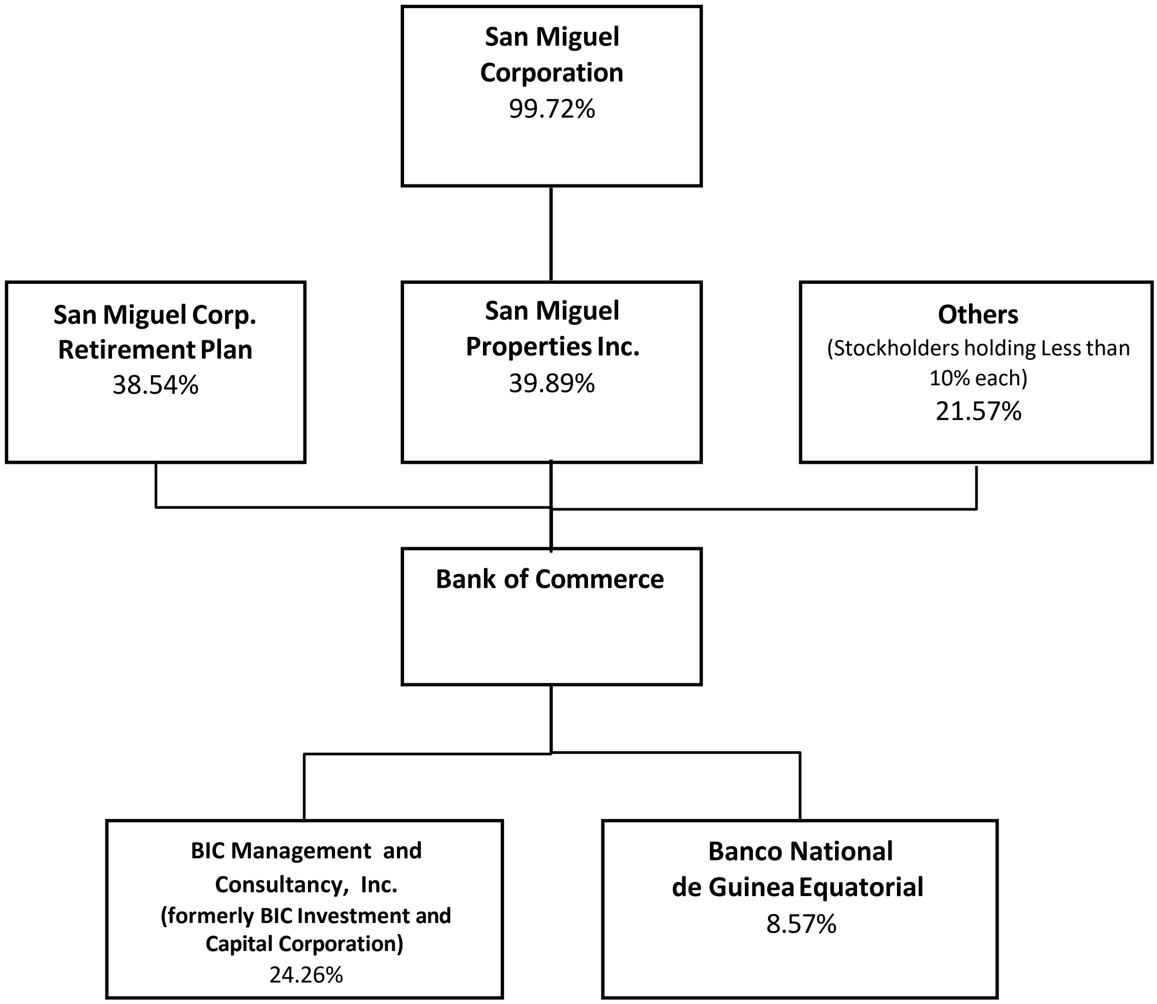
BANK OF COMMERCE

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2021

Unappropriated deficit, beginning	**(P51,156,715)**
Adjustments:	
Deferred tax assets recognized	**(1,524,506,924)**
Fair value adjustments on foreclosed properties	**(1,224,191,559)**
Unrealized foreign exchange gain	**(161,135,781)**
Unrealized gain on financial assets at fair value through profit or loss (FVPL)	**(69,731,751)**
Unappropriated deficit, as adjusted to available for dividend declaration, beginning	**(3,030,722,730)**
Net income during the year closed to retained earnings	**1,206,619,165**
Add/Less: Non-actual/unrealized income (expenses)	
Movement on deferred tax asset	**318,160,248**
Unrealized loss on financial assets at FVPL	**4,189,634**
Unrealized foreign exchange loss	**935,223**
Fair value adjustments on foreclosed properties	**14,751,144**
Add: Net income actually earned/realized during the period	**1,544,655,414**
Add: Appropriation to surplus reserves	**(P360,203,927)**
Unappropriated deficit available for dividend declaration, end	**(P1,846,271,243)**

BANK OF COMMERCE

RELATIONSHIP MAP
DECEMBER 31, 2021



BANK OF COMMERCE

SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2021

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amounts Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at Fair Value through Profit of Loss				
Philippine government	P426,552	P427,872	P427,872	P14,129
Other government	50,999	50,353	50,353	291
Private corporations	523,437	490,888	490,888	
Derivatives	2,550	25,500	25,500	
		P994,613	P994,613	P14,420
Financial Assets at Fair Value through Other Comprehensive Income				
Philippine government	P4,668,417	P4,569,701	P4,569,701	P168,876
Private corporations	300,000	303,522	303,522	19,759
Equity securities	159	181,894	181,894	5,709
		P5,055,117	P5,055,117	P194,344
Investment Securities at Amortized Cost				
Philippine government	P38,947,356	P40,326,340	P39,837,043	P908,592
Private corporations	2,434,542	2,582,717	2,581,870	154,337
		P42,909,057	P42,418,913	P1,062,929

BANK OF COMMERCE

SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELAT ED PARTIES)
DECEMBER 31, 2021

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
			NONE TO REPORT				
			Indebtedness arise in the ordinary course of business.				

BANK OF COMMERCE

SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
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
NONE TO REPORT							
Financial statements are not for consolidation.							

BANK OF COMMERCE

SCHEDULE D – LONG-TERM DEBT
DECEMBER 31, 2021

Type 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 Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Long-term negotiable certificates of time deposit	P5,029,420,000	P -	P5,029,420,000	4.500%	Quarterly interest payment	September 17, 2025

BANK OF COMMERCE

SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2021

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year	Nature, Terms and Conditions
NONE TO REPORT			
No long term loans from related companies.			

BANK OF COMMERCE

SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
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 of Guaranteed and Outstanding	Amount Owned by Person of which Statement is Filed	Nature of Guarantee
NONE TO REPORT *No securities were guaranteed.*				

BANK OF COMMERCE

SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2021

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under the 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
Common shares	1,702,511,470	1,122,411,120	-	70,512,580	6,290	1,051,892,250
Preferred Shares	455,000,000	416,666,670	416,666,670	-	-	416,666,670

Required information is disclosed in Note 23: Capital Stock

PART III – CONTROL AND COMPENSATION INFORMATION

Item 8. Board of Directors

The Board of Directors of the Bank (the "Bank's Board") is the body ultimately responsible for the management of the Bank. The Bank's Board is composed of fifteen (15) directors, five of whom are independent directors. The Board is a healthy mix of individuals with diverse experiences, backgrounds, and perspectives. The membership of the Board is a combination of executive and non-executive directors such that no director or small group of directors dominates the decision-making process. All directors were chosen based on their qualifications, namely, integrity, probity, market reputation, conduct and behavior, relevant education and training, physical and mental fitness, knowledge, and experience. All directors possess such qualifications and stature that enable each of them to effectively participate in the deliberations of the Board.

Directors are elected by the shareholders for a period of one year. Generally, there are no restrictions on re- election. However, beginning on 2 January 2012, the SEC set a limit on the term of independent directors serving in listed, public, and mutual fund companies. An independent director may only serve as such for a maximum cumulative period of nine years after which the independent director shall be barred perpetually from being elected as independent director in the same company. The chairman has a casting vote in resolutions of the Bank's Board which must be passed by majority vote.

The following table sets forth the incumbent and nominee directors and board advisors of the Bank as of 31 December 2021, their respective ages, periods of service, directorships in other reporting companies and positions held in the last five (5) years:

Name	Position	Years of Service As of 31 December 2021
Board of Directors		
Jose T. Pardo	Chairman, Non-Executive Director	10 yrs & 5 mos. as Chairman; Member of the Board of Directors for 18 years & 2 months since October 21, 2003; Independent Director from April 30, 2010 to December 31, 2020.
Francis C. Chua	Vice-Chairman, Non-Executive Director	13 yrs. & 7 mos.
Michelangelo R. Aguilar	President and CEO, Executive Director	3 yrs. & 6 mos. as Director; 3 yrs. & 8 mos. as President and CEO
Roberto C. Benares	Former President and CEO,	8 yrs. & 8 mos.

	Non-Executive Director	
Benedicta Du-Baladad	Non-Executive Director	7 yrs & 11mos.
Fe B. Barin	Non-Executive Director	7 yrs. & 8mos.
Carolina G. Diangco	Non-Executive Director	9 yrs & 3mos.
Marito L. Platon	Non-Executive Director	11 yrs. & 8 mos.
Mariano T. Katipunan, Jr.	Non-Executive Director	3 yrs & 8 mos. 2nd appointment as Caritas nominee, previously for 2yrs – 1st appointment as Caritas nominee
Alexander R. Magno	Non-Executive Director	7 yrs. & 4mos.
Aniano A. Desierto	Independent Director	8 yrs. & 4mos.
Jose C. Nograles	Independent Director	6 yrs & 8 mos.
Melinda S. Gonzales-Manto	Independent Director	8 yrs & 3mos.
Rebecca Maria A. Ynares	Independent Director	5 yrs. & 5mos
Ricardo D. Fernandez	Independent Director	1yr.
Board Appointees:		
Aurora T. Calderon	Board Advisor	10 yrs. & 5mos
Ferdinand K. Constantino	Board Advisor	3yrs. and 2mos. as Director and 11yrs. and 6mos. as Advisor
Cecile L. Ang	Board Advisor	6 yrs. & 2mos.
Antonio M. Cailao	Board Advisor	3 yrs. & 6mos.
Evita C. Caballa	Corporate Secretary	11 yrs. and 6 mos. as Corporate Secretary and 1yr. & 11mos. as Asst. Corporate Secretary

JOSE T. PARDO
Chairman, Non-Executive Director
Filipino, 82 years old

Jose T. Pardo, currently serves as Chairman of the Board since 19 July 2011. He provides firm guidance and insights on concretizing the Bank's mission and vision towards continuous nation-building and development. Concurrently, Mr. Pardo heads the Bank's Trust and Investment Committee (TIC), and is a member of the Nominations, Compensation, and Remuneration Committee (NCRC). Mr. Pardo's vast career experience in banking and finance spans government and private sectors, as former Monetary Board Member of the Bangko Sentral ng Pilipinas (BSP), as former Governor for the Philippines of the Asian Development Bank (ADB) and the World Bank Group, and as former Cabinet Secretary of the Department of Finance and Department of Trade and Industry. He previously held Chairmanship positions in the Landbank of the Philippines (LBP), Philippine Deposit Insurance Corp. (PDIC), PCCI Council of Business Leaders, De La Salle University, and Assumption College, Inc., among others.

Currently, he chairs the following companies as Independent Director: Securities Clearing Corporation of the Philippines, The Philippine Stock Exchange, Philippine Seven Corporation, and Philippine Savings Bank. He is the chairman of non-profit organizations PCCI Council of Business Leaders and ECOP Council of Business Leaders. Among his independent directorships are: National Grid Corporation of the Philippines, JG Summit Holdings Inc., ZNN Radio Veritas, Araneta Hotels, Inc., League One Finance and Leasing Corporation, and Del Monte Philippines, Inc. He holds a degree in B.S. Commerce and has a Master's Degree in Business Administration and an Honorary Doctorate in Finance from De La Salle University. He was conferred the degree Doctor of Humanities, Honoris Causa at the Gregorio Araneta University Foundation.

FRANCIS C. CHUA
Vice-Chairman, Non-Executive Director
Filipino, 73 years old

Amb. Francis C. Chua has been a member of the Board of Directors of the Bank since 20 May 2008, sat as Vice Chairman from 2013 to 2022, and became Chairman effective on 16 February 2022. Mr. Chua used to chair the Executive Committee (ExCom) of the Bank when he was Vice Chairman of the Board. With his constant feedback and insights on best banking practices, he has been instrumental in promoting the Bank in the business community and in marketing its products and services. Amb. Chua continuously serves in the Philippine Chamber of Commerce and Industry, Inc. (PCCI), and as Consul General conferred by the Honorary Consulate General of the Republic of Peru in Manila since 2006. He was also a Board Adviser of the Office of Alternative Dispute Resolution under the Department of Justice. He was the Special Adviser on Economic Affairs under the Office of the Speaker of the House of Representatives, Congress of the Philippines since 1997. He is Honorary Trade and Investment Representative of the Department of Trade and Industry, appointed Commissioner in the Constitutional Commission, Board of Trustee of Technical Education and Skills Development Authority (TESDA), and Special Envoy on Trade and Investment (China) of the Department of Foreign Affairs since 2007. He was also a member of the Board of Directors of the Philippine Stock Exchange where he served as the Chairman of the Committee of Demutualization. He demutualized the PSE with the unanimous support of its members.

He currently serves as Chairman of BA Securities Inc., and a member of the Board of Directors of DITO Telecommunity Corporation, National Grid Corporation of the Philippines (NGCP), Global Ferronickel, Inc., and Platinum Group Metals Corp. He holds the Chairmanship of CLMC Group of Companies and Dongfeng Automotive Inc. and serves as Vice Chairman of Negros Navigation/2Go.

He was the Vice Chairman of Basic Energy and Mabuhay Satellite Corp., and President of the Philippine Satellite Corp. He obtained his degree in B.S. Industrial Engineering (Cum Laude) from the University of the Philippines and was conferred Doctor in Humanities from Central Luzon State University.

BENEDICTA A. DU-BALADAD
Non-Executive Director
Filipino, 60 years old

Ms. Benedicta A. Du-Baladad has been a member of the Board of Directors of the Bank since 31 January 2014. She is the Vice Chairperson of the Board of Directors, Chairperson of the Executive Committee and a member of the Audit Committee. She was previously a member of the Bank's Board Risk Oversight Committee (BROC) from 2014-2017. She is the Founding Partner and CEO of Du-Baladad and Associates (BDB Law), a law firm specializing in taxation and related corporate services. Ms. Du-Baladad has over 30 years of practice in the field of taxation, 17 years of which was spent with the Bureau of Internal Revenue (BIR) working on tax administration policy development and in operations. In 2001, she joined the private sector and is now on her 16th year of private practice. She has authored three (3) books on the taxation of the financial sector.

She was the lead tax and legal consultant of the Philippine Government's Department of Finance (DOF) on its program to reform the taxation of capital income and financial intermediation services. She has been the Co-Chair of the Capital Markets Development Council (CMDC) in the Philippines from 2017 up to the present. Ms. Du-Baladad holds leadership role in major professional and business organizations in the country such as the Management Association of the Philippines (MAP) as Governor, the Financial Executives of the Philippines (FINEX) as past President, the Philippine Chamber of Commerce and Industry as Chair of the Tax Committee, the Tax Management Association of the Philippines (TMAP) as past President, and the Women Business Council of the Philippines (Womenbiz) as Vice President. She is currently a Professorial lecturer in taxation at the University of Santo Tomas (UST) and the University of the Philippines (UP). She was also a Partner and Head of Tax Compliance and Advisory of Punongbayan & Araullo from 2001 to 2009. Prior to that, she was an officer of the Bureau of Internal Revenue where she worked from 1984 to 2001. Ms. Du-Baladad is a Certified Public Accountant, graduated Magna Cum Laude with a Bachelor's Degree in Accountancy from Saint Louis University, Baguio, Philippines (1982), and holds a Bachelor of Laws degree from the University of Santo Tomas, Manila, Philippines (1989). Her educational background includes Advanced Management Program at Wharton School of the University of Pennsylvania, Pennsylvania, USA (2007) and Master of Laws and International Tax Program at the Harvard University, Cambridge, MA, USA. She is a fellow at the Institute of Corporate Directors. She is a regular columnist of the Business Mirror's 'Tax Law for Business'.

MICHELANGELO R. AGUILAR
President and CEO, Executive Director
Filipino, 65 years old

Mr. Michelangelo R. Aguilar was elected member of the Board of Directors and appointed President and Chief Executive Officer (CEO) of the Bank on 16 July 2018. He is a member of the following committees: Executive Committee (Excom), Information Technology Steering Committee (ITSC), and Trust and Investment Committee (TIC).

Mr. Aguilar has over 38 years of banking experience in the areas of Corporate and Investment Banking, Global Markets and Treasury. He has 22 years of experience with international banks starting his career as an Executive Trainee at Citibank Philippines and rising through the ranks in the areas of

Banking Operations, Treasury and Sovereign Risk as Assistant Manager, Manager, and Assistant Vice President. He held senior positions as Country Treasurer and then as Managing Director and Head of Wholesale Bank at Standard Chartered Philippines. For 13 years prior to joining the Bank, he was Treasurer and Head of Corporate Banking in Solid Bank Corporation and Rizal Commercial Banking Corporation, respectively. He was also a Director of RCBC Rental Corporation and RCBC Leasing and Finance Corporation. He graduated with a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and later acquired a Master's Degree in Business Management from the Asian Institute of Management. He is a licensed Mechanical Engineer and a Certified Treasury Professional by the Bankers Association of the Philippines (BAP).

ROBERTO C. BENARES
Former President and CEO, Non-Executive Director
Filipino, 68 years old

Mr. Roberto C. Benares has been elected as member of the Board of Directors of the Bank since 30 April 2013. He assumed his position as President and CEO of Bank of Commerce on 1 August 2013 and was succeeded by Mr. Michelangelo R. Aguilar on 16 July 2018. He currently sits as Director and chairs the Information Technology Steering Committee (ITSC). He is also a member of the Board Risk Oversight Committee (BROC). During his tenure as President and CEO, he took the lead in strengthening the Bank by framing its superior service culture to achieve its recent milestones.

Previously, Mr. Benares was the Managing Director of Maybank ATR Kim Eng Capital Partners, Inc. He started his banking career at Bancom Development Corp. as Assistant Treasurer prior to holding the position of Vice President of Account Management at United Coconut Planters Bank. He also served as Managing Director at Asian Alliance and Executive Vice President at Insular Investment & Trust Corporation, and Vice President at Philamlife. He holds a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and has a Master's Degree in Business Management at the Asian Institute of Management.

FE B. BARIN
Non-Executive Director
Filipino, 87 years old

Mrs. Fe B. Barin has been a member of the Board of Directors since April 24, 2014. Mrs. Barin's career in the government service has been in the regulatory and supervisory agencies. She spent a total of fifty three (53) years of service in the government, forty four of which in the then Central Bank of the Philippines and the Bangko Sentral ng Pilipinas where she served as Member of the Monetary Board from 2002 to 2004. She was the first Chairperson of the Energy Regulatory Commission created under the EPIRA in 2001, which position she occupied from August 2001 to September 2002 prior to her appointment as Monetary Board member. In Sept. 2004, she was appointed Chairperson of the Securities and Exchange Commission for a seven year term ending 2011. As Chairperson of the SEC, she was ex Officio member of the Anti Money Laundering Council and Chairperson of the Credit Information Corporation. She also served as Assistant Legal Counsel in the Philippine Deposit Insurance Corporation on secondment from the then Central Bank.

Mrs. Barin graduated from the College of Law, University of the Philippines, passed the Bar examinations given the same year and admitted to the Philippine Bar in 1957.

She is a Lifetime Fellow of the Institute of Corporate Directors and one of the Institute's Teaching Fellows, a Fellow of the Institute of Solidarity in Asia, a founding member of the Judicial Reform Initiative, a Member of the Board of Trustees of the Philippine Good Works Mission Foundation, Inc., all non stock non profit associations. She is also a member of the Board of Directors of the General Milling Corporation and Executive Vice President, Manila Bulletin Publishing Company.

CAROLINA G. DIANGCO
Non-Executive Director
Filipino, 78 years old

Ms. Carolina G. Diangco has been a member of the Board of Directors of the Bank since April 2012. In July 2018, she briefly served as adviser for the Related Party Transactions Committee (RPTCom) and Board Risk Oversight Committee (BROC). She is currently a member of the Executive Committee (Excom), and the RPTCom. Previously, she served as member of the Board Risk Oversight Committee, Audit Committee and Nominations, Compensation and Remuneration Committee (NCRC). Ms. Diangco is also a member of the Board of Directors of Cocolife Asset Management Co., Inc., and UGPB General Insurance Co., Inc. since 2009.

Since 1998, she has been a member of the Board of Directors of United Coconut Planters Life Assurance Corp. and sits as an executive member in its Executive Committee, Finance and serves as the Chairperson of the Audit Committee. She was a member of the Board of Directors of the United Coconut Planters Bank (UCPB) from 2002 up to 2007 where she served as executive member of the Loans Committee and the Chairperson of the Audit Committee. She held various senior positions in UCPB Rural Bank, as member of the Board of Directors; CIIF Finance Corporation, UCPB Foundation and UCPB Securities, Inc., as Treasurer; and as Controller in Mastercaterers, Inc., UCPB Condominium Corporation and UCPB Properties, Inc. From UCPB, she brings with her 38 years of core banking experience rising from the ranks to Senior Vice President-Controller upon retirement in 2002. Ms. Diangco also served as consultant at Central Visayas Finance Corporation (CVFC) taking an advisory role on over-all management and controllership of the company and was conferred to on aspects of Accounting, Treasury, Credit Cards and Risk Management from 2004 to 2015. She holds a degree in B.S. Business Administration Major in Accounting at the University of the Philippines and is a Certified Public Accountant.

MARITO L. PLATON
Non-Executive Director
Filipino, 68 years old

Mr. Marito L. Platon was elected last 30 April 2010 as member of the Board of Directors of the Bank. He is currently a member of the Information Technology Steering Committee (ITSC), Corporate Governance Committee (CGCom), Board Risk Oversight Committee (BROC) (former Chairman), Related Party Transactions Committee (RPTCom), and previously, of the Audit Committee. Mr. Platon has been the driving force behind the consistent growth of the Bank's business in partnership with clients.

Mr. Platon has 27 years of treasury and corporate finance experience at San Miguel Corporation and Coca-Cola Bottlers Philippines, Inc. (CCBPI) as Vice-President and Treasurer supervising various departments/functions in the areas of Treasury management and operations, funds planning and loans management, banking relationship, working capital management, capital budgeting and project coordination, tax administration and management, insurance and risk management, credit and collection, systems design and development, and provident fund operations as he was also the former Managing Trustee of the CCBPI Retirement Plan. Aside from formerly holding directorship and/or management positions in various companies or undertakings involved in investment banking, corporate leasing, internal auditing, security services, aquaculture operations, food retailing, among others, including education as former Chairman at non-sectarian Institute for Esoteric Studies, he was also formerly director and CFO of CCBPI's real estate companies Marangal Properties, Inc. and Luzviminda Landholdings, Inc. Mr. Platon likewise has over 30 years of rural banking experience being former Chairman and President of Rural Bank of Talisay (Batangas), Inc. Currently, he serves as Chairman and President of Villa Maria Resorts and Development Corporation, a tourism and property development family-owned corporation. A Fellow candidate at the Institute of Corporate Directors, Mr. Platon graduated in 1973 at De La Salle University with a degree in Bachelor of Science, Major in Accounting.

MARIANO T. KATIPUNAN, JR.
Non-Executive Director
Filipino, 70 years old

Mr. Mariano T. Katipunan, Jr. was first elected into the Board of Directors of the Bank in May 2015 as nominee of Caritas Health Shield, Inc. He also served as a member of the Bank's Audit and Corporate Governance committees. He was replaced by Mr. Ronnie U. Collado in June 2017. He was elected again as Director in April 2018. He is currently a member of the Bank's Audit Committee.

Mr. Mariano T. Katipunan, Jr. brings with him an extensive experience in finance and controllership having been Treasurer and Chief Finance Officer of Caritas Health Shield since its inception in 1995. He oversaw the company's financial position, including its trust fund/reserves and overseas investments. He was elected President and Chief Executive Officer in April 2018. Mr. Katipunan has likewise been Managing Director of Megacenter Diagnostics Corp. since its establishment in 1994. He was an Investment Account Officer of Equitable Financial Services in Edison, New Jersey from 1984 to 1986. He was Vice President & Division Head for Account Management Group at the International Corporate Bank in Makati from 1977 to 1983. He also previously handled account management at Citytrust Banking Corporation and market research at Far East Bank and Trust Company. Mr. Katipunan was an instructor in Business Management and Finance at the Ateneo de Manila University and in Economics and Mathematics at St. Theresa's College in Quezon City. He holds a degree in Bachelor of Arts in Economics (Honors Course) and graduated with Honors in 1972 from the Ateneo de Manila University. In addition, he has a Master's Degree in Business Management from the Asian Institute of Management (1975). He underwent training at the Foreign Exchange/Bullion Trading & Money Market departments of the Swiss Bank Corporation in New York City from 1983 to 1984 and at Citibank, N.A. in Binondo, Manila under its Executive Development Program in 1975.

ALEXANDER R. MAGNO
Non-Executive Director
Filipino, 67 years old

Mr. Alexander R. Magno became a member of the Board of Directors of the Bank on 1 August 2014 and currently sits as a member of Trust and Investment Committee (TIC); and Nominations, Compensation, and Remuneration Committee (NCRC). He is a columnist of the Philippine Star and consults for both the Department of Finance and the Steel Asia Manufacturing Corporation. Mr. Magno's career best describes him as a policy advocate, public intellectual and an activist. He served as a member of the Board of the Development Bank of the Philippines, helping supervise such programs as the Nautical Highway System from 2001 to 2010. He was Director of Steel Asia Manufacturing from 1995 to 1999 and a professor at the University of the Philippines from 1976 to 2018. After the EDSA Revolution, he served as interim director of the President's Center for Special

Studies, a think tank put together during the Marcos period which supplied regular briefing papers for President Corazon C. Aquino. He helped establish the Foundation for Economic Freedom (FEF), a research and advocacy institution proposing market-driven economic policies providing research for key liberalization policies including the Liberalization of the Retail Trade, the Electricity Power Industry Reform Act and the Procurement Law. He consulted for the privatization program of the Metropolitan Waterworks and Sewerage System (MWSS) and the liberalization of the telecommunications sector. In 2005, he was appointed Commissioner of the Consultative Commission on Charter Change and served as a commissioner of the EDSA People Power Commission.

His social activism during the martial law led to his career as an instructor of political science at UP Diliman. Mr. Magno supported student representation in 1975, winning a seat at the UP Student Conference and served as Vice Chairman of the organization. Mr. Magno had regular editorial columns at the Manila Times, the Manila Chronicle, and the Manila Standard. He remains an important columnist at the Philippine Star since 2003 and his columns became main reference points for building democratic and reformist public opinion.

ANIANO A. DESIERTO
Independent Director
Filipino, 86 years old

Mr. Aniano A. Desierto has been elected as member of the Board of Directors of the Bank since 26 July 2013. He currently chairs the Bank's Corporate Governance Committee (CGCom) and Nominations, Compensation and Remuneration Committee (NCRC), and is a member of the Trust and Investment Committee (TIC). Mr. Desierto is currently the Vice President of the Philippine Constitution Association, and a member of the Paul Haris and Rotary Club.

Notably, he embodies legal, political and government expertise having served five (5) administrations as government prosecutor. He was the Ombudsman of the Republic of the Philippines from 1995 until 2002. He previously was The Special Prosecutor (formerly Tanodbayan) between 1991–1995, Deputy Chief Judge Advocate General in 1988 to 1991, General Court Martial from 1986 to 1990, and Fact-Finding Member of the Armed Forces of the Philippines from 1985 to 1986, and Judge Advocate from 1974 to 1991. He also held the position of Provincial Division Manager at the Manila Broadcasting Corporation from 1967 to 1972. He brings with him various experiences in other fields as a marketing consultant and as a member of the Board of Directors of several companies. He was the Chairman of the PNOC Development and Management Corporation from 2004 up to 2005. He was Program and Production Manager in 1961 to 1967 at the Cebu Broadcasting Company and he was Proprietor and Director of the Top Promotion, Inc. and Top Taxi Company in Cebu City. He also held the position of Provincial Division Manager at the Manila Broadcasting Corporation from 1967 to 1972. He received various awards and commendations as a government official and Ombudsman. He holds Bachelor of Laws and Bachelor of Arts degrees from the University of the Philippines, Bachelor of Management and Marketing Courses at the Ateneo de Manila University and Associated in Arts (Pre-Law) at the University of San Carlos, Cebu City.

JOSE C. NOGRALES
Independent Director
Filipino, 72 years old

Mr. Jose C. Nograles has been an elected member of the Board of Directors of the Bank since 20 April 2015. He chairs the Bank's Board Risk Oversight Committee (BROC) and serves as a member of the following Committees: Audit Committee, Corporate Governance Committee (CGCom) and Nomination, Compensation and Remuneration Committee (NCRC). He continues to be a strict advocate of the Bank's conscientious and efficient use of resources towards sustainable care for the environment. A seasoned investment banker and economist, Jose C. Nograles was President of the Philippine Deposit Insurance Corporation (PDIC) from January 2008 to May 2011 where he led PDIC's transformation to a more responsive and innovative institution. Previously, he was the Senior Executive Vice President of the Land Bank of the Philippines (LBP). In 2005, he headed LBP's Operations and Corporate Services Sector. Five years earlier, as Senior Vice President and Treasurer, he organized LBP's combined Treasury and Investment Banking. He was also concurrently Board Vice-Chairman and President of Land Bank Insurance Brokerage Inc., LBP's subsidiary engaged in insurance brokerage and foreign exchange trading.

Mr. Nograles started his career in 1969 as part of the management services staff of SGV and Company. By 1973, he worked in government as a Senior Consultant to former Secretary Arturo R. Tanco, Jr. of the Department of Agriculture and Natural Resources. After three years, he rejoined the private sector as General Manager of Sarmiento Management Corporation. He moved to Anflo Management & Investment Corporation as Vice President in 1977 to head its Automotive Group of car dealerships and the Corporate Planning Department. He later founded his family's realty company engaged in commercial building and hotel operations in Davao City in 1980. In 1984, he was appointed Assistant Minister for Planning and Project Management of the Ministry of Natural Resources. In 1991, he joined Columbian Autocar Corporation as Vice President and General Manager that introduced the Kia brand in the Philippines. He obtained his BA in Economics with honors (Cum Laude) from the Ateneo de Manila University in 1969 and his Master's Degree in Business Administration from the Asian Institute of Management in 1973. He is a fellow of the Institute of Corporate Directors.

MELINDA S. GONZALES-MANTO
Independent Director
Filipino, 69 years old

Ms. Melinda S. Gonzales-Manto (Linda) has been a member of the Board of Directors of the Bank since January 2014. She currently Chairs the Audit Committee and serves as member of the Related Party Transactions Committee (RPTCom) and Board Risk Oversight Committee (BROC).

Ms. Manto likewise sits in the board of Eagle Cement Corporation (Eagle Cement), Petrogen Insurance Corporation (Petrogen) and RSA Foundation, Inc. She functions as Chairman of the Audit Committee and member of the Corporate Governance Committee of Eagle Cement. She chairs the Audit and Risk Oversight Committee and sits as member of the Corporate Governance Committee and Related Party Transactions Committee of Petrogen. She has been appointed as the Lead Independent Director of Eagle Cement and Petrogen.

Ms. Manto is presently a stockholder, director and the Vice-President of Linferd & Company, Inc. and ACB Corabern Holdings Corporation. She is also the Resident Agent of some multinational companies in the country and the Treasurer of a foreign company doing business in the Philippines. She is also a member of the NextGen Organization of Women Corporate Directors Phils., Inc. She was formerly a board member of the GSIS Family Bank.

Ms. Manto started her career in SyCip, Gorres, Velayo & Co. (SGV). She is a celebrated accountant and is looked up to as an expert in assurance and business advisory. Her areas of specialization include retail, manufacturing, food processing and distribution, real estate, radio and television broadcasting, technology, steam power generation, agribusiness, semiconductors and electronics. She is highly respected as well in initial public offerings, due diligence engagements, and mergers and acquisitions. Her stint in the audit corporate world lasted for more than three decades. She retired as a Partner in the Assurance and Advisory Business Services Division of SGV. While in SGV, she served as the Head of the Consumer Products Industry for Asia and the Pacific of SGV/Ernst & Young Philippines and SGV/Arthur Andersen. Wanting to expand her horizon, she also functioned as a board member and auditor of the Philippine Retailers Association for almost a decade. She was previously assigned to the Cincinnati Office of Arthur Andersen in Ohio where she spearheaded the audit engagements of manufacturing and retail clients.

Ms. Manto finished elementary and high school as valedictorian and graduated cum laude with a degree of Bachelor of Science in Business Administration, major in Accounting at the Philippine School of Business Administration. She is a Certified Public Accountant and a lifetime member of the Philippine Institute of Certified Public Accountants. She completed the Management Development Program at the Asian Institute of Management and had computer training at the Institute of Advanced Computer Technology.

REBECCA MARIA A. YNARES
Independent Director
Filipino, 45 years old

Ms. Rebecca Maria A. Ynares has been a member of the Board of Directors of the Bank since July 2016. She currently serves as member of its Related Party Transactions Committee (RPTCom), Board Risk Oversight Committee (BROC), and Audit Committee. Ms. Ynares manages the following family-owned endeavors TJCMB Enterprises, a warehousing and logistics company; Tutoring Club Franchise Philippines; and Octagon Realty and Development Corporation, where she is also the Corporate Secretary and account management lead. Ms. Ynares spearheads various sustainability and environment restoration initiatives in the Province of Rizal, including the Save Hinulugang Taktak and Ynares Eco System (YES) Programs. With the ongoing YES program, she continues to lead on projects such as installation of waste water clean-up systems, tree-planting activities, medical missions with the Provincial Health Office, feeding programs with the Department of Social Welfare and Development (DSWD), and Youth Program. She lends support to other projects devoted to finding the right balance between the diligent care of the ecosystem and economic viability of affected businesses in Rizal. On top of her advocacies as a dedicated socio-economic philanthropist, Ms. Ynares is a member of the Philippine Red Cross-Rizal Chapter and is an avid resource speaker in various trainings and seminars in the province.

Previously, she has served as a financial analyst for the Bahay Co. Real Estate Agents in Burlingame, California, USA from 2005 until 2007. She started her investment, banking and finance career at the Asia United Bank (AUB) on the areas of branch operations, marketing and investment portfolio management. Ms. Ynares holds a degree in Bachelor of Science in Business Administration and Computer Applications from De La Salle University (1999) and Associate for Arts for Professional Designation Fashion & Merchandising in San Francisco, California (2002).

RICARDO D. FERNANDEZ
Independent Director
Filipino, 67 years old

Mr. Ricardo D. Fernandez was elected as an Independent Director of the Bank effective 1 January 2021. He is currently the Chairman of the Related Party Transactions Committee (RPTCom), and a member of the Corporate Governance Committee (CGCom) and the Nomination, Compensation and Remuneration Committee (NCRC). He has worked in the investment banking industry for 40 years. Mr. Fernandez was employed at Unicapital Incorporated (UI) from 1995 to 2019, where he was appointed as President from 1997 to March 2019, became a Consultant until December 2019, and Director until March 2020. From 1980 to 1995, he was employed at Multinational Investment

Bancorporation (MIB). He graduated from the De La Salle University with degrees in Behavioral Science and Business Management. He also holds a Master's degree in Business Administration from the University of the Philippines.

SENIOR EXECUTIVE TEAM

The members of senior executive team, subject to the control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors. The following is a list of the Bank's executive officers as of December 31, 2021:

SENIOR EXECUTIVE TEAM	
Joel T. Carranto 51, Filipino *Senior Vice President Branch Banking Group Head*	• Maybank Philippines Inc – *Former Community Distribution Head* • Security Bank – *Former Area Business Manager/Region Head OIC* • Premiere Development Bank – *Former Branch Banking Group Head* • Eastwest Bank – *Former Branch Manager* • AMWAL – *Former Sr. Financial Sales Consultant* • RCBC – *Former Branch Center Manager, Former Account Officer, Former Senior Marketing Assistant, Former Branch Officer-at-Large, Former Branch Operations officer, Former Teller, Former Bookkeeper*
Mary Assumpta Gail C. Bautista 47, Filipino *Senior Vice President Transaction Banking Group Head*	• Deutsche Bank - *Former Vice President/Senior Relationship Manager, Former Corporate Cash Management Head* • BDO/Equitable PCI Bank - *Former Cash Management Sales and Marketing Department Head* • Standard Chartered Bank (Singapore) - *Former Regional Product Manager* • Standard Chartered Bank (Philippines) – Former Product Manager • Citibank N.A. Philippines – Assistant Product Manager, Former Program Administrator
Gamalielh Ariel O. Benavides 55, Filipino *Senior Vice President Chief Trust Officer*	• Sunlife of Canada Philippines, Inc. – *Former Licensed Insurance Agent* • BDO Private Bank, Inc. - *Former Senior Vice President / Business Development & Marketing Strategy Head, Former Trust Officer* • Banco Santander Philippines, Inc. – *Former Trust & Investment Services Head/ Vice President, Former Product Development, Assistant Vice President* • Abacus Securities Corporation – *Former Operations Head* • Citibank N.A. Philippines Branch – *Former Securities Services Unit Head, Former Official Assistant, Treasury, Treasury Operations* • Citibank N.A. Singapore Branch – *Former Manager*
Manuel A. Castañeda III 51, Filipino *Executive Vice President Corporate Banking Group Head*	• Bank of Commerce – Former Corporate Banking Group 1 Head • Producers Savings Bank - *Former President, CEO and Director* • Maybank Philippines - *Former Global Banking Head* • Unionbank of the Philippines - *Former Commercial Banking 1 Head* • International Exchange Bank - *Former Corporate Banking Team 1 and Project Finance Head and Former Relationship Manager & Head of Project Finance*

	• AsiaTrust Development Bank – *Former Unit Head, Investment Banking Group and Former Unit Head Portfolio Management* • BPI Express Card Corp. – *Former Merchant Assistant*
Maria Ana P. dela Paz 47, Filipino *First Vice President* *Credit Group Head*	• Bank of Commerce - *Former Credit Evaluation and Review Division Head* • Planters Development Bank - *Former Department Head, Former Product Officer, Former Account Officer, Former Project Officer*
Ma. Katrina A. Felix 53, Filipino *Senior Vice President* *Credit Card* *Group Head*	• Best Inc- *Former Director* • Finscore Inc (sister company of Cash Credit) - *Former President* • Cash Credit/ CC Mobile Financial Services Phil. – *Former Country Manager* • Prudential Financial Services- *Former President & Managing Director, Former Chief Operating Officer* • Prudential Life Plan, Inc. – *Former Vice President Personnel Department* • Bank of America NT & SA Manila – *Former Operations Manager, MIS Department*
Louella P. Ira 50, Filipino *First Vice President* *Legal Services Division Head*	• Bank of Commerce - *Former Legal Services-Operations Department Head* • Metropolitan Bank & Trust Co- *Former Legal Officer* • Metrobank Card Corporation – *Former Assistant Corporate Secretary* • Insular Life & Assurance Co. – *Former Legal officer* • Padilla Jimenez Kintanar & Asuncion – *Former Associate*
Antonio S. Laquindanum 44, Filipino *Executive Vice President* *Chief Financial Officer*	• Australia and New Zealand Banking Group - *Former CFO Philippines and Acting COO, Former Philippine Head of Finance and Administration* • Ernst & Young, LLP (USA) – *Former Manager* • Accenture – Former *Senior Consultant/Senior Team Lead*
Marie Kristin G. Mayo 53, Filipino *First Vice President* *Human Resource Mgt. and Dev't. Division Head*	• Bank of Commerce - *Former Recruitment Head* • The Royal Bank of Scotland (ABN AMRO Bank, Inc.) - *Former HR Head* • My Resource Solutions - *Former HR and Admin Manager* • Photokina Marketing Corporation - *Former HR Supervisor* • LTS Philippines Corporation – *Former Personnel Specialist* • Phil. Long Distance Tel. Co. – *Former Engineering Assistant*
Reginald C. Nery 64, Filipino *Senior Vice President* *Chief Audit Executive*	• ▪Bank of Commerce – *Former Officer-in-Charge, Compliance Division, Former Chief Audit Executive* • ▪Project Management Institute Philippine Chapter - *Board of Trustee (Treasurer)*

	• ▪Diaz Murillo Dalupan and Company, CPAs - *Former Partner and Head (Technology Performance and Governance)* • ▪RCNERY and Associates - *Former President and Principal Consultant* • ▪KPMG ManabatSanAgustin& Company (Formerly LayaMananghaya& Company) - *Former Partner and Head (Performance and Technology)*
Jeremy H. Reyes 43, Filipino *First Vice President* *Chief Risk Officer*	• Bank of Commerce - *Former Internal Audit Division Quality Assurance Review Dept. Head* • HSBC – *Former Commercial Banking Business Risk & Control Management Head, Former Assistant Vice President, Management Internal, Former Assistant Manager, Credit Administration* • HSBC Savings - *Former Deputy Head of Audit*
Felipe Martin F. Timbol 52, Filipino *Executive Vice President* *Treasurer/ Treasury Management Group Head*	• Bank of Commerce –*Former Treasury Management Sector Head, and Former Treasury & Fee Based Business Sector Head* • Rizal Commercial Banking Corp. – *Former Vice President/Fund Management Group Head* • Eastwest Banking Corporation - *Former Sr. Asst. Vice President/Treasury Department* • Bank of Southeast Asia – Former Assistant Manager/Trust Department • United Coconut Planters Bank – *Former Senior Trader, Former Senior Analyst, and Former General Teller*
Jay S. Velasco 49, Filipino *Senior Vice President* *Operations Group Head*	• Bank of Commerce - *Former Loans Operations Division Head and Former Head Office Operations Support Division Head* • Tiaong Rural Bank - *Former Chief Operations Officer* • PS Bank - *Former Head Office Operations Division Head, Former Centralized Branch Operations & Support Division Head, Former Process Services Division Head* • BPI - *Former Funds Transfer Dept. Head, Former Central Clearing Unit Head, Former Central Clearing Unit Officer, Former Transit Center Officer, and Former Verification Officer* • DBS Bank Philippines – *Former Central Clearing Unit Head, Former ATM Center Head, Former Processing Center Head, and Former Centralized Verification Head*
Jose Mari M. Zerna 46, Filipino *First Vice President* *Consumer Banking Group Head*	• Bank of Commerce - *Former Chief Risk Officer and Former Credit Risk Management Dept. Head* • ANZ Banking Group Limited – *Former Account Officer* • BPI Capital Corporation – *Former Corporate Finance Officer* • Bank of the Philippine Islands – *Former Account Officer (Institutional Banking Group)* • Reuters Limited - *Former Treasury Applications Specialist* • Misys Banking Systems Inc - *Former Senior Functional Consultant*

	• Citytrust Bank and Trust – *Former Management Trainee*
Donald Benjamin G. Limcaco 54, Filipino *Senior Vice President Chief Technology Officer/Digital Services Group Head*	• Bank of Commerce – *Former Executive Support Group Head* • Banco de Oro Unibank – *Former Business Strategy Design Head/SVP, Former Digital Development Head/SVP, Former Virtual Banking Operations Head/SVP* • Bank of America- *Former Consumer Marketing & Technology Head* • Countrywide Financial Corporation – *Former Application Development Head* • DRGrace Management – *Former Managing Principal* • ROUNDARCH Isobar- *Former Engagement Director* • Deloitte Consulting – *Former Manager* • Electronic Data Systems – *Former Systems Engineer* • IBM – *Former Channel Marketing Showroom Representative*
Francisco Raymund P. Gonzales 50, Filipino *Assistant Vice President Corporate Communication & Consumer Protection Division Head*	• Bank of Commerce – *Former Product Development & Customer Protection Department Head* • ChinaBank – *Former Product Manager* • Metrobank – *Former Product Manager* • AB Capital and Investment Corp. – *Former Deal Officer* • Citytrust / BPI – *Former CorPlan Officer* • Punongbayan and Araullo – *Former Consulting Staff*
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Item 9. Executive Compensation

The following table sets out the Bank's President and Chief Executive Officer and the four (4) most highly compensated executive officers of the Bank for the years ended 31 December 2018, 2019, 2020, and 2021:

Name	Position	Applicable Fiscal Year
Michelangelo R. Aguilar	President and CEO	2018 to 2021
Roberto C. Benares	President and CEO	2018
Felipe Martin F. Timbol	Executive Vice President	2018 to 2021
Manuel A. Castañeda III	Executive Vice President	2018 to 2021
Edward Dennis Zshornack	Senior Vice President	2018 and 2019
Rafael C. Bueno, Jr.	Senior Vice President	2018 and 2019
Anna Marie A. Cruz	Senior Vice President	2020 and 2021
Gamalielh Ariel O. Benavides	Senior Vice President	2020
Donald Benjamin G. Limcaco	Senior Vice President	2021

The following table identifies and summarizes the aggregate compensation of the Bank's executive officers and directors as group for the years ended 31 December 2018, 2019, 2020 and 2021.

Year	Salary	Bonuses	Per Diem	Other Annual Compensation	Total
2018	82,901,052	13,784,717	[·]	6,036,183	102,721,952
2019	110,681,124	15,460,032	[·]	2,947,031	129,088,187
2020	129,489,363	22,368,011	[·]	0	151,857,374
2021	127,037,423	25,311,898	[·]	8,205,954	160,555,275

The senior executive team officers receive salaries and bonuses that are included in the amounts stated above. The Bank has a salary structure in place that is used in determining the remuneration of all employees. Remuneration of executive officers is determined by their current pay, performance, the Bank's performance, and salary scale. Aside from the foregoing, they have no other compensation plan or arrangement with the Bank.

Item 10. Security Ownership of Certain Beneficial Owners and Management

The following table sets out the record and beneficial owners of more than 5.0% of the Bank's voting securities known to the Bank as of December 31, 2021:

Title of Class of Securities	Name and address of record owners and relationshipwith the Company*	Name of beneficial owner and relationship with record owner	Citizenship	Number of Shares	% of Ownership
Common	San Miguel Corporation Retirement Plan (SMCRP)	-	Filipino	432,626,860	38.54%
Common	San Miguel Properties, Inc. (SMPI)	San Miguel Corporation - Parent company of SMPI	Filipino	447,711,800	39.89%
Common	Caritas Health Shield, Inc.	Record owner is beneficial owner.	Filipino	109,666,640	9.77%
Common	SMC Equivest Corporation	San Miguel Corporation - Parent company ofSMC Equivest	Filipino	68,305,560	6.09%

Item 11. Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loan transactions with investees and certain DOSRI. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

SMC Stock Transfer Service Corporation, a related party, is a wholly owned subsidiary of San Miguel

Corporation and acts as the Registrar, Paying Agent, Receiving Agent, and the Stock Transfer Agent for the Offer.

Related party transactions are discussed further in the Notes to Financial Statemensts (Note32).

ANNEXES

ANNEX A: LIST OF PROPERTIES OWNED OR LEASED BY THE BANK

I. PROPERTIES OWNED BY THE BANK

NO.	NAME OF BRANCH/ PROPERTY	LOCATION	TITLE NO.
1	**BATANGAS P. BURGOS BRANCH**	P. Burgos St., Barangay Poblacion, Batangas City	**T-40683**
2	**BROADCAST CITY BRANCH**	Capitol Hills Drive, Broadcast City Compound, Capitol Hills, Brgy. Old Balara, Quezon City	**T-225837**
3	**AYALA BRANCH**	6764 Phil. First Bldg, Ayala Avenue, Makati City	**47437**
4	**MARAMAG BRANCH**	Sayre Highway, Maramag, Bukidnon	**T-36212**
5	**CARMEN BRANCH**	Mc-Arthur Highway, Carmen, Rosales, Pangasinan	**T-30890**
6	**IBA ZAMBALES BRANCH**	Brgy. Zone II, Iba, Zambales	**T-45802**
7	**KABANKALAN BRANCH**	Guanzon Street and J. Cordova Street, Barangay 1, Kabankalan City, Neg. Occ.	**T-104029 / T-104030**
8	**GREENHILLS BRANCH**	Eisenhower Condominium, Eisenhower St., Greenhills, San Juan	**9397-R**
9	**SMPC - HEAD OFFICE**	SMPC No. 7 St., Francis Street., Mandaluyong City	**several CCTs**
		1-A	008-2011000095
		1-B	008-2011000096
		1-C	008-2011000097
		7-A	008-2012000219
		7-B	008-2012000218
		12-A	008-2011000098
		12-B	008-2011000099
		17-A	008-2011000100
		17-B	008-2011000101
		18-A	008-2011002076
		18-B	008-2011002077
		21-A	008-2011000102
		21-B	008-2011000103
		22-A	008-2011000104
		22-B	008-2011000105
		24-A	008-2011000106
		24-B	008-2011000107
		25	008-2011000108
		26	008-2011000109
10	**PASEO (portion of the building)**	Unit A, G/F Legaspi Tower 200 (South Wing), No. 107 Paseo De Roxas, Legaspi Village, Makati City	8700

II. PROPERTIES LEASED BY THE BANK

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term Start	End
Metro Manila				
Aduana	G/F FEMII Building, A. Soriano St., Brgy. 656, Intramuros, Manila	158,973.02	3/1/2018	2/28/2023
Alabang	Unit-6 El Molito-II Building, Madrigal Avenue cor. Alabang-Zapote Road, Brgy. Ayala Alabang, Muntinlupa City.	376,117.53	3/15/2019	3/14/2022
Banawe	No. 128-B, WAS Building, Banawe Street, Brgy. Tatalon, Quezon City.	167,071.59	4/3/2020	4/2/2025
Bel-Air Petron	363 Sen. Gil Puyat Ave., Brgy. Bel-Air, Makati City.	224,000.00	9/22/2021	9/21/2026
BF Homes	33 President's Ave., Brgy. B.F. Homes, Paranaque City.	332,294.50	4/1/2012	4/3/2022
Bicutan	G/F Filhome Builders Building, No. 68 Dona Soledad Ave., Betterliving Subdivision, Brgy. Don Bosco, Paranaque City.	77,792.40	7/1/2017	6/30/2022
Jupiter	64/66 Jupiter St., Brgy. Bel-Air, Makati City	86,851.82	3/17/2011	3/16/2026
Caloocan	100 8th Avenue cor. A. Del Mundo St., Brgy 058, Caloocan City.	78,440.67	8/1/2020	7/31/2025
Commonwealth	G/F Verde Oro Building, 535 Commonwealth Ave., Matandang Balara, Quezon City.	192,373.14	3/1/2017	2/28/2022
Concepcion	No. 52 A.M. PACLEB Building, Bayan-Bayanan Avenue, Brgy. Concepcion Uno, Marikina City.	151,200.00	8/23/2020	8/22/2025
Cubao	Unit 1, G/F Harvester Corporate Center, P. Tuazon Cor. 7th & 8th Ave., Brgy. Socorro, Cubao, Quezon City	458,332.82	8/1/2017	7/31/2022
Dasmariñas-Binondo	G/F, 304 STP Building, Dasmarinas cor. Marquina Sts., Brgy. 291, Binondo, Manila.	136,136.71	9/1/2020	8/31/2025
Del Monte	G/F Bank of Commerce Building, Del Monte Ave. cor. D. Tuazon St., Brgy. Maharlika, Quezon City	172,872.00	6/18/2019	6/17/2029

Dela Costa-Alfaro	G/F 100 Don Chua Lamko Building, H.V. Dela Costa cor. Leviste St., Salcedo Village, Brgy. Bel-Air, Makati City	227,203.20	11/1/2018	10/31/2023
Diliman	Commonwealth Ave., Cor. Masaya St., Brgy. Old Capitol Site, Quezon City	411,600.00	5/1/2020	4/30/2025
Eastwood-Petron	No. 188 E. Rodriguez Jr. Avenue (C-5), Brgy. Bagumbayan, Quezon City.	192,339.87	2/15/2021	2/14/2024
Sto. Cristo	G/F Kim Siu Ching Foundation Building, 471-483 Sto. Cristo cor. Jaboneros St., Brgy. 281 Binondo Manila	180,754.53	8/1/2018	7/31/2023
Ermita	1312 A. Mabini St., Brgy. 669, Ermita, Manila	179,385.20	10/1/2018	9/30/2023
E. Rodriguez	No. 84 Hemady St., New Manila, Brgy. Mariana, Quezon City.	207,796.77	1/1/2018	12/31/2022
Fort Bonifacio Global City	G/F Kensington Place, Burgos Circle, Brgy. Fort Bonifacio, Taguig City.	412,402.14	10/1/2017	9/30/2022
Grace Park	G/F No. 554 HGL Building, EDSA Cor. Biglang Awa Street, Brgy. 95, Caloocan City.	175,430.65	11/1/2013	10/31/2023
Juan Luna	No. 465 MCU Building, Juan Luna Street, Brgy. 287, Binondo, Manila.	268,019.13	9/19/2020	9/18/2025
Tomas Morato	Tomas Morato Ave., cor. Dr. Lascano St., Brgy. Sacred Heart, Quezon City	281,544.96	10/23/2017	10/22/2022
Katipunan-Petron	Katipunan Ave., cor. Mangyan Road, La Vista, Brgy. Pansol, Quezon City.	197,594.04	10/28/2021	2/14/2024
Las Pinas	G/F Pelayo Building, Alabang-Zapote Road, Manuela Subdivision, Brgy. Pamplona-III, Las Piñas City.	142,296.00	4/1/2018	3/31/2023
Makati Avenue-Zuellig	Unit 2, G/F Zuellig Building, Makati Ave., Cor. Paseo De Roxas & Sta. Potenciana Sts., Brgy. Bel-Air, Makati City.	504,896.00	1/1/2020	12/31/2026
Magallanes	G/F Tritan Plaza Building, San Antonio St., Paseo de Magallanes, Brgy. Magallanes, Makati City.	119,405.47	9/30/2018	9/29/2023
Malabon	29 Gov. Pascual Ave., Brgy. Acacia, Malabon City.	150,000.00	6/1/2016	5/31/2024
Malabon-Gen. Luna	No. 55 Gen. Luna St., Brgy. San Agustin, Malabon City.	100,024.74	5/1/2013	2/28/2023
Marcos Highway	Unit # 10,No. 4 Thaddeus Arcade, Gil Fernando Avenue corner Pitpitan Street, Brgy. San Roque, Marikina City.	176,083.31	9/1/2018	8/31/2023

Marikina	No. 258 J.P. Rizal St., Brgy. Sta. Elena, Marikina City	227,696.00	2/17/2018	2/16/2023
NAIA	IPT Building., Arrival Lobby, Terminal 1, Brgy. Sto. Nino, Pasay City.	19,238.56	1/1/2021	12/31/2021
NAIA Terminal-3	Stall No. 14, Arrival Lobby, NAIA Terminal 3, Brgy. 183, Pasay City.	37,503.02	1/1/2021	12/31/2021
Pasay Road	1006 Cedar Executive Building, A. Arnaiz Ave., San Lorenzo Village, Brgy. San Lorenzo, Makati City	410,052.24	11/1/2019	10/31/2024
Pasig	G/F Renaissance 2000 Tower, Meralco Ave., Brgy. San Antonio, Pasig City.	543,891.14	1/3/2019	1/2/2024
Pasong Tamo Ext.	2295 OPVI Centre, Pasong Tamo Extension, Brgy. Magallanes, Makati City	173,748.21	12/27/2017	12/26/2022
Port Area	G/F/ Mary Bachrach Building, 25th Cor. Delgado Sts., Brgy. 653, Port Area, Manila	113,899.52	9/1/1997	5/31/2012
Quezon Avenue	No. 8 Sto. Domingo Church Compound, Biak-Na-Bato St cor. Quezon Ave., Brgy. Sto. Domingo, Quezon City.	245,537.90	11/28/2019	11/27/2024
Quiapo	No. 609 Sales St., Brgy. 309, Quiapo, Manila.	153,320.55	3/1/2017	8/31/2022
Rockwell	P1 - Concourse Level, The Powerplant Mall, Rockwell Center, Brgy. Poblacion, Makati City	262,617.16	7/1/2021	6/30/2023
Fairview-Petron	G/F Petron Station, Commonwealth Avenue, Brgy. Fairview, Quezon City.	82,096.29	3/1/2012	8/31/2022
Ninoy Aquino Avenue	Unit W & Y, No. 707 Columbia Airfreight Complex, Ninoy Aquino Ave., Brgy. Sto. Nino, Paranaque City.	195,148.80	6/16/2018	6/15/2023
Salcedo	G/F Aguirre Building, Tordesillas cor. H.V. Dela Costa St., Salcedo Village, Brgy. Bel-Air, Makati City.	177,916.35	1/5/2017	1/4/2022
Soler	1004 Reina Regente cor. Soler St., Brgy. 292 Binondo, Manila	151,097.18	3/21/2018	5/20/2022
Resorts World	Unit R3, GF Star Cruises Centre, 100 Andrews Avenue, Newport City Brgy. 183, Pasay City	336,571.20	4/1/2020	1/31/2025
Sucat	8338 Fortuna-II Bldg., Dr. A. Santos Ave., Brgy. San Isidro, Paranaque City.	105,280.00	6/19/2017	6/18/2022
Taft Avenue	G/F Mirasol Building, 854 G. Apacible St., cor. Taft Ave., Brgy. 676, Ermita, Manila	126,489.34	12/21/2021	12/20/2028
Taft-PGH	G/F Mirasol Building, 854 G. Apacible St., cor. Taft Ave., Brgy. 676, Ermita, Manila	153,319.87	8/1/2020	7/31/2025

Tutuban	G/F, Units LS-CM19 & 20, Centermall-II, Tutuban Center, C.M. Recto Ave., Brgy. 248, Binondo, Manila	148,661.27	5/1/2017	12/31/2021
UN Avenue	No. 429 Victoria Building, United Nations Avenue, Brgy. 666, Ermita, Manila.	293,725.02	11/16/2018	11/15/2023
Valenzuela	Units 12 & 13, Puregold Shopping Complex, McArthur Highway,Brgy. Dalandan, Valenzuela City.	98,369.15	1/15/2019	1/14/2024
Visayas Avenue	15 Visayas Avenue Extension, Brgy. Culiat, Quezon City.	112,000.00	6/1/2020	5/31/2025
Wack-Wack Petron	No. 553 Shaw Blvd., Brgy. Wack-Wack, Greenhills East, Mandaluyong City, Manila.	189,249.46	6/1/2011	5/31/2026
West Avenue	68 West Ave., Brgy. West Triangle, Quezon City	123,484.33	4/1/2015	6/30/2023
West Triangle	1451 Quezon Ave., cor. Examiner St., Brgy. West Triangle, Quezon City.	296,055.03	1/1/2019	12/31/2023
Bonifacio High Street	G/F Active Fun Building, 9th Avenue corner 28th Street, Brgy. Fort Bonifacio, Taguig City	665,267.08	5/1/2014	4/30/2024
Pasig Boulevard	152 Pasig Boulevard, Brgy. Bagong Ilog, Pasig City.	142,943.54	10/16/2019	10/15/2024
Dela Rosa	G/F King's Court Building-II, 2129 Chino Roces Ave., Cor. Dela Rosa Street, Pio Del Pilar, Makati City	205,497.63	9/16/2019	9/15/2024

LUZON

Baguio	G/F YMCA Baguio Building, Post Office Loop (Upper Session Road), Brgy. Session Road, Baguio City, Benguet.	206,982.61	6/1/2019	5/31/2024
Laoag	Rizal corner Gen. Hizon St., Brgy. 7-A, Laoag City, Ilocos Norte.	181,109.45	5/16/2016	5/15/2025
Candon	National Highway, Brgy. San Jose, Candon City, Ilocos Sur.	207,774.07	10/1/2021	9/30/2026
Dagupan	Eastgate Plaza Building, A.B. Fernandez Avenue, Dagupan City, Pangasinan.	106,192.80	4/1/2018	3/31/2023
La Union	Northway Plaza, National Highway, Bgy Sevilla, San Fernando City, La Union.	101,461.65	12/1/2019	11/30/2024
Urdaneta	The Pentagon Building, McArthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan.	108,909.36	3/1/2018	2/28/2023

Vigan	G/F Plaza Maestro Commercial Complex, Florentino Cor. Jacinto Streets, Brgy. 1, Vigan City, Ilocos Sur.	183,833.22	2/19/2019	2/18/2024
Tuguegarao	No. 27 Bonifacio Cor. Washington Streets, Brgy. Centro 4, Tuguegarao City, Cagayan.	172,569.48	12/1/2018	11/30/2024
Santiago City, Isabela	G/F Oryza Hotel, Maharlika Highway, Bgy Villasis, Santiago City, Isabela.	117,600.00	9/17/2021	9/16/2026
Cauayan City, Isabela	G/F, Majesty Commercial Building, National Highway, Brgy. San Fermin, Cauayan, Isabela.	68,961.16	9/10/2021	9/8/2026
Angeles	McArthur Highway Cor. B. Aquino Street, Brgy. Lourdes Sur East, Angeles City, Pampanga.	196,363.92	3/18/2021	3/17/2026
Balanga	P. Paterno Street, Brgy. Poblacion, Balanga City, Bataan.	145,948.95	2/23/2021	2/22/2026
Balibago	McArthur Highway Cor. Victor Street, Brgy. Balibago, Angeles City, Pampanga.	145,235.65	2/1/2015	1/31/2025
Baliuag	G/F Doña Victoria Building, Gil Carlos Cor. Año Streets, Brgy. Poblacion, Baliuag, Bulacan.	253,422.40	9/9/2020	9/8/2028
Cabanatuan	G/F V. P Building, Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City, Nueva Ecija.	153,328.82	10/27/2018	10/26/2023
Malolos	Paseo Del Congreso, Brgy. Caingin, Malolos City, Bulacan.	107,207.65	3/20/2012	3/19/2022
San Fernando, Pampanga	G/F Insular Life Building, McArthur Highway, Brgy. Dolores, San Fernando, Pampanga.	240,289.26	6/16/2017	6/15/2022
Sta. Cruz	National Road Cor. Misola St., Brgy. Poblacion South, Sta. Cruz, Zambales.	39,200.00	2/17/2020	2/16/2025
Subic Freeport	G/F, The Venue, Annex Building, Rizal Nighway, Subic Bay Freeport Zone 2222, Olongapo City, Zambales.	96,714.79	8/1/2020	7/31/2025
Tarlac	Block 4, Unit 110-112, G/F, Rising Sun Building, McArthur Highway, Brgy. San Nicolas, Tarlac City.	90,054.43	3/1/2019	2/28/2024
Angeles Nepomart	G/F ENTEC Building, Teresa Avenue, Nepo Mart Complex, Bgy Cutcut, Angeles City, Pampanga	106,171.05	7/15/2021	7/14/2026
Baliuag DRT Highway	3006 Augustine Square Commercial Complex, Doña Remedios Trinidad (DRT) Highway, Brgy. Pinagbarilan, Baliuag, Bulacan.	72,654.75	2/1/2017	3/31/2022

San Jose Del Monte	G/F Block 2, Lot 12, Quirino Highway, Cor. Diamond Crest Village, Brgy. San Manuel, San Jose Del Monte City, Bulacan.	121,874.76	10/1/2017	9/30/2022
Mabalacat	McArthur Highway, Brgy. San Francisco, Mabalacat, Pampanga.	64,890.00	2/24/2018	2/23/2023
Sta. Maria, Bulacan	G/F Jover Building, Narra Street, Bgy Sta. Clara, Sta. Maria, Bulacan.	86,436.00	6/16/2018	6/15/2023
San Fernando Sindalan	Jumbo Jenra, McArthur Highway, Bgy Sindalan, San Fernando City, Pampanga.	132,300.00	4/4/2019	4/3/2027
Batangas-Caedo	G/F Caedo Commercial Complex, Brgy. Calicanto, Batangas City.	112,000.00	4/1/2021	5/31/2026
Cainta	No. 40 Felix Ave., Brgy. San Isidro, Cainta, Rizal.	100,590.34	1/25/2019	1/24/2024
Calamba	Unit 6 & 7, New Parian Business Center, National Road, Brgy. Parian, Calamba City, Laguna.	149,880.02	1/1/2018	12/31/2022
Dasmariñas-Cavite	G/F Veluz-Frances Plaza Building, Aguinaldo Highway, Brgy. Zone 1, Dasmariñas City, Cavite.	98,784.00	7/1/2018	6/30/2023
Lipa	# 7 Bank of Commerce Building, CM Recto Avenue, Bgy 9-A, Lipa City, Batangas.	125,265.22	11/1/2007	10/31/2022
Lucena	G/F Bank of Commerce Building, Quezon Avenue cor. Lakandula Street, Brgy. IX, Lucena City, Quezon.	144,301.25	12/16/2020	12/15/2025
Imus	G/F Lot 3 Block 1, Aguinaldo Highway, Brgy. Anabu 1-B, Imus City, Cavite.	90,757.80	3/1/2017	2/28/2022
San Pedro	G/F Pacita Commercial Complex, National Highway, Brgy. Nueva, San Pedro Laguna.	188,251.41	6/21/2019	6/20/2024
Sta. Rosa	Shop 1-A, Paseo-III, Embarcadero Lane, Paseo De Santa Rosa, Brgy. Don Jose, Sta. Rosa City, Laguna	199,920.00	9/16/2020	9/15/2022
Tanauan	G-04 The Citywalk, No. 2 President Laurel Highway, Brgy. Darasa, Tanauan City, Batangas.	71,090.63	1/1/2022	12/31/2026
Calapan	G/F Leona Yap Ong Building, J.P. Rizal Street, Brgy. San Vicente Central, Calapan City, Oriental Mindoro.	187,998.31	5/20/2018	5/19/2023
Puerto Princesa	J.P. Rizal Avenue, Brgy. Manggahan, Puerto Princesa City, Palawan.	158,733.19	4/1/2018	3/31/2023

Legazpi City	G/F Diabetes One Stop Center, LANDCO Business Park, Brgy. Capantawan, Legazpi City, Albay.	124,073.60	7/1/2018	6/30/2023
Naga	G/F No. 258 Romar Building-1, Elias Angeles Street, Brgy. Dinaga, Naga City, Camarines Sur.	136,136.71	6/13/2017	6/12/2022

VISAYAS

Bacolod-Araneta	G/F Yusay Arcade, Araneta Street, Brgy. 15, Bacolod City, Negros Occidental.	222,606.24	12/5/2018	12/4/2023
Bacolod-Lacson	Corner 12th & Lacson Streets, Brgy. 4, Bacolod City, Negros Occidental.	235,872.00	3/15/2020	3/14/2025
Estancia	Clement Street, Brgy. 25, Estancia, Iloilo City.	58,800.00	1/30/2020	1/29/2025
Iloilo Iznart	G/F TCT Building, Iznart Street, Brgy. Danao, Iloilo City.	169,332.80	6/1/2019	5/31/2024
Iloilo - J.M. Basa	G/F TTW Building J.M. Basa & Mapa Sts., Brgy. Ortiz, Iloilo City.	170,413.88	10/29/2020	10/28/2025
Kalibo	No. 1280 Garcia Building, C. Laserna Street, Brgy. Poblacion, Kalibo, Aklan.	113,805.71	5/26/2017	5/25/2022
Roxas City	G/F Gaisano Arcade, Arnaldo Boulevard, Brgy. Baybay, Roxas City, Capiz.	78,812.44	3/18/2018	3/14/2023
Iloilo Atria	F&B 2, UPMC Building, Atria Park District, Bgy San Rafael, Iloilo City.	95,703.61	4/11/2021	12/31/2021
Bacolod Capitol	GR 04 & 05, 888 Chinatown Premier Mall, Cottage Road corner Gatuslao St., Brgy. 8, Bacolod City, Negros Occidental.	80,826.30	6/1/2021	5/31/2026
Cebu Banilad	First Jomica Realty & Development Bldg., No. 888 A. S. Fortuna St., Bgy Banilad, Mandaue City, Cebu	134,400.00	9/1/2021	8/31/2026
Cebu-Main	Cebu Woman's Club Building, B. Rodriguez St. Cor. Osmeña Blvd., Brgy. Sambag-II, Cebu City.	364,007.40	5/1/2018	4/30/2023
Cebu F. Cabahug	Units 5 & 6 GPH Central, F. Cabahug corner Pres. Roxas Sts., Bgy Kasambagan, Cebu City	96,462.58	12/1/2017	11/30/2022
Cebu Sto. Niño - Magallanes	G/F Unit 2, Martina Sugbo Building, P Burgos corner Magallanes Sts., Bgy Sto. Nino, Cebu City	234,501.72	2/1/2018	1/31/2023

Mandaue-NRA	G/F Mantawe Ave., North Reclamation Area, Brgy. Tipolo, Mandaue	153,334.31	10/16/2019	10/15/2024
Dumaguete	Rusiana Building, North Road, Capitol Area (National Highway), Barangay Daro, Dumaguete City	84,525.00	6/17/2019	6/16/2029
Lapu-Lapu	Unit 3-5 AJS Building, M.L. Quezon National Highway, Brgy. Pusok, Lapu-Lapu City, Mactan, Cebu	113,834.59	9/3/2017	9/2/2022
Mandaue	G/F Entienza Building, National Highway, Brgy. Bakilid, Mandaue City, Cebu.	156,489.13	9/16/2018	9/15/2023
Tagbilaran	G/F 0025 Karan's Building, B. Inting St., 2nd district, Bgy Poblacion 2, Tagbilaran City	108,192.00	2/1/2020	1/31/2025
Cebu Talisay	PCJ Building, National Highway, Bulacao, Talisay City, Metro Cebu	76,477.50	7/18/2018	7/17/2023
Ormoc	G/F H. Serafica Building, Real Street, Brgy. District 24, Ormoc City, Leyte	143,211.54	3/1/2020	1/31/2025
Tacloban	Door Nos. 12 & 13, RUL Building, Justice Romualdez St., Brgy. 15, Tacloban City	94,809.49	12/1/2020	11/30/2025

MINDANAO

Zamboanga Veterans	Veterans Avenue cor. Camachile Street, Brgy. Zone 3, Zamboanga City, Zamboanga Del Sur.	113,555.64	4/1/2018	3/31/2023
Pagadian	F. S. Pajares Avenue, Brgy. Gatas, Pagadian City, Zamboanga del Sur.	75,676.57	4/8/2018	4/7/2028
Cagayan De Oro-Velez	Don A. Velez-Akut Streets, Brgy. 16, Cagayan De Oro City, Misamis Oriental.	267,735.53	9/5/2010	9/4/2025
Cagayan De Oro-Lapasan	Suites 6 & 7, Gateway Tower-1, Limketkai Center, Lapasan Highway, Brgy. Lapasan, Cagayan De Oro City	224,231.98	5/1/2020	4/30/1930
Cagayan De Oro Carmen	Eric Tan Building, Vamenta Boulevard, Brgy. Carmen, Cagayan De Oro City.	95,414.27	3/3/2018	3/2/2023
Iligan City	M. Badelles corner De Leon Street, Barangay Poblacion, Iligan City, Lanao del Norte.	98,000.00	12/31/2016	12/30/2021
Davao-City Hall	G/F Valgoson's Realty Building, City Hall Drive, Brgy. 2-A, Davao City, Davao Del Sur.	172,197.40	8/1/2019	7/31/2029
Davao Lanang	Consuelo Bldg, Km. 7, Lanang, Davao City	182,482.41	7/16/2018	7/15/2023
Davao-Rizal	G/F CAP Development Center Building, Rizal Street, Brgy. 3-A, Davao City, Davao Del Sur.	122,628.66	6/1/2012	5/31/2022

Tagum City	Units 104-105 PLJ Building, Apokon Road, Magugpo Poblacion, Tagum City, Davao del Norte.	81,808.37	6/28/2021	6/27/2026
General Santos	G/F Sunshine Hardware Building, Santiago Blvd., Brgy. East, General Santos City, South Cotabato.	189,342.64	2/1/2018	1/31/2023
Butuan	G/F Cesia Building, Montilla Boulevard, Brgy. Urduja, Butuan City, Agusan Del Norte.	134,690.99	8/1/2019	7/31/2024

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 MANDALUYONG CITY on 13 MAY 2022.

BANK OF COMMERCE
Issuer

By:

MICHELANGELO R. AGUILAR
President & CEO

ANTONIO S. LAQUINDANUM
EVP/CFO/CIO

EVITA C. CABALLA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 13 2022 at MANDALUYONG CITY day of ______ 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

Names	Identification No.	Place of Issue	Valid Until
Michelangelo R. Aguilar	Passport No. P8692960A	DFA NCR East	September 9, 2028
Antonio S. Laquindanum	Passport No. P7572781B	DFA Manila	September 9, 2031
Evita C. Caballa	Passport No. P6253175A	DFA NCR East	March 1, 2028

EVA Z. BANZON
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0529-19
UNTIL JUNE 30, 2022
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 3067390/01-12-2022/MANDALUYONG CITY
IBP OR No. 177161/02-03-2022
ROLL OF ATTORNEYS
Notary Public

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Series of 2022

REVIEWED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 30 SEPTEMBER 2024

Bank of Commerce
An affiliate of San Miguel Corporation

November 14, 2024

SECURITIES AND EXCHANGE COMMISSION
Head, Markets and Securities Regulation Department (MSRD) G/F
Secretariat Building, PICC Complex
Roxas Boulevard Pasay City

Attention : **DIRECTOR OLIVER O. LEONARDO**
Markets and Securities Regulation Department

THE PHILIPPINE STOCK EXCHANGE, INC.
5th Avenue corner 28th Street
Bonifacio Global City, Taguig

Attention : **ATTY. STEFANIE ANN B. GO**
Officer-in-Charge, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORP.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

Attention : **ATTY. SUZY CLAIRE R. SELLEZA**
Head, Issuer Compliance and Disclosure Department

Mesdames/Gentlemen:

We submit herewith the September 30, 2024 SEC 17-Q report of Bank of Commerce.

Thank you.

Very truly yours,

[redacted]

ANTONIO S. LAQUINDANUM
EVP/Chief Financial Officer
Corporate Information Officer

COVER SHEET

2	4	2	2	1

SEC Registration Number

B A N K O F C O M M E R C E

S A N M I G U E L P R O P E R T I E S C E N T R E

N O . 7 S T . F R A N C I S S T R E E T

M A N D A L U Y O N G C I T Y

ANTONIO S. LAQUINDANUM	8 9 8 2 6 0 0 0
Contact Person	Company Telephone Number

1 2	**3 1**	**1 7 Q**		
Month	*Day*	*Form Type*	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

S E C	
Dept. Requiring this Doc	Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

SEC Number 24221

PSE Code ________
File Number ________

BANK OF COMMERCE

(Company's Full Name)

San Miguel Properties Centre
No. 7 St. Francis Street Mandaluyong City

(Company's Address)

8982-6000

(Telephone Number)

December 31

(Fiscal Year Ending)

SEC FORM 17-Q

Form Type

Amendment Designation (if applicable)

September 30, 2024

For the Quarterly Period Ended

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2024**
2. Commission identification number **24221**
3. BIR Tax Identification No **000 440 440**
4. Exact name of issuer as specified in its charter **BANK OF COMMERCE**
5. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**
6. Industry Classification Code: (SEC Use Only)

SAN MIGUEL PROPERTIES CENTRE, NO. 7 ST FRANCIS STREET, MANDALUYONG CITY 1550, PH

7. Address of issuer's principal office Postal Code
8. Issuer's telephone number, including area code **+63-2-8982 6000**
9. Former name, former address and former fiscal year, if changed since last report **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code, 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 Stocks	1,403,013,920

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:

The Philippine Stock Exchange, Inc: Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 [X] No [ ]

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

Yes [X] No [ ]

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 ____________________________ on November 14, 2024.

BANK OF COMMERCE
Issuer

By:

[redacted]

ANTONIO S. LAQUINDANUM
EVP/Chief Financial Officer

MANDALUYONG CITY

1 3 NOV 2024

SUBSCRIBED AND SWORN to before me this _____ day of _________ 20__ affiant(s) exhibiting to me his/their government issued ID, as follows:

Names	Identification No.	Place of Issue	Expiry Date
Antonio S. Laquindanum	[redacted]	[redacted]	[redacted]

ALYSSA MAE G. CAYABA
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0676-23
UNTIL 31 DECEMBER 2024
Notary Public
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5425492 / 03 JAN 2024 / MANDALUYONG CITY
IBP OR No. 332593 / 20 DEC 2023
ROLL OF ATTORNEYS NO. 73447

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BANK OF COMMERCE

CONDENSED INTERIM FINANCIAL STATEMENTS
As of September 30, 2024 (Unaudited) and December 31, 2023 (Audited)
and For the Nine Months Ended September 30, 2024 and 2023 (Unaudited)

BANK OF COMMERCE
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS			
Cash and Other Cash Items		**P3,973,329,786**	P3,500,645,345
Due from Bangko Sentral ng Pilipinas		**26,676,326,079**	24,271,918,477
Due from Other Banks		**2,666,376,473**	1,055,354,600
Interbank Loans Receivable and Securities Purchased under Resale Agreements	*8*	**5,596,129,927**	20,111,780,623
Financial Assets at Fair Value through Profit or Loss	*9*	**4,219,655,256**	398,792,440
Financial Assets at Fair Value through Other Comprehensive Income	*10*	**17,495,166,028**	11,043,804,828
Investment Securities at Amortized Cost	*11*	**38,170,323,618**	52,471,103,294
Loans and Receivables	*12*	**125,950,864,171**	109,566,176,319
Investment in an Associate		**34,605,383**	35,533,764
Property, Equipment and Right-of-Use Assets		**1,971,034,198**	1,791,195,950
Investment Properties		**3,886,101,663**	3,676,126,498
Deferred Tax Assets		**448,630,139**	475,332,923
Other Assets		**3,962,561,660**	3,270,214,009
		P235,051,104,381	P231,667,979,070
LIABILITIES AND EQUITY			
Deposit Liabilities			
Demand		**P60,857,759,104**	P54,569,494,343
Savings		**103,533,858,691**	109,667,913,265
Time		**19,139,436,067**	16,638,541,473
Long-term negotiable certificates		**5,029,420,000**	5,029,420,000
		188,560,473,862	185,905,369,081
Financial Liabilities at Fair Value through Profit or Loss	*9*	**1,539,339**	6,201,649
Bonds Payable	*13*	**6,524,762,922**	7,478,265,064
Manager's Checks		**1,425,126,765**	1,846,499,855
Accrued Interest, Taxes and Other Expenses		**1,187,241,099**	1,387,189,325
Other Liabilities		**4,591,186,977**	4,193,181,203
Total Liabilities		**202,290,330,964**	200,816,706,177
Equity			
Capital stock	*14*	**18,196,805,900**	18,196,805,900
Paid-in surplus	*14*	**7,229,275,360**	7,229,275,360
Surplus reserves		**1,083,413,376**	1,095,004,461
Retained earnings	*14*	**6,698,798,295**	5,123,378,774
Remeasurement losses on retirement liability		**(410,325,733)**	(365,718,897)
Net unrealized losses on financial assets at fair value through other comprehensive income	*10*	**(26,973,978)**	(421,192,531)
Cumulative translation adjustment		**(5,181,489)**	(1,742,206)
Share in other comprehensive loss of an associate		**(5,038,314)**	(4,537,968)
Total Equity		**32,760,773,417**	30,851,272,893
		P235,051,104,381	P231,667,979,070

See Notes to Condensed Interim Financial Statements.

BANK OF COMMERCE
UNAUDITED CONDENSED INTERIM STATEMENTS OF INCOME

	Note	Nine Months Ended September 30		Quarter Ended September 30	
		2024	2023	**2024**	2023
INTEREST INCOME					
Interest income calculated using the effective interest method:					
Loans and receivables		**P6,985,878,305**	P6,036,509,206	**P2,427,596,481**	P2,130,189,310
Investment securities at fair value through other comprehensive income and at amortized cost		**2,040,318,344**	1,603,335,689	**625,265,083**	575,754,048
Interbank loans receivable and securities purchased under resale agreements		**426,891,900**	624,546,190	**99,523,388**	208,452,121
Due from Bangko Sentral ng Pilipinas and other banks		**296,009,532**	204,582,950	**87,801,996**	94,503,194
Other interest income:					
Financial assets at fair value through profit or loss		**71,768,535**	19,508,647	**43,214,368**	4,893,265
		9,820,866,616	8,488,482,682	**3,283,401,316**	3,013,791,938
INTEREST EXPENSE					
Deposit liabilities		**2,610,402,141**	2,049,403,517	**892,264,763**	761,177,657
Bonds payable		**415,447,705**	309,551,968	**149,600,073**	103,308,017
Lease liabilities		**28,278,696**	23,643,140	**9,999,545**	9,009,795
Bills payable and other borrowings		**4,435,713**	25,682,691	**3,696,833**	13,795,512
		3,058,564,255	2,408,281,316	**1,055,561,214**	887,290,981
NET INTEREST INCOME		**6,762,302,361**	6,080,201,366	**2,227,840,102**	2,126,500,957
Service charges, fees and commissions		**717,626,929**	640,248,391	**278,392,956**	192,224,071
Gains on foreclosure and sale of property and equipment and foreclosed assets - net		**257,977,839**	346,141,790	**101,966,919**	94,584,346
Trading and investment securities gains (losses) - net		**134,748,979**	(467,800)	**146,895,029**	(12,181,466)
Foreign exchange gains - net		**91,288,846**	115,009,917	**30,366,265**	34,203,776
Miscellaneous		**77,859,974**	117,167,073	**23,512,853**	8,073,891
TOTAL OPERATING INCOME		**8,041,804,928**	7,298,300,737	**2,808,974,124**	2,443,405,575
Compensation and fringe benefits		**1,931,461,723**	1,608,784,821	**669,098,312**	639,661,388
Taxes and licenses		**828,914,360**	741,490,394	**276,482,345**	267,698,459
Rent and utilities		**495,477,415**	479,021,373	**144,351,750**	159,808,331
Depreciation and amortization		**455,665,898**	342,195,986	**160,369,647**	122,128,438
Service fees and commissions		**297,709,484**	246,975,874	**122,261,193**	106,743,041
Insurance		**275,767,586**	252,353,760	**93,691,365**	82,286,089
Provision for credit and impairment losses		**199,503,177**	222,432,716	**97,681,569**	234,260,829
Subscription fees		**150,470,262**	132,926,530	**52,620,076**	42,614,655
Management and professional fees		**76,816,038**	101,756,117	**25,082,999**	31,428,551
Amortization of software costs		**62,799,986**	55,819,560	**28,961,502**	22,156,956
Miscellaneous		**380,030,931**	364,775,135	**127,845,494**	115,115,009
TOTAL OPERATING EXPENSES		**5,154,616,860**	4,548,532,266	**1,798,446,252**	1,823,901,746
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		**2,887,188,068**	2,749,768,471	**1,010,527,872**	619,503,829
SHARE IN NET LOSS OF AN ASSOCIATE		**428,035**	633,477	**14,786**	207,699
INCOME BEFORE INCOME TAX EXPENSE		**2,886,760,033**	2,749,134,994	**1,010,513,086**	619,296,130
INCOME TAX EXPENSE		**674,897,498**	737,981,246	**217,131,048**	195,388,791
NET INCOME		**P2,211,862,535**	P2,011,153,748	**P793,382,038**	P423,907,339
Earnings Per Share Attributable to Equity Holders of the Bank	*17*				
Basic		**P1.45**	P1.34	**P0.52**	P0.27
Diluted		**1.22**	1.11	**0.44**	0.23

See Notes to Condensed Interim Financial Statements.

BANK OF COMMERCE
UNAUDITED CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

		Nine Months Ended September 30		Quarter Ended September 30	
	Note	**2024**	2023	**2024**	2023
NET INCOME		**P2,211,862,535**	P2,011,153,748	**P793,382,038**	P423,907,339
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may not be reclassified to profit or loss					
Net change in remeasurement losses on retirement liability		**(44,606,836)**	(217,208,336)	**(44,606,836)**	(188,394,780)
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	*10*	**15,104,000**	1,915,000	**-**	235,000
		(29,502,836)	(215,293,336)	**(44,606,836)**	(188,159,780)
Items that may be reclassified to profit or loss					
Net change in fair value of debt securities at FVOCI	*10*	**386,017,553**	(15,401,593)	**687,744,659**	(110,832,386)
Net movement in cumulative translation adjustment		**(3,439,283)**	(1,585,061)	**(12,748,875)**	4,370,809
Share in other comprehensive loss of an associate		**(500,346)**	(3,204,501)	**1,339**	(4,824)
Net change in fair value of debt securities at FVOCI taken to profit or loss	*10*	**-**	(6,964,361)	**-**	(2,892,983)
		382,077,924	(27,155,516)	**674,997,123**	(109,359,384)
		352,575,088	(242,448,852)	**630,390,287**	(297,519,164)
TOTAL COMPREHENSIVE INCOME		**P2,564,437,623**	P1,768,704,896	**P1,423,772,325**	P126,388,175

See Notes to Condensed Interim Financial Statements.

BANK OF COMMERCE

UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock (Note 14)	Paid-in Surplus (Note 14)	Surplus Reserves	Retained Earnings (Note 14)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Retirement Liability	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate	Total Equity
Balance as at December 31, 2023		**P18,196,805,900**	**P7,229,275,360**	**P1,095,004,461**	**P5,123,378,774**	**(P421,192,531)**	**(P365,718,897)**	**(P1,742,206)**	**(P4,537,968)**	**P30,851,272,893**
Net income for the period		**-**	**-**	**-**	**2,211,862,535**	**-**	**-**	**-**	**-**	**2,211,862,535**
Other comprehensive income (loss) for the period:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		**-**	**-**	**-**	**-**	**-**	**(44,606,836)**	**-**	**-**	**(44,606,836)**
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)		**-**	**-**	**-**	**-**	**15,104,000**	**-**	**-**	**-**	**15,104,000**
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		**-**	**-**	**-**	**-**	**386,017,553**	**-**	**-**	**-**	**386,017,553**
Net movement in cumulative translation adjustment		**-**	**-**	**-**	**-**	**-**	**-**	**(3,439,283)**	**-**	**(3,439,283)**
Share in other comprehensive loss of associate		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(500,346)**	**(500,346)**
Net change in fair value of debt securities at FVOCI taken to profit or loss		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period		**-**	**-**	**-**	**2,211,862,535**	**401,121,553**	**(44,606,836)**	**(3,439,283)**	**(500,346)**	**2,564,437,623**
Cash dividend	*14*	**-**	**-**	**-**	**(654,937,099)**	**-**	**-**	**-**	**-**	**(654,937,099)**
Transaction within equity:										
Transfer to surplus reserves		**-**	**-**	**(11,591,085)**	**11,591,085**	**-**	**-**	**-**	**-**	**-**
Transfer of gain on equity securities at FVOCI realized through disposal	*10*	**-**	**-**	**-**	**6,903,000**	**(6,903,000)**	**-**	**-**	**-**	**-**
		-	**-**	**(11,591,085)**	**(636,443,014)**	**(6,903,000)**	**-**	**-**	**-**	**(654,937,099)**
Balance as at September 30, 2024		**P18,196,805,900**	**P7,229,275,360**	**P1,083,413,376**	**P6,698,798,295**	**(P26,973,978)**	**(P410,325,733)**	**(P5,181,489)**	**(P5,038,314)**	**P32,760,773,417**

Forward

	Capital Stock (Note 14)	Paid-in Surplus (Note 14)	Surplus Reserves	Retained Earnings (Note 14)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Retirement Liability	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate	Total Equity
Balance as at December 31, 2022	P18,196,805,900	P7,229,275,360	P983,407,496	P2,425,229,109	(P730,966,925)	(P77,723,200)	(P1,331,685)	P5,878,953	P28,030,575,008
Net income for the period	-	-	-	2,011,153,748	-	-	-	-	2,011,153,748
Other comprehensive income (loss) for the period:									
Items that may not be reclassified to profit or loss:									
Net change in remeasurement losses on retirement liability	-	-	-	-	-	(217,208,336)	-	-	(217,208,336)
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	-	-	-	-	1,915,000	-	-	-	1,915,000
Items that may be reclassified to profit or loss:									
Net change in fair value of debt securities at FVOCI	-	-	-	-	(15,401,593)	-	-	-	(15,401,593)
Net change in fair value of debt securities at FVOCI taken to profit or loss	-	-	-	-	(6,964,361)	-	-	-	(6,964,361)
Share in other comprehensive loss of associate	-	-	-	-	-	-	(3,204,501)	-	(3,204,501)
Net movement in cumulative translation adjustment	-	-	-	-	-	-	-	(1,585,061)	(1,585,061)
Total comprehensive income (loss) for the period	-	-	-	2,011,153,748	(20,450,954)	(217,208,336)	(3,204,501)	(1,585,061)	1,768,704,896
Transaction within equity:									
Transfer to surplus reserves	-	-	(84,888,887)	84,888,887	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	-	-	-	7,839,994	(7,839,994)	-	-	-	-
	-	-	(84,888,887)	92,728,881	(7,839,994)	-	-	-	-
Balance as at September 30, 2023	P18,196,805,900	P7,229,275,360	P898,518,609	P4,529,111,738	(P759,257,873)	(P294,931,536)	(P4,536,186)	P4,293,892	P29,799,279,904

See Notes to Condensed Interim Financial Statements.

BANK OF COMMERCE
UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOWS

		Nine Months Ended September 30	
	Note	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense		**P2,886,760,033**	P2,749,134,994
Adjustments for:			
Depreciation and amortization		**455,665,898**	342,195,986
Interest expense on bonds payable	*13*	**415,447,705**	309,551,968
Gain on foreclosure and sale of property and equipment and foreclosed assets - net		**(257,977,839)**	(346,141,790)
Provision for credit and impairment losses		**199,503,177**	222,432,716
Unrealized gain on financial assets and liabilities at fair value through profit or loss (FVPL)		**(125,533,661)**	(11,096,343)
Amortization of software costs		**62,799,986**	55,819,560
Interest expense on lease liabilities		**28,278,696**	23,643,140
Share in net loss of associate		**428,035**	633,477
Miscellaneous income		**(128,563)**	-
Gain on sale of financial assets at fair value through other comprehensive income (FVOCI)		**-**	(6,964,361)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Interbank loans receivables		**(134,204,406)**	-
Financial assets at FVPL		**(3,699,991,465)**	(149,203,944)
Loans and receivables		**(16,801,938,861)**	(6,772,296,111)
Other assets		**(633,232,733)**	(318,656,489)
Increase (decrease) in:			
Deposit liabilities		**2,655,104,781**	396,210,489
Manager’s checks		**(421,373,090)**	1,107,274,286
Accrued interest, taxes and other expenses		**(212,479,207)**	34,763,497
Other liabilities		**369,051,411**	2,461,728,616
Net cash generated from (absorbed by) operations		**(15,213,820,103)**	99,029,691
Income taxes paid		**(632,438,839)**	(682,695,451)
Net cash used in operating activities		**(15,846,258,942)**	(583,665,760)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale or maturities of:			
Investment securities at amortized cost		**86,360,000,000**	55,265,553,811
Investment properties		**139,505,328**	140,356,000
Property and equipment		**34,779,192**	33,474,012
Financial assets at FVOCI		**-**	963,068,067
Additions to:			
Investment securities at amortized cost		**(72,057,430,190)**	(50,422,918,689)
Financial assets at FVOCI		**(6,041,736,876)**	(9,170,907,589)
Property and equipment		**(395,477,382)**	(230,011,371)
Software costs		**(132,937,764)**	(133,131,463)
Investment properties		**(5,305,544)**	(20,175,601)
Net cash provided by (used in) investing activities		**7,901,396,764**	(3,574,692,823)

Forward

	Note	Nine Months Ended September 30 2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of bonds payable	*13*	**(P7,500,000,000)**	P -
Issuance of bonds payable	*13*	**6,510,558,574**	-
Cash dividends paid		**(654,937,099)**	-
Payment of interest on bonds		**(388,035,054)**	(282,729,383)
Payment of lease liability		**(182,441,275)**	(176,184,185)
Proceeds from bills payable		**-**	912,115,822
Net cash provided by (used in) financing activities		**(2,214,854,854)**	453,202,254
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**(3,441,876)**	(1,573,432)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(10,163,158,908)**	(3,706,729,761)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		**3,500,645,345**	2,735,170,691
Due from Bangko Sentral ng Pilipinas		**24,275,195,629**	23,678,666,441
Due from other banks		**1,055,497,093**	1,044,396,366
Interbank loans receivable and securities purchased under resale agreements		**20,114,496,080**	18,381,225,853
		48,945,834,147	45,839,459,351
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items		**3,973,329,786**	3,119,381,878
Due from Bangko Sentral ng Pilipinas		**26,679,927,869**	17,580,839,804
Due from other banks		**2,666,736,483**	1,584,961,756
Interbank loans receivable and securities purchased under resale agreements		**5,462,681,101**	19,847,546,152
		P38,782,675,239	P42,132,729,590
CASH FLOWS FROM INTEREST AND DIVIDENDS			
Operating Activities			
Interest received		**P7,831,826,576**	P6,975,388,352
Interest paid		**2,702,630,317**	2,030,488,191
Investing Activities			
Interest received		**P2,013,490,546**	P1,583,572,767
Dividends received		**2,616,371**	1,612,352
Financing Activities			
Interest paid		**P416,313,749**	P306,372,523
Dividends paid		**654,937,099**	-

See Notes to Condensed Interim Financial Statements.

BANK OF COMMERCE
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1. Reporting Entity

Bank of Commerce (the Bank) is a domestic corporation registered with the Securities and Exchange Commission (SEC) on December 16, 1963. The Bank's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on March 31, 2022, as approved by the SEC on February 15, 2022. The Bangko Sentral ng Pilipinas (BSP) approved the upgrade of the Bank's banking license from commercial bank to universal bank on December 23, 2021. On August 11, 2022, the SEC approved the application of the Bank to act as underwriter of securities engaged in dealing government securities. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. On November 2, 2022, the Bank officially started operations as a universal bank.

The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, credit card and trust services. The Bank's principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 140 branches nationwide, including the Head Office, as at September 30, 2024 and December 31, 2023.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 31.91% and 30.84% ownership of the Bank's issued common shares, respectively, as at September 30, 2024 and December 31, 2023. Each of these shareholders has significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank's issued non-voting preferred shares as at September 30, 2024 and December 31, 2023.

The Bank's original authority for its banking license was approved under Monetary Board (MB) Resolution No. 1045 dated October 4, 1963 as *The Overseas Bank of Manila*. The Bank received its Foreign Currency Deposit Unit (the FCDU) license and launched its FCDU operations on September 23, 1983. The Bank received its Expanded FCDU license on March 10, 2010. The Bank was renamed Commercial Bank of Manila, Inc. on October 20, 1980, further renamed Boston Bank of the Philippines on July 27, 1988, and finally, Bank of Commerce on November 28, 1991.

Under Section 11, Corporate Term of the Revised Corporation Code issued on February 23, 2019, a corporation shall have perpetual existence unless its articles of incorporation provides otherwise. On January 30, 2020, the Board of Directors (BOD) approved the Amended Articles of Incorporation to reflect that the Bank's term of existence shall be perpetual. The said amendment was approved by the SEC on June 9, 2020.

2. Basis of Preparation

Statement of Compliance

The condensed interim financial statements of the Bank have been prepared in compliance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting,* and should be read in conjunction with the Bank's last annual financial statements as at and for the year ended December 31, 2023 (last annual audited financial statements). They do not include all information required for a complete set of financial statements that is compliant with Philippine Financial Reporting Standards (PFRSs). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the last annual audited financial statements.

Basis of Measurement

The condensed interim financial statements of the Bank have been prepared on a historical cost basis, except for the following items:

Items	Measurement Bases
Financial assets and liabilities at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Lease liability	Present value of remaining lease payments, discounted using the Bank's incremental borrowing rate
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The condensed interim financial statements include accounts maintained in the Regular Banking Unit (the RBU) and the FCDU. The functional currency of the RBU and the FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

All values are rounded to the nearest peso unless otherwise stated.

Presentation of Financial Statements

The Bank presents its condensed interim statements of financial position broadly in the order of liquidity.

3. Material Accounting Policies

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those applied in the Bank's last annual audited financial statements as at and for the year ended December 31, 2023, except for the adoption of the following amended standards, which became effective beginning January 1, 2024. Unless otherwise indicated, the adoption of these amended standards did not have an impact on the condensed interim financial statements of the Bank. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendment to PAS 1, *Presentation of Financial Statements, Non-current Liabilities with Covenants and Classification of liabilities as current or non-current*
- Amendment to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendment to PAS 7 and PFRS 7, *Disclosures on Supplier Finance Arrangements*

Effective January 1, 2027

PFRS 18, *Presentation and Disclosure in Financial Statements* replaces the interim standard, PAS 1 Presentation of Financial Statements. PFRS 18 aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information. This introduces the following key changes:

a) promotes a more structured income statement that introduces a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be classified into three new distinct categories based on a company's main business activities.

   Companies are required to report the newly defined 'operating profit' subtotal – an important measure for investors' understanding of a company's operating results – i.e. that investing and financing results are specifically excluded. The results of equity-accounted investees are no longer part of operating profit and are presented in the 'investing' category.

   PFRS 18 also requires companies to analyze their operating expenses directly on the face of the income statement – either by nature, by function or on a mixed basis. Under the new standard, companies need to choose the presentation method that provides the 'most useful structured summary' of those expenses. If any items are presented by function on the face of the income statement (e.g. cost of sales), then a company provides more detailed disclosures about their nature.

b) requires some of 'non-GAAP' measured used by the Companies to be reported in the financial statements. It defines Management Performance Measures (MPMs) as a subtotal of income and expenses that:

   - is used in public communications outside the financial statements; and
   - communicates management's view of financial performance.

   For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information and how it is calculated, and to reconcile it to an amount determined under PFRSs. Such disclosure will enhance transparency and will afford users better information on companies' financial performance.

c) includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether material information is included in the primary financial statements or is further disaggregated in the notes.

Companies are discouraged from labelling items as ‘other’ and will now be required to disclose more information if they continue to do so.

4. Critical Judgments and Estimates

The preparation of financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant accounting judgments and estimates of the Bank were the same as those disclosed in the last annual audited financial statements as at and for the year ended December 31, 2023 except for the expected credit losses (ECL) on financial assets, loan comments and financial guarantees.

In 2024, the Bank refreshed the ECL framework. Updates on the ECL parameters involved the following:

- The most recent data were applied for probability of default (PD), loss given default (LGD) and exposure at default (EAD);
- LGD estimates for corporate loans were updated; and
- The macroeconomic factors (MEFs) were tested and updated based on the incremental data during refresh. The updated MEFs include Remittances, Loan Performances, Value of Production Index (VAPI), Stock Exchange Index, Exports, Consumer Outlook, Foreign Exchange rates, Unemployment rate and Gross Domestic Product (Exports and Agriculture).

The Bank recognized a reversal of allowance for credit losses on loans and receivables amounting to P10.8 million, which is included under “Provision for credit and impairment losses” account in the condensed interim statements of income, as a result of the refresh of the Bank’s ECL framework to incorporate the most recent data and developments in macroeconomic environment of the Bank. The amount of the effect in future periods is not disclosed because estimating the impact is impracticable.

5. Financial Risk Management Objectives and Policies

Compared with the December 31, 2023 audited financial statements of the Bank, there have been no changes in the financial risk exposures that materially affect the condensed interim financial statements of the Bank as at September 30, 2024. The Bank has exposures to the following risks from its use of financial instruments: (a) credit; (b) interests rate risk in the banking book; (c) liquidity; and (d) market risks. Related discussions below should be read in conjunction with Note 5, Financial Risk Management Objectives and Policies of the Bank’s 2023 audited financial statements.

Risk Management Structure

The BOD is ultimately responsible for identifying and controlling risks. Supporting the BOD in this function are certain Board-level committees such as Board Risk Oversight Committee (BROC), Executive Committee, Corporate Governance Committee, Related Party Transactions Committee (RPTCom), Audit Committee and management committees and independent units such as Senior Executive Team (SET), Asset Liability Management Committee (ALCO), Credit and Collections Committee (Crecom), Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee, Internal Audit Division, Legal Services Division, Compliance Division and Risk Management Division (RSK). They are responsible for managing and monitoring financial risk.

Risk Measurement and Reporting Systems

The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by the RSK.

Market risks are measured by mark-to-market and Value-at-Risk (VAR) analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit risks are measured via risk classifications of accounts using ICRRS together with BSP risk classification of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowance for losses including changes thereon, when necessary. All risk information is processed, analyzed and consolidated for proper reporting to the BOD through the BROC and Audit Committee, as well as the SET and various management committees of the Bank.

Actual and estimated risk exposures/losses at Treasury, Corporate, Consumer Business and Credit Cards, Operations and Information Technology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and back-testing results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, service level of major information technology systems and automated teller machines.

Risk Mitigation

To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency and interest rate risk. The Bank also observes limits on positions, losses, and market sensitivities to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes.

Risk Concentration

The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposure status and act upon limit breaches whenever necessary.

Credit Risk

The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management, and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

Interest Rate Risk in the Banking Book

The loans provided by the Bank to its borrowers are mostly funded by the deposits of its branch and corporate customers. The difference in the interest revenues from loans and the interest expense in servicing deposits provide the bulk of the Bank's Net Interest Income (NII). Aside from loans, interest revenue is also generated from holdings in debt securities, repurchase agreements (repo), and other interest-bearing assets. Occasionally, the Bank taps interbank loans and other sources of funding to supplement deposits, which are subject to additional interest expense.

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate fund raisers (e.g., branch deposits). FTP helps units evaluate profitability and calculate returns upon deal origination. Furthermore, the FTP framework insulates them from interest rate risk. The Central Funding Unit (CFU), under the Treasury Management Group, manages the Bank's overall IRRBB. CFU is the first line of defense for both IRRBB and Liquidity Risk. While the Bank does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively manages IRRBB by growing its sources of stable funds to match long-term assets.

The FTP policy is properly documented and is transparent to all parties. The FTP interest rates are anchored by widely-used and market-driven benchmark rates such as BVAL and BSP interest rate corridor rates for Peso; USD Secured Overnight Financing Rates and USD-denominated bonds issued by the Philippines for USD. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

The NII, and ultimately earnings and capital, is vulnerable to adverse fluctuations in interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions, if more applicable.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered "liability sensitive" since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

RSK monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented to ALCO and BROC on a monthly basis. To ensure that the Bank's net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank's risk appetite statements.

Non-maturing fixed-rate deposits or current-savings accounts (CASA) are split into three classifications: 1) stable and core deposits; 2) stable-but-non-core deposits and; 3) non-stable deposits. The volatile or non-stable portion of the non-maturing deposits/CASA is slotted in the shortest time-bucket (i.e., less than one month). Stable-but-non-core portion is slotted based on an assumed repricing approximation. Stable-and-core portion is slotted in the 3 to 5-year bucket. The IRRBB model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements on existing loans and deposits. More (less) prepayment is expected if interest rates decline (increase), while more (less) pre-termination is expected if interest rates increase (less).

Earnings at risk is simulated on a monthly basis and subject to a limit approved by the Board. The report is also accompanied by stress testing with scenarios such as: 1) standard parallel yield curve shifts; 2) BSP-prescribed yield curve shifts; 3) steepening and inversion of the curves; and 4) timing mismatch in assets and liabilities repricing. Internal Audit conducts a regular validation of the IRRBB models and parameters in addition to the risk-based full scope audit of RSK, which includes a review and evaluation of the processes and controls, including governance and risk management activities.

Market Risk

Market risk arises from the potential decline in earnings and capital due to adverse changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to two sources of market risk, namely: 1) market price risk in the trading book; and 2) foreign exchange risk from open foreign currency exposures. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first two.

Market Price Risk in the Trading Book

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank's RSK simulates the trading book's VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, monthly and yearly losses.

Value-at-Risk Methodology

VAR serves as the Bank's key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk. The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank's VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

Currency Risk
The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure based on its assets and liabilities is within conservative limits for a financial institution engaged in a type of business similar to that of the Bank.

Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolios in the FCDU. Banks are required by BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

Similar to market price risk in the trading book, the Bank employs limits and a VAR model to manage the risk that possible interest or currency movements pose. Such limits are prudently set, and the position status is monitored on a daily basis.

Equity Price Risk
Given the nature and amount of the Bank's equity investments portfolio for the nine months ended September 30, 2024 and year ended December 31, 2023, management believes the Bank's exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

Cash and Other Cash Items, Due from BSP and Other Banks and Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA) - Fair values approximate carrying amounts given the short-term nature of the instruments.

Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost) - Fair values are generally based on quoted market prices. If not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using discounted cash flow methodology.

Equity Securities (Financial Assets at FVOCI) - Fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers.

Derivative Instruments (Financial Assets and Financial Liabilities at FVPL) - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Loans and Receivables - The estimated fair values of long-term receivables from customers and sales contract receivables are equal to the estimated future cash flows expected to be received which are discounted using current market rates (i.e., BVAL and USD Secured Overnight Financing Rates). Fair value of short-term receivable from customers, sales contract receivables, accounts receivables, accrued interest receivables, and returned checks and other cash items (RCOCI) approximates carrying amounts given the short-term nature of the accounts.

Investment Properties - Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit Liabilities - Fair values of long-term time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD Secured Overnight Financing Rates) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term time deposits approximate fair value. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bonds and Bills Payable - For long-term bonds and bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD Secured Overnight Financing Rates) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bonds and bills payable approximate fair value.

Manager's Checks, Accrued Interest and Other Expenses and Other Liabilities (excluding non-financial liabilities) - Carrying amounts approximate fair values due to the short-term nature of the accounts. Due to preferred shareholders is determined to be long term in nature due to a pending dispute which affects maturity. Fair value cannot be estimated reliably due to lack of supportable data available.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	September 30, 2024 (Unaudited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	**P4,119,112**	**P3,697,358**	**P421,754**	**P -**	**P4,119,112**
Private debt securities	**70,942**	**-**	**-**	**70,942**	**70,942**
Derivative assets	**29,601**	**-**	**29,601**	**-**	**29,601**
Financial assets at FVOCI:					
Government securities	**17,297,877**	**11,401,270**	**5,896,607**	**-**	**17,297,877**
Equity securities	**197,289**	**158,450**	**-**	**38,839**	**197,289**
	P21,714,821	**P15,257,078**	**P6,347,962**	**P109,781**	**P21,714,821**
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	**P1,539**	**P -**	**P1,539**	**P -**	**P1,539**
Assets for Which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	**P36,074,920**	**P17,635,157**	**P17,811,239**	**P -**	**P35,446,396**
Private debt securities	**2,095,404**	**265,568**	**1,694,340**	**-**	**1,959,908**
Loans and receivables:					
Receivables from customers	**124,093,709**	**-**	**-**	**129,034,700**	**129,034,700**
Less unearned interest	**54,171**	**-**	**-**	**54,171**	**54,171**
	124,039,538	**-**	**-**	**128,980,529**	**128,980,529**
Sales contract receivables	**295,076**	**-**	**-**	**312,586**	**312,586**
	162,504,938	**17,900,725**	**19,505,579**	**129,293,115**	**166,699,419**
Non-financial Assets					
Investment properties	**3,886,102**	**-**	**-**	**10,566,150**	**10,566,150**
	P166,391,040	**P17,900,725**	**P19,505,579**	**P139,859,265**	**P177,265,569**
Liabilities for Which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	**P19,139,436**	**P -**	**P19,124,897**	**P -**	**P19,124,897**
Long-term negotiable certificates	**5,029,420**	**-**	**5,029,420**	**-**	**5,029,420**
Bonds payable	**6,524,763**	**-**	**6,642,461**	**-**	**6,642,461**
	P30,693,619	**P -**	**P30,796,778**	**P -**	**P30,796,778**

	December 31, 2023 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	P180,603	P61,208	P119,395	P -	P180,603
Private debt securities	190,505	-	-	190,505	190,505
Derivative assets	27,685	-	27,685	-	27,685
Financial assets at FVOCI:					
Government securities	10,850,048	4,088,139	6,761,909	-	10,850,048
Equity securities	193,757	155,300	-	38,457	193,757
	P11,442,598	P4,304,647	P6,908,989	P228,962	P11,442,598
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	P6,202	P -	P6,202	P -	P6,202
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	P50,305,668	P20,087,916	P28,833,159	P -	P48,921,075
Private debt securities	2,165,435	343,612	1,629,236	-	1,972,848
Loans and receivables:					
Receivables from customers	107,624,342	-	-	110,630,437	110,630,437
Less unearned interest	45,388	-	-	45,388	45,388
	107,578,954	-	-	110,585,049	110,585,049
Sales contract receivables	331,532	-	-	345,450	345,450
	160,381,589	20,431,528	30,462,395	110,930,499	161,824,422
Non-financial Assets					
Investment properties	3,676,126	-	-	10,514,333	10,514,333
	P164,057,715	P20,431,528	P30,462,395	P121,444,832	P172,338,755
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	P16,638,541	P -	P16,609,959	P -	P16,609,959
Long-term negotiable certificates	5,029,420	-	4,909,268	-	4,909,268
Bonds payable	7,478,265	-	7,500,000	-	7,500,000
	P29,146,226	P -	P29,019,227	P -	P29,019,227

In 2024 and 2023, due to changes in market conditions for certain government securities measured at FVPL and FVOCI, quoted prices in active markets were not available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVPL and FVOCI, with carrying amounts of P1.1 million and nil, respectively, in 2024 and nil and P327.4 million in 2023, respectively, were transferred from Level 1 to Level 2 of the fair value hierarchy.

In 2024 and 2023, securities at FVOCI, with carrying amount of P1.9 billion and P394.3 million, respectively, were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available.

In 2024 and 2023, there have been no transfers into and out of Level 3 of the fair value hierarchy.

The carrying values of financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at September 30, 2024 and December 31, 2023.

7. Segment Reporting

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to SET who is responsible for allocating resources to the segments and assessing their performance. Segment performance is evaluated based on net income before provision/reversal of credit and impairment losses, share in net loss of an associate and income tax expense. The Bank's business segments follow:

Treasury Management Group - principally provides money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks.

Corporate Banking Group - principally handles loans and other credit facilities for corporate institutional, and middle market clients.

Branch Banking Group - principally supervises customers' deposits and offers standard customer transactional services through the branch network.

Consumer Group - principally manages home, automobile, and salary loans for individual customers.

Others - includes but not limited to Investment Banking, Credit Cards, Transaction Banking, Trust, and Acquired Assets. Other operations of the Bank also include operations and financial control groups.

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. The Bank has no significant customers which contributes 10.00% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the nine months ended September 30, 2024 and 2023 for statement of income items, and as at September 30, 2024 and December 31, 2023 for statement of financial position items follow (amounts in millions):

	September 30, 2024 (Unaudited)					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Income						
Net interest income:						
Third party	**P2,284**	**P5,985**	**(P2,428)**	**P802**	**P119**	**P6,762**
Intersegment	**(1,821)**	**(5,010)**	**6,315**	**(596)**	**1,112**	**-**
Net interest income	**463**	**975**	**3,887**	**206**	**1,231**	**6,762**
Non-interest income	**223**	**36**	**63**	**45**	**913**	**1,280**
Total revenues	**686**	**1,011**	**3,950**	**251**	**2,144**	**8,042**
Other expenses	**239**	**295**	**1,667**	**136**	**2,618**	**4,955**
Income (losses) before provision for credit losses and income tax expense	**P447**	**P716**	**P2,283**	**P115**	**(P474)**	**P3,087**
Provision for credit and impairment losses						**P200**
Share in net loss of an associate						**-**
Income tax expense						**675**
Net income						**P2,212**
Other Segment Information						
Capital expenditures	**P3**	**P3**	**P54**	**P6**	**P279**	**P345**
Depreciation and amortization	**P3**	**P3**	**P64**	**P6**	**P380**	**P456**

	September 30, 2024 (Unaudited)					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Financial Position						
Total assets	**P73,785**	**P112,173**	**P25,511**	**P14,669**	**P8,913**	**P235,051**
Total liabilities	**11,406**	**34**	**185,817**	**162**	**4,871**	**202,290**

	September 30, 2023 (Unaudited)					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,004	P5,158	(P1,867)	P705	P80	P6,080
Intersegment	(1,564)	(4,190)	4,971	(480)	1,263	-
Net interest income	440	968	3,104	225	1,343	6,080
Non-interest income	103	56	71	34	954	1,218
Total revenues	543	1,024	3,175	259	2,297	7,298
Other expenses	204	269	1,585	136	2,132	4,326
Income (losses) before provision for credit losses and income tax expense	P339	P755	P1,590	P123	P165	P2,972
Provision for credit and impairment losses						P222
Share in net loss of an associate						1
Income tax expense						738
Net income						P2,011
Other Segment Information						
Capital expenditures	P3	P6	P116	P2	P82	P209
Depreciation and amortization	P3	P3	P42	P6	P288	P342

	December 31, 2023 (Audited)					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Financial Position						
Total assets	P89,494	P96,924	P23,438	P13,022	P8,790	P231,668
Total liabilities	6,344	48	187,210	134	7,081	200,817

Non-interest income consists of trading and investment securities gains (losses), service charges, fees and commissions, foreign exchange gains, gain on foreclosure, and sale of property and equipment and foreclosed assets and miscellaneous income.

Other expenses consist of compensation and fringe benefits, taxes and licenses, rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, management and professional fees, amortization of software costs, and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Interbank loans receivable	**P4,596,885,507**	P2,141,147,187
SPURA	**1,000,000,000**	17,973,348,893
	5,596,885,507	20,114,496,080
Less allowance for credit losses	**755,580**	2,715,457
	P5,596,129,927	P20,111,780,623

Interbank loans receivable consists of short-term loans granted to other banks. SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

9. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Government securities held-for-trading	**P4,119,112,233**	P180,602,626
Private debt securities	**70,942,267**	190,504,814
Derivative assets	**29,600,756**	27,685,000
	P4,219,655,256	P398,792,440

As at September 30, 2024 and December 31, 2023, financial assets and liabilities at FVPL are adjusted for unrealized gain of P125.5 million and P22.8 million, respectively.

Derivative Financial Instruments
This includes warrants amounting to $0.05 million acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding of certain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

Forward swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future. As at September 30, 2024, these pertain to four contracts with notional amount of $5.0 million each. The Bank has two contracts with notional amount of $1.0 million each, two contracts with notional amount of $5.0 million each and two contracts with notional amount of $10.0 million each as at December 31, 2023.

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amount indicates the volume of transactions outstanding as at September 30, 2024 and December 31, 2023 and is not indicative of either market risk or credit risk.

	September 30, 2024 (Unaudited)		December 31, 2023 (Audited)	
	Derivative Assets	**Notional Amount**	Derivative Assets	Notional Amount
Freestanding derivatives:				
Warrants	**P28,015,000**	**$50,000**	P27,685,000	$50,000
Forwards	**1,585,756**	**5,000,000**	-	-
	P29,600,756	**$5,050,000**	P27,685,000	$50,000

	September 30, 2024 (Unaudited)		December 31, 2023 (Audited)	
	Derivative Assets	**Notional Amount**	Derivative Assets	Notional Amount
Freestanding derivatives:				
Forwards	**P1,539,339**	**$15,000,000**	P6,201,649	$32,000,000

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Government securities	**P17,297,877,030**	P10,850,047,722
Equity securities	**197,288,998**	193,757,106
	P17,495,166,028	P11,043,804,828

As at September 30, 2024 and December 31, 2023, the ECL allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P1.7 million and P1.1 million, respectively.

Net Unrealized Losses on Financial Assets at FVOCI

The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at beginning of year	**(P421,192,531)**	(P730,966,925)
Net unrealized gains recognized as OCI	**409,623,705**	324,174,117
Effect of tax	**(9,100,499)**	(363,597)
ECL on debt securities at FVOCI	**598,347**	455,690
Realized gains taken to profit or loss	**-**	(6,964,361)
Net change in unrealized gains (losses) recorded in OCI	**401,121,553**	317,301,849
Realized gains taken to retained earnings	**(6,903,000)**	(7,527,455)
Balance at end of period	**(P26,973,978)**	(P421,192,531)

11. Investment Securities at Amortized Cost

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Government securities	**P36,079,113,266**	P50,311,649,891
Private debt securities	**2,095,631,108**	2,165,662,758
	38,174,744,374	52,477,312,649
Less allowance for credit losses	**4,420,756**	6,209,355
	P38,170,323,618	P52,471,103,294

No investment securities at amortized cost were sold in 2024 and 2023.

12. Loans and Receivables

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Receivables from customers:		
Term loans	**P93,179,308,600**	P81,196,871,925
Agri-agra loans	**14,747,007,517**	11,681,545,957
Housing loans	**9,285,899,144**	8,454,302,941
Auto loans	**4,898,760,818**	4,123,415,068
Bills purchased, import bills and trust receipts	**1,114,683,259**	1,050,698,899
Direct advances	**411,960,665**	577,211,848
Others	**2,479,718,202**	2,368,875,299
	126,117,338,205	109,452,921,937
Less unearned interest income	**54,171,215**	45,387,843
	126,063,166,990	109,407,534,094
Accrued interest receivable:		
Loans and receivables	**964,419,390**	946,846,228
Trading and investment securities	**533,002,439**	483,609,311
Due from BSP and other banks	**1,150,000**	4,357,778
Interbank loans receivable and SPURA	**938,660**	8,257,598
Accounts receivable	**976,561,201**	1,055,139,512
Sales contract receivables	**351,669,489**	388,560,627
Unquoted debt securities	**291,578,214**	291,578,212
RCOCI	**600,000**	93,452
	129,183,086,383	112,585,976,812
Less allowance for credit losses	**3,232,222,212**	3,019,800,493
	P125,950,864,171	P109,566,176,319

Bills purchased, import bills and trust receipts include bills purchased with contra account in “Bills purchased - contra” under “Other Liabilities” amounting to P986.9 million and P951.3 million as at September 30, 2024 and December 31, 2023, respectively.

As at September 30, 2024 and December 31, 2023, the non-performing loans of the Bank amounted to P2.14 billion and P1.96 billion, respectively. Gross and net NPL ratios of the Bank are 1.67% and 0.48%, respectively, as at September 30, 2024 and 1.54% and 0.44%, respectively, as at December 31, 2023.

13. Bonds Payable

On May 16, 2024, the Bank issued P6.6 billion fixed rate bonds due on November 16, 2025. The bonds were priced at par with a coupon rate of 6.5635% payable on a quarterly basis commencing on August 16, 2024. The bonds were listed in Philippine Dealing and Exchange Corporation. Transaction costs on the issuance of bonds amounted to P59.2 million.

The P7.5 billion fixed rate bonds issued by the Bank on July 29, 2022 with a coupon rate of 5.0263% payable on a quarterly basis matured on July 29, 2024.

Interest expense on bonds payable amounted to P415.4 million and P309.6 million for the nine months ended September 30, 2024 and 2023. As at September 30, 2024 and December 31, 2023, unamortized bond transaction costs amounted to P45.0 million and P21.7 million, respectively.

14. Capital

As at September 30, 2024 and December 31, 2023, the Bank's capital stock consists of the following:

	Shares		Amount	
	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)	**September 30, 2024 (Unaudited)**	December 31, 2023 (Audited)
Authorized Capital Stock				
Common stock, P10 par value	**1,702,511,470**	1,702,511,470	**P17,025,114,700**	P17,025,114,700
Preferred stock, P10 par value	**455,000,000**	455,000,000	**4,550,000,000**	4,550,000,000
	2,157,511,470	2,157,511,470	**P21,575,114,700**	P21,575,114,700
Issued and Outstanding				
Common stock	**1,403,013,920**	1,403,013,920	**P14,030,139,200**	P14,030,139,200
Preferred stock	**416,666,670**	416,666,670	**4,166,666,700**	4,166,666,700
	1,819,680,590	1,819,680,590	**P18,196,805,900**	P18,196,805,900
Paid-in Surplus				
Common stock			**P5,995,503,421**	P5,995,503,421
Preferred stock			**1,233,771,939**	1,233,771,939
			P7,229,275,360	P7,229,275,360

Subject to the approval of the relevant government regulatory agencies, the Stockholders and BOD approved on April 30, 2024 and February 27, 2024, respectively, the amendments to the By-laws to (a) specify the date of the annual stockholders' meeting and (b) align with relevant rules and regulations, such as Section 132 of the MORB and Section 34 of the Revised Corporation Code. The Stockholders likewise approved on April 30, 2024 the authority to delegate to the BOD the power to amend or repeal the current by-laws or enact a new one. On August 22, 2024, the BSP approved the amendments to the By-laws.

Cash Dividend

On May 28, 2024, the BOD declared cash dividends amounting to P654.9 million or equivalent to P0.2512 per common share and P0.7260 per preferred share, payable on July 15, 2024 to all stockholders of record as of June 19, 2024.

15. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

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 companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank; and

- post-employment benefit plans for the benefit of the Bank's employees.

The Bank has various transactions with its related parties and with certain directors, officers, stockholders, and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

As at September 30, 2024 and December 31, 2023, DOSRI loans of the Bank amounted to P0.1 million and P0.2 million, respectively.

16. Commitments and Contingencies

In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying condensed interim financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at September 30, 2024 and December 31, 2023:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Contingent assets:		
Future/spot exchange bought	**P3,397,642,328**	P2,683,155,542
Fixed income securities purchased	**81,056,746**	6,409,295,659
Outward bills for collection	**-**	5,575,925
	P3,478,699,074	P9,098,027,126
Commitments and contingent liabilities:		
Trust department accounts	**P72,922,640,596**	P70,208,670,193
Unused commercial letters of credit	**12,578,809,859**	8,181,592,869
Committed credit line	**9,577,127,045**	16,152,161,850
Future/spot exchange sold	**3,788,997,750**	3,181,038,760
Outstanding guarantees	**3,788,102,666**	4,305,962,435
Credit card lines	**3,779,267,047**	3,600,976,933
Late deposits/payments received	**156,394,782**	67,179,756
Fixed income securities sold	**27,549,503**	6,450,988
Items held for safekeeping/securities held as collateral	**64,362**	45,347
Inward bills for collection-domestic	**1,232,660**	3,525,034
	P106,620,186,270	P105,707,604,165

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The Board approved on February 27, 2024 the proposed amendment to the retirement plan policy which will only be effective upon receipt of the Certification of Qualification from the Bureau of Internal Revenue (BIR). The amendment pertains to the change in the rate of benefit of certain employees of the Bank who rendered service beyond 20 years. The estimated impact on past service cost amounted to P122.8 million which will be an adjustment to retirement liability. As of date, there is no approval of certification of qualification from the BIR.

No asset is being pledged by the Bank to secure outstanding liabilities as at September 30, 2024 and December 31, 2023.

17. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

		Nine Months Ended September 30 (Unaudited)	
		2024	2023
a.	Net income	**P2,211,862,535**	P2,011,153,748
b.	Dividends on preferred shares*	**174,166,668**	132,916,668
c.	Net income to equity holders of the Bank	**2,037,695,867**	1,878,237,080
d.	Weighted average number of outstanding common shares	**1,403,013,920**	1,403,013,920
e.	Basic earnings per share (c/d)	**P1.45**	P1.34

** potential dividends on preferred shares as these were not assumed to be converted.*

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

		Nine Months Ended September 30 (Unaudited)	
		2024	2023
a.	Net income to equity holders of the Bank	**P2,211,862,535**	P2,011,153,748
b.	Weighted average number of outstanding common shares and dilutive preferred shares		
	Outstanding common shares	**1,403,013,920**	1,403,013,920
	Potential common shares from assumed conversion of preferred shares	**416,666,670**	416,666,670
c.	Total weighted average common shares	**1,819,680,590**	1,819,680,590
d.	Diluted earnings per share (a/c)	**P1.22**	P1.11

The following basic ratios measure the financial performance of the Bank:

	Nine Months Ended September 30 (Unaudited)	
	2024	2023
Return on average equity	**9.27%**	9.27%
Return on average assets	**1.26%**	1.21%
Net interest margin on average earning assets	**4.48%**	4.24%

18. Events After the Reporting Date

On October 8, 2024, the SEC approved the amendments to the By-laws to (a) specify the date of the annual stockholders' meeting, (b) align with relevant rules and regulations, such as Section 132 of the MORB and Section 34 of the Revised Corporation Code and (c) delegate to the BOD the power to amend or repeal the current by-laws or enact a new one.

19. Other Matters

Other than the disclosures enumerated above, the Bank has no significant matters to report on the following during the period ended September 30, 2024:

- Unusual items because of their nature, size or incidents affecting assets, liabilities, equity, net income or cash flows;

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on liquidity and on sales/revenues from continuing operations;

- Explanatory comments about seasonality or cyclicality of interim operations;

- Issuances, repurchases, and repayments of debt and equity securities except for the issuance and the repayment of the fixed rate bonds amounting to P6.6 billion and P7.5 billion, respectively, as discussed in Note 13; and

- Any material commitments for capital expenditures.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
BANK OF COMMERCE

	September 30, 2024	December 31, 2023
Current ratio	**0.54**	0.57
Acid test ratio	**0.52**	0.56
Debt-to-equity ratio	**6.17**	6.51
Asset-to-equity ratio	**7.17**	7.51
Debt-to-asset ratio	**0.86**	0.87
Loans to deposit Ratio	**0.70**	0.70
Non-performing loans ratio - Gross (%)*	**1.67**	1.54
Non-performing loans ratio - Net (%)*	**0.48**	0.44
Non-performing loan (NPL) cover (%)	**94.51**	93.21
Capital Adequacy Ratio (%)	**18.30**	19.88

	September 30, 2024	September 30, 2023
Return on average assets (%)	**1.26**	1.21
Return on average equity (%)	**9.27**	9.27
Net interest margin (%)	**4.48**	4.24
Net profit margin (%)	**27.50**	27.56
Cost to income ratio	**0.62**	0.59
Interest rate coverage ratio	**1.94**	2.14
Solvency ratio	**0.02**	0.02

**Calculated based on BSP Circulars 941 and 1011.*

BANK OF COMMERCE

AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 2024
(in thousands)

No. of Days Outstanding	Amount
0 to 30 days	P 277,830
31 to 60 days	20,645
61 to 90 days	2,986
91 to 360 days	76,293
above 360 days	598,807
Accounts Receivable - Gross	976,561
Less: Allowance for Probable Losses	702,881
Accounts Receivable - Net	**P 273,680**

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Condition as of 30 September 2024 vs. 31 December 2023

BankCom's Total Assets totaled at ₱235.05 billion as of 30 September 2024, slightly up from the ₱231.67 billion as of 31 December 2023 mainly driven by the growth in all lending segments and financial assets at fair value. This translated to a return on assets (ROA) of 1.26%.

Asset movements are as follows:

Cash and Other Cash Items increased by 13.50% amounting to ₱3.97 billion. Due from BSP was up by 9.91% to ₱26.68 billion from ₱24.27 billion last year due to an increase in overnight deposit facility (ODF) placements. Due from Other Banks amounting to ₱2.67 billion significantly increased by 152.65% from ₱1.06 billion due to significant placements with foreign banks.

Financial Assets at Fair Value through Profit or Loss (FVPL) and Financial Assets at Fair Value through Other Comprehensive Income (FVOCI), increased to ₱4.22 billion and ₱17.50 billion, respectively, from ₱398.79 million and ₱11.04 billion, attributable to additional purchases and capital appreciation due to more favorable market conditions. However, Investments Securities at Amortized Cost declined to ₱38.17 billion or 27.25% from ₱52.47 billion due to redeployment of matured government securities to loans.

Loans and Other Receivables amounted to ₱125.95 billion, 14.95% higher than the ₱109.57 billion last year driven by the growth in lending business. The robust loan growth resulted in a loan-to-deposit ratio of 75%. Interbank loans receivables, however declined by ₱14.52 billion to ₱5.60 billion from the ₱20.11 billion to support loan growth.

Property & Equipment expanded to ₱1.97 billion, up 10.04% from ₱1.79 billion due to additional purchase of office equipment, computer, and furniture and fixtures. Investment properties went up by 5.71% to ₱3.89 billion from ₱3.68 billion due to the increase in real and other properties acquired (ROPA) and accumulated gains.

Other Assets rose by 21.17% to ₱3.96 billion from ₱3.27 billion due to an increase in booking of prepaid expenses and miscellaneous assets. Deferred tax assets, on the other hand, dropped by 5.62% to ₱448.63 million from ₱475.33 million. Investment in Associate also decreased by 2.61% to ₱34.61 million.

Total liabilities increased to ₱202.29 billion as of 30 September 2024, 0.73% up from the ₱200.82 billion as of 31 December 2023 primarily due to rebound in deposit liabilities.

Deposit liabilities, accounting for more than 90% of the Bank's Total Liabilities, moderately increased by 1.43% or ₱2.66 billion, to ₱188.56 billion from ₱185.91 billion as of 31 December 2023. Broken down, total deposits comprised of ₱164.39 billion CASA, 0.09% higher than last year's ₱164.24 billion; ₱19.14 billion Time Deposits, 15.03% up from ₱16.64 billion in 2023; and ₱5.03 billion Long-term Negotiable Certificates of Deposit.

Financial Liabilities at FVPL decreased by 75.18% amounting to ₱1.54 million owing to foreign exchange derivatives revaluations. Manager's Checks decreased by 22.82% to ₱1.43 billion due to decrease in stale checks.

Bonds payable was down by 13% to ₱6.52 billion due to the maturity of the ₱7.50 billion 2-year bonds last July 29, 2024. However, this was partially offset by the ₱6.57 billion bond offering on May 9, 2024.

Furthermore, Accrued Interest, Taxes & Other Expenses declined by 14.41% to ₱1.19 billion. Other Liabilities increased by 9.49% to ₱4.59 billion from ₱4.19 billion due to the increase in accounts payable for the period.

The Bank's total capital funds remained strong at ₱32.76 billion as of 30 September 2024, 6.19% more than the ₱30.85 billion as of 31 December 2023 despite the payment of dividends on July

15, 2024, amounting to ₱0.2512 per common share or ₱352.44 million. The increase in capital was driven by higher retained earnings and net unrealized gains for the period.

The bank's capital adequacy ratio (CAR) remained strong at 18.30%, well above the minimum regulatory requirement of 10.0%.

Statement of Income for the period ended 30 September 2024 vs 30 September 2023

Bank of Commerce (BankCom) reported a 9.98% growth in unaudited net income amounting to ₱2.21 billion for the nine-month period of 2024. This performance outpaced the previous year, highlighting steady growth in the bank's core business. This achievement underscores BankCom's capacity to deliver value to shareholders, reinvest in its growth, and demonstrate resilience in navigating market challenges, in line with its vision to become the best conglomerate bank in the country.

The steady revenue flow was driven by growth in core business areas, primarily net interest income, and an increase in fee income due to higher loans and financial assets. Meanwhile, corporate loans grew on account of program lending and loans to both SMC and non-SMC ecosystems.

Interest income on loans and receivables, representing 86.87% of the total revenue, grew by 15.73% to ₱6.99 billion, primarily due to an increase in the Bank's lending business. Interest income on investment securities at fair value through other comprehensive income (FVOCI) and at amortized cost also increased by 27.25% to ₱2.04 million from ₱1.60 billion in the previous year.

Interest income from Bangko Sentral ng Pilipinas and other banks increased by 44.69% to ₱296.01 million from ₱204.58 million last year due to higher yields. Furthermore, interest income on Financial Assets at fair value through profit or loss (FVTPL) posted ₱71.77 million, more than 3x than last year's ₱19.51 million, in light of the significant gains coming from the banks various investments and treasury notes. However, interest on interbank loans receivable and SPURA slipped by 31.65% to ₱426.89 million from ₱624.55 million in the previous year.

Total Interest Expense increased to ₱3.06 billion from ₱2.41 billion last year due to the high-interest rate environment. This included a 27.37% increase in interest expense on deposit liabilities to ₱2.61 billion, a 19.61% rise in interest expense on lease liabilities to ₱28.28 million, and a 34.21% increase in interest expense on bonds payable to ₱415.45 million. Interest expense on bills payable significantly decreased by 82.73% to ₱4.44 million from ₱25.68 million.

As the bank's Interest Income outpaced the growth of interest expense, it posted a Net Interest Income of ₱6.76 billion, 11.22% higher than ₱6.08 billion in the previous year, translating to a net interest margin (NIM) of 4.48%.

Total other income amounted to ₱1.28 billion, 5.04% higher than the previous year's ₱1.22 billion, driven by a rebound in trading and investment securities gains, as well as service charges, fees and commissions.

Trading and securities gains recovered to ₱134.75 million from last year's negative ₱0.47 million due to higher mark-to-market gains from securities. Service charges, fees and commissions also increased by 12.09% to ₱717.63 million from ₱640.25 million attributable to the 59% growth in underwriting fees amounting to ₱143.27 million, representing 11.20% of total other income. The Bank also saw increases in trust, credit card, and trade finance fees.

Foreign exchange gains posted ₱91.29 million, 20.63% down from the ₱115.01 million in the comparable period last year resulting from volatile market conditions.

Gains on foreclosure, and sale of property and equipment and foreclosed assets registered a decline of 25.47% to ₱257.98 million due to better sales last year. Moreover, miscellaneous income also dropped by 33.55% to ₱77.86 million from ₱117.17 million in comparable period last year due to the decrease in recoveries on charged-off assets.

Total expenses, including provisions for credit and impairment losses, surged by 13.32% to ₱5.15 billion. Growth in operating expenses was mainly due to the Bank's continued investment in human capital as well as higher volume of transactions.

Compensation and fringe benefits increased by 20.06% to ₱1.93 billion, driven by strategic hirings and an improved retention program which led to an increase in compensation cost while at the same time reducing attrition levels.

Depreciation and amortization grew by 33.16% to ₱455.67 million, primarily due to higher depreciation expenses from computer equipment and foreclosed properties held by the bank. Amortization of software costs also rose by 12.51% to ₱62.80 million, reflecting the bank's investment in technology.

Taxes and licenses increased by 11.79% to ₱828.91 million driven by larger business volume. Rent and utilities also rose to ₱495.48 million, up by 3.44% from ₱479.02 million on account of rent renewals, security services, and repairs and maintenance.

Insurance went up by 9.28% to ₱275.77 million, attributed to higher PDIC insurance on deposits. Expenditure on service fees and commissions rose by 20.54% to ₱297.71 million from ₱246.98 million. Subscription fees also went up by 13.20% to ₱150.47 million from ₱132.93 million on account of higher IT related subscriptions.

Management and professional fees dropped by 24.51% to ₱76.82 million. Meanwhile, miscellaneous expenses grew by 4.18% to ₱380.03 million.

The Bank maintained a prudent approach by setting aside ₱199.50 million for Provisions for credit and impairment losses for the period ended 30 September 2024, even as asset quality improved. This charge is 10.31% lower than last year.

The Bank's share in the net loss of associate was recorded at ₱0.43 million for the period, compared to ₱0.63 million in 2023.

Income Tax expense amounted to ₱674.90 million, down by 8.55% from the ₱737.98 million in the same period in 2023.