

FINAL PRICING SUPPLEMENT AS OF AUGUST 5, 2024



Offer of ₱20.0 Billion Fixed Rate Bonds 6.0500% due 2029
under its 2024 Peso Bond and Commercial Papers Program

Offer Price: 100% of Face Value

to be listed and traded on the Philippine Dealing & Exchange Corp.

Arrangers



Selling Agents



THE BONDS BEING OFFERED OR SOLD HEREIN ARE SECURITIES EXEMPT FROM REGISTRATION UNDER SECTION 9.1(E) OF THE SECURITIES REGULATION CODE (THE SRC) AND WILL ACCORDINGLY NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC).

*This document constitutes the Pricing Supplement relating to Philippine Peso-denominated fixed rate bonds 6.0500% due 2029 (the “**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 Trust Agreement dated 5 July 2024 as amended by the Amendment Agreement to the Trust Agreement dated 5 July 2024, dated 5 August 2024 (the “**Trust Agreement**”) and the Offering Circular dated July 7, 2023 (the “**Offering Circular**”). This Pricing Supplement contains the final terms of this Offer and the Bonds and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular and in this Pricing Supplement. All information contained in the Offering Circular are deemed incorporated by reference in this Pricing Supplement. In case of conflict between the provisions of this Pricing Supplement and the Trust Agreement, the provisions of the Trust Agreement shall prevail.*

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws, and resolutions of the Board of Directors and stockholders of the Issuer, the information contained in the Offering Circular, the Pricing Supplement, the Trust Agreement, and the other agreements relevant to the Offer, and to perform their own independent investigation and analysis of the Issuer and the Bonds. Prospective investors must make their own appraisal of the Issuer and the Offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the Offer. They must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not substitutes for the prospective investor’s independent evaluation and analysis. Prospective investors are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Bonds. Specific references to times hereunder shall mean Philippine Standard Time.

Issuer	Security Bank Corporation (the “Issuer” or the “Bank”)
Issue	Philippine Peso-denominated fixed rate bonds (the “Bonds”) constituting the direct, unconditional, unsecured and unsubordinated obligations of the Bank
Specified Currency or Currencies	Philippine Peso
Offer Size	₱20.0 Billion
Manner of Distribution	Public offer
Use of Proceeds	Proceeds of the Offer will be used to diversify the Bank’s funding sources and support its lending activities
Issue Price	At par (or 100% of face value)
Form and Denomination of the Securities	The Bonds will be issued in scripless form in denominations of ₱10,000.00 each, with a minimum investment of ₱100,000.00. Thereafter, the Bonds may be traded in multiples of ₱10,000.00 in the secondary market

Offer Period	The offer of the Bonds commenced at 9:00 a.m. on July 8, 2024 and ended at 5:00 p.m. on August 5, 2024
Issue Date	August 20, 2024
Tenor	Five (5) years and one (1) month
Interest Rate	6.0500% per annum, to be calculated on a 30/360-day count basis
Interest Commencement Date	August 20, 2024
Interest Payment Date(s)	February 20, May 20, August 20, and November 20 of each year, with the last interest payment date to coincide with the Maturity Date
Day Count	30/360-day count basis
Business Convention	If any Interest Payment Date would otherwise fall on a day which is not a Banking Day, the Interest Payment Date shall be deemed the next succeeding Banking Day; provided, further, that if such succeeding Banking Day falls into the next calendar month, the Interest Payment Date shall be the immediately preceding Banking Day, in either case, without adjustment to the amount of interest to be paid.
Maturity Date	20 September 2029 or five (5) years and one (1) month from Issue Date
Rating	The Bonds are unrated. The Bank has a “Baa2” rating for its long-term local and foreign currency bank deposits with a stable outlook by Moody’s Investors Service.
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 <i>pari passu</i> and without any preference or priority among themselves and at least <i>pari passu</i> 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
Payment Account Name	“PDTC as Paying Agent of SBC FAO 6.0500% Bond Holders due 2029”
Listing	The Bonds are intended to be listed on the Philippine Dealing & Exchange Corp. (“ PDEX ”)
Taxation on Interest Income	<u>For Individuals</u> Interest income on long-term bonds, with maturities of five (5) years or more, may be exempt from final withholding tax subject to compliance with certain conditions. To qualify for exempt on the final withholding tax, the following characteristics/ conditions must all be present:

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- a) The 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;
 - b) The long-term bonds should be registered under the name of the individual or for the account of or in trust for the individual and not under the name of the corporation or the bank or the trust department/unit of the bank;
 - c) The long-term bonds must be in any of the following form of fund/ capital raise by the Issuer: savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas (“BSP”). In the case of the Bonds, it may fall under deposit substitutes;
 - d) The long-term bonds must be issued by banks only and not by other financial institutions;
 - e) The long-term bonds must have a maturity period of not less than five (5) years;
 - f) The long-term bonds must be in denominations of Ten Thousand Pesos (₱10,000.00) and other denominations as may be prescribed by the BSP;
 - g) The 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
 - h) Except those specifically exempted by law or regulations, any other income such as gains from trading, foreign exchange gain shall not be covered by income tax exemption.

If the individual bondholder of such long-term bond pre-terminates it before the end of the fifth (5th) year, a final tax shall be imposed on the entire interest income derived therefrom and shall be deducted and withheld from the proceeds based on the remaining maturity thereof:

- a) Four (4) years to less than five (5) years – five percent (5%)
- b) Three (3) years to less than four (4) years – twelve percent (12%)
- c) Less than three (3) years – twenty percent (20%)

Interest income from long-term bonds for all other individual bondholders, *i.e.*, non-resident aliens not engaged in trade or business in the Philippines, shall be subject to an FWT of twenty-five percent (25%).

For Corporations

Interest income derived by domestic and resident foreign corporations from “deposit substitutes,” offered to the public, is subject to an FWT at the rate of twenty percent (20%) pursuant to Sections 27 (D) (1) and 28 (A) (6) (a) of the National Internal Revenue Code of 1997, as amended (“NIRC”), withheld at the time the interest income is payable, which interest income is payable upon original issuance of the deposit substitutes.

Interest income derived by all other corporations, *i.e.*, non-resident foreign corporations, shall be subject to an FWT of twenty-five percent (25%).

As used herein: “**deposit substitutes**”, as defined in Section 22 (Y) of the NIRC, means an alternative form of obtaining funds from the public other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of relending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer.

“**Public**”, is defined as borrowing from twenty (20) or more individual or corporate lenders at any one time.

Except for such withholding tax and as otherwise provided, payments of principal and interest will be made free and clear of any deductions of any taxes, duties, or charges imposed by or on behalf of the Republic of the Philippines. If such taxes, duties, or charges are imposed, the same shall be for the account of the Bank; provided, however, that the Issuer shall not be liable for:

- a) Any creditable or final withholding tax applicable on interest earned on the Bonds prescribed under the NIRC, and its implementing rules and regulations as be in effect from time to time; a corporate or institutional investor who is exempt from or not subject to such withholding tax shall be required to submit a tax exemption certificate and other applicable documents (except if such exemption is by virtue of Section 3 of Revenue Regulations No. 14-2012);
- b) Gross receipts tax;
- c) Taxes on the overall income of any securities dealer or bondholder, whether or not subject to withholding; and
- d) Value-added tax.

Documentary stamp tax for the primary issue of the Bonds shall be for the Bank’s account.

Change in Tax Rates and New Taxes

In the event there is a change in the tax treatment of the Bonds or on the tax rates applicable to a Bondholder because of new, or changes or repeal in, tax laws, or interpretations thereof, as a result of which, a Bondholder previously exempt from tax shall be subject to tax on income earned from the Bonds or there is an increase in the applicable withholding tax rate, or any payments of principal and/or interest under the Bonds shall be subject to deductions or withholdings for or on account of any taxes, duties, assessments, or governmental charges of whatever nature imposed, levied, collected, withheld, or assessed within the Philippines by any authority therein or thereof having power to tax, including but not limited to stamp, issue, registration, documentary, value-added or similar tax, or other taxes, duties, assessments, or government charges, including interest, surcharges, and penalties thereon (the “New Taxes”), then such New Taxes imposed shall be for the account of the Bondholders and the Paying Agent, on behalf of the Bank, as applicable, shall make the necessary withholding or deduction for the account of

the Bondholders concerned. All sums payable by the Bank to tax-exempt persons (upon presentation of acceptable proof of tax exemption) shall be paid without deductions for taxes, duties, assessments, or government charges.

Governing Law

Philippine Law

PROVISIONS RELATING TO REDEMPTION

Notice Period

Minimum period: thirty (30) days before relevant Early Redemption Date

Maximum period: sixty (60) days before relevant Early Redemption Date

As specified in the Terms and Conditions:

Issuer Redemption Option

i) Early Redemption Option for Taxation Reasons

If any payment of principal or interest due under the Bonds becomes subject to additional or increased taxes other than the taxes and rates of such taxes prevailing as of the Issue Date as a result of any change in, or amendment to, the laws, rules or regulations of the Republic of the Philippines or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, rules or regulations (including but not limited to any decision by a court of competent jurisdiction) which change or amendment becomes effective after the Issue Date, and such additional or increased rate of such tax cannot be avoided by the use of reasonable measures available to the Bank, the Bank, subject to the BSP Rules, shall have the option (but not the obligation) to pre-terminate and redeem all, but not in part, the Bonds on the relevant Early Redemption Date at the Early Redemption Amount.

ii) Early Redemption for Increased Reserves

If the Bonds become subject to additional or increased reserves required by the BSP other than the statutory regular reserves required in the BSP Rules prevailing as of the Issue Date, and such additional or increased amount of reserves required cannot be avoided by use of reasonable measures available to the Bank, the Bank, subject to the BSP Rules, shall have the option (but not the obligation) to pre-terminate and redeem all, but not in part, the Bonds on the relevant Early Redemption Date at the Early Redemption Amount.

iii) Early Redemption for Change in Law

If any provision of the applicable Transaction Agreements is or shall become for any reason, invalid, illegal or unenforceable to the extent that it shall become, for any reason, unlawful for the Bank to give effect to its rights or obligations hereunder, or to enforce any provisions of the applicable Transaction Agreements, in whole or in part, or any law shall

be introduced to prevent or restrain the performance by the parties hereto of their obligations under the applicable Transaction Agreements, such event shall be considered as change in law or circumstance (“Change in Law”) in reference to the obligations of the Bank and to the rights and interests of the Holders under such applicable Transaction Agreements and the Bonds.

iv) Early Redemption for Other Reasons

Subject to the BSP Rules, the Bank shall also have the option (but not the obligation) to pre-terminate and redeem all, but not in part, the Bonds on the relevant Early Redemption Date at the Early Redemption Amount on any other ground in addition to the early redemption events under (i), (ii), and (iii) above, as may be approved by the BSP.

v) No Pretermination by Holder

Except as otherwise contemplated under the Terms and Conditions, and the Pricing Supplement, none of the Holders shall have the right to require the Bank to redeem and repay any or all of the Bonds before the relevant Maturity Date of such Bonds. Transfers of the Bonds to a Person other than the Bank shall not constitute pre-termination.

Final Redemption Amount	Face Value, plus accrued interest up to, but excluding, the Maturity Date
Early Redemption Date	The date before the Maturity Date when the Early Redemption Option is exercised
Early Redemption Amount	Face Value, plus accrued and unpaid interest up to, but excluding, the relevant Early Redemption Date
Restricted Transfers	(i) Transfers to Prohibited Holders; (ii) Transfers by Holders with deficient documents; and (iii) Transfers during a Closed Period.
Prohibited Holders	Means: (a) the Bank, including its related parties expressly prohibited under prevailing BSP Rules (subject to such exceptions as may be provided therein); provided that, unless otherwise provided in the BSP Rules: (i) the phrase “related parties expressly prohibited under prevailing BSP Rules” shall refer to the related parties (1) identified in Section 131(n) of the BSP Manual of Regulations for Banks including: (a) the Bank’s subsidiaries, affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Bank exerts direct or indirect control over, or that exerts direct or indirect, control over the Bank, its directors, officers, stockholders and related interests, and their close

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- family members, as well as corresponding persons in affiliated companies;
 - (b) such other person or entity whose interests may pose potential conflict with the interest of the Bank, hence, identified as a “related party” pursuant to Section 131 of the MORB in relation with BSP Circular No. 1062;
 - (c) persons or entities with direct or indirect ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the Bank, or vice versa;
 - (d) entities with interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the Bank;
 - (e) common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Bank and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the Bank; or
 - (f) persons or entities with permanent proxy or voting trusts constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the Bank, or vice versa;
- (ii) the following shall not be considered as Prohibited Holders: (1) the Bank’s trust departments or related trust entities and (2) underwriters and/or arrangers that is a related party of the Bank, where such underwriter and/or arranger is part of the underwriting agreement;
- (b) Persons or entities which are in possession of or have access to material and non-public information affecting the pricing and marketability of the Bonds or that which substantially impacts an investor’s decision to buy or sell the Bonds once the same is disseminated to the public; or
- (c) non-resident aliens not engaged in trade or business in the Philippines, non-resident foreign corporations, and any person classified as a U.S. person under the U.S. securities laws regulations, as well as the FATCA regulations, as may be amended from time to time, which include but are not limited to:
- (i) a U.S. citizen (including a dual citizen who may have another citizenship besides having a U.S citizenship);
 - (ii) 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);
 - (iii) a U.S. partnership, U.S. corporation, or U.S. entity;
 - (iv) a U.S. estate;
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- (v) 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 have the authority to control all substantial decisions of the trust; or
- (vi) any other person that is not a non-U.S. person.

For purposes of the definition of Prohibited Holders, the terms “**control**” / “**controlled**” shall have the meaning ascribed to such term under Section 131(d) of the BSP Manual of Regulations for Banks, as the same may be amended from time to time.

Closed Period

The periods during which the Registrar shall not register any transfer or assignment of the Bonds, specifically: (a) the period of two (2) Banking Days preceding any Interest Payment Date or the due date for any payment of the principal amount of the relevant Bonds; or (b) the period when any of the relevant Bonds have been previously called for redemption.

Application to Purchase

Applicants may purchase the Bonds during the Offer Period by submitting fully and duly accomplished Application to Purchase 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 12:00 noon of the last day of the Offer Period. Only ATPs accompanied by payment in the form of personal or manager’s checks made out to the order of “**Security Bank Corporation PHP Bonds due 2029**”, debit instructions, RTGS, or such other forms of instructions that are acceptable to the relevant Selling Agent and which cover the entire purchase price shall be accepted.

Please refer to the Offering Circular and the Application to Purchase for more information on the application process, required attachments and tax exemption requirements.

PARTIES/ DISTRIBUTION

Trustee Philippine Commercial Capital, Inc. – Trust and Investment Group

Registrar & Paying Agent Philippine Depository & Trust Corp.

Joint Lead Arrangers and Joint Bookrunners Philippine Commercial Capital, Inc.
Security Bank Capital Investment Corporation

Selling Agents Security Bank Corporation
Philippine Commercial Capital, Inc.
Security Bank Capital Investment Corporation

Market Maker Philippine Commercial Capital, Inc.

Listing Agent Philippine Dealing & Exchange Corp.

ADDITIONAL INFORMATION
Amendment of Supplement to the Offering Circular

Recent Developments

Upsize of the Peso Bond and Commercial Papers Program from ₱100.0 Billion to ₱200.0 Billion

The Bank through its Executive Committee, as delegated by the Board of Directors, approved on June 25, 2024 the increase in the Peso Bond and Commercial Papers Program size from ₱100.0 billion to ₱200.0 billion.

Other Recent Developments

Refer to Note 20, *Events After the Reporting Period* of the appended unaudited interim condensed consolidated financial statements as at March 31, 2024 and for the three-months ended March 31, 2024 and 2023.

Summary of Consolidated Financial Information

The selected financial information below as of March 31, 2024 and for the three months ended March 31, 2024 and 2023 were derived from the unaudited interim condensed consolidated financial statements of the Bank. The selected financial information set out below does not purport to project the consolidated results of operations or financial position of the Bank for any future period or date.

Consolidated Statements of Income

	For the three months ended	
	March 31	
	2024	2023
	<i>(P millions, except for share figures)</i>	
	<i>(unaudited)</i>	
Interest income on		
Loans and receivables.....	10,729	8,675
Financial assets at fair value through other comprehensive income and investment securities at amortized cost	2,600	1,910
Financial assets at fair value through profit or loss	344	308
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	212	222
Deposits with banks and others.....	34	28
	<u>13,919</u>	<u>11,143</u>
Interest expense on		
Deposit liabilities	1,687	2,388
Notes and bonds payable, bills payable and securities sold under repurchase agreements and other borrowings.....	1,428	1,094
Derivatives designated as hedges	45	–
Lease liabilities	24	19
Derivatives instruments	7	189
	<u>3,191</u>	<u>3,690</u>
Net interest income	10,728	7,453
Other Income		
Service charges, fees and commissions	3,099	1,312
Rent.....	207	158
Profit from assets sold/exchanged	82	161
Share in net income of joint ventures...	41	22
Trading and securities gain (loss) – net	(84)	35
Foreign exchange gain (loss) - net	(2,058)	206
Miscellaneous	467	453
	<u>1,754</u>	<u>2,347</u>
Total Operating Income	<u>12,482</u>	<u>9,800</u>

(Forward)

	For the three months ended	
	March 31	
	2024	2023
	<i>(P millions, except for share figures)</i>	
	<i>(unaudited)</i>	
Operating expenses		
Compensation and fringe benefits.....	2,578	2,051
Provision for credit losses	1,527	616
Taxes and licenses	1,023	874
Depreciation and amortization	615	513
Amortization of software costs	190	167
Occupancy costs	116	103
Recovery of impairment losses	–	(10)
Miscellaneous	3,059	2,421
Total operating expenses	<u>9,108</u>	<u>6,735</u>
Income before income tax	3,374	3,065
Provision for income tax	745	705
Net income	<u>2,629</u>	<u>2,360</u>
Basic/Diluted Earnings Per Share	<u>3.48</u>	<u>3.13</u>

Consolidated Statements of Financial Position

	March 31,	December 31,
	2024	2023
	<i>(P millions)</i>	
	<i>(unaudited)</i>	<i>(audited)</i>
Assets		
Cash and Other Cash Items.....	11,711	13,947
Due from Bangko Sentral ng Pilipinas	38,701	45,821
Due from Other Banks	13,855	12,022
Interbank Loans Receivable and Securities Purchased Under Resale Agreements with the Bangko Sentral ng Pilipinas	2,571	4,081
Financial Assets at Fair Value Through Profit or Loss	18,709	10,886
Derivative Assets Designated as Hedges	208	–
Financial Assets at Fair Value through Other Comprehensive Income	140,002	139,861
Investment Securities at Amortized Cost...	84,423	76,156
Loans and Receivables.....	545,294	538,329
Investment in Joint Ventures	2,666	2,625
Property, Equipment, and Right-of-use Assets	6,501	6,429
Investment Properties.....	4,795	4,791
Deferred Tax Assets.....	5,755	5,703
Goodwill	842	842
Intangible Assets.....	5,372	4,969
Other Assets.....	5,772	5,047
Total Assets	<u>887,177</u>	<u>871,509</u>

	March 31, 2024	December 31, 2023
	<i>(P millions)</i>	
	<i>(unaudited)</i>	<i>(audited)</i>
Liabilities and Equity		
Liabilities		
Deposit Liabilities		
Demand	240,627	245,268
Savings	113,886	118,281
Time	273,464	232,566
Long-Term Negotiable Certificates of Deposits	<u>10,420</u>	<u>10,416</u>
	638,397	606,531
Financial Liabilities at Fair Value Through Profit or Loss		
Derivative Liabilities Designated as Hedges	2,999	2,969
Bills Payable and Securities Sold Under Repurchase Agreements	47	–
Acceptances Payable.....	44,651	51,339
Margin Deposits and Cash Letters of Credit	1,878	2,783
Manager's and Certified Checks Outstanding	85	58
Income Tax Payable.....	6,123	5,209
Notes and Bonds Payable.....	837	802
Accrued Interest, Taxes and Other Expenses	33,012	48,964
Other Liabilities	5,442	4,845
	<u>17,132</u>	<u>11,879</u>
Total Liabilities	<u>750,603</u>	<u>735,379</u>
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	7,635	7,635
Additional paid-in capital	38,524	38,524
Surplus	97,050	95,555
Net unrealized loss on financial assets at fair value through other comprehensive income	(6,454)	(5,534)
Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income	28	21
Cumulative foreign currency translation	(76)	(71)
Cost of hedging reserve	(133)	–
	<u>136,574</u>	<u>136,130</u>
Total Equity	<u>136,574</u>	<u>136,130</u>
Total Liabilities and Equity	<u>887,177</u>	<u>871,509</u>

Selected Consolidated Statements of Cash Flows

	For the three months ended	
	March 31	
	2024	2023
	<i>(P millions)</i>	
	<i>(unaudited)</i>	
Net cash generated from (used in) operating activities	24,492	(65,200)
Net cash used in investing activities	(9,366)	(3,841)
Net cash provided by (used in) financing activities	(23,007)	25,719
Cash and cash equivalents at beginning of the period	73,871	119,808
Cash and cash equivalents at end of the period	64,839	77,103

Selected Financial Ratios

	As of March 31	
	2024	2023
Return on average assets ⁽¹⁾	1.20	1.15
Return on average equity ⁽²⁾	7.71	7.42
Net interest margin ⁽³⁾	5.32	4.06
Core capital ratio ⁽⁴⁾	14.38	16.70
Total capital adequacy ratio ⁽⁵⁾	15.25	17.05
Non-performing loans ratio - net ⁽⁶⁾	1.46	0.89
Earnings per share (₱) ⁽⁶⁾	3.48	3.13
Non-performing loan		
Net ⁽⁷⁾	1.46	0.89
Gross ⁽⁸⁾	3.39	3.12
Cost to income ratio ⁽⁹⁾	60.74	62.55
Total operating expenses	9,108	6,735
Less: Provision for credit losses	1,527	616
Recovery of impairment losses	—	(10)
Total operating expenses before provision for credit and impairment losses	7,581	6,129
Total operating income	12,482	9,800
Loans to deposits		
Loans and receivables, net	545,294	488,559
Total deposits	638,397	524,823
	85.42	93.09
Total assets to equity		
Total assets	887,177	793,797
Equity attributable to the Parent Company	136,574	128,742
	6.50	6.17
Non-performing loan cover ⁽¹⁰⁾		
Total allowance for credit losses	15,272	15,753
Total NPLs gross of specific allowance	18,843	15,867
	81.05	99.28
Allowance for credit and impairment losses to total non-performing assets ⁽¹¹⁾		
Total allowance for credit and impairment losses	15,395	15,838
Total non-performing assets	23,480	19,374
	65.57	81.75

Notes:

- (1) Net income divided by average balance of total assets for the period indicated [(Current calendar/fiscal year-end Total assets balance + previous calendar /fiscal year-end Total assets balance)/2]
- (2) Net income divided by average capital accounts for the period indicated [(Current calendar/fiscal year-end capital account balance + previous calendar /fiscal year-end capital account balance)/2]
- (3) Net interest income divided by average interest-earning assets for the period indicated [(Current calendar/fiscal year-end Total interest earning assets balance + previous calendar /fiscal year-end Total interest earning assets balance)/2]
- (4) Net Tier 1 capital divided by total risk weighted assets, as reported to BSP.
- (5) Total qualifying capital less deductions divided by total risk weighted assets, as reported to BSP.
- (6) Net income divided by weighted average number of outstanding common shares.
- (7) Total non-performing loans - net ("NPL") divided by total gross loans per BSP.
- (8) Gross NPL divided by total gross loans, as reported to BSP
- (9) Total operating expenses (excluding provision for credit and impairment losses) divided by total operating income.
- (10) Computed based on BSP Circular 941 and 1011
- (11) Computed based on BSP guidelines.

Management’s Discussion and Detailed Analysis of Financial Condition and Results of Operations

Key Performance Indicators

The Bank monitors its performance and benchmarks itself with the other players in the banking industry in terms of the following indicators:

Key Performance Indicators:	<u>March 31, 2024</u>	<u>December 31, 2023</u>
<i>Capital Adequacy</i>		
Capital to Risk Assets Ratio	15.25%	16.19%
<i>Asset Quality</i>		
Non-performing Loan (NPL) Ratio – Net	1.46	1.37
Non-performing Loan (NPL) Cover	81.05	82.13
<i>Liquidity</i>		
Liquid Assets to Total Assets	34.96	34.74
For the three months ended 31 March		
	2024	2023
<i>Profitability</i>		
Return on Average Equity	7.71	7.42
Net Interest Margin	5.32	4.06

The manner by which the Bank calculates the above indicators is as follows:

Key Performance Indicator	BSP Prescribed Formula
Capital to Risk Assets Ratio	$\frac{\text{Total Qualifying Capital}}{\text{Market, Credit and Operational Risk Weighted Exposures}}$
Non-performing Loan (NPL) Ratio <i>(Based on Circulars 941 and 1011)</i>	$\frac{\text{Non-performing Loans (net of specific allowance)}}{\text{Gross Loans}}$
Non-performing Loan (NPL) Cover <i>(Based on Circulars 941 and 1011)</i>	$\frac{\text{Allowance for Probable Losses Loans}}{\text{Non-performing Loans (gross of specific allowance)}}$
Liquid Assets to Total Assets	$\frac{\text{Total Liquid Assets}}{\text{Total Assets}}$
Return on Average Equity	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Capital Accounts}}$
Return on Average Assets	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Assets}}$
Net Interest Margin	$\frac{\text{Net Interest Income} \times 100}{\text{Average Interest Earning Assets}}$

Analysis of Consolidated Statements of Financial Position as of March 31, 2024 and December 31, 2023

Total Assets increased by ₱15.7 billion to ₱887.2 billion on account of increases in Due from Other Banks, Financial Assets at Fair Value through Profit or Loss, Derivative Assets Designated as Hedges, Financial Assets at Fair Value through Other Comprehensive Income, Investment Securities at Amortized Cost, Loans and Receivables, Investment in Joint Ventures, Property, Equipment and Right-of-use Assets, Investment Properties, Deferred Tax Assets, Intangible Assets, and Other Assets, tempered by decreases in Cash and Other Cash Items, Due from Bangko Sentral ng Pilipinas, Interbank Loans Receivables and Securities Purchased Under Resale Agreements (SPURA) with the Bangko Sentral ng Pilipinas (BSP).

Decrease in Cash and Other Cash Items by ₱2.2 billion can be attributed to the Bank's daily operations while decrease in Due from BSP by ₱7.1 billion is due to asset-liability management. Due from Other Banks increased by ₱1.8 billion due to increased level of working balances with counterparty banks. Interbank Loans Receivable and SPURA with the BSP decreased by ₱1.5 billion due to decreased level of placements.

Financial Assets at Fair Value Through Profit or Loss increased by ₱7.8 billion to ₱18.7 billion due to trading-related activities of the Bank. Derivative Assets Designated as Hedges amounted to ₱208.1 million. Financial Assets at Fair Value through Other Comprehensive Income increased by ₱0.1 billion to ₱140.0 billion mainly due to purchases during the period. Investment Securities at Amortized Cost increased by ₱8.3 billion to ₱84.4 billion mainly due to purchases of corporate bonds and government securities during the period.

Loans and Receivables increased to ₱545.3 billion from ₱538.3 billion in 2023 primarily attributable to increase in retail loans during the period.

Property, Equipment and Right-of-use Assets increased by ₱71.3 million to ₱6.5 billion due to additions during the period. Investment Properties increased to ₱4.8 billion mainly due to additional foreclosures tempered by disposals and depreciation during the period.

Deferred Tax Assets decreased by ₱51.9 million from ₱5.7 billion as of year-end 2023 due to lower allowance for credit losses pertaining to write-offs and foreclosures during period. Intangible Assets increased by ₱403.3 million to ₱5.4 billion in 2024.

Other Assets increased to ₱5.8 billion from ₱5.0 billion due to increase in prepaid expenses and cash collateral deposits.

Total Liabilities increased by ₱15.2 billion to ₱750.6 billion on account of increases in Deposit Liabilities, Financial Liabilities at Fair Value through Profit or Loss, Derivative Liabilities Designated as Hedges, Margin Deposits and Cash Letters of Credit, Manager's and Certified Checks Outstanding, Income Tax Payable, Accrued Interest, Taxes, and Other Expenses, and Other Liabilities tempered by decreases in Bills Payable and Securities Sold Under Repurchase Agreements (SSURA), Acceptances Payable, and Notes and Bonds Payable.

Deposit Liabilities went up from ₱606.5 billion as of year-end 2023 to ₱638.4 billion mainly due to increase in time deposits.

Financial Liabilities at Fair Value through Profit or Loss increased by 1.0% to ₱3.0 billion. Derivative Liabilities Designated as Hedges amounted to ₱47.3 million. Bills Payable and SSURA decreased by ₱6.7

billion to ₱44.7 billion due to decrease in the Bank's borrowings from SSURA, local government banks with relending facilities and local banks during the period.

Acceptances Payable decreased to ₱1.9 billion from ₱2.8 billion. Margin Deposits and Cash Letters of Credit decreased to ₱84.5 million. Manager's and Certified Checks Outstanding increased to ₱6.1 billion from ₱5.2 billion.

Income Tax Payable increased to ₱837.4 million from year-end 2023's ₱802.1 million due to higher tax liability for the first quarter of 2024 versus the last quarter of 2023. Notes and Bonds Payable decreased by ₱16.0 billion mainly due to settlement of fixed rate bond due January 2024. Accrued Interest, Taxes and Other Expenses increased to ₱5.4 billion from ₱4.8 billion. Other Liabilities went to ₱17.1 billion from ₱11.9 billion due to increase in accounts payable, payable to brokers and dividends payable.

Total Equity increased to ₱136.6 billion on account of movement in net income during the period. Surplus was up due to the net income for the period. Net Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income of the Parent increased mainly due to decrease in market valuation of outstanding debt securities. Cumulative Foreign Currency Translation loss increased to ₱76.5 million as compared to loss of ₱70.9 million as at December 31, 2023.

The Capital Adequacy Ratio (CAR) is 15.3% in March 2024. This is well above BSP minimum requirement of 10%, indicative of the sufficiency of the Bank's capital to support the current level of its risk assets.

Analysis of Consolidated Statements of Income for the Three Months Ended March 31, 2024 and 2023

Net income attributable to the Bank's equity holders amounted to ₱2.6 billion for the three months ended March 31, 2024 increased by ₱0.2 billion from a year ago level of ₱2.4 billion. This translates to earnings per share of ₱3.5 from ₱3.1 for the three months ended March 31, 2024 and 2023, respectively.

Interest Income amounted to ₱13.9 billion from ₱11.1 billion for the three months ended March 31, 2024 and 2023, respectively. Interest Income on Loans and Receivables amounted to ₱10.7 billion from ₱8.7 billion of the same period last year due to higher volume of loans and receivables on a period-on-period basis. Interest Income on Financial Assets at Fair Value Through Other Comprehensive Income and Investment Securities at Amortized Cost grew by ₱0.7 billion on account of higher securities portfolio while Interest Income on Financial Assets at Fair Value Through Profit or Loss increased by ₱35.2 million due to higher interest rates and volume in 2024. Decrease in Interest Income on Interbank Loans Receivables and SPURA with the BSP by ₱10.0 million was due to the decrease in volume of placements during the period. Interest Income on Deposits with Banks and Others increased by ₱8.0 million due to increase in volume of margin deposits during the period.

Interest Expense decreased by ₱0.5 billion from prior period. Interest Expense on Deposit Liabilities decreased by ₱0.7 billion due to decrease in interest rate on a period-on-period basis. Interest Expense on Notes and Bonds Payable, Bills Payable and SSURA and Other Borrowings went up by ₱333.8 million due to higher borrowing transactions. Interest Expense on Derivative Instruments went down to ₱7.4 million. Interest Expense on Lease Liabilities increased to ₱23.9 million compared to 2023 on a period-on-period basis. Interest expense on Derivatives designated as hedges amounted to ₱45.4 million.

Net Interest Income registered an increase of ₱3.3 billion to ₱10.7 billion on March 31, 2024 from ₱7.5 billion of the same period last year.

Other Income decreased to ₱1.8 billion from ₱2.3 billion mainly due to decrease in Foreign Exchange Gain -Net by ₱2.3 billion which represents funding cost in using the swaps market. Profit from Assets Sold/Exchanged decreased by ₱79.0 million from ₱160.7 million during the period on account of lower gains on acquisition and sale of foreclosed properties. Trading and Securities Gain (Loss) - Net decreased by ₱118.5 million from ₱34.5 million in 2023. Service Charges, Fees, and Commissions increased by ₱1.8 billion due to higher transaction volumes and bancassurance milestone fee of ₱1.4 billion. Rent Income increased by ₱49.5 million due to rental of Bank properties. Share in Net Income of Joint Ventures increased by ₱18.4 million to ₱40.9 million from ₱22.5 million of the same period last year. Miscellaneous Income increased by ₱13.5 million.

Operating expenses were higher by ₱2.4 billion. Provision for Credit Losses increased by ₱910.9 million as a result of the Bank's proactive stance towards the current economic environment. Compensation and Fringe Benefits, Taxes and Licenses, Depreciation and Amortization, Amortization of Software Costs, Occupancy Costs, Provision for (recovery of) impairment losses and Miscellaneous Expenses increased by ₱526.5 million, ₱148.2 million, ₱101.1 million, ₱23.1 million, ₱13.5 million, ₱9.9 million and ₱638.7 million, respectively.

Provision for Income Tax is higher by ₱40.3 million on a period-on-period basis mainly due to higher provision for final tax and lower benefit from deferred income tax, tempered by lower provision for current income tax.

Total Comprehensive Income for the three months ended March 31, 2024 amounted to ₱1.6 billion as compared to ₱4.0 billion in 2023 on a period-on-period basis on account of higher net unrealized loss on financial assets at fair value through other comprehensive income.

Liquidity

The Group's liquidity is more than adequate with liquid assets to total assets ratio of 35.0% as of March 31, 2024. The Group does not anticipate any cash flow or liquidity problems within the next twelve (12) months and is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. All payables have been paid by the Group within the stated terms. There are no known trends, demands, commitments, events or uncertainties may result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

Commitments and Contingent Liabilities

The Group has outstanding commitments, contingent liabilities, bank guarantees and tax assessments that arise from the normal course of operations. The Group does not anticipate losses that will materially affect its financial position and results of operations as a result of these transactions.

Material Commitments for Capital Expenditures

The Bank's commitments for capital expenditures will be funded out of cash flows from operations. This covers investments in electronic systems to comply with regulatory requirements (e.g. electronic anti-money laundering monitoring system), investments in technology infrastructure and security (e.g. cybersecurity), upgrades of existing systems (e.g. telecommunications system), expansion of the Bank's electronic banking channels, ATM installations, renovation or relocation or branch premises, and investments for new branches.

Material Impact on Income from Continuing Operations

In the normal course of operations, the Bank's activities are affected by changes in interest rates, foreign currency exchange rates and other market changes. The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates and foreign currency exchange rates are kept within acceptable limits and within regulatory guidelines.

Significant Elements of Income or Loss that did not arise from Continuing Operations

There are no significant elements of income or loss that did not arise from continuing operations of the Group.

Seasonal aspects that have a material effect on the financial condition or results of operations.

The Group's financial position or results of operations are not affected by seasonal aspects.

Significant events and uncertainties during the period

There are no significant events and uncertainties during the period.

Capitalization and Indebtedness

The following table sets forth the indebtedness and capitalization of the Bank as of March 31, 2024. This table should be read in conjunction with the Bank's unaudited consolidated financial statements as of and for the three months ended March 31, 2024 and the notes presented elsewhere herein.

	March 31, 2024
	(₱ millions)
Liabilities:	
Deposit liabilities*	638,397
Financial liabilities at fair value through profit or loss	2,999
Derivative Liabilities Designated as Hedges	47
Bills payable and Securities Sold Under Repurchase Agreements	44,651
Notes and bonds payable	33,012
Other liabilities**	31,497
Total liabilities	750,603
Capitalization:	
Capital stock	7,635
Additional paid-in capital	38,524
Surplus	97,050
Net unrealized loss on financial assets at fair value through other comprehensive income	(6,454)
Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income	28
Cumulative foreign currency translation	(76)
Cost of hedging reserve	(133)
Total	136,574
Total capitalization and indebtedness	887,177
Capital Ratios	
Common Equity Tier 1 Ratio	14.38%
Tier 1 Capital Adequacy Ratio	14.38%
Total Capital Adequacy Ratio	15.25%

* Includes long-term negotiable certificates of deposit of ₱10.42 billion issued 23 September 2019, 17 December 2019 and 5 February 2020 net of incurred debt issue costs.

**Comprised of acceptances payable, margin deposits and cash letters of credit, manager's and certified checks outstanding, income tax payable, accrued interest, taxes and other expenses and other liabilities.

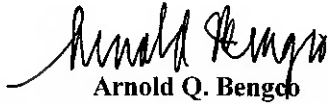
Except as disclosed in the unaudited consolidated financial statements as of and for the three months ended March 31, 2024, there has been no significant change in the indebtedness or capitalization of the Bank since March 31, 2024.

RESPONSIBILITY

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

SECURITY BANK CORPORATION

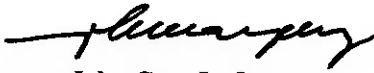
By:



Arnold Q. Bengco

EVP, Financial Markets Segment Head

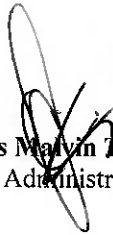
By:



John Cary L. Ong

EVP, Wholesale Banking Segment Head

By:



Charles Marvin T. Ching

SVP, Chief Administrative Officer

INDEX TO THE FINANCIAL STATEMENTS

Audited financial statements as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022, and 2021

Unaudited interim condensed consolidated financial statements as at March 31, 2024 and for the three-months ended March 31, 2024 and 2023



April 15, 2024

MS. MARIGEL M. BANIQUED – GARCIA
Head, Issuer Regulation Division
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6/F PSE Tower
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ATTY. OLIVER O. LEONARDO
Director, Markets and Securities Regulation Department
Securities and Exchange Commission
12/F, SEC Headquarters
7907 Makati Avenue, Salcedo Village,
Brgy. Bel-Air, Makati City 1209

Gentlemen / Mesdames:

Pursuant to the Structured Continuing Requirements for Listed Companies of the Exchange, we hereby submit a copy of our SEC Form 17-A with Sustainability Report as of December 31, 2023.

Very truly yours,


EDUARDO M. OLBES
Chief Financial Officer



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2023

2. SEC Identification Number **6030**

3. BIR Tax Identification No. **000-498-020-000**

4. Exact name of issuer as specified in its charter – **SECURITY BANK CORPORATION**

5. **Philippines**

Province, Country or other jurisdiction of
incorporation or organization

6. (SEC Use Only)

Industry Classification Code:

7. **Security Bank Centre, 6776 Ayala Avenue, Makati City 0719**

Address of principal office

Postal Code

8. **(632) 8867-6788**

Issuer's telephone number, including area code

9. **Not applicable**

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

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

Title of Each Class

Number of Shares of Common Stock Outstanding
and Amount of Debt Outstanding

Common Shares (P10 par)

753,538,887

Preferred shares (Unregistered)

1,000,000,000

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

Yes [] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

Common Shares

12. Check whether the issuer:

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

Yes [] No []

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

Yes [] No []

13. The aggregate market value of the voting stock held by non-affiliates of the registrant is **₱33.27 billion**. The price used for this computation is the closing price as of March 31, 2024 which is **₱68.60** for common shares and **₱0.10** par value for voting preferred shares.

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PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

A. Description of Business

1) Business Development

Security Bank Corporation (PSE: SECB) is a publicly listed Philippine universal bank which serves wholesale and retail clients. Established in 1951, Security Bank has remained steadfast in its focus and commitment to serve its clients and stakeholders with distinction. Its headquarters is located at the Security Bank Centre, 6776 Ayala Avenue, Makati City, Metro Manila, Philippines.

Based on the Published Balance Sheet report as of December 31, 2023, Security Bank ranked as the 8th largest in total assets and 8th largest in capital funds (₱999.1 billion and ₱134.1 billion, respectively), among private domestic universal banks (PDUBs) in the Philippines. Security Bank ranked 7th largest in market capitalization among listed PDUBs in the Philippines as of end 2023. The Bank's strategy, execution and results are guided by its strong focus on our clients, our employees, and shareholders.

Security Bank's major businesses include wholesale banking, retail banking, business banking, and financial markets. It is among the leading local players in consumer finance, cash management, government fixed income securities distribution, capital markets services, foreign exchange and derivatives products distribution, and equities brokerage. The Security Bank group has a total of 325 branches all over the country as of year-end 2023.

Security Bank ended 2023 with a net income of ₱9.1 billion and a return on equity of 6.95%. Total loans and receivables increased by 7.11% to ₱538.3 billion and deposits increased by 0.11% to ₱606.5 billion as of year-end 2023. Net interest income increased by 18.76%. The net interest margin in 2023 was 4.49%. The cost-to-income ratio was 60.75%. The Bank ended the year with total assets of ₱871.5 billion for a 3.47% year-on-year growth rate. Return on assets was 1.06%.

Security Bank was awarded **Best Corporate Bank in the Philippines 2023** award by *Asiamoney*; **Best for HNWs (High Net Worth Individuals) in the Philippines** by *Asiamoney* for three consecutive years 2023, 2022 & 2021; **Best Retail Bank in the Philippines** by *Alpha Southeast Asia* for four consecutive years; **Best Payment Solution in the Philippines – BIPPS (Billing Invoice Presentment and Payment System)** by *Alpha Southeast Asia*; the **4 Golden Arrow Recognition** for corporate governance excellence by the *Institute of Corporate Directors (ICD)*; **Best Investor Relations Company (Philippines)**, **Asia's Best CSR**, **Asia's Best CEO (Investor Relations)**, **Asia's Best CFO (Investor Relations)** and **Best Investor Relations Professional (Philippines)** by *Corporate Governance Asia* for three consecutive years; **Best Small Cap Company, Philippines 2023 – Silver** by *FinanceAsia*; **Workplace Wellness Programme Award – Philippines** by *ESGBusiness Awards* (Singapore); and **Renewable Energy Financing Programme-Philippines Award – SB Capital** by *Alpha Southeast Asia*. Security Bank ranked in *Forbes' World's Best Employers in 2023*, whereby Security Bank ranked #54 in the world, #2 among Philippine companies, and #1 among Philippine banks. *Forbes* partnered with market research firm *Statista* to create *Forbes'* seventh annual list of the **World's Best Employers**.

In 2022, Security Bank earned a net income of ₱10.6 billion which translated to a return on equity of 8.42%. Security Bank was awarded in **2022 Best for Mass Affluence/HNW in the Philippines** by *Asiamoney*; **Best Credit Card Product in the Philippines** (for Security Bank's Complete Cashback Platinum Mastercard) by *The Asian Banker* during the *2022 Asian Banker Excellence Awards*; **Best Retail Bank in the Philippines** by *Alpha Southeast Asia*; **Market Leader in Corporate Social Responsibility (CSR)** by *Euromoney*; **Market Leader in Diversity & Inclusion** by *Euromoney*; **Best Bank for Diversity and Inclusion** by *Asiamoney*; and **Best Investor Relations Company (Philippines)**, **Asia's Best CSR**, **Asia's Best CEO (Investor Relations)**, **Asia's Best CFO (Investor Relations)** and **Best Investor Relations Professional (Philippines)** by *Corporate Governance Asia* for two consecutive years.

In 2021, Security Bank earned a net income of ₱6.9 billion which translated to a return on equity of 5.57%. Security Bank was a recipient of **Philippines' Best Bank** by *Euromoney*; **Best for HNWs (High Net Worth Clients) in the Philippines** by *Asiamoney*; **Best Retail Bank in the Philippines** by *Alpha Southeast Asia*; and, **Best Culture of Learning and Diversity Champion** by *LinkedIn Talent Awards*.

2) Business of Issuer

(a) Description of Registrant

(i) Principal Products or Services and their Markets

The Group'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. The Group underwent changes in the structure of its internal organization in a manner that caused the composition of its reportable segments to change and in the performance reporting. Formerly part of the Retail Banking Segment, the Business Banking Segment was created to differentiate and optimize our service to the micro, small and medium enterprises (MSMEs). The Group's equity brokerage operation was also transferred from Wholesale Banking Segment to Financial Markets Segment. Accordingly, the corresponding segment information for the prior period presented herein is restated to reflect such changes in the structure and performance reporting.

The Group derives revenues from the following main operating business segments:

Retail Banking Segment - this segment serves individual clients. It covers deposits, consumer loans, credit cards, bancassurance and investments. Share in net income from SB Finance, Inc. (SBF) is also part of the segment.

The Retail Banking Segment makes up 52.26% of the Group's total revenue in 2023.

Wholesale Banking Segment - this segment addresses corporates, institutional, and public sector markets and commercial clients. Services include relationship management, loans, trade, cash management, deposits and investments. It also provides structured financing and advisory services, debt and equity capital raising, project financing, and mergers and acquisitions advisory via SB Capital Investment Corporation (SB Capital). Operating leases via SB Rental Corporation (SBRC) and share in net income from SBM Leasing, Inc. (SBML) are also part of the segment.

The Wholesale Banking segment constitutes 35.12% of total revenues in 2023.

Business Banking Segment - this segment serves the MSMEs with holistic propositions covering deposits, loans, cash management, insurance and investments.

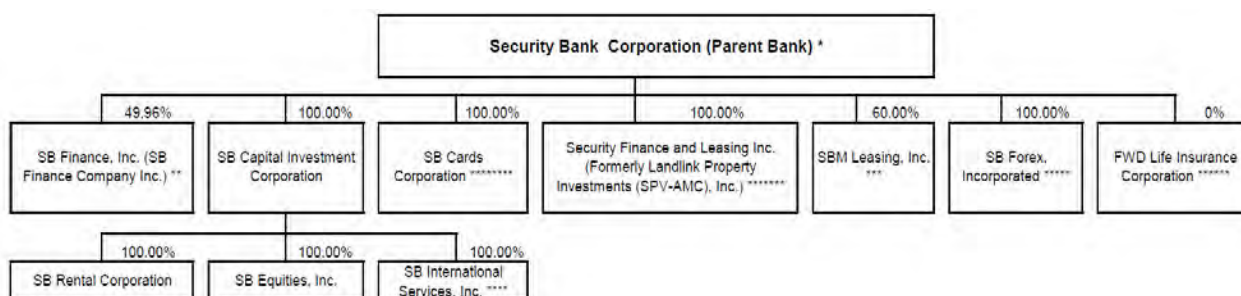
The Business Banking segment constitutes 9.76% of total revenues in 2023.

Financial Markets Segment - this segment focuses on providing money market, foreign exchange, financial derivatives, debt and equity securities brokerage, asset management, trust and fiduciary services, as well as the management of the funding operations for the Group. The Group's equity brokerage operations are also part of this segment.

The Financial Markets segment represents 3.77% of the Group's 2023 total revenue.

Eliminations and Others - This segment includes the Bank's non-reportable segments such as support services and eliminations in accordance with the Bank's group internal reporting.

Subsidiaries and Joint Ventures



* MUG owns 20% of voting shares of SBC

Common Shares: Par value is P10.00; Total Outstanding Shares – 753,538,887
Preferred Shares: Par Value is P0.10; Total Outstanding Shares – 1,000,000,000

** Joint venture from a subsidiary (sold 50% in October 2020).

*** Joint venture

**** Non-operating. Corporate term ended December 31, 2021. Awaiting clearance from Bureau of Internal Revenue (BIR)

***** Non-operating. Corporate term ended February 28, 2022. Awaiting clearance from BIR

***** With irrevocable power of attorney/proxy to vote certain shares of FWD Life Insurance Corporation

***** With BOD approval in 2022 to shorten corporate life on December 31, 2023. Approval to shorten life was revoked by the BOD last December 12, 2023

***** With BOD approval to shorten corporate life on December 31, 2024

SB Finance, Inc. (SBF), formerly a private development bank incorporated in 1960 as Premiere Development Bank, renamed Security Bank Savings (“SBS”) after the Bank’s acquisition of its shares in February 2012 and subsequently converted into a financing company after securing regulatory approvals from Bangko Sentral ng Pilipinas (BSP) and SEC in 2017. On September 21, 2022, SEC approved the Amended Articles of Incorporation and By-Laws of the company amending the corporate name from SB Finance Company, Inc to SB Finance, Inc.

On August 8, 2019, the Board of Directors (BOD) of the Bank approved the terms and conditions of the joint venture agreement and other transaction documents necessary to establish a consumer finance joint venture with Bank of Ayudhya Public Company Ltd. (BAY), commonly known as Krungsri, including the sale of 50% of the outstanding shares of SBF to BAY.

On October 20, 2020, after obtaining regulatory approvals in the Philippines and in Thailand, the Joint Venture Agreement (JVA) between the Bank and Krungsri was executed, with the Bank completing the sale of 50% outstanding shares of SBF shares to Krungsri. Accordingly, SBF ceased to be a subsidiary of the Bank. The financial statements of SBF were deconsolidated from the consolidated financial statements of the Group. Under the JVA, the parties agreed to use SBF as a joint venture entity and requires the unanimous consent of both the Bank and Krungsri for any significant decisions made in the ordinary course of business of SBF.

SB Capital Investment Corporation (SB Capital) is Security Bank’s wholly-owned investment banking arm. It provides a wide range of investment banking and financial services aimed at satisfying the diverse financial needs of institutions and individuals. Since the onset of its commercial operations in 1996, SB Capital has participated in a myriad of significant capital raising and advisory services involving conglomerates, top-tier and middle-market clients as well as the public sector.

Despite the unfavorable market environment in 2023 caused primarily by global economic headwinds (e.g. elevated interest rate environment, geo-political uncertainties, etc.), SB Capital was able to remain resilient in its business operations and managed to deliver a decent financial performance as the company completed notable investment banking transactions for the year.

In 2023, despite the slowdown in public debt and equity capital market transactions, SB Capital acted in joint lead capacities in big-ticket fixed rate bond offerings of top-tier corporations including SM Prime Holdings, Inc. (₱33.3 billion in May 2023); Ayala Land, Inc. (₱15.0 billion in June 2023); Robinsons Land Corporation (₱15.0 billion in June 2023); Aboitiz Equity Ventures (₱17.5 billion in September 2023); Filinvest Land, Inc. (₱11.4 billion in December 2023); and Vista Land & Lifescapes, Inc. (₱6.0 billion in December 2023). SB Capital was also joint issue manager, joint lead underwriter and joint bookrunner for Citicore Energy REIT Corp.’s maiden ₱4.5 billion ASEAN fixed rate Green Bonds issued in February 2023.

Proceeds from the foregoing debt capital market issuances were utilized to fund expansions, refinance debt obligations, and for general corporate purposes.

SB Capital likewise acted as one of the joint issue managers for the Bureau of the Treasury’s ₱283.7 billion retail treasury bonds issuance tranche 29 in February 2023 and USD1.3 billion retail dollar bonds tranche 2 in November 2023.

SB Capital was also present in notable perpetual preferred shares offerings of its clients during the year amid the muted equities capital market environment acting as joint lead underwriter and joint bookrunner for the following transactions: Ayala Corporation (₱13.1 billion in May 2023); Petron Corporation (₱14.0 billion in July 2023); ACEN Corporation (₱25.0 billion in September 2023); and San Miguel Corporation (₱34.0 billion in December 2023). The ACEN Perpetual Preferred Shares issue was the first ever fixed for life perpetual preferred share instrument in the Philippines and was recognized by The Asset Triple A Awards and Finance Asia Achievement Awards as 2023’s Best Equity Deal.

Moreover, SB Capital arranged or co-arranged a series of privately placed corporate notes and syndicated loan facilities during the year to include: Unistar Finance & Credit Corp.’s ₱3.0 billion corporate notes facility in February 2023 (as mandated lead arranger); Vista Land & Lifescapes, Inc.’s ₱10.0 billion corporate notes facility in April 2023 (as mandated lead arranger); SMC Mass Rail Transit, Inc.’s ₱100.0 billion syndicated project finance term loan facility in June 2023 (as joint lead arranger); Calabanga Renewable Energy Inc.’s ₱2.4 billion senior secured project finance term loan facility in June 2023 (as sole arranger); Advantage Concrete Industries Corp.’s ₱37.2 billion senior term loan facility in December 2023 (as arranger); 8990 Housing Development Corporation ₱6.5 billion corporate notes in December 2023 (as co-lead arranger); and Primeworld Land Holdings, Inc.’s ₱800 million term loan facility in December 2023 (as co-arranger). Notably, the SMC Mass Rail Transit, Inc. Project Finance Facility is the country’s largest onshore Peso project finance facility to date.

Other notable private debt transactions lead arranged by SB Capital during the year featured that of ISON Tower Assets Company Phils.’ up to ₱4.8 billion project finance term loan facility which SB Capital co-arranged with the Asian Development Bank. The proceeds from said financing exercise will be utilized by the company to support the construction, development, and operation of 800 shared telecommunication towers to help expand digital connectivity for underserved communities across the Philippines. SB Capital also lead-arranged and spearheaded the maiden debt corporate note issuances of the Asialink Group of Companies, to wit: Asialink Finance Corp.’s ₱2.0 billion corporate

notes facility in August 2023; Global Dominion Financing, Inc.'s up to ₱1.0 billion corporate notes facility in November 2023; and South Asialink Finance Corp.'s ₱500.0 million corporate notes facility in December 2023. Proceeds from said note issuances will be used by the said financing companies mainly to support and further grow their respective loan portfolios which cater to serve the needs of medium and small market enterprises and other unbanked and underserved customers in line with their commitment to provide financial inclusion to those who have limited access to formal financing channels.

SB Capital also rendered advisory services involving joint venture partnerships, sale of assets/business as well as IPO preparations of some of its clients. One of the most notable advisory transactions of SB Capital during the year was serving as financial adviser to local real estate player, OviaLand, Inc. in connection with its joint venture partnership with one of Japan's leading real-estate condominium developers, Takara Leben, to expand its development portfolio and offer more premium affordable homes to its target market. The partnership was formally sealed with the signing of the joint venture agreement between the parties in early 2024.

SB Capital also acted as financial advisor to Sumitomo Osaka Cement's equity block sale to Holderfin BV, which is the parent company of Holcim Philippines. Subsequent to this, SB Capital acted as Holderfin BV's financial adviser with regard to the company's mandatory tender offer exercise of Holcim Philippines' common shares and the voluntary delisting of the latter from the Philippine Stock Exchange, Inc. Lastly, towards the end of 2023, SB Capital acted as consent solicitation adviser for Phinma Corporation to align its debt-to-equity ratio definition with peers, for its existing ₱3.0 billion fixed rate bonds, successfully obtaining majority bondholders' consent given a tight timeline.

In 2023, SB Capital also garnered accolades and recognitions for some of its completed landmark deals from the following prestigious and reputable award giving bodies:

INSTITUTIONAL AWARDS AND RECOGNITIONS

- **19th PDS Annual Awards Night**
Investment House Category - Top Corporate Issue Manager / Arranger (2nd Place)
- **ESG Business Awards 2023**
Renewable Energy Financing Programme Award – Philippines
- **Finance Asia Awards 2023**
Best Investment Bank House in the Philippines – Finalist
- **The Asset Benchmark Research Awards 2023**
Top Arranger - Investors Choice for Primary Issues – Corporate Bonds (3rd Place)

DEAL AWARDS

- **The Asset Triple A Awards for Sustainable Awards 2024 | Best Green Bond 2023**
Citicore Energy REIT Corporation
P4.5 Billion Fixed Rate ASEAN Green Bonds
Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner
- **The Asset Triple A Awards for Sustainable Awards 2024 | Best Corporate Bond 2023**
SM Prime Holdings, Inc.
P33.3 Billion Fixed Rate Bonds
Joint Lead Underwriter and Joint Bookrunner
- **The Asset Triple A Awards for Sustainable Awards 2024 | Best Acquisition Financing 2023**
Aboitiz Equity Ventures
P17.5 Billion Fixed Rate Bonds
Joint Lead Underwriter and Joint Bookrunner
- **The Asset Triple A Awards for Sustainable Awards 2024 | Best New Bond 2023**
Asialink Finance Corporation
P2.0 Billion Private Placement Corporate Notes
Joint Issue Manager, Joint Lead Arranger and Joint Bookrunner
- **The Asset Triple A Awards for Sustainable Awards 2024 | Best Equity Deal 2023**
ACEN Corporation
P25.0 Billion Preferred Shares Offering
Joint Lead Underwriter and Joint Bookrunner

- **Finance Asia Achievement Awards 2023 | Best Equity Deal 2023**
ACEN Corporation
P25.0 Billion Preferred Shares Offering
Joint Lead Underwriter and Joint Bookrunner
- **Alpha Southeast Asia 17th Annual Best Deal & Solutions Award | Best Local Currency Bond Deal of the Year in the Philippines**
San Miguel Corporation
P60.0 Billion Fixed Rate Bonds
Joint Lead Underwriter and Joint Bookrunner
- **Alpha Southeast Asia 17th Annual Best Deal & Solutions Award | Best Multi-Year Bond of the Year in the Philippines**
Aboitiz Equity Ventures
P17.5 Billion (2-, 5- 10-year) Fixed Rate Bonds
Joint Lead Underwriter and Joint Bookrunner
- **Alpha Southeast Asia 17th Annual Best Deal & Solutions Award | Best PPP & Blended Financing Infrastructure Deal of the Year**
San Miguel Corporation Mass Rail Transit Inc.
P100.0 Billion Syndicated Term Loan Facility
Joint Lead Arranger

SB Rental Corporation (SBRC) is a wholly owned subsidiary of SB Capital. The company is the operating lease arm of Security Bank group of companies with the primary purpose is to engage in the business of renting, leasing (excluding financial leases) of various machineries and equipment, automotive equipment, automotive vehicles such as cars, vans, pick-ups, trucks, tractors, trailers, buses and a variety of land, air or water transportation equipment.

SB Equities, Inc., a subsidiary of SB Capital, was incorporated on August 1, 1987 ranks 14th overall among domestic brokerages in the country in terms of volume turnover according to the Philippine Stock Exchange (PSE) as of December 31, 2023.

SB Cards Corporation (SB Cards) was incorporated on October 9, 1980 as Security Diners International Corporation and formerly also known as Security International Card Corporation. SB Cards acquired the exclusive franchise ownership of Diners Club international credit card in the Philippines. In September 2016, SB Cards sold the Diners Card portfolio to Banco De Oro.

SBM Leasing, Inc. (SBML), formerly Security Finance, Inc. incorporated on August 1, 1994) is a joint venture leasing and finance company of Security Bank Corporation (60%) and Marubeni Corporation of Japan (40%). SBML specializes in heavy equipment (i.e. construction and mining), finance and services the clientele of Maxima Machineries Inc. (a Marubeni subsidiary and exclusive distributor of Komatsu Trucks and Heavy Equipment in the Philippines) and of Security Bank.

SB Forex, Incorporated (SB Forex) was incorporated on September 27, 1994 to handle the foreign exchange brokerage business of the Bank but has been inactive due to changes in the regulatory environment. The Bank has absorbed the foreign exchange business previously coursed through SB Forex. The operations for this subsidiary were suspended in 2008. The corporate term of SB Forex ended on February 28, 2022.

Security Finance and Leasing Inc. (formerly Landlink Property Investments (SPV-AMC), Inc.), was incorporated in the Philippines primarily to engage third parties to manage, operate, collect and dispose of nonperforming assets acquired from a financial institution. The Company started its commercial operations in February 2020.

(ii) Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales

This is not relevant to the operations of the Group.

(iii) Distribution Network

The Bank's principal office is located along Ayala Avenue, Makati City. As of December 31, 2023, Security Bank had a network of 325 branches, 183 branches of which are located in Metro Manila and 142 situated outside Metro Manila.

The Bank also has 662 ATMs which are part of the Bancnet consortium as of December 31, 2023. Of this, 359 are on-site while 303 are off-site.

(iv) Status of Publicly-Announced New Product or Service

All publicly-announced new products or services of the Bank are in commercial distribution.

(v) Competition

The Philippine banking industry is characterized by a highly competitive price and service offerings and high level of regulation. All banks have similar products and compete via differentiation in servicing and targeting specific niches. In 2023, the industry experienced intensified competition alongside increased customer service standards.

There is a total of 22 universal banks in the Philippine banking system, of which 13 are domestic private universal banks, three are government banks and six are branches/subsidiaries of foreign banks, as of March 2024. In addition, there are 23 commercial banks in the country. Six domestic universal banks have branches and/or remittance offices abroad while Security Bank and the rest of the players in the industry compete mainly in the domestic market, serving their respective mix of corporate, middle market, small/micro size enterprise and retail clients.

There are three big banks which dominate the industry with resources of at least ₱2.9 trillion and capital funds of at least ₱355 billion. The other eight banks are clustered in the category where asset size is between ₱124 billion to ₱1.22 trillion, and capital funds are between ₱16 billion to ₱159 billion.

Security Bank has distinguished itself against competition in its 72 years of banking service with its record of financial strength and stability over this period and its service quality to its loyal clientele base. Solid earnings performance coupled with emphasis on asset quality places Security Bank among the top performing banks. In January 2016, Security Bank forged a strategic partnership with The Bank of Tokyo-Mitsubishi UFJ Ltd., now known as MUFG Bank, Ltd. (MUFG). MUFG invested ₱36.9 billion for a 20% stake in Security Bank. This gave Security Bank the unique advantage of being a local independent bank with the global network of MUFG.

(vi) Sources and Availability of Raw Materials and Names of Principal Suppliers

This is not relevant to the operations of the Bank.

(vii) Customer Concentration

The Bank has a diversified customer base with its loan portfolio and deposit mix skewed towards Corporate and Commercial clients in terms of size and Retail clients in terms of count. The Bank is not dependent upon a single customer, the loss of any or more of which would have a material adverse effect on the Bank and its subsidiaries taken as a whole.

(viii) Transactions with and/or Dependence on Related Parties

In the ordinary course of business, the Bank has loan transactions with some subsidiaries and with certain directors, officers, stockholders and related interests. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

(ix) Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

For the MasterCard product, the Bank signed a perpetual license agreement with MasterCard International on October 6, 1997.

The Bank has the following active registered trademarks with respective expiration dates:

TRADEMARK	REGISTRATION DATE	EXPIRATION DATE
Better Banking Experience	04-May-23	04-May-33
SECURITY BANK	04-May-23	04-May-33
BETTERBANKING	04-May-23	04-May-33
SECURITY BANK	04-May-23	04-May-33
SECURITY BANK	04-May-23	04-May-33
A BETTER BANKING STORY	18-Dec-20	18-Dec-30
FIRST CHOICE	20-Nov-20	20-Nov-30
No Verbal Elements	18-Oct-20	18-Oct-30
No Verbal Elements	18-Oct-20	18-Oct-30
No Verbal Elements	18-Oct-20	18-Oct-30
No Verbal Elements	18-Oct-20	18-Oct-30
SECURE GOALS +	18-Jul-19	18-Jul-29
SECURE GOALS	03-Mar-19	03-Mar-29
SECURE GOALS PLUS	03-Feb-19	03-Feb-29
SECURE GOALS PLUS	03-Feb-19	03-Feb-29

TRADEMARK	REGISTRATION DATE	EXPIRATION DATE
SECURE GOALS PLUS	03-Feb-19	03-Feb-29
SECURE GOALS	03-Feb-19	03-Feb-29
BALE NG BAYAN	26-Apr-18	26-Apr-28
AUTO SINGIL	26-Apr-18	26-Apr-28
DIGIBANKER	15-Mar-18	15-Mar-28
YOU DESERVE BETTER.	29-Jul-17	29-Jul-27
SECURITY BANK	29-Jul-17	29-Jul-27
SECURITY BANK	29-Jul-17	29-Jul-27
SECURITY BANK	29-Jul-17	29-Jul-27
No Verbal Elements	29-Jul-17	29-Jul-27
SECURITY BANK	29-Jul-17	29-Jul-27
BETTERBANKING	29-Jul-17	29-Jul-27

The Bank has the following registered patents with respective registration dates:

PATENT	REGISTRATION DATE
Cash Remittance System Using Virtual or Electronic Gift Card (eGiftCard)	02-Jul-14
A System For Improving Availability Of Communication Services In A Network-Based Automated Electronic Loan Processing	16-Mar-15

(x) Need for Government Approval of Principal Products or Services

The Group's principal products and services are offered to customers only upon receipt of the necessary regulatory approvals or clearances. The Group strictly complies with the related regulatory requirements such as reserves, liquidity position, loan exposure limits, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements.

(xi) Effect of Existing or Probable Governmental Regulations on the Business

The Group strictly complied with the BSP requirements in terms of capitalization reserves, liquidity position, limits on loan exposure, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements as well as other regulatory agencies such as the Securities and Exchange Commission (SEC), PSE, Philippine Deposit Insurance Corporation and the Bureau of Internal Revenues, among others as applicable.

(xii) Amount Spent on Research and Development Activities

	2023	2022	2021
Cost (in '000)	₱1,926,760	₱1,098,153	₱896,901
Ratio to Revenues	4.49%	2.77%	2.44%

The Bank's research and development activities are mainly driven by investments in new information technology (IT) software. The efficient use of technology is expected to boost productivity, reduce transaction processing costs and improve management decisioning, efficient business communications, and timely risk management. It would also assist in reducing operations at the branch level, thereby allowing branch personnel to focus more on customer service.

(xiii) Costs and Effects of Compliance with Environmental Laws

The Bank is compliant with Environmental Laws pertaining to their industry standards. There are no material costs and effect implications of the compliance on the operations of the Bank.

(xiv) Manpower Complement

In support of the Group's strategic growth initiatives, complement increased from 7,338 in 2022 to 8,189 in 2023.

	2023*	2022*	2021*
Officers	5,521	4,766	4,429
Rank and File	2,669	2,572	2,419
	8,190	7,338	6,848

*Excluding entities not consolidated.

As of December 31, 2023, 16% of the Bank's employees were rank and file employees who are subject to collective bargaining agreements (CBA). The current CBA will expire on August 31, 2024.

The employees receive salaries, bonuses, and usual bank benefits. Aside from these, they have no other compensation plan or arrangement with the Bank. There are no warrants or options held by directors, officers and staff.

(xv) Risk Management

The Bank's risk management organization and culture is a fundamental component of its corporate governance.

Policy Statement

The BODs and Management of Security Bank Corporation and its subsidiaries commit to the principles and best practices that promote good corporate governance such as the "Principles for Enhancing Corporate Governance" issued by the Basel Committee on Banking Supervision as embodied in the regulations of the regulatory authorities of the Philippines such as the BSP and the SEC.

Security Bank's BOD and Management believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness and ensure compliance with corporate governance policies and practices within the organization.

Under the Bank's Governance System, the BOD has ultimate responsibility for the Bank's business and risk strategy, organization, financial soundness and governance.

The Board reviews and approves the strategic plans and the operational plans of the Bank, taking into account the Bank's long-term financial interests, its exposure to risks and its ability to manage risks effectively. Accordingly, the Board monitors the overall business strategy execution of the Bank.

Risk Management Organization

The Group is faced with multiple risks inherent to the business it has chosen, largely in the form of market, liquidity, credit, operational and sustainability risks. Customer protection, growth and value creation guide our risk taking. The Group's risk management is structured to address risks continuously and effectively by category via structures of policies, processes and measurement tools established and provided by the Risk Management Group (RMG) for the Bank. The same structures are adapted by the subsidiaries and customized to suit their specific activities.

In 2021, the Bank's Board approved an Environmental and Social Risk Management Framework which sets out policy and process in identifying, assessing, and managing environmental and social risks.

The Group's risk management, internal control process and infrastructure are designed to keep pace with developments of the Group, including balance sheet and revenue growth, increasing complexity of the business, risk configuration or operating structure, geographical expansion, mergers and acquisitions, or the introduction of new products or business lines, as well as with the external risk landscape, business environment and industry practice. In this respect, the Group's risk data aggregation and risk reporting are conducted with accuracy, integrity, completeness, timeliness and adaptability. Actual risk management processes are outlined by risk category.

RMG's activities mainly assist the BOD, through the Risk Oversight Committee (ROC), in fulfilling its risk management responsibilities through the following fundamental tasks:

1. Development and review of risk appetite/limits and policies;
2. Assessment, measurement, monitoring and reporting of the Group's risk-taking and risk management activities, including risk limit utilization and performance;
3. Providing subject matter expertise in business, product and project developments, and other strategic decision-making activities;
4. Elevation of issues and findings to Management and the ROC.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to perform or complete in a timely manner its obligations during the life of a transaction. This includes the risk of non-payment by borrowers or issuers, failed settlement of transactions, and default on contracts. Credit risk arises from both the lending and investment activities of the Group. As one of the primary risks inherent to the banking business, the Group manages credit risk through a systemized approach which includes:

- Policy Development and Implementation – The Credit Risk Management Unit maintains and develops credit policies and procedures to guide business and support units involved in the credit process to make appropriate actions and decisions pertaining to credit transactions. Policy formulation also supports the Bank's "Single Credit Engine" concept which provides for a uniform understanding and consistent application of credit policies and procedures across the entire institution.

- Risk Assessment and Measurement – Credit risk officers identify and evaluate existing and potential exposures, assess the probability of each risk materializing and estimate possible effect and cost of risk factors. The team uses different credit risk measurement and valuation methods such as Probability of Default (PD), Expected Credit Loss (ECL), Credit Classification, credit concentrations, residual risks on collateral, and credit stress testing.
- Risk Control and Mitigation – Credit facilities are granted primarily based on the borrower’s credit quality and repayment capacity. Where possible, Security Bank takes credit risk mitigants as a secondary recourse to the borrower to mitigate credit risk. On the Wholesale Credit side, the Bank accepts collateral such as cash, real estate, marketable securities, trade receivables, and standby letters of credit. In addition, the Bank limits vulnerabilities and manages risks to an acceptable level through the following: (i) lending limits that encompass industry, single name, group and large exposures; (ii) proactive impairment process involving the Lending Units as well as the Remedial Management Division (RMD); and (iii) timely ECL provisioning. On the Retail Credit side, acceptable collateral includes cash, automobile, equipment, and real estate. In addition, the Bank limits vulnerabilities and manages risks to an acceptable level through the following: (i) Minimum Risk Acceptance Criteria; (ii) regular Portfolio Quality Reviews with Business, Credit, Collections and Risk Units; and (iii) timely ECL provisioning.
- Risk Monitoring and Reporting – Continuous monitoring and periodic reporting of credit risk positions are integral parts of the Bank’s credit risk management activities. Regular reporting to the ROC and Management covers credit risk exposures, concentration risks, credit mitigation and residual risks across the Group.
- Independent Risk Assessment (IRA) – The IRA is the pre-approval evaluation of individual credits by the IRA Department. In scope credit proposals are subject to IRAs which evaluate the soundness of credits by documenting identified risk issues, assessing alignment of account plans with industry risk-reward portfolio actions, and providing recommendations on risk mitigations and credit structures to ensure portfolio quality.
- Business Risk Review (BRR) – The BRR is an independent audit exercise conducted by the Wholesale Credit Risk & Portfolio Monitoring Department (WCRPMD) to assess both portfolio quality as well as credit process quality. The BRR’s emphasis is on identifying weaknesses, trends, and other risk issues to allow for proactive mitigation as needed via collateral, covenants and alternative repayment sources, as well as adjustments to policies, procedures or awareness activities where applicable.
- Remedial Management – The remediation function on Wholesale Banking Segment borrowing accounts encountering payment difficulties is likewise within the responsibility of the Risk Management Group through the RMD. The RMD is tasked to devise and implement remedial strategies to correct the problem and/or maximize recovery/minimize loss within the shortest possible time of the accounts endorsed to it for handling.

Market Risk

Market risk is the risk that movements in market factors will have an adverse impact on the Bank’s portfolio values, income and/or capital. Market factors include foreign exchange rates, interest rates, equity prices and their volatilities. The risk applies to both the Group’s trading and banking book positions, largely in two forms:

- 1) Price Risk: the risk that the Bank’s capital and gains will decline due to the impact of changes in the level or volatility of market factors to positions taken or held in the trading books.
- 2) Interest Rate Risk in the Banking Book (IRRBB): the risk that the Bank’s capital and earnings will deteriorate due to effects of interest rate movements on the Bank’s balance sheet, mainly on the accrual books.

Given the sensitivity to and the pace of change of market factors, the Bank manages market risk through a variety of structures involving the following:

- 1) Use of Value at Risk (VaR) methodologies, Earnings at Risk (EaR) techniques, Economic Value of Equity (EVE) measures, loss triggers and stress testing;
- 2) Adoption of limits aside from those related to VaR, EaR, EVE and P&L, such as exposure and position limits, and performance of stress testing to augment the primary measures;
- 3) Periodic reporting of limit status, re-pricing gaps (for IRRBB) and P&L to the ROC, Senior Management and other concerned parties;
- 4) Development and review of risk models that are used for monitoring market risk, as well as validating the models developed internally or by third party vendors.

Risk appetite is defined in terms of limits assigned by the ROC to cover all market risk-taking activities of the Bank and its subsidiaries. The Market Risk Management Team establishes these limits annually based on the targets set in the planning process. The Bank likewise manages concentration and market liquidity risks by setting exposure/position limits to specific investment types and products as needed.

The Chief Risk Officer, Market Risk Officer, Risk Analysts and Model Development Officers ensure the continuous enhancement of market risk management across the Bank, monitoring and reporting regularly to Senior Management, the Assets and Liabilities Committee (ALCO) and the ROC.

Integral to the effectiveness of the Bank's market risk management infrastructure is the dynamic relationship between the independent risk management unit and the business unit it supports and looks after. Risk Management goes beyond the traditional control function and seeks to add greater value to the institution by being an independent risk partner with its own voice and assessments of proposals and exposures. By being in step with the developments in the business side, Risk Management not only readily identifies potential risk areas, but also helps the business manage risks from the onset.

Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to meet its obligations when they become due. It may be classified into two sub-types:

- **Funding Liquidity Risk:** the risk that a firm cannot obtain the necessary funds to meet its obligations as they fall due, including intraday. It stems from the mismatch of asset, liability, exchange contract and contingent commitment maturities.
- **Trading Liquidity Risk:** the risk that an entity will be unable to unwind a position in a particular instrument at or near its market value because of lack of depth or disruption in the market for that instrument.

Liquidity risk is mainly monitored through tools such as liquidity gap reports including the Maximum Cumulative Outflow (MCO) status, Basel liquidity ratios and assessment of deposit concentration. This is further augmented by periodic liquidity stress testing. Regular reports and dashboards are then provided to Senior Management, the ALCO and the ROC. Moreover, the Bank has established Contingency Funding Plans to deal with potential liquidity crisis situations.

RMG assists the ALCO by providing the relevant information with respect to the management of all risks related to the Group's assets and liabilities, and the trading and accrual books. The impact of the Group's activities on capital is also monitored by the ALCO with the RMG providing the necessary data to the Committee for assessment. Results of their analysis are reported on a periodic basis to the ROC. Through the ALCO, RMG provides an independent assessment of the depth and magnitude of funding liquidity risk that the Bank takes and suggests ways that can be explored to enhance the Bank's liquidity risk profile or keep exposure within risk appetite. RMG also provides its views on proposals or strategies concerning balance sheet structure, funding mix or concentration, and bond or note issuance.

To address market liquidity concerns, the Group also established bond issue concentration limits effective across the trading and investment entities of the Group. The limit puts a cap on the relative share of the Group vis-à-vis the total bond issue size. The aim is to minimize concentration risk.

Operational Risk

SBC aligns with the Basel II framework's definition of operational risk as the risk of loss due to inadequate or failed internal processes, people, and systems, or from external events. Operational risk management covers processing errors, fraudulent activities, inappropriate behavior of staff, systems failure, inability to deliver products and services to customers, natural and man-made disasters.

The Bank's Operational Risk Management Division (ORMD) is currently composed of the following:

- **Information Security and Technology Risk (ISTRD)** – The ISTRD team monitors the technology and information security risks of the Bank and its Subsidiaries, aligning with corporate plans, strategies, and objectives of the Group. Actively working with ITG and other support functions of the Group, it monitors the key risk levels, assists in process and control improvements to protect information assets, and ensures confidentiality, integrity, and availability of systems.
- **Business Continuity** – The Business Continuity Unit focuses on maintaining and developing the Bank's capabilities to recover from system failures, natural or man-made disasters, pandemics, and other crisis events, to ensure that the Bank's operations and core business functions remain up and running through disruptive events.
- **Fraud Risk** – The Fraud Risk team within ORMD is responsible for defining and monitoring adherence to policies specific to fraud risk. It provides complementary expertise, support, monitoring, challenge to, and independent oversight of the Enterprise Fraud Team as second line of defense.
- **Third Party Risk (TPRM)** – The TPRM team maintains oversight of all aspects of operational risk management relating to the Bank's engagements with various third parties, covering outsourcing, vendor management, partnerships, and others.
- **Risk Monitoring** – The Risk Monitoring team helps develop and implement the mechanisms used by the Bank to manage operational risk. These include policies, procedures, and tools used by the various businesses in

identifying, assessing, mitigating, and monitoring non-financial risks, as well as those for resolving identified issues and managing operational risk incidents.

Model Risk

Model risk is the potential loss that an institution may incur primarily due to fundamental errors in the design, implementation or use of a model. A model refers to a quantitative method, system or approach that applies statistical, economic, financial or mathematical theories, techniques and assumptions to process input data into quantitative estimates for decision making. This also includes expert judgement models which are based on views of subject matter experts provided that the outputs are quantitative in nature.

- Model Development – Model development represents the very beginning of the model lifecycle where the model owner identifies its objectives and business requirements. The development of the models can be carried out by the model owners themselves, or externally if there are no available resources.
- Model Validation – The Model Risk Management Division (MRMD) is responsible for the independent review, attestation and validation of all models to support existing supervisory guidance and business objectives.
- All model components (inputs, processes and outputs) shall be subjected to both quantitative and qualitative review to ensure that the model is sound and can be relied upon for decision-making purposes. This is to ensure that the models are within the model risk appetite of the Bank and are compliant to the internal policies and regulatory requirement/s.
- Model Approval – Once the model passed the independent validation, the model will be endorsed by the model owner to the designated approving body for approval. For models that cannot be validated prior to use, this will be approved by the designated Board-level committee and the BOD prior to implementation.
- Testing and Implementation – Testing is an integral part of the model lifecycle to ensure an accurate and smooth implementation of the model. As such, there will be a rigorous pre- & post-implementation testing procedures to determine if the model is performing as intended and is producing accurate results.
- Model Monitoring – When the model goes into use, its performance shall be validated against experience to make sure that the model functions as intended. The monitoring will serve as an early warning indicator for any performance deterioration and trigger appropriate action.
- The MRMD shall monitor the models on an ongoing basis, the frequency of which depends on the model rating, the nature of the model, & best practices. To aide in the monitoring of the models, a model inventory will be maintained by the MRMD to provide a comprehensive overview of all models in use. It will contain all implemented, developed, and recently discontinued models with the following components.

Management of Other Risks

While the risks that the Bank faces are chiefly categorized either as credit, market, liquidity or operational types, the Bank recognizes with as much importance the other risks that can hinder its pursuit of value creation. In particular, the Bank acknowledges the threats posed by reputational and strategic (or business) risks.

- Reputational risk refers to the potential adverse effects arising from the Bank's reputation deviating negatively from its expected level with regard to competence, integrity and reliability. The Bank manages this risk within the institution through policies and processes implemented under Operational Risk (including Information Security), Compliance and Human Resources, such as those related to complaints resolution and management; fraud detection, prevention and overall management; and service quality assurance. As part of the Bank's corporate-wide risk management, the Board ensures the maintenance of a sound consumer protection risk management system.
- Sustainability risk refers to the negative impact of an environmental, social or governance event or condition to the Bank's financial and operating performance. To mitigate sustainability risk, the Bank has begun to incorporate environmental and social factors into the lending process and customer dialogue to ensure sustainable lending. The Bank understands the consequences of failing to appropriately manage environmental, social, and governance (ESG) issues can directly impact its reputation, its clients' operations, and its environment and communities where the Bank and its clients operate.
- Strategic or business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, ineffective or failed implementation of decisions, or lack of responsiveness to industry changes that may affect the franchise value of the Bank. This risk is not managed separately from other risks. In essence, the Bank manages this risk through careful planning and close monitoring of execution of plans. To wit:
- The Group undergoes an annual Planning Cycle, where the business environment, medium-term plans of business units and potential risks to the Bank are assessed. Budget Plan is produced at the end of this activity. Through this

plan, the BOD provides direction for the Group taking into account probable new risks that may emerge over the planning cycle.

- Periodic review of the strategies and performance of key functional areas of indicators are undertaken by Senior Management and the BOD. The Bank understands that the risk universe is not limited to the ones enumerated above. As such, other types of risk – new or evolving – are uncovered and addressed through the different initiatives in the main risk management groups, which motivate risk-taking and risk management units to assess and to attend to emerging threats to capital adequacy and profitability.

Capital

The primary objectives of the Group's capital management are to ensure that the Group maintains strong credit ratings and healthy capital ratios in support of its business, and to remain compliant with capital requirements, all while maximizing shareholder value. Currently, the Bank remains well in compliance with the capital requirements of the Basel III Framework. This is largely driven by the Bank's approach to risk and capital management. Minimum capital levels and adequacy ratios as required by regulatory standards are used by the Bank merely as a starting point. Annually, the Bank assesses its current and planned business and risk-taking activities, and their comparison to the BOD's risk appetite taken in the context of macroeconomic and industry developments. This assessment is summarized in the Bank's Internal Capital Adequacy Assessment Process (ICAAP) document.

The Executive Committee is primarily responsible for driving the Group's ICAAP, working alongside the ROC and other members of Management in implementing the strategic goals as approved by the BOD. In essence, this Committee assesses the Group's capital adequacy relative to its risk profile, understanding capital requirements as scenarios vary or become stressed.

Risk exposures and corresponding capital requirements vis-à-vis current levels are periodically reviewed, ensuring risk and capital are aligned with the Bank's appetite and activities, as well as with regulatory standards.

(b) Additional Requirements as to Certain Issues or Issuers

(i) Debt Issues

Long-term Negotiable Certificates of Deposits (LTNCD)

On November 8, 2017, the Bank issued 3.875% fixed coupon rate (EIR of 4.01%) unsecured LTNCD at par value of ₱8.6 billion matured on May 8, 2023.

On May 2, 2018, the Bank issued 4.50% fixed coupon rate (EIR of 4.69%) unsecured LTNCD at par value of ₱5.78 billion matured on November 2, 2023.

On September 23, 2019, the Bank issued 4.00% fixed coupon rate (EIR of 4.18%) unsecured LTNCD at par value of ₱6.06 billion maturing on March 23, 2025.

On December 17, 2019, the Bank issued 4.00% fixed coupon rate (EIR of 4.16%) unsecured LTNCD at par value of ₱2.31 billion maturing on June 17, 2025.

On February 5, 2020, the Bank issued 4.00% fixed coupon rate (EIR of 4.16%) unsecured LTNCD at par value of ₱2.07 billion maturing on August 5, 2025.

Notes and Bonds Payable

In September 2018, the Bank issued \$300.0 million senior unsecured notes ("Senior Notes") due on September 25, 2023. The Bank remains in compliance with the terms and conditions of the notes. On September 25, 2023, the Parent Company paid \$300.0 million senior unsecured notes.

In June 28, 2019, the Parent Company issued ₱18.0 billion fixed rate bonds due on June 28, 2021. The Parent Company paid the ₱18.0 billion fixed rate bonds due on June 28, 2021.

On July 24, 2020, the Parent Company issued ₱13.5 billion fixed rate bonds due on July 24, 2022. The Parent Company paid the ₱13.5 billion fixed rate bonds due on July 24, 2022.

On July 20, 2022, the Parent Company issued ₱16.0 billion fixed rate bonds due on January 20, 2024. The Bank remains in compliance with the terms and conditions of the bonds.

On November 10, 2022, the Parent Company issued ₱14.6 billion fixed rate bonds due on May 10, 2024. The Bank remains in compliance with the terms and conditions of the bonds.

On July 13, 2023, the Parent Company issued ₱18.5 billion fixed rate bonds due on January 13, 2025. The Bank remains in compliance with the terms and conditions of the bonds.

(ii) Equity Issues

In the third quarter of 2009, the Security Bank board, PSE and SEC approved the offer of Stock Rights to Eligible Shareholders to raise gross proceeds of approximately ₱2.5 billion. Pursuant to the Rights Issue, 89,285,714 new ordinary shares were offered at ₱28.00 on the basis of approximately one Rights Share for every 3.7 existing shares held on record as of 9:00am of November 5, 2009. The offer period was from November 5-12, 2009. The offer was fully subscribed and total number of shares outstanding after the offer was 418,631,411.

On September 1, 2011, 83,727,102 shares were distributed in relation to 20% stock dividend approved by the Bank's BOD and shareholders on March 29, and May 30, 2011, respectively. Outstanding shares as a result of stock dividend payment was 502,358,513.

On January 2, 2014, 100,472,596 shares were distributed in relation to 20% stock dividend approved by the Bank's BOD and shareholders on March 19 and May 28, 2013, respectively. Outstanding shares as a result of stock dividend distribution were 602,831,109.

In the second quarter of 2014, the BSP and SEC approved the Preferred Shares Rights Offer to Eligible Shareholders to raise gross proceeds of approximately ₱60.3 million. Pursuant to the Rights Issue, 602,831,109 new non-convertible, non-cumulative, non-participating, voting preferred shares were offered at ₱0.10 on the basis of one Preferred Share for every one existing Common Share held on record as of June 16, 2014. The offer period was from June 23 to July 4, 2014. The offer was fully subscribed and total number of preferred shares outstanding after the offer was 602,831,109.

On April 1, 2016, Security Bank issued 150,707,778 new common shares and 200,000,000 new preferred shares to MUFG, representing 20% of total outstanding shares. An additional 197,168,891 preferred shares were also issued to existing Filipino stockholders. Total number of outstanding common shares after the MUFG transaction was 753,538,887 while total number of outstanding preferred shares was 1,000,000,000.

ITEM 2. PROPERTIES

The Bank has its corporate headquarters at 6776 Ayala Avenue, Makati City. The Bank has ownership of approximately 81.22% of the 6776 Ayala Avenue property which is not limited by any mortgage or lien.

The Bank has a network of 325 branches of which 44 are bank owned premise while the remaining are leased. Most of the lease contracts include renewal options which give the Bank the right to extend the lease for varying periods at terms agreed upon with the lessors. The Bank intends to lease new sites for its 2024 branch expansion initiatives.

ITEM 3. LEGAL PROCEEDINGS

The Bank is a party in legal proceedings which arose from normal business activities. However, management believes that these cases are without merit or that the ultimate liability, if any, resulting therefrom, has no material effect to the Bank's financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted during the fourth quarter of 2023 to a vote of security holders, through the solicitation of proxies or otherwise.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1) Market Information

The Bank's shares were officially listed and first traded at the PSE on June 8, 1995.

The price performance of the shares for each quarter within the last two years has been as follows:

(Philippine Peso)	High	Low
Quarter-ended Mar 31, 2022	119.00	102.50
Quarter-ended Jun 30, 2022	110.70	86.30
Quarter-ended Sep 30, 2022	94.10	78.10
Quarter-ended Dec 31, 2022	97.35	78.50
Quarter-ended Mar 31, 2023	102.80	86.95
Quarter-ended Jun 30, 2023	95.00	81.75
Quarter-ended Sep 30, 2023	86.35	74.60
Quarter-ended Dec 31, 2023	81.00	67.95
Quarter-ended Mar 31, 2024	68.85	67.80

2) Holders

The Bank had approximately 1,731 common shareholders and 407 preferred shareholders as of March 31, 2024. Common shares outstanding as of said date stood at 753,538,887 and outstanding Preferred shares stood at 1,000,000,000.

The top 20 Shareholders as of March 31, 2024 are:

Common Shares

	Stockholders Name	No. of Shares	% to Total Voting Shares
1	PCD NOMINEE CORP. (FILIPINO)	194,938,117	11.12%
2	THE BANK OF TOKYO-MITSUBISHI UFJ LTD. (BTMU)	150,707,778	8.59%
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	133,221,082	7.60%
4	ASIASEC EQUITIES INC.	120,676,957	6.88%
5	FREDERICK Y. DY	86,865,273	4.95%
6	DANIEL S. DY	30,229,655	1.72%
7	SOCIAL SECURITY SYSTEM	20,000,002	1.14%
8	GOODWOOD RESOURCES DEVELOPMENT INC	6,283,322	0.36%
9	JAMES J.K. HUNG	2,406,708	0.14%
10	SB EQUITIES INC.	1,887,793	0.11%
11	CAROUSEL HOLDINGS INC.	400,000	0.02%
12	HENRY O CHUSUEY OR ANNA LISSA CHUSUEY	400,000	0.02%
13	MEPCO EMPLOYEES' RETIREMENT PLAN	331,709	0.02%
14	RAFAEL F. SIMPAO, JR.	217,296	0.01%
15	SB EQUITIES INC. FAO L0015	175,902	0.01%

	Stockholders Name	No. of Shares	% to Total Voting Shares
16	CENTRAL COLLEGES OF THE PHILS.	159,214	0.01%
17	BEE BEE CHUA	138,212	0.01%
18	ELECTRONIC TELEPHONE SYSTEMS IND. INC.	117,936	0.01%
19	EARNST BEHRENS	82,926	0.00%
20	ERIC RUBEN TAN	72,000	0.00%

Preferred Shares

	Stockholders Name	No. of Shares	% to Total Voting Shares
1	FREDERICK Y. DY	335,207,671	19.12%
2	THE BANK OF TOKYO-MITSUBISHI UFJ LTD. (BTMU)	200,000,000	11.41%
3	DANIEL S. DY	256,951,638	14.65%
4	ASIASEC EQUITIES INC.	95,996,204	5.47%
5	ANATASIA Y. DY	33,000,000	1.88%
6	SOCIAL SECURITY SYSTEM	37,644,497	2.15%
7	GOODWOOD RESOURCES DEVELOPMENT INC	21,014,591	1.20%
8	GERALDINE S. DY	17,329,149	0.99%
9	SB EQUITIES INC.	12,252,527	0.70%
10	SCB OBO SSBTC FUND JY63 ACCT 000260706069	3,771,656	0.22%
11	SB EQUITIES INC.	3,200,000	0.18%
12	SB EQUITIES INC.	2,184,329	0.12%
13	BPI SECURITIES CORPORATION	2,149,799	0.12%
14	HSBC OBO A/C 026-100297-557	1,846,813	0.11%
15	ABACUS SECURITIES CORPORATION	1,771,202	0.10%
16	ASIASEC EQUITIES INC.	1,524,917	0.09%
17	HSBC MANILA OBO A/C 000-595686-550	1,400,000	0.08%
18	SCB OBO SSBTC FUND JX7D ACCT 000260706027	1,267,172	0.07%
19	SCB OBO RBC INVESTOR SERVICES TRUST CLIENT	1,260,000	0.07%
20	SCB OBO SSBTC FUND WS5E ACCT 000260708025	1,190,216	0.07%

3) Dividends

Dividends are declared and paid out of the earned surplus or net profits of the Bank as often and at such times as the BOD may determine and in accordance with the provisions of law and the regulations of the BSP. Cash dividends declared for the two most recent fiscal years are as follows:

Common Shares

Dividend Per Share	Total Dividend Amount	Record Date	Payment Date
₱1.50	₱1.130 billion	April 12, 2022	April 28, 2022
1.50	1.130 billion	November 10, 2022	November 24, 2022
1.50	1.130 billion	April 14, 2023	April 28, 2023
1.50	1.130 billion	November 10, 2023	November 24, 2023

Preferred Shares

Dividend Per Share	Total Dividend Amount	Record Date	Payment Date
₱0.004805	₱1.91 million	March 18, 2022	April 1, 2022
0.0039	2.35 million	June 22, 2022	July 11, 2022
0.004805	1.91 million	March 20, 2023	April 3, 2023
0.0039	2.35 million	June 26, 2023	July 10, 2023

Security Bank has adopted a dividend policy that will enable the Bank to weather the uncertainties and volatilities in the market; comply with the requirements of Basel III and the BSP; maintain strong credit ratings; minimize the need for capital calls in the medium-term; and provide a capital base for business expansion that will create value over the long-term for all stakeholders. In declaring dividend pay-outs, Security Bank uses a combination of regular and special dividends such that the total dividend pay-out shall range from 15% to 30% of the prior year's NIAT.

Capital structure is managed in the light of changes in economic conditions, risk characteristics of activities and assessment of prospective business directions. Capital management begins with an assessment of regulatory capital and capital adequacy, followed by the determination of the optimal capital structure based on a risk-based capital planning approach, taking into consideration risk appetite, risk exposures, provision of a capital buffer, capital mix, leverage, target return on equity (ROE), opportunities in the capital markets and sustainability.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities within the past three (3) years.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following tables present information from the Bank's Consolidated Financial Statements as of December 31, 2023 and 2022, and for the three years ended December 31, 2023, 2022 and 2021 as audited by SGV, independent public accountants.

(in million pesos)

Key Statement of Financial Position Data:

	As of December 31		
	2023	2022	2021
Total Assets	871,509	842,291	699,617
Total Deposit Liabilities	606,531	605,837	523,589
Loans and Receivables (net)	538,329	502,617	448,584
Total Liquid Assets	302,775	313,492	230,454
Total Earning Assets	795,462	753,338	629,053
Total Equity	136,130	125,848	125,070

(in million pesos)

Key Statements of Income Data:

	For the Years Ended December 31		
	2023	2022	2021
Interest Income	49,095	36,755	32,903
Interest Expense	14,361	7,509	5,447
Net Interest Income	34,734	29,246	27,456
Other Income	8,224	10,389	9,354
Operating Expenses	26,099	22,909	21,284
Provision for Credit and Impairment Losses	4,801	2,841	5,265
Provision for Income Tax	2,953	3,330	3,345
Net Income	9,105	10,556	6,917
Attributable to Minority Interest	-	-	-
Attributable to Equity Holders of the Parent Company	9,105	10,556	6,917
Earnings per Share (weighted/adjusted)	₱12.08	₱14.00	₱9.17

Key Performance Indicators

The Bank monitors its performance and benchmarks itself with the other players in the banking industry in terms of the following indicators:

Key Performance Indicators:	December 31		
	2023	2022	2021
<u>Capital Adequacy</u>			
Capital to Risk Assets Ratio	16.19%	16.60%	19.75%
<u>Asset Quality</u>			
Non-performing Loan (NPL) Ratio	1.37%	1.05%	1.47%
Non-performing Loan (NPL) Cover	82.13%	101.12%	92.67%
<u>Profitability</u>			
Return on Average Equity	6.95%	8.42%	5.57%
Net Interest Margin	4.49%	4.23%	4.43%
Cost to Income	60.75%	57.80%	57.82%
<u>Liquidity</u>			
Liquid Assets to Total Assets	34.74%	37.22%	32.94%

The manner by which the Bank calculates the above indicators is as follows:

Key Performance Indicator	BSP Prescribed Formula
Capital to Risk Assets Ratio	$\frac{\text{Total Qualifying Capital}}{\text{Market, Credit and Operational Risk Weighted Exposures}}$
Non-performing Loan (NPL) Ratio (Based on Circulars 941 and 1011)	$\frac{\text{Non-performing Loans (net of specific allowance)}}{\text{Gross Loans}}$
Non-performing Loan (NPL) Cover (Based on Circulars 941 and 1011)	$\frac{\text{Allowance for Probable Losses Loans}}{\text{Non-performing Loans (gross of specific allowance)}}$
Liquid Assets to Total Assets	$\frac{\text{Total Liquid Assets}}{\text{Total Assets}}$
Return on Average Equity	$\frac{\text{Net Income (or Loss) after Income Tax x 100}}{\text{Average Total Capital Accounts}}$
Net Interest Margin	$\frac{\text{Net Interest Income x 100}}{\text{Average Interest Earning Assets}}$

2023 versus 2022 Results of Operations

Financial Position

Total Assets increased by 3.47% to ₱871.5 billion on account of increases in Cash and Other Cash Items, Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through Other Comprehensive Income, Investment Securities at Amortized Cost, Loans and Receivables - Net, Investment in Subsidiaries and Joint Ventures, Property, Equipment and Right-of-use – Net, Investment Properties – Net, Deferred Tax Assets and Intangible Assets tempered by decreases in Due from BSP, Due from Other Banks, Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA) with BSP and Other Assets.

Increase in **Cash and Other Cash Items** by ₱0.8 billion or 5.8% can be attributed to the Bank's daily operations while decrease in **Due from BSP** by ₱17.2 billion or 27.3% is due to asset-liability management. **Due from Other Banks** decreased by 40.2% or ₱8.1 billion due to decreased level of working balances with counterparty banks. **Interbank Loans Receivable and SPURA with the BSP** decreased by ₱23.4 billion or 85.2% due to decreased level of placements.

Financial Assets at Fair Value Through Profit or Loss increased by ₱3.3 billion or 43.9% to ₱10.9 billion due to trading related activities of the Bank. **Financial Assets at Fair Value through Other Comprehensive Income** increased by ₱27.0 billion to ₱139.9 billion or 23.9% mainly due to purchases during the year.

Investment Securities at Amortized Cost increased to ₱76.2 billion by ₱6.9 billion or 10.0% mainly due to purchases of corporate bonds and government securities during the period.

Loans and Receivables increased by 7.1% to ₱538.3 billion from ₱502.6 billion in 2022 primarily attributable to increase in consumer and residential mortgages lending during the period.

Investments in Subsidiaries and Joint Ventures represent Parent Company's 60.0% interest in SBML and 49.96% interest in SBF). Increased by 7.6% or ₱184.5 million mainly due to an increase in share in net income.

Property, Equipment and Right-of-use Assets increased by 21.8% to ₱6.4 billion due to additions during the year, while **Investment Properties** increased by 49.5% to ₱4.8 billion due to real and other properties foreclosed during the year.

Deferred Tax Assets increased by 17.6% from ₱4.9 billion as of year-end 2022 to ₱5.7 billion in 2023.

Intangible Assets grew by 33.0% to ₱5.0 billion with the additional software costs during the period.

Other Assets decreased by 13.4% to ₱5.0 billion from ₱5.8 billion due to decrease in cash collateral deposits, pension assets and due from brokers tempered by increase in prepaid expenses and rental and security deposits.

Total Liabilities increased by 2.6% or ₱19.0 billion to ₱735.4 billion on account of increases in Deposit Liabilities, Financial Liabilities at Fair Value through Profit or Loss, Bills Payable and Securities Sold Under Repurchase Agreements (SSURA), Acceptances Payable, Manager's and Certified Checks Outstanding, Income Tax Payable, Notes and Bonds Payable, Accrued Interest, Taxes and Other Expenses and Other Liabilities tempered by decrease in Margin Deposits and Cash Letters of Credit.

Deposit Liabilities went up by 0.1% from ₱605.8 billion as of year-end 2022 to ₱606.5 billion mainly contributed by the increase in Time and Demand Deposits tempered by the LTNCD's maturities during the period amounting to ₱8.6 billion and ₱5.8 billion matured on May 8, 2023 and November 2, 2023, respectively.

Financial Liabilities at Fair Value through Profit or Loss increased by 69.4% to ₱3.0 billion. **Bills Payable and SSURA** increased by 25.5% to ₱51.3 billion due to an increase in the Bank's repo transactions during the period.

Acceptances Payable increased by 156.4% to ₱2.8 billion. **Margin Deposits and Cash Letters of Credit** decreased by 10.0% to ₱57.6 million. **Manager's and Certified Checks Outstanding** at ₱5.2 billion increased by ₱1.1 billion or 27.0%.

Income Tax Payable increased to ₱802.1 million from year-end 2022's ₱198.3 million due to higher income tax liability for the 4th quarter of 2023 versus the last quarter of 2022. **Notes and Bonds Payable** increased by ₱1.9 billion or 3.9% mainly due to bond issuance of fixed rate bonds amounting to ₱18.5 billion on July 13, 2023 tempered by maturity of \$300.0 million (₱17.1 billion) senior unsecured notes. **Accrued Interest, Taxes and Other Expenses** increased by 16.6% to ₱4.8 billion. **Other Liabilities** went up by 5.9% to ₱11.9 billion.

Total Equity grew by 8.2% to ₱136.1 billion on account of net income during the period and decrease in net unrealized loss on debt instruments at fair value through other comprehensive income.

Surplus was up by 7.4% due to the net income during the period. **Net Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income of the Parent** decreased by 40.1% due to improved market valuation of outstanding debt securities. **Cumulative Foreign Currency Translation** decreased by ₱23.1 million.

The **Capital Adequacy Ratio (CAR)** is 16.19% in December 2023. This is well above BSP minimum requirement of 10%, indicative of the sufficiency of the Bank's capital to support the current level of its risk assets.

Results of Operations

Net income attributable to the Bank's equity holders amounted to ₱9.1 billion for the year ended December 31, 2023 from a year ago level of ₱10.6 billion or a decrease of 13.7%. This translates to earnings per share of ₱12.08 from 14.00 for the period ended December 31, 2022.

Interest Income ended higher than prior period by 33.6% or ₱12.3 billion. **Interest Income on Loans and Receivables** amounted to ₱38.1 billion from ₱29.7 billion or an increase of 28.5% from the same period last year due to higher volume of Loans & Receivables on a period-on-period basis. **Interest income on Financial assets at fair value through other comprehensive income and investment securities at amortized cost** increased by 46.3% or ₱2.7 billion on account of higher securities portfolio. **Interest income on Financial assets at fair value through profit or loss** increased by ₱544.2 million due to higher interest rates and volume in 2023. Increase in **Interest Income on Interbank Loans**

Receivables and SPURA with the BSP by 165.7% or ₱619.8 million was due to the increase in volume of placements during the period. **Deposits with Banks and Others** increased by 17.8% due to the increase in volume of transactions.

Interest Expense increased by 91.3% or ₱6.9 billion from prior period. **Interest Expense on Deposits** increased by 62.5% or ₱3.2 billion due to an increase in volume and interest rate of deposits on a period-on-period basis. **Interest Expense on Notes and Bonds Payable, Bills Payable and SSURA and Other Borrowings** increased by 175.4% or ₱3.5 billion mainly due to increase in SSURA and issuance of fixed rate bonds amounting to ₱18.5 billion on July 13, 2023 tempered by maturity of \$300.0 million senior unsecured notes. **Interest Expense on Derivative Instruments** increased by ₱205.7 million. **Interest Expense on Lease Liabilities** increased by 13.3% or ₱9.5 million compared to 2022 on a period-on-period basis.

Net Interest Income increased to ₱34.7 billion, 18.8% or grew by ₱5.5 billion compared to 2022 on a period-on-period basis.

Other Income decreased to ₱8.2 billion or a decrease of 20.8% mainly due to a decrease in **Foreign Exchange-Net** by ₱3.1 billion and in **Profit from Assets Sold/Exchanged** by ₱285.0 million during the period on account of lower gains on acquisition and sale of foreclosed assets. **Gain on redemption of Investment Securities at Amortized Cost** decreased by ₱4.0 million. **Miscellaneous Income** decreased by ₱22.4 million. **Service Charges, Fees and Commissions** increased by ₱783.0 million or 14.8%, due to higher transaction volumes and the increase in **Share in Net Income of Joint Ventures** by ₱32.2 million is attributable to the Bank's share in the net income of SBM Leasing, Inc. and SBF during the period. **Securities Trading Gain** increased by ₱314.4 million.

Operating expenses (excluding provisions for credit and impairment losses) were higher by 13.9%. **Compensation and Fringe Benefits** increased by 18.2%. **Amortization of Software Costs** and **Miscellaneous Expenses** increased by 22.5% and 16.2%, respectively while **Taxes and Licenses** increased by 4.4%. **Depreciation and Amortization** increased by 1.7% while **Occupancy Costs** increased by 5.0%.

Provision for Credit Losses increased by ₱2.0 billion as a result of the Bank's proactive stance towards the current economic environment. **Provision for impairment losses** decreased by ₱72.4 million.

Provision for Income Tax amounting to ₱3.0 billion for the period ended December 31, 2023 decreased by ₱376.1 million, mainly due to higher benefit from deferred income tax.

Total Comprehensive Income for the period ended December 31, 2023 increased to ₱12.5 billion from ₱3.0 billion in 2022 on a period-on-period basis on account of lower net unrealized loss on financial assets at fair value through other comprehensive income tempered by lower net income.

2022 versus 2021 Results of Operations

Financial Position

Total Assets increased by 20.39% to ₱842.3 billion on account of increases in Cash and Other Cash Items, Due from Other Banks, Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through Other Comprehensive Income, Investment Securities at Amortized Cost, Loans and Receivables - Net, Investment in Subsidiaries and Joint Ventures, Property, Equipment and Right-of-use – Net, Investment Properties – Net, Intangible Assets and Other Assets tempered by decreases in Due from BSP, Interbank Loans Receivable and SPURA with BSP and Deferred Tax Assets.

Increase in **Cash and Other Cash Items** by ₱2.1 billion or 18.9% can be attributed to the Bank's daily operations while decrease in **Due from BSP** by ₱4.4 billion or 6.5% is due to asset-liability management. **Due from Other Banks** increased by 53.1% or ₱7.0 billion due to increased level of working balances with counterparty banks. **Interbank Loans Receivable and SPURA with the BSP** decreased by ₱1.9 billion or 6.5% due to decreased level of placements.

Financial Assets at Fair Value Through Profit or Loss increased by ₱0.6 billion or 9.3% to ₱7.6 billion due to trading-related activities of the Bank. **Financial Assets at Fair Value through Other Comprehensive Income** increased by ₱32.2 billion to ₱112.9 billion or 39.9% mainly due to purchases during the year.

Investment Securities at Amortized Cost increased to ₱69.2 billion by ₱47.4 billion or 217.0% mainly due to purchases of government securities and corporate bonds during the period.

Loans and Receivables increased by 12.0% to ₱502.6 billion from ₱448.6 billion in 2021 primarily attributable to additions in corporate lending during the period and the decrease in Group's provisions for credit losses during the year.

Investments in Subsidiaries and Joint Ventures represent Parent Company's 60.0% interest in SBML and 49.96% interest in SBF. Increased by 58.5% or ₱900.3 million mainly attributed to the second tranche of capital infusion from the Parent Company and Bank of Ayudhya Public Company Ltd. (BAY), commonly known as Krungsri obtained on January 18, 2022.

Property, Equipment and Right-of-use Assets increased by 1.8% to ₱5.3 billion due to additions during the year, while **Investment Properties** increased by 170.9% to ₱3.2 billion due to real and other properties foreclosed during the year.

Deferred Tax Assets decreased by 7.5% from ₱5.2 billion as of year-end 2021 to ₱4.9 billion in 2022. **Intangible Assets** grew by 16.0% to ₱3.7 billion with the additional software costs during the period.

Other Assets increased by 73.4% to ₱5.8 billion from ₱3.4 billion due to the increase in cash collateral deposits and other properties acquired tempered by decrease in pension assets and creditable withholding taxes.

Total Liabilities increased by 24.7% or ₱141.9 billion to ₱716.4 billion on account of increases in Deposit Liabilities, Financial Liabilities at Fair Value through Profit or Loss, Bills Payable and SSURA, Acceptances Payable, Margin Deposits and Cash Letters of Credit, Income Tax Payable, Notes and Bonds Payable, Accrued Interest, Taxes and Other Expenses and Other Liabilities tempered by decrease in Manager's and Certified Checks Outstanding.

Deposit Liabilities went up by 15.7% from ₱523.6 billion as of year-end 2021 to ₱605.8 billion mainly contributed by the increase in Time and Demand Deposits.

Financial Liabilities at Fair Value through Profit or Loss increased by 36.4% to ₱1.8 billion. **Bills Payable and SSURA** increased by 1,081.2% to ₱40.9 billion due to an increase in the Bank's repo transactions and borrowings from local banks during the period.

Acceptances Payable increased by 8.36% to ₱1.1 billion. **Margin Deposits and Cash Letters of Credit** increased by 59.1% to ₱63.9 million. **Manager's and Certified Checks Outstanding** at ₱4.1 billion decreased by ₱118.3 million or 2.8%.

Income Tax Payable increased to ₱198.3 million from year-end 2021's ₱85.8 million due to higher income tax liability for the 4th quarter of 2022 versus the last quarter of 2021. **Notes and Bonds Payable** increased by ₱18.4 billion or 64.0% mainly due to bond issuance of fixed rate bonds amounting to ₱16.0 billion and ₱14.6 billion on July 20, 2022 and November 10, 2022, respectively, tempered by maturity of ₱13.5 billion fixed rate bonds on July 24, 2022. **Accrued Interest, Taxes and Other Expenses** increased by 43.4% to ₱4.2 billion. **Other Liabilities** went up by 21.4% to ₱11.2 billion.

Total Equity grew by 0.6% to ₱125.8 billion on account of net income during the period tempered by the increase in net unrealized loss on debt instruments at fair value through other comprehensive income. **Surplus** was up by 10.1% due to the net income during the period. **Net Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income of the Parent** increased by 352.2% due to decrease in market valuation of outstanding debt securities. **Cumulative Foreign Currency Translation** decreased by ₱186.4 million.

The **CAR** is 16.60% in December 2022. This is well above BSP minimum requirement of 10%, indicative of the sufficiency of the Bank's capital to support the current level of its risk assets.

Results of Operations

Net income attributable to the Bank's equity holders amounted to ₱10.6 billion for the year ended December 31, 2022 from a year ago level of ₱6.9 billion or an increase of 52.6%. This translates to earnings per share of ₱14.00 from ₱9.17 for the period ended December 31, 2021.

Interest Income ended higher than prior period by 11.7% or ₱3.9 billion. **Interest income on Financial assets at fair value through other comprehensive income and investment securities at amortized cost** increased by 80.1% or ₱2.6 billion on account of the additional securities. **Interest Income on Loans and Receivables** amounted to ₱29.7 billion from ₱28.1 billion or an increase of 5.8% from the same period last year due to higher volume of Loans & Receivables on a period-on-period basis. **Interest income on Financial assets at fair value through profit or loss** increased by ₱96.7 million due to higher securities portfolio. Increase in **Interest Income on Interbank Loans Receivables and SPURA with the BSP** by 16.7% or ₱53.5 million was due to the increase in volume of placements during the period. **Deposits with Banks and Others** declined by 85.8% due to a decrease in volume of transactions.

Interest Expense increased by 37.8% or ₱2.1 billion from prior period. **Interest Expense on Deposits** increased by 71.5% or ₱2.1 billion due to increase in volume on a period-on-period basis. **Interest Expense on Derivative Instruments** increased by ₱57.6 million. **Interest Expense on Notes and Bonds Payable, Bills Payable and SPURA and Other Borrowings** dropped by 4.1% or ₱85.9 million mainly due to maturity of ₱13.5 billion and ₱18.0 billion fixed rate bonds on July 24, 2022 and June 28, 2021, respectively, tempered by bond issuance of fixed rate bonds amounting to ₱16.0 billion and ₱14.6 billion on July 20, 2022 and November 10, 2022, respectively. **Interest Expense on Lease Liabilities** decreased by 14.9% or ₱12.5 million compared to 2021 on a period-on-period basis.

Net Interest Income increased to ₱29.2 billion, 6.5% or grew by ₱1.8 billion compared to 2021 on a period-on-period basis.

Other Income increased to ₱10.4 billion or an increase of 11% mainly due to an increase in **Foreign Exchange Gains** by ₱796.4 million and in **Service Charges, Fees and Commissions** by ₱754.1 million or 16.6%, due to higher transaction volumes. **Miscellaneous Income** increased by ₱430.8 million and **Profit from Assets Sold/Exchanged** increased by ₱106.0 million during the period on account of higher gains on acquisition and sale of foreclosed assets. The increase in **Share in Net Income of Joint Ventures** by ₱66.0 million is attributable to the Bank's share in the net income of SBM Leasing, Inc. and SBF during the period. **Gain on redemption of Investment Securities at Amortized Cost** decreased by ₱62.0 million and **Securities Trading Gain** decreased by ₱1.1 billion.

Operating expenses (excluding provisions for credit and impairment losses) were higher by 7.6%. **Compensation and Fringe Benefits** increased by 8.9%. **Amortization of Software Costs** and **Miscellaneous Expenses** increased by 52.1% and 13.8%, respectively while **Taxes and Licenses** decreased by 7.3%. **Depreciation and Amortization** decreased by 2.7% while **Occupancy Costs** decreased by 1.4%.

Provision for Credit Losses decreased by ₱2.6 billion due to overall improvement in non-performing loans. **Provision for impairment losses** grew by ₱222.2 million mainly due to impairment from investment properties and other properties acquired.

Provision for Income Tax amounted to ₱3.3 billion for the period ended December 31, 2022 decreased by ₱15.1 million, mainly due to lower provision for deferred income tax.

Total Comprehensive Income for the period ended December 31, 2022 decreased to ₱3.0 billion from ₱4.0 billion in 2021 on a period-on-period basis on account of higher net unrealized loss on financial assets at fair value through other comprehensive income tempered by higher net income.

2021 versus 2020 Results of Operations

Financial Position

Total Assets increased by 7.16% to ₱699.6 billion on account of increases in Due from BSP, Due from Other Banks, Interbank Loans Receivable SPURA with BSP, Financial Assets at Fair Value through Other Comprehensive Income, Loans and Receivables – Net, Investment in Subsidiaries and Joint Ventures, Investment Properties – Net and Intangible Assets tempered by decreases in Cash and Other Cash Items, Financial Assets at Fair Value through Profit or Loss, Investment Securities at Amortized Cost, Property, Equipment and Right-of-use – Net and Deferred Tax Assets and Other Assets.

Decrease in **Cash and Other Cash Items** by ₱2.2 billion or 16.7% can be attributed to the Bank's daily operations while increase in **Due from BSP** by ₱20.0 billion or 42.2% is due to asset-liability management. **Due from Other Banks** increased by 30.8% or ₱3.1 billion due to increased level of working balances with counterparty banks. **Interbank Loans Receivable and SPURA with BSP** increased by ₱10.8 billion or 57.9% due to increased level of placements.

Financial Assets at Fair Value Through Profit or Loss decreased by ₱3.8 billion or 35.6% to ₱6.9 billion due to trading related activities of the Bank. **Financial Assets at Fair Value through Other Comprehensive Income** increased by ₱11.9 billion to ₱80.7 billion or 17.3% mainly due to purchases during the year.

Investment Securities at Amortized Cost decreased to ₱21.8 billion by ₱1.6 billion or 6.7% mainly due to maturities and redemptions during the year.

Loans and Receivables increased by 2.2% to ₱448.6 billion from ₱438.9 billion in 2020 primarily attributable to additions during the period and the decrease in Group's provisions for credit losses during the year.

Investments in Subsidiaries and Joint Ventures represent Parent Company's 60.0% interest in SBML and 49.76% interest in SBF. Increased by 117.3% or ₱831.3 million mainly attributed to the first tranche of capital infusion from the Parent Company and BAY, commonly known as Krungsri obtained in May 2021.

Property, Equipment and Right-of-use Assets decreased by 6.0% to ₱5.2 billion due to depreciation and amortization during the year, while **Investment Properties** increased by 8.3% to ₱1.2 billion due to real and other properties foreclosed during the year.

Deferred Tax Assets decreased by 27.8% from ₱7.3 billion as of year-end 2020 to ₱5.2 billion in 2021. **Intangible Assets** grew by 18.4% to ₱3.2 billion with additional software costs during the period.

Other Assets decreased by 5.7% to ₱3.4 billion from ₱3.6 billion due to decrease in cash collateral deposits and other properties acquired tempered by an increase in pension assets.

Total Liabilities increased by 8.5% or ₱45.0 billion to ₱574.5 billion on account of increases in Deposit Liabilities, Financial Liabilities at Fair Value through Profit or Loss, Acceptances Payable, Manager's and Certified Checks Outstanding and Income Tax Payable tempered by decreases in Bills Payable and SSURA, Margin Deposits and Cash Letters of Credit, Notes and Bonds Payable, Accrued Interest, Taxes and Other Expenses and Other Liabilities.

Deposit Liabilities went up by 18.9% from ₱440.4 billion as of year-end 2020 to ₱523.6 billion mainly contributed by the increase in Time and Demand Deposits.

Financial Liabilities at Fair Value through Profit or Loss increased by 17.0% to ₱1.3 billion. **Bills Payable and SSURA** decreased by 83.6% to ₱3.5 billion due to a decrease in the Bank's repo transactions and borrowings from foreign banks during the period.

Acceptances Payable increased by 128.7% to ₱1.0 billion. **Margin Deposits and Cash Letters of Credit** decreased by 35.0% to ₱40.2 million. **Manager's and Certified Checks Outstanding** at ₱4.2 billion decreased by ₱0.4 billion or 9.3%.

Income Tax Payable increased to ₱85.8 million from year-end 2020's ₱61.5 million due to lower income tax liability for the 4th quarter of 2021 versus the last quarter of 2020. **Notes and Bonds Payable** decreased by ₱17.0 billion or 37.2% due to maturity of ₱18.0 billion fixed rate bonds on June 28, 2021. **Accrued Interest, Taxes and Other Expenses** decreased by 23.0% to ₱2.9 billion. **Other Liabilities** went down by 29.3% to ₱9.2 billion.

Total Equity grew by 1.4% to ₱125.1 billion on account of net income during the period. **Surplus** was up by 6.7% due to the net income during the period. **Net Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income of the Parent** decreased by 201.0% due to decrease in market valuation of outstanding debt securities. **Cumulative Foreign Currency Translation** increased by ₱761.8 million.

The **CAR** is 19.75% in December 2021. This is well above BSP minimum requirement of 10% and international standard of 8%, indicative of the sufficiency of the Bank's capital to support the current level of its risk assets.

Results of Operations

Net income attributable to the Bank's equity holders amounted to ₱6.9 billion for the year ended December 31, 2021 from a year ago level of ₱7.4 billion or a decrease of 6.9%. This translates to earnings per share of ₱9.17 from ₱9.86 for the period ended December 31, 2020.

Interest Income ended lower than prior period by 18.5% or ₱7.4 billion mainly on account of tempered asset levels and lower market yields on the Bank's loan and investment portfolios. **Interest Income on Loans and Receivables** amounted to ₱28.1 billion from ₱34.0 billion from the same period last year due to lower volume of Loans & Receivables on a period-on-period basis. **Interest income on Financial assets at fair value through other comprehensive income and investment securities at amortized cost** decreased by 8.8% or ₱312.0 million on account of the disposal of securities. **Deposits with Banks and Others** grew by 1,028.3% due to an increase in volume of transactions. **Interest income on Financial assets at fair value through profit or loss** dropped by ₱1.6 billion due to lower securities portfolio. Decrease in **Interest Income on Interbank Loans Receivables and SPURA with the BSP** by 21.0% or ₱85.4 million was due to the decrease in volume of placements during the period.

Interest Expense decreased by 43.9% or ₱4.3 billion from prior period. **Interest Expense on Deposits** decreased by 43.3% or ₱2.2 billion due to decrease in volume of high yielding deposits on a period-on-period basis and the resulting improvement in deposit mix in favor of lower yielding deposits. **Interest Expense on Derivative Instruments** decreased by ₱0.7 billion. **Interest Expense on Subordinated Note, Notes and Bonds Payable, Bills Payable and SPURA and Other Borrowings** dropped by 38.3% or ₱1.3 billion mainly due to maturity of ₱18.0 billion fixed rate bonds on June 28, 2021, as well as decrease in the Bank's repo transactions and borrowings from foreign banks during the period. **Interest Expense on Lease Liabilities** decreased by 39.9% to ₱0.1 billion compared to 2020 on a period-on-period basis.

Net Interest Income decreased to ₱27.5 billion, 10.4% or dropped by ₱3.2 billion compared to 2020 on a period-on-period basis.

Other Income decreased to ₱9.4 billion mainly due to decrease in **Securities Trading Gain** by ₱10.0 billion and **Gain on Disposal of Investment Securities at Amortized Cost** by ₱2.2 billion as there was no disposal of investment securities at amortized cost in 2021. **Foreign Exchange Gains** decreased by ₱267.0 million, **Profit from Assets Sold/Exchanged** increased by ₱1.1 billion during the period on account of higher gains on acquisition and sale of foreclosed assets. **Miscellaneous Income** decreased by ₱240.1 million mainly due to the sale 50% sale of outstanding shares of SBF to Krungsri in 2020 wherein the Bank recorded a gain from sale amounting to ₱933.1 million. **Service Charges, Fees and Commissions** increased by ₱0.9 billion or 24.7% due to higher transaction volumes. The increase in **Share in Net Income of Joint Ventures** by ₱276.3 million is attributable to the Bank's share in the net income of SBM Leasing, Inc. and SBF during the period.

Operating expenses (excluding provisions for credit and impairment losses) were higher by 8.0%. **Taxes and Licenses** decreased by 1.2%. **Occupancy Costs** increased by 6.4%. **Compensation and Fringe Benefits** increased by 8.1% while **Provision for Credit Losses** decreased by ₱21.1 billion due to overall improvement in non-performing loans. **Depreciation and Amortization** increased by 8.1%. **Amortization of Software Costs** and **Miscellaneous Expenses** increased by 17.1% and 11.9%, respectively. **Provision for impairment losses** dropped by ₱50.3 million mainly due to recovery of impairment losses from property and equipment.

Provision for Income Tax amounted to ₱3.3 billion for the period ended December 31, 2021 in comparison to ₱3.2 billion benefit from income tax in 2020, mainly due to lower tax benefit from provision for credit losses and impact of CREATE law. This is tempered by lower provision for current tax mainly due to the benefit of lower tax rate for CREATE law.

Total Comprehensive Income for the period ended December 31, 2021 decreased to ₱4.0 billion from ₱7.3 billion in 2020 on a period-on-period basis on account of lower net income and higher net unrealized loss on financial assets at fair value through other comprehensive income.

Liquidity

The Bank's liquidity is adequate with a liquid-assets-to-total-assets ratio of 34.74% in 2023, 37.22% in 2022, and 32.94% in 2021. Liquid assets consist of cash and other cash items, due from BSP, due from other banks, interbank loans receivable, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment securities at amortized cost.

Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

There were no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Off-Balance Sheet Transactions, Arrangements, Contingent Obligations and Other relationships of the company with unconsolidated entities or other persons

The Bank has outstanding commitments, contingent liabilities, bank guarantees and tax assessments that arose from the normal course of operations. The Bank does not anticipate losses that will materially affect its financial position and results of operations as a result of these transactions.

The following is a summary of the Group's commitments and contingent liabilities at their equivalent peso contractual amounts:

Group's commitments and contingent liabilities

(in million pesos)

	2023	2022	2021
Derivatives	₱370,310	₱193,974	₱182,388
Trust department accounts	108,625	95,117	83,800
Unutilized credit limit of credit cardholders	89,917	53,159	35,573
Unused commercial letters of credit	46,506	37,521	29,753
Spot foreign exchange contracts	18,858	3,040	3,858
Committed loan line	18,784	32,470	22,581
Inward bills for collection	1,616	951	353
Outstanding guarantees	834	900	1,407
Late deposit/payment received	308	588	38
Financial guarantees with commitment	254	28	33
Outward bills for collection	232	423	83
Others	251	-	-

Material Commitments for Capital Expenditures

The Bank's commitments for capital expenditures will be funded out of cash flows from operations. This covers investments in electronic systems to comply with regulatory requirements (e.g. electronic money laundering monitoring system), investments in other systems (e.g. credit evaluation system), upgrades of existing systems (e.g. telecommunications system), expansion of the Bank's electronic banking channels, ATM installations, renovation or relocation or branch premises, and investments for new branches.

Material Impact on Income from Continuing Operations

In the normal course of operations, the Bank's activities are affected by changes in interest rates, foreign currency exchange rates and other market changes. The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates and foreign currency exchange rates are kept within acceptable limits and within regulatory guidelines.

Significant Elements of Income or Loss that did not arise from Continuing Operations

There are no significant elements of income or loss that did not arise from the continuing operations of the Bank.

Seasonal aspects that have a material effect on the financial position or results of operations.

The Bank's financial position or results of operations are not affected by seasonal aspects.

Future Prospects

The Philippine economy presents a compelling outlook for sustained growth. First, robust domestic consumption is anticipated to persist, driven by a rising urban middle class with increasing disposable income, as evidenced by sustained domestic spending amidst inflation and elevated interest rates. Second, the Philippines continues to benefit from a steady stream of remittances from overseas Filipino workers, constituting a significant pillar of the national economy. Third, the business process outsourcing (BPO) and information technology (IT) sectors are experiencing a dynamic expansion, attracting foreign investment, and propelling export growth. Fourth, the government's commitment to infrastructure development and attracting foreign direct investments are fostering improved connectivity and creating an environment conducive to further business activity. Finally, the tourism sector, a vital contributor to the Philippine economy, is expected to see a full recovery in the near term, generating additional revenue streams. These multifaceted growth drivers, combined with the Philippines' advantageous demographic dividend of a young and expanding population, serve as powerful tailwinds to prospects.

ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements of the Bank are filed as part of this Form 17-A (please refer to Financial Statements and Supplementary Schedules on page 73).

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

1) External Audit Fees and Services

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the Group's external auditors are summarized as follows:

Nature of Services Rendered	Aggregate Fees (in millions)	
	2023	2022
Regular Audit of the Group's Financial Statements	₱13.13	₱11.15
Tax Fees	—	—
Other Fees	—	9.33
Total Fees	₱13.13	₱20.48

The fees for the audit of the Group's annual financial statements are ₱13.13 million and ₱11.15 million for 2023 and 2022, respectively. In 2022, the Bank engaged the services of SyCip Gorres Velayo & Co (SGV) for digital forensics and fraud investigations, bank-wide third-party vulnerability assessment and penetration testing of the Bank's critical applications and infrastructure, advisory for business model assessment under PFRS 9 and corporate governance training with engagement fees of ₱3.8 million, ₱2.5 million, ₱0.5 million and ₱0.3 million, respectively. The Bank also engaged the services of SGV for sustainability linked product validation framework with the related engagement fees of ₱2.2 million in 2022.

Audit Committee's Approval Policies and Procedures for the Above Services

The Bank's Audit Committee is responsible for the annual selection of the external auditor based on established criteria and endorses the same to the BOD for approval.

Before the start of each year's audit, the external auditor presents to the Audit Committee for approval the audit fee as well as the proposed audit plan which includes the scope, areas of focus and timing of the audit. Results of the audit are being reviewed and endorsed by the Audit Committee to the BOD for approval.

For non-audit services, the Audit Committee also reviews the scope, approach, and related fees before the start of the engagement.

2) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with SGV, the Bank's external auditor, on accounting and financial disclosure.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

a) Directors

THE BOD/NOMINEES FOR THE TERM 2024-2025

Name	Position	Date Elected to the Board	Citizenship	Age*
Frederick Y. Dy	Chairman Emeritus	April 4, 1989	Filipino	68
Cirilo P. Noel	Interim Chairman	April 24, 2018	Filipino	66
Diana P. Aguilar	Director	April 26, 2017	Filipino	60
Daniel S. Dy	Director / Executive Director	April 27, 2021	Filipino	37
Nobuya Kawasaki	Director	April 25, 2023	Japanese	51
Maria Cristina A. Tingson	Director	June 27, 2023	Filipino	63
Juichi Umeno	Director/Alliance Segment Head	April 25, 2023	Japanese	49
Sanjiv Vohra	Director/President & CEO	July 1, 2019	Indian	62
Gerard H. Brimo	Independent Director	April 30, 2019	Filipino	72
Enrico S. Cruz	Independent Director	August 1, 2019	Filipino	66
Esther Wileen S. Go	Independent Director	April 27, 2021	Filipino	53
Dr. Jikyeong Kang	Independent Director	April 26, 2017	British	62
Jose Perpetuo M. Lotilla	Independent Director	April 27, 2021	Filipino	67
Napoleon L. Nazareno	Lead Independent Director	April 26, 2017	Filipino	74
Stephen G. Tan	Independent Director	New Nominee for Election	Filipino	47

*Age as of December 31, 2023

FREDERICK Y. DY, 68, Filipino, was elected Chairman Emeritus on April 28, 2015. He was elected Vice Chairman of the Board on April 4, 1989 before assuming the Chairman's position from April 1991 to April 2015. He is the Chairman of St. Luke's Medical Center (since August 2011).

CIRILO P. NOEL, 66, Filipino, was elected to the Board on April 24, 2018, and appointed as Vice Chairman in April 2020. He is the interim Chairman since May 2023. He is the Chairman of the Executive Committee and Vice Chairman of the Senior Credit, Corporate Governance, and Audit Committees, and a member for the Risk Oversight Committee.

He is the Chairman of Palm Concepcion Power Corporation (since June 2018), Juxtapose Ergo Consultus, Inc. (since May 2019), and Confiar Land Corp since September 2021.

He is a member of the Board of Directors of Eton Properties, Inc. (since April 2019), Transnational Diversified Group Holdings (since August 2019), Amber Kinetics Holdings Co., PTE Ltd. (since March 2018), PLC-Globe Telecom, Inc. (since April 2018), LH Paragon Group, Golden ABC (since January 2018), PLC-San Miguel Foods and Beverage, Inc. (since September 2018), PLC-Robinsons Retail Holdings (since August 2020), and PLC-First Philippine Holdings Corporation (since May 2021).

He is a member of the Board of Trustees of St. Luke's Medical Center Quezon City (since August 2017) and St. Luke's Medical Center College of Medicine (since September 2018). He sits as a board member of St. Luke's Medical Center-Global City (since August 2017) and St. Luke's Foundation, Inc. (since August 2018).

He is currently affiliated with the Makati Business Club, Harvard Law School Association of the Philippines, and Harvard Club of the Philippines.

He was a member of the Board of Directors of Philippine Airlines (from 2018 to 2019), PLC-PAL Holdings, Inc. (from 2018 to 2019), and PLC-JG Summit Holdings (from 2018 to 2021).

He was recognized as the 2019 Outstanding Professional of the Year in the field of Accountancy by the Professional Regulations Commission for his distinguished contributions to the fields of accountancy, tax, and law. He was also awarded as one of the 75 Most Outstanding UE Alumni by the University of the East in 2021. In March 2023, he was presented the Accountancy Centenary Award of Excellence by the Professional Regulatory Board of Accountancy for being one of the notable CPAs in the country.

Before joining the Bank, he held various positions in SGV & Co., including Chairman (from 2010 to 2017), Managing Partner (from 2009 to 2010), Vice Chairman & Deputy Managing Director (from 2004 to 2009), Head of Tax Division (from 2001 to 2008) and Partner, Tax Services (from 1993 to 2017).

For two terms, he was an E&Y Global Advisory Council member. He was also Ernst & Young (EY) ASEAN Tax Head and Far East Area Tax Leader from 2004 to 2009 and the Presiding Partner of E&Y Asia Pacific Council.

He graduated from the University of the East with a Bachelor of Science degree in Business Administration and obtained his Bachelor of Laws from the Ateneo Law School. He took Master of Laws at Harvard Law School. He is a Harvard International Tax Program fellow and attended the Asian Institute of Management's Management Development Program.

DIANA P. AGUILAR, 60, Filipino, was elected to the Board on April 25, 2017. Prior to this, she was a Director of Security Bank Corporation (November 2010-April 2016) and was appointed Senior Advisor to the Board (July 2016-April 2017).

She is the Chairperson of the Trust Committee and a Member of the Related Party Transactions and Executive Committees. She also serves as Chairperson of SB Capital Investment Corporation (since August 2016).

Ms. Aguilar is an investment banker with extensive experience in capital markets transactions and an entrepreneur with businesses in the fields of information technology and electronic payments, retail trade, and property management. Ms. Aguilar holds concurrent directorships in the fields of investment and commercial banking, social protection, information technology and e-payments, retail and supply chain, education, and property management.

She was also appointed as one of the Commissioners of the Social Security System (since August 2010). She also serves as the Chairperson of the Risk Management and Investment Committee, and Member of the Audit Committee, and the Social Security Commission's Governance Committee.

Ms. Aguilar's concurrent board positions are Chairperson of the Board of Trustees of La Salle Greenhills (since September 2021); Member of La Salle Institute's International Economic Council in Rome (since October 2022); Member of De La Salle Philippines Investment Committee (since July 2018); Member of De La Salle Medical and Health Sciences Institute's Finance Committee of the Board (since November 2022). She also sits as Director of PXP Energy Corporation (since February 2018); an Independent Director, Board Member and Chairperson of the Audit Committee of Makati Medical Center (since July 2018); Consultant Advisor to the Board of Philippine Seven Corporation (since January 2015); Independent Director of Science Park of the Philippines, Inc., (since June 2020); Governor and Vice President of Employers Confederation of the Philippines (since January 2017); and Board Member of Capital Markets Development Board (since 2013).

Her past board positions include Board of Trustees of De La Salle Medical and Health Science Institute (October 2020-November 2022); Member of De La Salle-College of Saint Benilde, Inc. Executive Finance Committee of the Board (July 2020-November 2022); Member of La Salle East Asia Boards LEAD Economic Council and LEAD Investment Board (August 2020-May 2023); Chairperson of Finance Committee and Treasurer of La Salle Greenhills (December 2019-September 2021); Director of PXP Mining Corporation (November 2019-February 2021); Director of Wenphil Corporation (June 2012-October 2019); Director of Electronic Commerce Payments, Inc., (2004-2019); Director of Ionics, Inc., (December 2016-August 2019); Treasurer of De La Salle Santiago Zobel (2004-2017); Director of PXP Energy Corporation (May 2014-March 2017); Director of Philippine Seven Corporation (1999-January 2015), and Director of Phoenix Petroleum Philippines, Inc. (2010-March 2013).

Ms. Aguilar's academic background is in the fields of International Business, Finance and Computer Science. She earned her Master's degree in International Business and Finance, with honors at Pepperdine University, Malibu, California, and her Bachelor of Science Degree in Computer Studies at De La Salle University, Taft Ave., Manila.

DANIEL S. DY, 37, Filipino, was elected to the Board on April 27, 2021.

He is a Senior Vice President and Executive Director. He is a member of the Transformation and Technology, the Executive, the Nominations and Remuneration Committees, and an alternate member of the Senior Credit Committee. He is also a Director of SB Finance, Inc. Mr. Dy has held various positions in Security Bank Corporation since he joined in 2012, working at the intersection of business, technology, and data and taking on a range of front-office and back-office leadership roles. Prior to moving to Manila, he was an Assistant Vice President in the Mortgage-Backed Securities Group of Trust Company of the West in Los Angeles.

He graduated with a Bachelor of Science degree in Economics - Accounting from Claremont McKenna College.

NOBUYA KAWASAKI, 51, Japanese, was elected to the Board on April 25, 2023. He is a member of the Bank's Corporate Governance Committee.

He is a Commissioner of PT Bank Danamon Indonesia, TBK since 2019.

Mr. Kawasaki joined The Bank of Tokyo Mitsubishi, Ltd. (now known as MUFG Bank, Ltd.) in 1997 where he held various roles in areas of global commercial banking, M & A advisory, and corporate finance. He is an Executive Officer & Deputy Group Head of Global Commercial Banking Business Group in pacific rim area.

Prior to his assignment in Global Commercial Banking, he was the Managing Director for the M & A Division of Mitsubishi UFJ Morgan Stanley Securities. Mr. Kawasaki was involved in various M&As including the strategic investment in Bank Danamon in Indonesia, and Security Bank Corporation in the Philippines.

Mr. Kawasaki graduated from Keio University, Tokyo with a Bachelor of Mechanical Engineering. He earned his Master of Mechanical Engineering from the same university.

MARIA CRISTINA A. TINGSON, 63, Filipino, was elected to the Board on June 27, 2023. She is a member of the Bank's Nominations and Remuneration, Senior Credit, and Restructuring Committees.

She is a Director of SB Finance, Inc. (since May 2013) and SB Rental Corporation (since May 2014). She is also the Chairperson of SB Cards Corporation (since May 2019).

Ms. Tingson was an Executive Vice President and Retail Banking Segment Head of Security Bank Corporation (SBC) until December 31, 2022. She was also a member of the Bank's Assets and Liabilities and People Empowerment Committees and an alternate member of the Credit Committee.

She was the President of SB Cards Corporation (2015-2017). Prior to her appointment as President of SB Cards Corporation, she was the Senior Vice President and Head of Corporate Banking until 2013. She joined the Security Bank Corporation as an Account Service Assistant in 1982 and assumed various positions including Relationship Manager and Head of Enterprise Risk Management of the Corporate Banking Division before assuming her position as Corporate Banking Head in 2009.

She holds a Bachelor of Arts degree in Business Administration from Maryknoll College.

JUICHI UMENO, 49, Japanese, was elected to the Board on April 25, 2023.

He is an Executive Vice President and Alliance Segment Head since April 2023. He is a member of the Bank's Risk Oversight Committee.

Mr. Umeno joined The Bank of Tokyo Mitsubishi, Ltd. (now known as MUFG Bank, Ltd.) in 1996 where he held various roles in the areas of strategic industry research, credit assessment, risk management, corporate planning, governance, and financial planning. In terms of the overseas assignment, he was assigned in Singapore from 2013 to 2019 and engaged in the regional planning for Asia. He also served as a Director of MUFG Bank China in charge of risk management from 2020 to 2021. Prior to joining Security Bank Corporation, he was a Managing Director, MUFG Bank (Europe) N.V. ("MBE") based in Amsterdam, the Netherlands from 2021 to 2023.

He graduated from Waseda University with a Bachelor of Political Science and Economics.

SANJIV VOHRA, 62, Indian, was elected as Director and appointed as President and Chief Executive Officer effective July 1, 2019. He is the Chairman of People Empowerment Committee and a member of the Bank's Executive, Transformation and Technology, Senior Credit, Restructuring and Trust Committees. He is also the Chairman of SB Finance, Inc.

He has over 30 years of experience in banking, having held a number of senior leadership positions in Asia, in Citibank India in various roles from 1986 to 1999, Corporate Bank Head at ABN AMRO Bank, India (1999-2000), Consumer

Industry Head, Asia-Pacific at ABN AMRO Bank Singapore (2001-2002), Managing Director, Head of Corporate Banking (India, Sri Lanka, Bangladesh) at Citigroup India (2002-2005), Country Executive at Royal Bank of Scotland in India (2013), Head of Corporate Banking (Asia Pacific) at Deutsche Bank (2014-2017) and Managing Director, Head of Corporate Banking for Asia & Oceania and Co-Head of Investment Banking for Asia & Oceania at MUFG Bank, Ltd. (2017- 2019); as well as experience in the domestic market as Country Head of Citibank Philippines (2006-2013).

He graduated with a degree of Bachelor in Technology from the Indian Institute of Technology and a Master's degree in Business Administration from the University of Delhi in India.

INDEPENDENT DIRECTORS

GERARD H. BRIMO, 72, Filipino, was elected to the Board on April 30, 2019. He is the Chairman of the Audit Committee, Vice Chairman of the Related Party Transactions Committee, and a member of the Corporate Governance and Nominations and Remuneration Committees.

He is the Chairman of PLC-Nickel Asia Corporation (since August 2018) and its subsidiary companies: Cagdianao Mining Corporation (since August 2018), Cordillera Exploration Co., Inc. (since August 2018), Dinapigue Mining Corporation (since August 2018), and Newminco Pacific Mining Corporation (since 2018). He is also a Director of Nickel Asia Corporation subsidiaries Rio Tuba Nickel Mining Corporation, Taganito Mining Corporation, and Emerging Power, Inc., and served as Chairman of the Board of Directors of these companies from 2018 to 2022. He is also a Director and Vice Chairman of Nickel Asia Corporation subsidiary Hinatuan Mining Corporation and was Chairman of the Board thereof from 2018 until 2023. He is an Independent Director of Commonwealth Foods, Inc.(since January 19, 2021).

Prior to his career in mining, he worked for Citibank for a period of eight years, resigning as Vice President of the Capital Markets Group in Hong Kong, before joining Philex Mining Corporation as Vice President-Finance. He served as Chairman and CEO of Philex Mining Corporation from 1994 until his retirement in December 2003. He served as President of the Chamber of Mines of the Philippines from 1993 to 1995, and as Chairman from 1995-2003. He was again elected Chairman in 2017-2021 and is currently Vice Chairman.

He received his Bachelor of Science degree in Business Administration from Manhattan College, USA, and his Master's in Business Management degree from the Asian Institute of Management.

ENRICO S. CRUZ, 66, Filipino, was elected to the Board on August 1, 2019. He is the Chairman of the Bank's Risk Oversight Committee, Vice Chairman of the Nominations and Remuneration Committee, Member (Independent – Non-Voting) of the Senior Credit and Executive Committees, and member of the Operational Risk Management Committee.

He is also an Independent Director of SB Capital Investment Corporation, Maxicare Healthcare Corporation, Maxicare Life Insurance Corporation (Maxilife) AREIT, Inc., CIBI Information Inc, The Keepers Holdings Inc., DITO CME Holdings Corporation, and Robinsons Retail Holdings Inc.

Prior to joining the Bank, he was the Managing Director and Chief Country Officer for Deutsche Bank AG Manila Branch (DB). He joined Deutsche Bank in 1995 as a Director and Head of Global Markets. Prior to DB, he served as Senior Vice President and Head of Treasury at Citytrust Banking Corporation (CTBC), an affiliate of Citibank NA. He joined CTBC in 1979 as an Executive Development Program Trainee and worked in various operations departments until his appointment as Head of Treasury in 1989.

He graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics and a Master's degree in Business Administration.

ESTHER WILEEN S. GO, 53, Filipino, was elected to the Board on April 27, 2021. She is the Chairperson of the Transformation and Technology and Operational Risk Management Committees. She is the Vice Chairperson of the Risk Oversight Committee and a Member (Independent – Non-Voting) of the Executive Committee.

She is currently the President and Chief Executive Officer of MediLink Network, an electronic network serving the health ecosystem. She is also a Director of Equicom Savings Bank, Maxicare Healthcare Corporation, and Maxicare Life Insurance Corporation.

She was a Vice President of CitiGroup New York handling Operations, Product Development, e-Strategy and Implementation, and Payment Innovation. Prior to this, she worked with Booz Allen Hamilton, SM Department Stores, Equitable Card Network, and the US Committee for UNICEF.

She holds a Master's degree in Business Administration from Harvard Business School and a Bachelor of Arts degree with double majors in Computer Science and Economics (magna cum laude) from Smith College.

DR. JIKYEONG KANG, 62, British, was elected to the Board on April 25, 2017. She is the Chairperson of the Nominations and Remuneration Committee,. She is also the Vice Chairperson of the Transformation and Technology Committee and a member of the Risk Oversight Committee.

Dr. Kang has been the President and Dean of the Asian Institute of Management (AIM), and its MVP Chair in Marketing since 2015.

Dr. Kang is a Board member of the European Foundation for Management Development (EFMD), a Board member of the UN Global Compact Principles for Responsible Management Education (PRME), a Board member of the Global Business School Network (GBSN), and a Council member of the Association of Asia-Pacific Business Schools (AAPBS). She is a Fellow of the prestigious International Academy of Management (IAOM), an exclusive, invitation-only forum of world-class global thought and business leaders committed to co-creating a leadership agenda to address critical opportunities created by global challenges. Dr. Kang was a Board member of the Association to Advance Collegiate Schools of Business (AACSB) for the maximum term of 6 years, during which she was elected by an international membership for a 3-year term as Vice Chair, Chair, and Immediate Past Chair.

Dr. Kang is an Independent Director Kesoram Industries, part of the BK Birla Group of Companies in India. In addition, she serves on the international advisory boards of several premier international business schools, including Stockholm School of Economics (Sweden), ESADE Business School (Spain), Hanken School of Economics (Finland), Insper Instituto de Ensino e Pesquisa (Brazil), LUMS Business School (Pakistan), and Yonsei Business School (Korea). Dr. Kang She is also a member of local business organizations such as the Management Association of the Philippines, the Makati Business Club, the American Chamber of Commerce, and the British Chamber of Commerce, among others.

In 2017, Dr. Kang received The Asia HRD Award for Contribution to Organization. This award is bestowed upon individuals who have built their success on innovative systems, processes, and practices that have impacted overall employee development and productivity with an accompanying effect on the bottom line. She also received the Brand Laureate Best Brands' International Brand Personality Award in 2018. With her leadership, AIM was given the 2019 Asia Pacific Entrepreneurship Award for Corporate Excellence in Education and Training for demonstrating sustainable growth, responsible leadership, and operational excellence. Most recently, she was awarded the 2021 Philippines Education Leadership Award, presented by the Asian Confederation of Businesses and endorsed by the World Federation of Academic and Educational Institutions, to recognize excellence in the application of leadership principles to education.

JOSE PERPETUO M. LOTILLA, 67, Filipino, was elected to the Board on April 27, 2021. He is the Chairman of the Related Party Transactions Committee, and a member of the Corporate Governance and Audit Committees.

He is currently an Independent Director of Synergy Grid and Development Philippines, Inc. (since 2019), Philippine Commercial Capital, Inc. (since 2021), and Land Registration Systems, Inc. (since 2023). He is also the Chairman of Carabineros Development, Inc., the Corporate Secretary of Amber Kinetics Phil., and a Legal Consultant of San Miguel Corporation. He is also a member of the Integrated Bar of the Philippines (IBP) and a Special Adviser to the Roman Catholic Diocese of San Jose de Buenavista Antique. Mr. Lotilla served as Undersecretary for Legal Affairs and Undersecretary in charge of Civil Aviation at the Department of Transportation and Communications (2012-2015).

Prior to joining the government, he was a Senior Partner at Sycip Salazar Feliciano and Hernandez Law Offices. He became a partner in the firm's Corporate, Special Projects and Banking, Finance and Securities Practice Groups in 1989. He was a former President and Trustee of the Philippine Bar Association. He also served as government representative to the Board of PNOC Petrochemical Corporation for several years. He was Corporate Secretary of GD Searle Philippines for many years. He was an Independent Director of Security Bank Corporation (2002-2012), SB Capital Investment Corporation (2004-2012), and Security Finance, Inc. (2010-2011). He was involved in major mergers and acquisitions, banking, finance, securities, and capital markets transactions in the Philippines. He was a former Governor of the Integrated Bar of the Philippines for Western Visayas, Director of the Philippine Bar Association, and Chairman of the Committee on Bar Discipline of the Integrated Bar of the Philippines. As a banking and finance lawyer, he was rated as the sole band 1 Philippine lawyer for several years by Chambers until he retired from Sycip Law.

He graduated from the Ateneo de Manila University with a Bachelor of Arts degree in Economics and earned his degree in Bachelor of Laws from the University of the Philippines.

NAPOLEON L. NAZARENO, 74, Filipino, was elected to the Board on April 25, 2017. He is the Chairman of the Corporate Governance Committee, Vice Chairman of the Trust and Operational Risk Management Committees, and member of the Risk Oversight Committee.

He is an Independent Director of Paymango Philippines Inc. since 2023. He was a Member of the Supervisory Board of Rocket Internet (2014-2017), Trustee of Philippine Disaster Recovery Foundation, Inc. (2013-2015) and Ideospace (2012-2015), President and Trustee of First Pacific Leadership Academy (2012-2015), and Chairman of the Board of Trustees and Board of Governors of the Asian Institute of Management (2011-2017).

He was the Chairman of several subsidiaries of PLDT and Smart, including PLDT Communications and Energy Ventures, Inc. (PCEV), ePLDT, Inc. (from 2013 to 2015), Digital Telecommunications Phils., Inc. (Digitel) (2012-2015), Digitel Mobile Philippines Inc. (Digitel Mobile) (2012-2015), Smart Broadband Inc. (2005-2015) and i-Contacts Corporation (2001-2015). He was the President and Chief Executive Officer of PLC Philippine Long Distance Telephone Company

(PLDT) (February 2004-2015), PLC-Smart Communications, Inc. (January 2000-2015), Connectivity Unlimited Resources Enterprise, Inc. (2008-2015), Aces Philippines Cellular Satellite Corporation (2000-2015), and PLDT Communications and Energy Ventures (2004-2011).

He likewise served as Director of PLC-Manila Electric Company, PLDT Global Corporation, Mabuhay Satellite Corporation, Rufino Pacific Tower Condominium, and Operation Smile. He was a non-executive director of First Pacific, a Hong Kong Stock Exchange-listed company, and a Supervisory Board Member of Rocket Internet AG, a company which provides a platform for the rapid creation and scaling of consumer internet businesses outside the US and China. Mr. Nazareno's business experience spans several countries in over 40 years and his exposure cuts across a broad range of industries, namely packaging, bottling, petrochemicals, real estate and, in the last 16 years, telecommunications and information technology.

Mr. Nazareno received his Master's degree in Business Management from the Asian Institute of Management, completed the INSEAD Executive Program of the European Institute of Business Administration in Fontainebleau, France, and was conferred a Doctor of Technology degree (Honoris Causa) by the University of San Carlos in Cebu City.

NEW NOMINEE

STEPHEN G. TAN, 47, Filipino, is currently the Senior Pastor of Grace Christian Church of the Philippines. He has spoken at conferences, schools, and churches, throughout North America, Europe, and Asia and has served as a guest lecturer at several seminaries and Bible colleges.

He currently serves on several boards of non-profits and NGOs working toward community transformation such as Wycliffe Philippines (Chairman of the Board), Spartan Scholarships (since 2006), and Center for Community Transformation (since 2023), and educational institutions such as FEBIAS College of the Bible (since 2021), Biblical Seminary of the Philippines (since 2022), and Grace Christian College (since 2006).

Previously, he worked as a management consultant for Deloitte Consulting, consistently ranked as a top performing analyst. He also worked at SBC Communications (now AT&T) as a Manager of Engineering Design and as a Research Assistant in the Solid State Research Group of SMU, with a published article on Semiconductor Microbolometers in the prestigious IEEE journal.

He holds a Doctorate (research focusing on transformational leadership and change management) from Dallas Seminary and a Master of Theology (summa cum laude) degree from the same school. He also has a Bachelor of Science in Electrical Engineering (cum laude) and a Bachelor's of Science in Mathematics (cum laude) from Southern Methodist University in Texas.

CORPORATE SECRETARY

JOEL RAYMOND R. AYSON, 59, Filipino, was elected Corporate Secretary on July 29, 2004.

He is a Partner in Quasha Law (since May 1998 to the present). He is a member of Integrated Bar of the Philippines, First Vice President and Trustee of the Philippine Bar Association, member of Immigration Lawyers Association of the Philippines and University of the Philippines Law Alumni Association. He is a Founding member of Students Law for Integrity and Democracy-UP College of Law and the UP Association of Political Science Majors.

He is the Chairman of Unigrowth Resources & Development Corporation and President and Director of Dubor Baktrenmittel Und Apparatebau AG (Philippines), Inc., President of Bristol Technology System, Vice President and Director of Amtel Trading Corporation, Chairman and President of Ceragon Networks (Philippines), Inc. and Chairman and President of Eastern Western Connections Property, Inc.

He is a Director of Quo Vadis Palawan Resort, Inc., Kayak Holdings, Inc., Back Office Superior Services, Inc., Asiamed Inc., Parex Realty Corporation, Trevi Foundations Philippines, Inc., Avaloq Philippines, Inc. and Konika Minolta Marketing Services (Philippines), Inc.

He is also a Corporate Secretary and Director of IXSFORALL, Inc., Himlayang Pilipino, Inc., Himlayang Pilipino Plans, Inc., List International, Blue Sky Sea Resort Corp., Bohol Agro Marine Development Corp., Artbank Holdings, Inc., Tambuli Development Corp., Metropolitan Philippines Resort Corporation and Corporate Secretary of Lapu Lapu Resort Development, Inc., Bohol Resort Dev., Inc., Lapu Lapu Resort, Nexlogic Telecommunications Network, Inc., SELC-Global Center Philippines Corporation. He is a Resident Agent of Ceragon Network (HK) Ltd., Medical Services of America Inc., Tanis Food Tec BV, Wagenborg Shipping Holdings BV, Dubor RHQ, OTV France Philippines and Rademaker B.V.

He was the Treasurer and Vice President /Director of the Integrated Bar of the Philippines, Makati City Chapter (from 2001-2009) before he assumed his position as President (from 2009 to 2011). He is the Treasurer of Instoremedia

Philippines, Inc. and Strategic Workforce Solutions Corporation. His practice areas are Corporate Law, Civil Litigation, Administrative Law, Immigration Law, Insurance Law, Regulatory, General Practice and Special Projects.

He graduated Cum Laude with a degree in Political Science and took post graduate studies of Bachelor of Laws at the University of the Philippines.

b) The Key Officers as of February 29, 2024

Position	Name	Age	Citizenship
President & Chief Executive Officer	Sanjiv Vohra *	62	Indian
Executive Vice Presidents	Arnold Q. Bengco	51	Filipino
	Nerissa Gloria C. Berba	54	Filipino
	Leslie Y. Cham	58	Filipino
	Lucose T. Erail***	55	Indian
	Gina S. Go	63	Filipino
	Joselito E. Mape	61	Filipino
	Eduardo M. Olbes	54	Filipino
	John Cary L. Ong	50	Filipino
	Rahul S. Rasal	56	Indian
	Juichi Umeno *	44	Japanese
Senior Vice Presidents	Jason T. Ang	53	Filipino
	Ronald I. Austria	52	Filipino
	Stephen John Bell	56	British
	Marlette P. Brodett	52	Filipino
	Abigail Marie D. Casanova	49	Filipino
	Charles Malvin T. Ching	46	Filipino
	Anna Christina M. Chinjen	52	Filipino
	Aristotle I. Cruz	52	Filipino
	Criselda Q. De Sagun-Madrid	41	Filipino
	Amaneci Grace R. De Silva	47	Filipino
	Jonathan C. Diokno	51	Filipino
	Daniel S. Dy *	37	Filipino
	Ma. Paz Victoria R. Gonzalez	56	Filipino
	Irene E. Guban	48	Filipino
	Cristina V. Henson	59	Filipino
	Orencio Andre P. Ibarra III	50	Filipino
	Yoshimasa Itaka	48	Japanese
	Sohel H. Kanchwala	58	Indian
	Jefferson T. Ko	48	Singaporean
	Kim O. Lim	52	Filipino
	Ma. Carmencita R. Lopez	58	Filipino
	Prakash Sudhakar Mahajan	51	Indian
	Luis Gregorio M. Maloles	55	Filipino
	Yvonne Joanna P. Marcelo	53	Filipino
Jiri Matousek	37	British	
Patrick M. Meneses	50	Filipino	
Juan A. Mestas **	41	Peruvian	
Maria Margarita R. Mirabueno	51	Filipino	
Jorge Lindley S. Ong	51	Filipino	
Rahul M. Sadarangani	43	Indian	
Ma. Patricia N. Tan****	49	Filipino	
Dennis M. Tangonan	49	Filipino	
Ricardo G. Torres	62	Filipino	
Hirofumi Umeno	47	Japanese	
Myla R. Untalan	53	Filipino	
Balaji B. Vijayan	56	Indian	
John David G. Yap	46	Singaporean	
Price Edward C. Yap	50	Singaporean	
Malcolm C. Yow	45	Australian	

*Member of the BOD

** Also known as Juan Alfredo Mestas Jara

*** Appointed as Chief Operating Officer (COO) effective March 1, 2024

**** Appointed as Chief Marketing Officer (CMO) effective March 1, 2024

ARNOLD Q. BENGCO, 51, Filipino, is Executive Vice President and Financial Markets Segment Head. He is a member of the Bank's Assets and Liabilities, People Empowerment, Anti-Money Laundering & Counter Financing of Terrorism, Credit and Sustainability Committees.

He is the Chairman of SB Equities and Director of SB Capital Investment Corporation since May 2023. Prior to this, He was the President of Old Sun Cap Inc (Back Alley Barbershop) from 2022 to 2023; Treasury Technical Consultant of Temasek Holdings Singapore (Trusted Services Subsidiary) from 2021 to 2023; Emerging Markets FX Head of Barclays Bank PLC Singapore from 2018 to 2019; Treasury Trading Management Vice President of OCBC Bank Singapore from 2016 to 2017; Portfolio Manager of Dymon Asia Capital Singapore from 2013 to 2015. He also served in various positions in Citibank NA Singapore from 1999 to 2013. He also worked as FX Trader in Citibank NA Philippines from 1996 to 1999 and Far East Bank and Trust Co. from 1992 to 1994.

He graduated with a bachelor's degree in Applied Mathematics (Actuarial Science) in De La Salle University and earned his Master's Degree in Business Management in Asian Institute of Management.

NERISSA GLORIA C. BERBA, 54, Filipino, is Executive Vice President and Group Head / Chief People Officer of Human Capital Management. She is a member of the Bank's Integrity, Outsourcing, Sustainability and People Empowerment Committees. She is also the Chairperson of the Bank's Occupational Safety and Health Committee. Prior to this, she was Senior Vice President and Head of Human Resources of The Hongkong and Shanghai Banking Corporation Limited (2018 to 2019); HR Director/Country Head of Deutsche Bank (2015 to 2018); HR Leader in Asia in General Electric (2010 to 2015); Vice President-Talent Acquisition/Career Management in the Bank of the Philippine Islands (February 2010-August 2010); Senior Vice President and Head of HR in GE Money Bank (2006 to 2010); First Vice President and Senior Human Relationship Manager in Standard Chartered Bank (2004 to 2006); Senior Business HR Manager in Philips Electronics and Lighting Inc. (2003 to 2004); Associate/Human Resource Manager in Bo'Le' Associated Ltd. (2000 to 2003); and Human Resource Manager in New Zealand Milk Products, Phils. (1999 to 2000).

She graduated with a Bachelor of Science degree in Psychology from Assumption College.

LESLIE Y. CHAM, 58, Filipino, is Executive Vice President and Head of the Branch Banking Group (since October 1, 2008). He is a member of the Bank's Assets & Liabilities, People Empowerment, Occupational Safety & Health, and Anti-Money Laundering & Counter Financing of Terrorism Committees.

He was a Director of SB Finance, Inc., formerly known as Security Bank Savings Corporation (from 2012 to 2020).

He has over 25 years of work experience and has extensive exposure in the fields of Sales, Distribution, Wealth Management, International Banking, Trust and Investment services, and Bancassurance. Before joining the Bank, he served as Senior Vice President and Head of Sales and Distribution of Chinatrust Phils. Commercial Bank Corp. until September 2008. He served in various positions in other institutions, including First Vice President of Standard Chartered Bank (from 1999 to 2003), Vice President of Philippine Commercial International Bank (1997-1999), and Vickers Ballas Asset Management LTD PTE (1995-1997). He was an Assistant Vice President of Citytrust Banking Corporation (1987-1995).

He received a Bachelor of Science degree in Commerce, Major in Marketing Management from De La Salle University and completed with Distinction the one-year course of the Trust Institute Foundation of the Philippines.

LUCOSE T. ERALIL, 55, Indian, is Executive Vice President and Enterprise Technology and Operations Segment Head. He is a member of the Bank's People Empowerment, Transformation and Technology and Enterprise Control Board Committees.

Mr. Eralil brings with him 30 years of work experience from Helius Technologies Pte. Ltd., AlphaEI Enterprises Pte. Ltd., Credit Suisse, and NIIT Ltd. He has extensive exposure in the fields of cross-segment banking, product architecture, and transformation management. Prior joining the Bank, he was a Director, Consulting and Advisory for Helius Technologies Pte. Ltd. Prior to Helius Technologies, he was a Managing Director at Credit Suisse, where he was the Global Head of Technology Operations and member of the Global Technology Operations and a member of the Global Technology Management Team.

He graduated with an Advanced Diploma in Systems Management from National Institute of Information Technology, has Post Graduate Diplomas in Digital Business, Innovation & Design Thinking from the Emeritus Institute of Management and holds the following certifications: Big Data Analytics and Data Science Foundation, Microsoft Product Specialist, Prince 2 Foundation, and Blockchain for Technical Executives.

GINA S. GO, 63, Filipino, is Executive Vice President and Chief Risk Officer of the Bank.

She is a member of the Bank's Asset Disposal, Integrity, Outsourcing and Sustainability Committees.

She was the President of Security Bank Savings Corporation (now known as SB Finance, Inc.) from February 2012-2016. Prior to this, she was Chief Risk Officer of the Bank (2006-2011) and Head of Remedial Management Division (2000-2005). Prior to joining the Bank in September 2000, she was connected with Equitable where she accumulated 20 years of solid credit experience, having assumed various PCI Bank responsibilities in their Corporate Banking, Middle Market Lending and Specialized Financial Services Divisions.

She graduated from the University of the Philippines with a bachelor's degree in business economics and a master's degree in business administration.

JOSELITO E. MAPE, 61, Filipino, is Executive Vice President and Special Adviser to the Chairman (since February 1, 2023). Prior to this, He was the Chief Administrative Officer from February 2020 to January 2023 and was the Chief Financial Officer from January 2012 to January 31, 2020.

He is the Bank's Chairman of, Integrity, and Outsourcing Committees.

He is a Director of SB Equities, Inc. (since May 2015) and SB Forex, Inc. (since July 2003), and Director/Treasurer of SB Rental Corporation (since May 2014). He is the Treasurer of SBM Leasing, Inc. (since 2011) and Security Finance and Leasing, Inc., and Trustee/Treasurer of Security Bank Foundation, Inc. (since April 2009). He is the Treasurer of Tany Foundation (since October 2018) and an Independent Director of Cityland for Social Progress Foundation, Inc. (since January 2018).

He was a Director of Security Land Corporation (from 2010 to 2015) and SB Finance, Inc. (from 2018 to 2020). Prior to joining the Bank in July 1996, he was a Senior Manager of Cityland Development Corporation's Financial Management Services Division.

He is a Certified Public Accountant and graduated from the University of Santo Tomas (Cum Laude) with a Bachelor of Science degree in Commerce, Major in Accounting.

EDUARDO M. OLBES, 54, Filipino, is Executive Vice President and Chief Financial Officer. He was Executive Vice President for the Wholesale Banking Segment until January 31, 2020. He is the Chairman of Sustainability Committees and the Vice Chairman of the Assets & Liabilities Committees.

He is also a member of the People Empowerment, Asset Disposal, Enterprise Control Board and Transformation and Technology Committees. He was the Chairman of SB Rental Corporation (until May 2020) and SBM Leasing, Inc. (until May 2021). He was Chairman of SB Equities, Inc. from 2010 to 2022. He was Director of SB Capital Investment Corporation from 2010 to 2022. He is a member of the Financial Executives of the Philippines (since November 2010), the Management Association of the Philippines (since December 2010) and Philippine Interpretations Committee (since September 2020). He is also a Trustee of the SBC Retirement Plan (since 2011).

Prior to joining the Bank in June 2010, he held various positions in Citibank N.A. (Philippines) Global Banking Unit (2006-2010) including his last position as Director responsible for the local corporate unit under Citi's Global Corporate & Investment Bank. Between 2003 and 2006, he was a restructuring advisor to various Philippine-based corporates. Previously, he worked in the Investment Banking Division of Morgan Stanley & Co. in New York (2000-2003) and the Investment Banking Division of Bear Stearns & Co. Inc. in New York (1997-2000). He also worked in several areas within investment banking across various geographies and industries, including the Global Communications and Media and Global Retail and Consumer groups.

He holds a master's degree in finance and management from Leonard N. Stern School of Management, New York University and a bachelor's degree, Major in Economics, from the University of California, Berkeley.

JOHN CARY L. ONG, 50, Filipino, is Executive Vice President and Wholesale Banking Segment Head. He was the Transaction Banking Group / Channel Network Head from May 2020 to July 2023. He is a member of the Bank's Assets and Liabilities, People Empowerment, Anti-Money Laundering & Counter Financing of Terrorism, Sustainability Committees and Chairman of Credit Committee. He is also assigned as Chairman of SBM Leasing, Inc; Director of SB Capital Investment Corporation and SB Rental Corporation, member of Engagement Underwriting Committee and act as SBC Representative in Bancnet.

Prior to this, he was Head of Transaction Banking Center of Union Bank of the Philippines (2016-April 2020); Country Head, Treasury and Trade Solutions (2013-2016) and Client Sales Management Head (2011-2013) in Citibank N.A.; Head of Trade Finance and Cash Management for Corporates (2006-2011); Head of Operations (2005); and Head of

Global Markets Operations (2003-2005) in Deutsche Bank AG Manila; and Senior Banking Consultant in Misys International Banking Systems (2000-2003).

He has extensive exposure in the fields of Electronic Payments, Transaction Banking, Treasury, Trade Finance, and Fixed Income Instruments.

He graduated Cum Laude with a bachelor's degree in Legal Management from the Ateneo de Manila University.

RAHUL S. RASAL, 56, Indian, is Executive Vice President and Retail Banking Segment Head. He is a member of the Bank's Assets and Liabilities, People Empowerment and Sustainability Committees.

Prior to joining the Bank, he held such various positions as Chief Operating Officer & Executive Vice President at Future Generali India Life (2018-2021); Managing Director at Citibank NA (1995-2017).

He graduated with a degree in Engineering and earned his master's degree in Management Studies from Jamnalal Bajaj Institute of Management Studies at the University of Mumbai, India.

JUICHI UMENO, 44, Japanese, was elected to the Board on April 25, 2023.

He is an Executive Vice President and Alliance Segment Head since April 2023. He is a member of the Bank's Risk Oversight Committee.

Mr. Umeno joined The Bank of Tokyo Mitsubishi, Ltd. (now known as MUFG Bank, Ltd.) in 1996 where he held various roles in the areas of strategic industry research, credit assessment, risk management, corporate planning, governance, and financial planning. In terms of the overseas assignment, he was assigned in Singapore from 2013 to 2019 and engaged in the regional planning for Asia. He also served as a Director of MUFG Bank China in charge of risk management from 2020 to 2021. Prior to joining Security Bank Corporation, he was a Managing Director, MUFG Bank (Europe) N.V. ("MBE") based in Amsterdam, the Netherlands from 2021 to 2023.

He graduated from Waseda University with a Bachelor of Political Science and Economics.

JASON T. ANG, 53, Filipino, is Senior Vice President and Region 4 Head under Branch Banking Group.

He joined the Bank in 2007 as First Vice President and Area Head for Visayas and Mindanao. Prior to this, he was Vice President and Region Head of International Exchange Bank (1996-2007). Previously, he was with Citytrust Banking Corporation where he held various positions (1991-1996).

He graduated from the Ateneo de Davao University with a Bachelor of Science and Commerce degree, Major in Accounting.

RONALD I. AUSTRIA, 52, Filipino, is Senior Vice President and Region 2 Head under Branch Banking Group. He joined the Bank in November 2009 as First Vice President and Area Head.

Prior to this, he served in various positions in Standard Chartered Bank (1999-2008), PCI Bank (1996-1999), Far East Bank and Trust Company (1995-1996), and Citytrust Banking Group (1992-1995).

He holds a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

STEPHEN JOHN BELL, 56, British, is Senior Vice President, Channel Network Head under Payment Channel Division.

Before joining Security Bank, he held various positions including Director at PricewaterhouseCoopers (PWC) Vietnam (2018-2021); Partner at KPISOFT (Malaysia) (2017-2018); Head of Technology (2013-2016) and Senior Program Director (2011-2013) at ANZ Regional Office APEA (Singapore); Global Head of Product at ANZ Group (Australia) (2009-2011); Global Head of the Program Management Office (PMO) and Head of Asia Product at HSBC Hong Kong (1998-2009); Assistant Vice President at Bank of America (London & Hong Kong) (1994-1998); and Assistance Manager for Electronic Banking and Branch Banking roles at Lloyds Bank in London (1986-1994).

He completed the UK General Certification of Secondary Education from Shenfield Comprehensive.

MARLETTE P. BRODETT, 52, Filipino, is Senior Vice President and Region 3 Head under Branch Banking Group. She joined the Bank in 2004 as Senior Assistant Vice President and Area Business Manager.

Prior to joining the Bank, she was Vice President and Region Head in Maybank Philippines, Inc. (2003-2004); First Assistant Vice President in Asiatrust Development Bank (2000-2003); and Branch Head with the Bank of the Philippine Islands (1992-2000).

She graduated with a Bachelor of Science degree in Communication Arts from Miriam College.

ABIGAIL MARIE D. CASANOVA, 49, Filipino, is Senior Vice President and SB Finance, Inc.'s President & CEO since April 2020.

She joined the Bank in 2015 as First Vice President. Her last position with the Bank was heading the Consumer Business and Operations Group.

She has extensive exposure in the various areas of the credit cycle for consumer finance, small business loans, and credit cards. She has held key management roles in multinational and domestic banks like Citibank, GE Money, and BDO.

She earned a masters-level Post Graduate Diploma in Global Business at the University of Oxford and graduated with a Bachelor of Science degree in Business Economics (Cum Laude) from the University of the Philippines. She is also a certified Six Sigma Black Belt.

CHARLES MALVIN T. CHING, 46, Filipino, is Senior Vice President and Chief Administrative Officer under Office of the Chief Administrative Office. He is a member of the Bank's Asset & Liabilities, Asset Disposal and Outsourcing Committees.

Prior to joining the Bank, he was the Director/Chief Operating Officer and headed various units such as Legal Entity Close Manila, Head Office and Branch Reporting at Deutsche Bank Group (2013-2021). He was also Assistant Manager and Deputy Team Lead (2005-2006), Manager and Asia Financial Reporting Production Head (2007-2008), Assistant Vice President and Head Office Migration Lead for Korea (2009), Vice President and Financial Reporting Head Korea and Hongkong (2010-2011), Senior Vice President and Corporate Reporting Production Head (2012 -2013) at Citibank N.A. ROHQ. Corporate Reporting Production Head (2012 -2013) at Citibank N.A. ROHQ.

He graduated with a Bachelor of Science degree in Management Engineering from Ateneo de Manila University.

ANNA CHRISTINA M. CHINJEN, 52, Filipino, is Senior Vice President and Chief Compliance Officer. She is the Chairman of the Anti-Money Laundering & Counter financing of Terrorism Committee, Vice-Chairman of the Sustainability Committee and member of the Outsourcing and Integrity Committees.

She is a Director of the Association of Bank Compliance Officers, Inc. (ABCOMP) and member of the Bankers Institute of the Philippines (BAIPHIL).

She has 22 years of work experience, with extensive exposure in the field of financial crime compliance, risk management, corporate banking, and payment & cash management implementation.

Prior to joining the Bank, she was with The Hongkong and Shanghai Banking Corporation Limited in various positions including Senior Vice President for Wholesale Banking & Markets Advisory Lead for Financial Crimes Compliance (2017-2019), Anti-Money Laundering Lead (2016-2017), Global Standards Execution Lead (2013-2016), Chief Risk & Administration Officer (2012-2013), Strategy, Planning & Business Management (2009-2012), Vice President for Operations, Solutions and Support (2006-2009), Assistant Vice President and Relationship Manager (2003-2006), Head of Implementation - Payments and Cash Management (2001-2003), Relationship Manager for Non-Borrowing Companies (2000-2001), and Resident Manager (1999-2000).

She graduated with a bachelor's degree in Business Administration from the University of the Philippines Diliman. She earned her master's degree in Business Administration from the same university.

ARISTOTLE I. CRUZ, 52, Filipino, is Senior Vice President and Senior Relationship Manager / Team Head under Corporate Banking Group.

Prior to joining the Bank in 2004, he held various positions in Metrobank & Trust Company (2002-2004), Global Business Bank (2000-2002), Bank of the Philippine Islands (2000-2005), Far East Bank & Trust Company (1995-2000), First Bank (1994-1995), and Citibank (1993-1994).

He graduated with a degree in Economics from De La Salle University and earned his master's degree in Business Administration from the Ateneo Graduate School of Business.

CRISELDA Q. DE SAGUN-MADRID, 41, Filipino, is Senior Vice President and Data Science & AI COE Head under Enterprise Data Office.

Prior to joining the Bank, she held the position of Vice President at Metrobank Bank & Trust Company (2018 to 2023). She also held the position in Vitamin Shoppe Industries as Distribution Analyst from 2012 to 2014 and as Manager of Inventory Control Accuracy from 2015 to 2017; General Manager under Brightcloud, Incorporated from 2008 to 2012; Junior Associate under Mitchell Madison Group from 2005 to 2008.

She graduated with a bachelor's degree in Business Administration and Accountancy from University of the Philippines, Diliman and earned her Master's Degree in Business Analytics from New York University, Stern School of Business.

AMANECI GRACE R. DE SILVA, 47, Filipino, is Senior Vice President and Shared Services Technology Head under ITG – Change the Bank Group.

Prior to joining the Bank, she worked with Banco de Oro Unibank Incorporated for 10 years from January 2013 to June 2023. She also held a various position in Chartis Technology and Operations Management Group from 2006 to 2012; Avon Cosmetics, Incorporated from 2001 to 2006; Systems Standards, Incorporated from 1999 to 2001; Bayan Telecommunications as Account Specialist last 1999.

She graduated with a bachelor's degree in Electronics and Communication Engineering from Saint Louis University.

JONATHAN C. DIOKNO, 51, Filipino, is Senior Vice President and Cash Management Head under Deposit Business Division.

He has extensive exposure in the fields of cash management services, remittance origination and retail banking. Prior to joining the Bank in February 2019, he was First Senior Vice President and Global Filipino Banking Head of Rizal Commercial Banking Corporation (2017-2019). He served in various positions in Banco de Oro (2001-2016), Citibank N.A. (1999-2001), Standard Chartered Bank (1997-1999), and the Bank of the Philippine Islands/Citytrust Banking Corporation (1994-1997).

He graduated with a Bachelor of Science degree in Business Administration from the University of the Philippines.

DANIEL S. DY, 37, Filipino, was elected to the Board on 27 April 2021.

He is a Senior Vice President and Executive Director. He is a member of the Transformation and Technology, the Executive, the Nominations and Remuneration Committees, and an alternate member of the Senior Credit Committee. He is also a Director of SB Finance, Inc. Mr. Dy has held various positions in Security Bank Corporation since he joined in 2012, working at the intersection of business, technology, and data and taking on a range of front-office and back-office leadership roles. Prior to moving to Manila, he was an Assistant Vice President in the Mortgage-Backed Securities Group of Trust Company of the West in Los Angeles.

He graduated with a Bachelor of Science degree in Economics - Accounting from Claremont McKenna College.

MA. PAZ VICTORIA R. GONZALEZ, 56, Filipino, is Senior Vice President and Head of Secured Lending. She was assigned as the Mortgage Banking Head from 2015 to 2023 before her current role.

She has worked in various bank industries for 20 years before joining Security Bank where she held several position from BDO Unibank (2009 – 2010), GE Money Bank (2007 – 2009), Philippine Savings Bank (2000-2006), Solid Bank (1996 – 2000) and Bank of Commerce (1990 – 1996)

She graduated with a bachelor's degree in Commerce major in Marketing Management from De La Salle University.

IRENE E. GUBAN, 48, Filipino, is Senior Vice President and Head of Retail Strategy and Analytics Group.

Prior to joining the Bank, she worked with Eastwest Banking Corporation as Auto Credit Policy & Consumer Lending Cluster Risk Support Head (2016-2018), Standard Chartered Bank as Credit Risk Head (2009 – 2016), GE Money Bank as Portfolio Analytics Head (2008 – 2009), Standard Chartered Bank as Credit Risk Manager (2006-2008), Optimum PTE Solutions as Analyst (2006), and Globe Telecom as Senior Credit Specialist (1996-2006).

She graduated with a bachelor's degree in Mathematics from University of the Philippines, Los Banos and earned her master's degree in Business Administration from Ateneo de Manila Graduate School of Business.

CRISTINA V. HENSON, 59, Filipino, is Senior Vice President and Operations Head. She is a member of the Bank's Anti-Money Laundering & Counter Financing of Terrorism and Occupational Safety and Health Committees.

She joined the Bank as Bookkeeper in 1988 and assumed various positions in branches and operations, including Service Channels & Support Division Head and Branch Banking Operations Group Deputy Head until her appointment as First Vice President and Operations Head in 2019.

She graduated from Holy Angel University with a Bachelor of Science degree in Accounting.

ORENCIO ANDRE P. IBARRA III, 50, Filipino, is Senior Vice President and Treasurer. He is the Chairman of the Bank's Assets and Liabilities Committee.

Prior to this, he was First Vice President and Head of the ALM and Trading Division. He joined the Bank as Manager in 2000 and assumed various positions in the Treasury Group before he assumed the position of Chief Dealer in 2013. He was also ACI Philippines (The Financial Markets Association Inc.) President in 2017, Vice President in 2016, Secretary in 2015 and a member of the Board of Directors from 2014-2017.

He holds a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University and a master's degree in Business Management from the Asian Institute of Management.

YOSHIMASA ITAKA, 48, Japanese, is Senior Vice President and Senior Relationship Manager / Team Head of the Corporate Banking Group.

Before joining Security Bank, he held various positions at MUFG Bank, Ltd., Ho Chi Minh City (from 2019-2021) and MUFG Bank Brasil, Ltd. (from 2015-2019). He rose through the ranks at the Bank of Tokyo-Mitsubishi UFJ (2006-2015) and started his career at the Bank of UFJ (1999-2005).

He completed his degree in Environmental Engineering from Kyoto University.

SOHEL KANCHWALA, 58, Indian, is Senior Vice President and Head of Collections Department under Risk Management Group.

Prior to joining the Bank he was Senior Consultant for Kuwait Finance House (2019); Senior Vice President for First Abu Dhabi Bank (2017-2018); Director for Citibank N.A. Mumbai (2010-2017); Region Head for Quattro Risk Management Services (2007-2010); Senior Managing Consultant for Mastercard Worldwide-Advisors (2003-2007); Credit and Risk Operations Head for Citibank N.A. Manila (1998-2003); Senior Manager for Saudi American Bank (Citigroup) (1994-1997); Manager for Citibank N.A. India (1990-1994).

He completed his bachelor's degree in Commerce from Kishinchad Chellaram College and his Diploma in Business Management (Finance) from Sydenham Institute of Management and Research. He earned his master's degree in Management Studies (Marketing)

from Chetana's Ramprasad Khandelwal Institute of Management and Research.

JEFFERSON T. KO, 48, Singaporean, is Senior Vice President and Head of Investment Solutions Group. He is a Director of SB Equities, Inc. since May 2023.

Prior to joining the Bank, he was Head of Market Sales Group for China Banking Corporation (2021-2022). He was also Consultant at China Banking Corporation (2020), Director of Market Sales under NORD/LB Singapore (2015-2017), Senior Director and Head of Structured Products and FX under Maybank Singapore (2013-2015), Director, Structured Products under DZ Bank AG Singapore (2007- 2013), Vice President, Structured Products under ING Bank NV Singapore (2004-2007) and Vice President, Sales Under ING Bank NV Manila (1997-2004).

He graduated with a Bachelor of Science degree in Management Engineering from Ateneo de Manila University.

KIM O. LIM, 52, Filipino, is Senior Vice President and Region Head of Region 1 under the Branch Banking Group.

He joined the bank in 2013 as Vice President/Area Head (2013-2017), became Vice President/Region Head in 2017 and First Vice President/Region Head in 2018.

Prior to joining the Bank, he held the position of Retail Branch Head and Area Head (from 2011 to 2013) and Retail Branch Head (2010-2011) under Hongkong Shanghai Banking Corporation Savings Bank. He also held the position of District Manager (2009-2010), Business Manager (2007-2009), Relationship Officer and OIC (2006-2007) and Relationship Officer (2006) under Citibank Savings Incorporation, Customer Service Head (2003-2006), Senior Personal Bank (2002-2003), Reserved Assistant (2000-2002), Policy Analyst (2000), Control Assistant (1995-1999) and Bank Statement Clerk (1993- 1995) under Rizal Commercial Banking Corporation.

He graduated with a Bachelor of Science degree in Commerce, majoring in Accounting from Zamboanga A.E. College.

MA. CARMENCITA R. LOPEZ, 58, Filipino, is Senior Vice President and Head of Trust and Asset Management Group.

She started to work with the Bank as Department Head of Account Management & Servicing Division last 2022. Prior to this, she worked with 1st Ebank Corp as Senior Manager (1994 – 2002). She graduated with a bachelor's degree in Commerce major in Business Management from De La Salle University.

PRAKASH SUDHAKAR MAHAJAN, 51, Indian, is Senior Vice President and Corp & FMS Technology Head under ITG-Change Bank Group. He is an advisor member of Enterprise Control Board Committee.

Prior joining the bank, He held positions as Digital Vice President from NSEIT Limited (2019-2022). He also worked with Helios Technologies Limited (2018-2019), Indus Software Technologies Private Limited (2014-2018), Sakal Media Group (2013-2014), S1 Services, India (2005-2012), Indus Software, India (2002-2005), Intermedia Interactive Solutions, India (2001 – 2002), Octon Technologies Limited (1998-2001), Ajay Metachem Limited (1997-1998). He has extensive exposure in the fields of project management and digital transformation.

He graduated with Bachelor of Mechanical Engineering from Walchand College, India and holds various certifications.

LUIS GREGORIO M. MALOLES, 55, Filipino, is Senior Vice President and Senior Relationship Manager/Team Head under the Corporate Banking Group.

He joined the Bank in 2016 and has extensive exposure in the fields of Corporate Banking and Corporate Finance. He was the Executive Director and Unit Head for the Local Corporates, Commodities, Trading and Agricultural client segment of Standard Chartered Bank, Philippines (2013-2015). He also worked regionally as Director and Regional Account Manager for the Global Subsidiaries Group of Citibank Hong Kong, Ltd. (from 2011-2013) and started within the Citi Network as part of the Global Subsidiaries Group of Citibank N.A. (Philippine Branch) (2004-2013). He is a Corporate Banking veteran having held various positions in Asia United Bank (2001-2004), Banco Santander Philippines, Inc. (1999-2000), Philippine Commercial International Bank (from 1996 to 1999), Far East Bank and Trust Company (1995-1996) and Rizal Commercial Banking Corporation (1992-1995) before transitioning to work for 11 years with multinational banks.

He graduated with a Bachelor of Arts degree in Development Studies from the University of the Philippines.

YVONNE JOANNA P. MARCELO, 53, Filipino, is Senior Vice President and Head of Corporate Banking Group. He is a member of the Bank's Asset and Liabilities Committee and alternate member of Credit Committee.

She joined the Bank in 2001. Prior to her current role, she was a Team Head and Senior Relationship Manager in Corporate Banking Group. She has extensive experience in corporate and project finance in infrastructure, real estate, power and energy, utilities, mining, and other industries. She was Relationship Manager in Far East Bank and Trust Company (1996-2000), Assistant Manager in UnionBank of the Philippines (1995-1996), and Management Trainee and Pro-Manager in Bank of Commerce (1991-1994)

She graduated with a Bachelor of Science degree in Business Economics from the University of the Philippines and earned units for a Master's degree in Business Administration from the Ateneo de Manila University.

JIRI MATOUSEK, 37, Czech, is Senior Vice President and Retail Transformation Head of the Retail Banking Segment.

He first joined Security Bank as Consultant in 2021 and was Director for Asia and the Pacific at Adastra Business Consulting S.R.O. in Czech Republic (2011-2021).

He completed his general education with specialization in German from Gymnázium Na Pražačce; his Master's in Mathematical and Computer Modelling from Charles University, Prague, Czech Republic; and Mathematical Modelling from the University of Hamburg in Germany.

PATRICK M. MENESES, 50, Filipino, is Senior Vice President and Chief Data Officer of Enterprise Data Office.

Prior to joining the Bank, he was the Chief Data and Analytics Officer with MDI Novare (2021-2022). He also held the position of ASEAN Director of Business Solutions under SAS Institute Singapore (2018-2021), Senior Engineering Manager under General Motors (2012-2018), Senior Technical Program Manager under Electronic Arts (2010-2012), Senior Technical Manager under SUN Microsystem (1999-2009), Project Manager under Hewlett-Packard (1997-1999) and Operations Manager under UNILAB (1996 -1997).

As an Advanced Analytics Platform Principal at General Motors Company in Austin, Texas, he designed, built, and maintained an Enterprise Data and Analytic service. Lastly, he has extensive experience with Enterprise Data Warehouse builds and roles across other big technology companies in Silicon Valley such as Sun Microsystems and Hewlett Packard. Prior to that, he attended Purdue University at West Lafayette, Indiana, with a focus on Business Management and Communications.

JUAN A. MESTAS, 41, Peruvian, is Senior Vice President and Architecture & Integration Head under ITG – Change the Bank Group since February 2023 and was assigned as IT – Central API Team Head from September 2022 to January 2023.

Prior to joining the Bank, he was the Group Head of Enterprise Architecture and Platform under Group 42, UAE (2021-2022), He also held the position of Managing Director under PricewaterhouseCoopers, Singapore (2020), Enterprise

Architecture Lead under United Overseas Bank Limited (UOB) Group Bank, Singapore (2017-2019), Senior Manager and Digital Architecture under Allied Irish Banks PLC (AIB Bank) Ireland (2016-2017), Architecture Manager under Deloitte & Touche Europe, the Middle East, and Africa (EMEA) (2011-2016), Regional Director of Microsoft LatAm (2007-2011), Software Architect under Banco Financiero (2004-2006), Oracle HLR Architect under Sixbell, Chile (2002-2004) and Senior Software Engineer under SONDA, Peru (1999-2000).

He graduated with an Engineering degree from Ricardo Palma University in Peru. He also earned his Master's degree in Computer Software Engineering from University of Tarapaca in Chile and holds various certifications.

MARIA MARGARITA R. MIRABUENO, 51, Filipino, is Senior Vice President and Division Head of Wealth Management Division.

She joined the bank as Wealth Management Head and First Vice President in 2015.

Prior to joining the Bank, she held the position of Citigold Head (2011-2014) and Investment Specialist (2004-2010). She also held the position of Investment Officer under Chinatrust (Philippines) (1999-2002), Investment Officer under ALL Asia Capital & Trust Corporation (1998) and Marketing Assistant under Metrobank (1993-1997).

She completed her Bachelor of Arts degree in Interdisciplinary Studies and her master's degree in Business Administration from Ateneo De Manila University.

JORGE LINDLEY S. ONG, 51, Filipino, is Senior Vice President and Head of Commercial Banking Group. He is a member of the Bank's Assets & Liabilities Committees, and an alternate member of the Credit Committee.

He joined the Bank in 2007. He was the Head of Kalookan and North Metro Banking Center. Prior to joining the Bank, he was a Senior Relationship Manager in BDO Unibank (1995-2007).

He graduated from the University of Santo Tomas with a Bachelor of Science degree in Commerce.

RAHUL M. SADARANGANI, 43, Indian, is Senior Vice President and Enterprise Transformation Head under Office of the President.

Prior joining the bank, he held position as Executive Director with Morgan Stanley Advantage Services Private Limited (2021-2023). He used to work also with Arcon Techsolutions Private Limited as Chief Technology Officer (2019-2021); Nuvama Wealth and Investment Limited as Associate Director (2017-2019); SMFG India Credit Company Limited as Senior Vice President (2014-2017); Credit Suisse Business Analytics Private Limited as Vice President (2013-2014); Deutsche Bank Group as Vice President (2006-2013).

He graduated with Bachelor of Commerce from JAI Hind College and earned his higher diploma in software from Aptech Computer Education.

MA. PATRICIA N. TAN, 49, Filipino, is Senior Vice President and Head of Customer Segmentation Group.

She is a member of the Bank's Assets & Liabilities Committee.

Prior to joining the Bank in 2013, she served as OFW Segment Head of Philippine National Bank (2006-2013), Marketing Head of Globe Telecom (2004-2006), and Cards Marketing Head of Union Bank of the Philippines (1997-2004).

She graduated with a bachelor's degree in Management of Financial Institutions from De La Salle University.

DENNIS M. TANGONAN, 49, Filipino, is Senior Vice President and Chief Technology Officer under ITG – Run the Bank Group. He is an advisor member of Enterprise Control Board Committee.

Prior joining the bank, he worked with Banco De Oro Unibank from 2010 to 2023; Citibank from 2007 to 2009, UOB Singapore from 2005 to 2006. He has extensive exposure in the field of design and architecture, project delivery, operations management and technology transformation.

He graduated with Bachelor of Science in Computer Science from University of Saint Louis and he earned his master's in Business Administration – Executive from Ateneo de Manila University.

RICARDO G. TORRES, 62, Filipino, is Senior Vice President and Special Projects Head under Enterprise Technology & Operations Segment.

Prior to joining the Bank in 2003 as Senior Assistant Vice President and IT Systems Development Head, he was IT Assistant General Manager in Saudi American Bank (1999-2003); Manager Systems Development & Support in United Saudi Bank (1994-1999); Systems Analyst/Programmer and Project Manager in United Saudi Commercial Bank - SGV Arabia (1987-1994); and Technical Staff member in

SGV Institute of Advanced Computer Technology (1985-1987).

He graduated from the University of the Philippines with a Bachelor of Science degree in Civil Engineering.

Note: Extended Retirement until 12/31/2024

HIROFUMI UMENO, 47, Japanese, is Senior Vice President and MUFG Business Development Head. He is a member of the Bank's Sustainability Committee.

Prior to joining the Bank, he held the position of Managing Director (2019-2022) and Director (2018-2019) under Mitsubishi UFJ Financial Group Bank, Limited, Singapore. He also held the position of Senior Manager (2012-2018), Manager (2007-2012) and Officer (2000-2001) under The Bank of Tokyo Mitsubishi, Limited.

He earned his degree in School of Policy Studies from Kwansai Gakuin University (Hyogo, Japan).

MYLA R. UNTALAN, 53, Filipino, is Senior Vice President and Head of Retail Channels Group.

Prior to joining the Bank, she brings with her 30 years of work experience from BDO Unibank, RCBC Bankard, AIG Credit Card Company Philippines and Solidbank Corporation. She has well-rounded exposure in digital transformation, data and analytics, project management and business process engineering. Her most recent assignment was as Senior Vice President and Data Protection Officer at BDO Unibank.

She graduated with a bachelor's degree in Commerce major in Accounting from University of Sto. Tomas, Manila.

BALAJI VIJAYAN, 56, Indian, is Senior Vice President and Head of Retail Credit Risk Management Division.

Prior to joining the Bank, he held various positions including Advisor to Retail Risk Directorate of Bank Mandiri-Indonesia (2015-2020); Director and Risk Head for Middle East-Consumer Bank of Citibank N.A.-UAE (2007-2014); Vice President and Risk Head for Bank of Handlowy - Consumer Bank of Citibank N.A.-Poland (2004-2007); Vice President and Risk Head in ABN Amro Bank in Taiwan and Indonesia (1999-2003); Vice President and Credit Policy Head in Citibank N.A.-Indonesia (1997-1999); various positions in Citibank N.A.-India (1990-1996); Account Executive in Ogilvy & Mather Direct in India (1989); and Marketing Executive in Wipro Systems in India (1988). He has extensive exposure in the field of retail credit and fraud risk.

He earned his master's degree in Management from BITS Pilani, India.

JOHN DAVID G. YAP, 46, Singaporean, is Senior Vice President and Segment Head of the Business Banking Segment. He is a member of the Bank's Assets and Liabilities Committee.

Prior to joining the Bank, he was based in Singapore and held regional leadership roles at Grab Finance (2019-2020), United Overseas Bank (2015-2019); Fullerton Financial Holdings (2010-2015); and Standard Chartered Bank (2005-2010). He started his career in IT in the Philippines from 1999-2003.

He completed his Bachelor of Science degree in Management Information Systems from Ateneo de Manila University. He earned his master's degree in Business Administration from Nanyang Technological University.

PRICE EDWARD C. YAP, 50, Singaporean, is Senior Vice President and Head under Treasury Sales Group. He is a member of the Bank's Assets & Liabilities Committee.

Prior to joining the Bank in 2016, he accumulated 22 years of work experience from Mitsubishi UFJ Securities (Singapore), Ltd. (2011-2015); held various positions in Citigroup, Inc. (2000-2011); and Solid Bank Corporation (1997-2000).

He graduated with a Bachelor of Science degree in Management, major in Legal Management from the Ateneo de Manila University. He earned his master's degree in Business Administration from the Ateneo Graduate School of Business.

MALCOLM C. YOW, 45, Australian, is Senior Vice President and Retail Technology Head under ITG – Change the Bank Group. He is a member of Enterprise Control Board Committee.

Prior to joining the Bank, he held the position of Centre Director under Vietnam Software Development Centre Co. LTD/Vietnam (2020-2022). He also held the position of Senior Consultant, Vietnam Delivery Centre under Hays Talent Solutions Contracted to National Australia Bank (NAB) (2019-2020), Executive Manager, Digital Delivery and Engineering under Commonwealth Bank of Australia (2015-2019), Engineering Manager, Development Manager, Team Leader, Senior IT Specialist and IT Specialist under BWA Group Services PTY Limited, Australia (2004-2015).

He graduated with a bachelor's degree in Engineering from University of Western Australia and holds the following certifications: 2018 Certified LeSS Practitioner, 2014 Certified Product Owner, 2012 Agile Fundamentals, and 2010 Foundation Certificate in ITIL v3.

c) Significant Employees

The Bank values its human resources and considers the entire manpower force as significant employees.

d) Family Relationships

Mr. Daniel S. Dy, Director, is the son of the Bank's Chairman Emeritus, Mr. Frederick Y. Dy.

e) Involvement in Certain Legal Proceedings

To the knowledge and information of the Bank, none of the above-named directors and executive officers have been involved in any material legal proceedings or subject to the following legal proceedings during the past five (5) years:

- a. Bankruptcy petition against any business of which such director was a general partner or executive officer whether at the time of the bankruptcy or within two (2) years prior to that time
- b. Conviction by final judgment, 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. 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 services
- d. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the 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.

f) Certain Relationships and Related Transactions

During the last fiscal year, no director or executive officers of the Bank received any benefit by reason of a contract made with the company, a related corporation, a firm of which the director is a member or a company in which a director has a substantial financial interest.

In the ordinary course of business, the Bank has loan transactions with certain directors, officers, stockholders and related interest (DOSRI). Under Bank policies, these loans are made substantially on the same terms as loans to other individuals and borrowers of comparable risk. Full disclosures for these transactions were made to the BSP. The Bank is in full compliance with the BSP regulations on DOSRI loans and transactions. 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.

g) Resignation of Directors

No director has informed the registrant in writing that he intends to oppose any action to be taken by the registrant at the Annual Stockholders' Meeting.

ITEM 10. EXECUTIVE COMPENSATION

Information as to the aggregate compensation during the last two fiscal years and to be paid in ensuing fiscal year 2024 to the Bank's Chief Executive Officer and four other most highly compensated executive officers and all other officers and directors as a group are as follows:

Chief Executive Officer and four other most highly compensated executive officers*:

	Executive Compensation	Bonuses	Total
2024	₱79,600,000**	₱73,400,000**	₱153,000,000**
2023	76,537,500	70,596,700	147,134,200
2022	67,682,000	60,501,900	128,183,900

**Refers to Messrs. Sanjiv Vohra, Arnold Q. Bengco, Eduardo M. Olbes, John Cary L. Ong, and Rahul S. Rasal
 **Estimated amount

All officers and directors as a group unnamed:

	Executive Compensation	Bonuses	Total
2024	₱5,500,000,000**	₱1,800,000,000 **	₱7,300,000,000 **
2023	4,653,693,930	1,728,515,515	6,382,209,445
2022	3,853,622,854	1,393,484,004	5,247,106,858

**Estimated amount

The directors receive fees, bonuses and allowances that are already included in the amounts stated above, with per diem of ₱21.0 million estimated for 2024, ₱17.0 million per diem paid in 2023 and ₱18.2 million per diem paid in 2022. The Directors receive a per diem of ₱50,000.00 for attending Board meetings and ₱10,000.00 – ₱25,000.00 for Committee meetings. For security considerations, the Bank decided to only disclose the amount on an aggregate basis. Aside from the said amounts, they have no other compensation plan or arrangement with the Bank.

The executive officers receive salaries, bonuses, and other usual bank benefits that are also already included in the amounts stated above. Aside from the said amounts, they have no other compensation plan or arrangement with the Bank.

There are no warrants or options held by the registrant's officers and directors.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

a) Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than 5% of the Bank's voting securities as of March 31, 2024 were as follows:

Title of Class	Name, address or Record Owner/ Beneficial Owner, and relationship with Issuer	Name of Beneficial Owner	Citizenship	No. of Shares Held	% of Total Voting Shares
Common	The Bank of Tokyo - Mitsubishi UFJ, Ltd. (now known as MUFG Bank, Ltd.) Marunouchi, Chiyoda-ku, Tokyo, Japan	BTMU (MUFG Bank, Ltd.)	Non-Filipino	150,707,778	8.59%
Preferred				200,000,000	11.41%
Common	Frederick Y. Dy 23/F Security Bank Centre 6776 Ayala Ave., Makati City	Frederick Y. Dy	Filipino	86,865,273*	4.95%
Preferred				335,207,671	19.12%
Common	Daniel S. Dy 18/F Security Bank Centre 6776 Ayala Ave., Makati City	Daniel S. Dy	Filipino	30,229,655	1.72%
Preferred				256,951,638***	14.65%
Common	PCD Nominee Corporation Equitable Tower, Paseo de Roxas, Makati City	Various Stockholders Client	Filipino	194,938,117**	10.90%
Common	PCD Nominee Corporation Equitable Tower, Paseo de Roxas, Makati City	Various Stockholders Client	Non-Filipino	133,221,082****	7.84%

*Inclusive of 28,264,524 shares of Frederick Y. Dy lodged with PCD Nominee Corp.

**Net of 28,264,524 shares of Frederick Y. Dy and 30,229,655 shares of Daniel S. Dy.

***Inclusive of 35,714,994 indirect shares/Shareholder of a corporate shareholder of Issuer

****Net of 150,707,778 shares of The Bank of Tokyo-Mitsubishi UFJ, Ltd. lodged in PCD Nominee Corp. (Non-Filipino)

PCD Nominee Corporation, now known as Philippine Depository & Trust Corporation (PDTC) is the registered owner of the shares in the books of the Bank's transfer agent, Stock Transfer Service, Inc. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or on behalf of their clients. The shares beneficially owned by participants are in individual quantities representing less than 5% of the Bank's voting securities. The participants have the power to decide how the PCD shares are to be voted.

The Member of the BOD, Deputy President - Global Commercial Banking Business Unit and Chief Operating Officer – International has the power to decide on how The Bank of Tokyo Mitsubishi UFJ, LTD (now known as MUFG Bank, Ltd) shares in Security Bank are to be voted.

b) Security Ownership of Directors and Management

I. The following are the number of shares of the Bank’s capital stock (all of which are voting shares) owned of record by the directors, key officers of the Bank, and nominees for election as director, as of March 31, 2024:

A. Title of Class: Common Stock

Name of Beneficial Owner	Position	Citizenship	No. of Shares Held	Nature of Beneficial Ownership	% to Total Voting Shares
Frederick Y. Dy	Chairman Emeritus	Filipino	86,865,273	Direct	4.95%
Cirilo P. Noel	Interim Chairman	Filipino	10	Direct	0.00%
Diana P. Aguilar	Director	Filipino	10	Direct	0.00%
Gerard H. Brimo	Director	Filipino	10	Direct	0.00%
Enrico S. Cruz	Director	Filipino	138,010	Direct	0.01%
Daniel S. Dy	Director / Executive Director	Filipino	*30,229,655	Direct/ Indirect	1.72%
Esther Wileen S. Go	Director	Filipino	10	Direct	0.00%
Jikyeong Kang	Director	British	10	Direct	0.00%
Nobuya Kawasaki	Director	Japanese	1	Direct	0.00%
Jose Perpetuo M. Lotilla	Director	Filipino	3	Direct	0.00%
Napoleon L. Nazareno	Director	Filipino	10	Direct	0.00%
Stephen G. Tan	Nominee	Filipino	10	Direct	0.00%
Maria Cristina A. Tingson	Director	Filipino	10	Direct	0.00%
Juichi Umeno	Director/Alliance Segment Head	Japanese	1	Direct	0.00%
Sanjiv Vohra	Director/President & CEO	Indian	300,010	Direct	0.02%

**Inclusive of 24,415,490 Indirect shares/Shareholder of a Corporate Shareholder*

Name of Beneficial Owner	Position	Citizenship	No. of Shares Held	Nature of Beneficial Ownership	% to Total Voting Shares
Gina S. Go	Executive VP	Filipino	32,458	Direct	0.00%
Joselito E. Mape	Executive VP	Filipino	11,619	Direct	0.00%
Eduardo M. Olbes	Executive VP	Filipino	13,500	Direct	0.00%
Marlette P. Brodett	Senior VP	Filipino	103,890	Direct	0.01%
Abigail Marie D. Casanova	Senior VP	Filipino	*2,340	Indirect	0.00%
Aristotle I. Cruz	Senior VP	Filipino	200	Direct	0.00%
Maria Carmencita R. Lopez	Senior VP	Filipino	4,300	Direct	0.00%
Yvonne Joanna P. Marcelo	Senior VP	Filipino	3,700	Direct	0.00%
Ma. Margarita R. Mirabueno	Senior VP	Filipino	1,080	Direct	0.00%
Ma. Patricia N. Tan	Senior VP	Filipino	15,000	Direct	0.00%
Ricardo G. Torres	Senior VP	Filipino	16,000	Direct	0.00%

**Shares held by spouse*

B. Title of Class: Preferred Stock

Name of Beneficial Owner	Position	Citizenship	No. of Shares Held	Nature of Beneficial Ownership	% to Total Voting Shares
Frederick Y. Dy	Chairman Emeritus	Filipino	335,207,671	Direct	19.12%
Eduardo M. Olbes	Executive VP	Filipino	4,000	Direct	0.00%
Daniel S. Dy	Senior VP	Filipino	256,951,638*	Direct/ Indirect	14.65%

*Inclusive of 35,714,994 Indirect Shares/Shareholder of a Corporate Shareholder of the Issuer

The aggregate number of shares owned of record by all or key officers and directors as a group as of March 31, 2024 is 710,227,429 shares or approximately 40.50% of the Bank's outstanding capital stock.

II. The following are the trading records of the directors, key officers of the Bank, and nominees for election as director as of March 31, 2024.

A. Title of Class: Common Stock

Name of Beneficial Owner	Position	Beginning Balance No. of Shares (as of 02/28/2023)	Movement No. of Shares (from 02/28/2023 to 03/31/2024)	Acquired (A) or Disposed (D)	Ending Balance No. of Shares (as of 03/31/2024)
Frederick Y. Dy	Chairman Emeritus	86,865,273	–	–	86,865,273
Cirilo P. Noel	Interim Chairman	10	–	–	10
Diana P. Aguilar	Director	10	–	–	10
Gerard H. Brimo	Director	10	–	–	10
Enrico S. Cruz	Director	138,010	–	–	138,010
Daniel S. Dy	Director / Executive Director	30,229,655*	–	–	30,229,655
Esther Wileen S. Go	Director	10	–	–	10
Jikyeong Kang	Director	10	–	–	10
Nobuya Kawasaki	Director	1	–	–	1
Jose Perpetuo M. Lotilla	Director	3	–	–	3
Napoleon L. Nazareno	Director	10	–	–	10
Maria Cristina A. Tingson **	Director	–	10	A	10
Stephen G. Tan	Director – New Nominee	–	10	A	10
Juichi Umeno	Director	1	–	–	1
Sanjiv Vohra	Director/President & CEO	300,010	–	–	300,010

*Inclusive of 24,215,490 Indirect shares/Shareholder of a Corporate Shareholder

** Appointed as Director in June 2023

Name of Beneficial Owner	Position	Beginning Balance No. of Shares (as of 02/28/2023)	Movement No. of Shares (from 02/28/2023 to 03/31/2024)	Acquired (A) or Disposed (D)	Ending Balance - No. of Shares (as of 03/31/2024)
Gina S. Go	Executive VP	32,458	–	–	32,458
Joselito E. Mape	Executive VP	11,619	–	–	11,619
Eduardo M. Olbes	Executive VP	13,500	–	–	13,500
Marlette P. Brodett	Senior VP	-	103,890	A	103,890

<i>Name of Beneficial Owner</i>	<i>Position</i>	<i>Beginning Balance No. of Shares (as of 02/28/2023)</i>	<i>Movement No. of Shares (from 02/28/2023 to 03/31/2024)</i>	<i>Acquired (A) or Disposed (D)</i>	<i>Ending Balance - No. of Shares (as of 03/31/2024)</i>
Abigail Marie D. Casanova	Senior VP	2,340*	–	–	2,340
Aristotle I. Cruz	Senior VP	200	–	–	200
Maria Carmencita R. Lopez **	Senior VP	4,300	–	–	4,300
Yvonne Joanna P. Marcelo	Senior VP	3,700	–	–	3,700
Ma Margarita R. Mirabueno	Senior VP	1,080	–	–	1,080
Ma. Patricia N. Tan	Senior VP	15,000	–	–	15,000
Ricardo G. Torres	Senior VP	16,000	–	–	16,000

*Shares held by spouse

** Promoted to SVP in July 2023

B. Title of Class: Preferred Stock

<i>Name of Beneficial Owner</i>	<i>Position</i>	<i>Beginning Balance No. of Shares (as of 02/28/2023)</i>	<i>Movement No. of Shares (from 02/28/2023 to 03/31/2024)</i>	<i>Acquired (A) or Disposed (D)</i>	<i>Ending Balance No. of Shares (as of 03/31/2024)</i>
Frederick Y. Dy	Chairman Emeritus	294,207,671	41,000,000	A	335,207,671
Eduardo M. Olbes	Executive VP	4,000	–	–	4,000
Daniel S. Dy	Director / Senior VP	256,951,638	–	–	256,951,638

*Inclusive of 35,714,994 Indirect Shares/Shareholder of a Corporate Shareholder of the Issuer

C. Voting Trust Holders of 5% or more

The company is not aware of shareholders holding any Voting Trust Agreement of 5% or more or any such similar agreement.

D. Changes in Control

There has been no change in the control of the Bank since the beginning of its last fiscal year.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the last fiscal year, no director or executive officers of the Bank received any benefit by reason of a contract made with the company, a related corporation, a firm of which the director is a member or a company in which a director has a substantial financial interest.

In the ordinary course of business, the Bank has loan transactions with certain directors, officers, stockholders and related interest (DOSRI). Under Bank policies, these loans are made substantially on the same terms as loans to other individuals and borrowers of comparable risk. Full disclosures for these transactions were made to the BSP. The Bank is in full compliance with the BSP regulations on DOSRI loans and transactions. Details on related party transactions are further explained in Note 31 of the Audited Financial Statements. The Bank is not a subsidiary of any corporation.

For the period ended February 29, 2024, there were no material self-dealings or related party transactions by any director which required disclosure.

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

a. The evaluation system established by the company to measure or determine the level of compliance of the BOD and top-level management with its Manual of Corporate Governance

On an annual basis, the Bank submits to the SEC the Integrated Annual Corporate Governance report (IACGR) which is a tool to publicly disclose the Bank's compliance to the SEC Code of Corporate Governance for Publicly Listed Corporations. It contains all relevant information and disclosures with regard to the Bank's corporate governance policies and practices for the previous year using the "comply or explain" approach". The IACGR is a board approved document and is signed by the Chairman of the Board, all Independent Directors, President & CEO, Corporate Secretary and Compliance Officer. It is submitted to the SEC every May 30th, disclosed in the PSE and thereafter published in the Bank's website.

b. Measures being undertaken by the company to fully comply with the adopted leading practices on good corporate governance

The Bank has a Manual of Corporate Governance approved by the Board. Every so often, amendments are made due to changes in requirements brought about by new regulations, internal policy changes or adoption of new best practices. Board approved revisions are submitted to the SEC, disclosed in the PSE and published in the Bank's website. The last amendment was made in January 30, 2024.

Under the Bank's Manual of Corporate Governance, the Bank is led by a Board which is the highest authority in matters of governance and in managing the business of the Bank. The Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Bank, as well as the mechanism for monitoring and evaluating management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

The Board is composed of fifteen (15) directors, six (6) of whom are independent directors. The roles of the Chairman and President & CEO are separate and clearly defined while the independent directors are a strong source of independent advice and judgment. They bring considerable knowledge and experience to the Board's deliberations.

Security Bank Corporation as a bank and publicly listed corporation conducts an annual evaluation to assess the performance and effectiveness of its BOD as a whole, the individual members of the Board, the Chairman, the Chief Executive Officer, the Corporate Secretary, the Board-level Committees, and Management-level Committees pursuant to the requirements of Section 132 of the Manual of Regulations for Banks and SEC Memorandum Circular No. 19, Series of 2016 as duly embodied in the Bank's Manual on Corporate Governance. This activity is facilitated by the Corporate Governance Committee for the Board as a whole, the Chairman, Corporate Secretary CEO and Committees while the Nominations and Remuneration Committee is in charge of individual directors and the Chief Executive Officer. Every three years, the assessment is supported by an external facilitator who may be any independent third party such as, but not limited to, a consulting firm, academic institution or professional organization.

The Board meets every last Tuesday of the month in accordance with the Bank's by-laws. A schedule of the Board meetings is presented to the new Board upon their election in April as part of the Organizational Board meeting. In 2022, the Board held a total of 13 meetings.

The attendance record of the Board members is as follows:

Board of Directors	Attendance	Percentage
Frederick Y. Dy	13 of 13 meetings	100%
Cirilo P. Noel	13 of 13 meetings	100%
Diana P. Aguilar	13 of 13 meetings	100%
Gerard H. Brimo	13 of 13 meetings	100%
Enrico S. Cruz	13 of 13 meetings	100%
Jikyeong Kang	13 of 13 meetings	100%
Napoleon L. Nazareno	11 of 13 meetings	85%
Alfonso L. Salcedo, jr.	13 of 13 meetings	100%
Sanjiv Vohra	13 of 13 meetings	100%
Daniel S. Dy	13 of 13 meetings	100%
Esther Wileen S. Go	12 of 13 meetings	92%
Jose Perpetuo M. Lotilla	13 of 13 meetings	100%
Juichi Umeno	10 of 10 meetings	100%

Board of Directors	Attendance	Percentage
Nobuya Kawasaki	8 of 10 meetings	80%
Maria Cristina A. Tingson	7 of 7 meetings	100%

Directors Umeno and Kawasaki were elected to the Board effective April 25, 2023

Director Tingson was elected to the Board effective June 27, 2023

Term of Directors Takeuchi and Yamato ended on April 25, 2023

Chairman Villarosa – Deceased May 2023

In compliance with the principles of good corporate governance, the Board has constituted the Corporate Governance, Nominations and Remuneration, Executive, Audit, Risk Oversight, Operational Risk Management, Trust, Restructuring, Related Party Transactions, Senior Credit, and Transformation and Technology Committees to which it has delegated specific responsibilities.

The **Corporate Governance Committee** assists the Board in approving and overseeing the implementation of the corporate governance framework. Responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines.

Composition	Attendance	Percentage
Napoleon L. Nazareno – Chairman *	5	63%
Cirilo P. Noel – Vice Chairman *	4	50%
Jose Perpetuo M. Lotilla	11	92%
Gerardo H. Brimo	11	92%
Nobuya Kawasaki *	5	63%
Jikyeong Kang	4	100%
Alfonso L. Salcedo	4	100%
Takashi Takeuchi	4	100%

**Appointed to the Committee effective April 25, 2023 (vice Directors Kang, Salcedo and Takeuchi)*

Number of meetings in 2023: 12

The Committee accomplishments include the following:

- Reviewed results of performance evaluation of Compliance Office and Chief Compliance Officer.
- Performed oversight of Compliance function, including review of the BSP Report of Examination and assessment of replies and periodic reports of the Compliance Office, monitoring of implementation of the Compliance Plan covering General Regulations and AML, evaluation of results of independent compliance testing, updates on policies and Manuals relating to Corporate Governance, Compliance Program and MLPP.
- Reviewed administrative cases and adequacy of committee charters.
- Facilitated the completion of the annual corporate governance training for the directors of the Bank and its subsidiaries.
- Monitored and evaluated the status updates of compliance with regulatory directives.
- Reviewed and endorsed for Board approval the Bank's 2022 Integrated Annual Corporate Governance Report.
- Reviewed the results of the annual performance assessment of the Board, CEO, Chairman, Corporate Secretary, Board level and Management level Committees.
- Reviewed and endorsed for Board approval the update of the Manual on Corporate Governance.
- Performed oversight of bank's progress on Sustainability Transition Plan commitments and BSP 1085.
- Approved Occupational Safety and Health policies.

The **Nominations and Remuneration Committee** reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval. It also assesses the effectiveness of the Board's processes and procedures in the election and replacement of directors. Finally, it establishes a formal and transparent procedure for developing policy on remuneration of directors and officers to ensure that compensation is consistent with the Bank's culture, strategy and the business environment in which the Bank operates.

Composition	Attendance	Percentage
Jikyeong Kang - Chairperson *	7	88%
Enrico S. Cruz – Vice Chairman	12	100%
Gerardo H. Brimo **	8	100%

Composition	Attendance	Percentage
Daniel S. Dy	7	88%
Maria Cristina A. Tingson ***	6	100%
Jose Perpetuo M. Lotilla	3	75%
Alberto S. Villarosa ****	4	100%
Cirilo P. Noel *****	1	50%

*Appointed to the Committee effective April 25, 2023 (vice Director Lotilla)

**Appointed as member effective April 25, 2023

***Appointed as member effective June 27, 2023 (vice Interim Member Noel)

****Deceased May 2023

*****Interim member (vice A. Villarosa) appointed in the Committee effective April 25, 2023 (vice Directors Kang, Salcedo and Takeuchi)

Number of meetings in 2023: 12

The Committee accomplishments include the following:

- Evaluated and recommended new board membership.
- Reviewed and approved senior officer new hires.
- Reviewed and approved various HR and employee benefits related policies as recommended by the People Empowerment Committee.
- Reviewed manpower reports.
- Reviewed adequacy of charter and organizational structure.
- Reviewed and approved board and committee assignments, concurrent assignments within the group, executive compensation disclosures.

The **Executive Committee*** is responsible for the following:

- Exercises the authority of the Board of Directors as delegated by the Board and as may be allowed by law during intervals between meetings of the Board of Directors.
- Provides oversight of the financial management of the Group, including strategic and financial planning, the budget, capital planning and compliance with regulatory limits with respect to capital, liquidity ratios and other measures as may be required by the relevant regulatory agencies.
- With the support of the Risk Oversight Committee, provides financial strategic direction to achieve the objective regarding investments, derivative activities, balance sheet management, interest rate and foreign risk management.
- Provides strategic direction with regard to liquidity position, including issuance of short and long-term debt, generation of short and long-term financial assets.
- Approves the sale of ROPOA as recommended by the Asset Disposal Committee
- Approves and endorses the major expenditures based on Major Expenditures Policy (MEP).
- Reviews Investor Relations activities.
- Reviews and monitors the company's debt ratings, dialogue with the credit agencies and bank credit arrangements.

Composition	Attendance	Percentage
Cirilo P. Noel - Chairman	10	91%
Diana P. Aguilar **	6	86%
Daniel S. Dy	9	82%
Sanjiv Vohra	11	100%
Enrico S. Cruz (Independent Director – Non-voting)	11	100%
Esther Wileen S. Go (Independent Director – Non-voting)	10	91%

* Finance Committee was dissolved in April 2023 and the Committee responsibilities were assumed by the Executive Committee

**Appointed as member of the Executive Committee effective June 27, 2023

Number of meetings in 2023: 11

The Committee accomplishments include the following:

- Reviewed and endorsed to the Board the strategic initiatives, financial performance, and budget plan.
- Approved sale of ROPA and NROPA as recommended by the Asset Disposal Committee.
- Assessed impact and proposed mitigation to address various market, competitive, legislative developments on the Bank's financials.
- Approved and endorsed to the Board the dividend policy for the Bank's common and preferred shareholders.
- Reviewed monthly and quarterly performance of the Bank and business segments.
- Assessed, approved, and endorsed the major expenditures of the Bank on both the strategic and major initiatives.
- Conducted annual review of the Committee Charter and provided oversight to management level committees for effective management of relevant risk (i.e., Asset Disposal Committee, Asset and Liability Committee, and Product Committee)

The **Audit Committee** reviews internal control and risk management systems, processes for financial control, internal and external audits, and compliance with laws and regulations.

Composition	Attendance	Percentage
Gerard H. Brimo – Chairman	7	100%
Jose Perpetuo M. Lotilla – Vice Chairman	3	75%
Cirilo P. Noel	7	100%
Enrico S. Cruz	3	100%

** Appointed as Vice Chairman effective April 25, 2023 (vice Director Enrico S. Cruz)*

Number of meetings in 2023: 7

The Committee accomplishments include the following:

- Reviewed the effectiveness of internal controls including financial, operational and compliance controls and risk management.
- Evaluated the integrity of the Bank's financial statements and the effectiveness of internal controls over financial reporting.
- Review and approve the annual internal audit risk assessment and plan to ensure its conformity with the objectives of the Bank.
- Reviewed the performance of the Head of internal Audit and the External Auditor.
- Monitored outstanding internal and external audit issues including whistleblowing cases.
- Reviewed and approved Internal Audit's annual plan, including any changes ensuring appropriate coverage of risk and compliance with regulatory requirements.
- Approved the appointment/retention of the External Auditor and remuneration of the Head of Internal Audit and key Internal Auditors.
- Approved and endorsed to the Board the results of Audit, Special Reviews and Self-Assessment in compliance with regulatory directives.
- Reviewed the adequacy of the Committee Charter and the Internal Audit Charter.
- Recommends the appointment of the new Chief Audit Executive.
- Approved the selected party to conduct the external quality assurance review.

The **Risk Oversight Committee** is responsible for the following:

- Development, approval, and oversight of the risk management framework and program of the Bank and its Subsidiaries, including its implementation by management.

- Defines the SBC Group risk appetite. In setting the risk appetite, the Committee considers the business environment, regulatory landscape, and the group's long- term interests and ability to manage risk.
- Approves and oversees adherence to the risk appetite statement (RAS), risk policy and risk limits.
- Oversees the development of, approves, and oversees the implementation of policies and procedures relating to the management of risks throughout the group.
- Defines organizational responsibilities of the risk management function following the three lines of defense framework. The business line functions will represent the first line of defense; the risk management and compliance functions, the second line of defense; and the internal audit function, the third line of defense.

Composition	Attendance	Percentage
Enrico S. Cruz - Chairman	14	100%
Esther Wileen S. Go - Vice Chairperson	14	100%
Napoleon L. Nazareno	11	79%
Jikyeong Kang	13	93%
Cirilo P. Noel	9	64%
Alfonso L. Salcedo, Jr.	12	86%
Juichi Umeno*	9	100%
Takashi Takeuchi	5	100%

*Appointed to the Committee effective April 25, 2023 (vice Director Takeuchi)

Number of meetings in 2023: 14

The Committee accomplishments include the following:

- Strengthened risk management by enhancing the existing credit, market, liquidity, and operational risk policies.
- Reviewed and approved all trading activities and its exceptions, business risk review relating to business units and high-risk industries.
- Approved various credit, market, liquidity, and operational risk policies to strengthen risk management practices and align with regulatory changes, such as:
 - Market Risk policies relating to current trading and brokering programs and monitoring of business model execution
 - Credit Risk policies for wholesale and retail lending, Approving Authorities and Credit Limits, Credit Classifications, Impairment Assessment, Environmental & Social Risk Management Framework, Insurance Coverage, write-off of accounts and documentary requirements for corporate and retail loans
 - Operational Risk policies relating to Risk and Control Self-Assessment (RCSA), Risk and Control Assessment (RCA), Fraud Risk Management Framework, Business Continuity Management Framework, Crisis Management Policy, Environmental and Social Risk Management Framework, Information Technology Risk Management Policy, Social Media Framework (Expanded); notation of the Outsourcing Committees' third-party service provider evaluation and accreditation.
 - Model development and recalibration of ECL models across all credit risk taking businesses and model risk management of all risk and business models
 - Updates on market, credit and operational risks of the Bank's Trust Division and subsidiaries
- Approved and endorsed for confirmation of the Board, the Contingency Funding Plan appropriate for the Bank and Subsidiaries

The **Operational Risk Management Committee (a sub-committee of Risk Oversight Committee)** is responsible for the following:

- Oversight and maintains the company's operational risk management plan. Operational risk areas include Information Technology systems and processes, together with privacy and network security, information security, and fraud and error losses.
- Provides guidance in the development of the Bank's operational risk management policies, risk appetite and limits, ensuring that current and emerging risk exposures are consistent with the Bank's strategic direction and over-all risk appetite.
- Receives, reviews, and provides inputs to reports of significant risk issues identified by management and ensures that said risks are promptly assessed, mitigated or corrected, and monitored.

- Periodically reviews with management the Bank's contingency/ crisis management plans, business continuity and disaster recovery plans to ensure operational resiliency.
- Ensures that the Operational Risk Management (ORM) function has adequate staff and resources and carry out their responsibilities independently, objectively, and effectively.
- Ensures that all employees undergo operational risk awareness training appropriate to their position and maintain these skills, as required.
- Oversees the Outsourcing Committee in its role of managing and reviewing outsourcing contracts with third party providers.

Composition	Attendance	Percentage
Esther Wileen S. Go - Chairperson	11	92%
Enrico S. Cruz	12	100%
Napoleon L. Nazareno	10	83%
Alfonso L. Salcedo, Jr.	8	67%
Juichi Umeno*	7	88%
Takashi Takeuchi	3	75%

*Appointed to the Committee effective April 25, 2023 (vice Director Takeuchi)

Number of meetings in 2023: 12

The Committee accomplishments include the following:

- Performed oversight of Operational Risk Management function, with a focus on IT and Information Security Risks, as well as monitoring and evaluation of Information Security updates, particularly in Patch Management, Asset Management / Inventory, and Access Management.
- Monitored and provided inputs on Risk areas concerning Fraud, Business Continuity Management, and Environmental Risk.
- Reviewed IT and Fraud Incidents with impact to the Bank's operations, their identified root cause and the action plans formulated to address them.
- Approved the Information Security Policy.
- Endorsed the revised ORMC Charter for formal approval in the ROC.
- Monitored and provided guidance for the Bank's certification of compliance with ISO27001.

The **Trust Committee (TC)** is primarily responsible in overseeing the Trust, IMA and Other Fiduciary business of the Bank through its Trust and Asset Management Group (TAMG), including the oversight of investments of funds contributed to and held by these Trust, IMA and Other Fiduciary accounts.

Composition	Attendance	Percentage
Diana P. Aguilar - Chairperson	5	100%
Napoleon L. Nazareno * - Vice Chairman	1	25%
Alfonso L. Salcedo, Jr.	4	80%
Sanjiv Vohra	4	80%
Maricar R. Lopez	5	100%

*Appointed as TC Member effective April 25, 2023

Number of meetings in 2023: 5

The Committee accomplishments include the following:

- Convened five (5) TC meetings in 2023 with end goals that included:
 - Updating the TC on the performance (AUM and Profitability) of TAMG and to allow the TC to recommend processes and ways to improve its profitability and operational efficiencies.
 - To update the TC on Market Updates, views and outlook of the Investments' Team and give its recommendation on improving return performance.
 - To review the business model from time to time, considering the product profitability and trust products to offer given the market developments (high interest rate; volatility in FI and Equity markets).
 - To update the TC on Compliance and Risk matters arising out of TAMG investment and fiduciary activities.

- To update the TC with status on external, internal and regulatory audit related matters, Account Governance report on results of administrative and investments' review of accounts managed and administered by TAMG, update the TC members on queries raised by the Committee including updates on action items committed by TAMG that were raised and discussed during the previous meeting.
- Approved the following:
 - Trust Group's 2024 Budget, AUM size, Profitability and Changes in Trust Group's Organizational Structure including manpower count;
 - Amendments and enhancements of internal policies, including amendments to the SB Funds' Declaration of Trust and Appendix I in compliance with BSP Circular 1152, amendments to the Trust Committee Charter as recommended by the Compliance Group and amendments to TAMG's signing Policy;
 - Offering Legislated and Quasi-Judicial Corporate Trust Accounts to E-money Issuers for their compliance to BSP Circular 1166;
 - Related party transactions;
 - Inclusion of Principal-protected Structured Notes to TAMG's investment universe;
 - Accreditation of new Debt and Equity Issuers and revalidation of existing Debt and Equity Issuers.
- Provided guidance to TAMG on the following:
 - Marketing and sales initiatives, catch-up plans, new products, new regulations and market scanning to help grow the AUM at faster pace;
 - Acquisition of AUM/ Portfolios/ Trust entity through Project Arrow;
 - Challenges of the Trust and Asset Management business on the back of market trends, competition, market volatilities and how challenges could also be opportunistic for the business;
 - Addressing customer and audit concerns and issues;
 - Identified process and policy enhancements from findings on industry and market scan as reported to the Committee.

The **Restructuring Committee** approves remedial and/or recovery strategies of the Bank for identified problem loan accounts.

Composition	Attendance	Percentage
Alfonso L. Salcedo Jr.	16	64%
Sanjiv Vohra	24	96%
Maria Christina A. Tingson*	11	100%
Alberto S. Villarosa **	8	100%
Cirilo P. Noel ***	7	100%

*Appointed as member of SCC effective June 27, 2023

**Deceased May 2023

*** Temporary member effective May 2023 vice A. Villarosa pending permanent appointment of new member

Number of meetings in 2023: 33

The Committee accomplishments include the following:

- Approved remedial and/or recovery strategies of the Bank for identified problem loan accounts.
- Confirmed approvals made by the RMD Group Head and/or President for restructuring proposals under their authorities.

The **Related Party Transactions Committee** ensures that transactions with related parties across the SBC Group are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of depositors and stakeholders.

Composition	Attendance	Percentage
Jose Perpetuo M. Lotilla - Chairman	10	83%
Gerardo H. Brimo - Vice Chairman *	8	100%
Diana P. Aguilar	11	92%
Jikyeong Kang	3	75%

*Appointed in the Committee effective April 25, 2023 (vice Director Kang)

Number of meetings in 2023: 12

The Committee accomplishments include the following:

- Reviewed and endorsed material RPT transactions for board approval ensuring that transactions were conducted in a manner that protected the Bank from any potential conflict of interest.
- Confirmed report of non-material RPT transactions.

The **Transformation and Technology Committee** is overseeing the development and implementation of strategy, transformation, innovation and information technology initiatives of the Bank and its subsidiaries and affiliates, in support of the Group’s vision, mission and strategic objectives.

Main duties and responsibilities include:

- Advise the Bank in all major strategy, transformation, and information technology initiatives in terms of strategy, culture, process, leadership, technology, and structure.
- Oversee the strategic transformation, and technology initiatives, including Recommending for Board approval the Bank’s Strategy and Transformation Roadmap
 - Recommending for Board approval the Bank’s Information technology Architecture and strategic plan.
 - Reviewing proposed strategic, transformation and information technology initiatives and projects for risk, value, potential returns, and support of the Bank’s strategic plans.
 - Endorse Major Expenditure Proposals (MEP) related to strategic programs and projects to the Executive Committee (ExCom) and Board.
 - Monitoring the implementation and execution of various strategic, transformation and information technology initiatives and projects across the Bank based on goals, cost and benefits defined in the MEP and the SMART goals (Specific, Measurable, Achievable, Relevant, Time-Bound). Scope of programs governed in TTC will be deemed strategic as per classification/definition approved by TTC.
- Review and approve IT policies.
- Ensure that a review of IT procedures and standards is performed at least on an annual basis.
- Report to the Board on the IT performance, status of Strategic projects and associated risks, and other significant issues.

Appoint members of the Senior Management Team, who will be part of the “Enterprise Control Board (ECB)” that will ensure alignment of the IT projects with the Bank’s Strategic Plan. The TTC shall review and approve the ECB Charter on an annual basis.

Composition	Attendance	Percentage
Esther Wileen S. Go - Chairperson	13	100%
Jikyeong Kang - Vice Chairperson *	6	86%
Sanjiv Vohra	12	92%
Daniel Dy	12	92%
Eduardo M. Olbes	13	100%
Lucese T. Eralil	12	92%
Napoleon L. Nazareno	3	50%

**Appointed in the Committee effective April 25, 2023 (vice Director Nazareno)*

Number of meetings in 2023: 13

The Committee accomplishments include the following:

- Reviewed the proposed strategic, transformation and information technology initiatives and projects for risk, value, potential returns, and support of the Bank’s strategic plans.
- Endorsed material Major Expenditure Proposals (MEP) related to strategic programs and projects to the Executive Committee (ExCom) and Board.

- Monitored the implementation and execution of various strategic, transformation and information technology initiatives and projects across the Bank based on goals, cost, and benefits defined in the MEP and the SMART goals (Specific, Measurable, Achievable, Relevant, Time-Bound).
- Reviewed and approved IT policies, procedures, guidelines, and standards.
- Reviewed and reported to board the IT performance, status of Strategic projects and associated risks, and other significant issues.
- Reviewed and approved the amendments of the ECB and TTC charter.

The **Senior Credit Committee**, as the highest credit decision-making body, reviews and approves proposals and transactions related to credit and works closely with the Risk Management Group in managing the overall credit risk of the Bank.

Composition	Attendance	Percentage
Alfonso L. Salcedo, Jr. – Chairman	47	96%
Cirilo P. Noel – Vice Chairman	41	84%
Sanjiv Vohra	42	86%
Enrico S. Cruz – Independent Director (non- voting)	49	100%
Maria Cristina A. Tingson*	26	100%
Alberto S. Villarosa**	15	100%
Rafael F. Simpao, Jr. – Advisor	45	92%
Daniel S. Dy – Alternate	0	0%

* Appointed as member of SCC effective June 27, 2023

**Deceased May 2023

Number of meetings in 2023: 49

In line with its commitment to continually improve Corporate Governance practices, the Bank also has several committees constituted and chaired by management directed towards managing, implementing strategy and corporate directions consistent with the principles behind various board-constituted committees. These are the Credit Committee, Asset Disposal, Committee, Assets & Liabilities Committee, Product Committee, People Empowerment Committee, Anti-Money Laundering and Counter Financing Terrorism Committee, Integrity Committee, Sustainability Committee, Occupational Safety and Health Product Committee, Outsourcing Committee, SBC Retirement Committee, and Enterprise Control Board

c. Any deviation from the company's Manual of Corporate Governance. It shall include a disclosure of the name and position of the person/s involved, and the sanction/s imposed on said individual

The Bank is in full compliance with its Manual of Corporate Governance.

d. Any plan to improve corporate governance of the company

The Group is in full compliance with the provisions of the Board-approved Manual of Corporate Governance which is a compilation of policies on the compliance system, ensuring disclosure and transparency to uphold the rights of the Bank's stakeholders. The Bank's Manual on Corporate Governance is also being reviewed annually or as the need arises for possible revision, to conform with best market practices on corporate governance or comply with new rules and regulations issued by any regulatory body.

Likewise, the Bank complies with the requirements of the SEC, BSP, and Philippine Stock Exchange as embedded in its responses to the IACGR submitted to the SEC on a yearly basis. The Bank also participates in the Annual ASEAN Corporate Governance Scorecard (ACGS) initiative which assesses and ranks publicly-listed corporations based on its corporate governance practices. In September 2023, the Bank received a four golden arrow recognition award as a testament to its performance in the 2021 assessment.

On April 25, 2023, members of the Board as well as advisors and senior officers of the Bank attended the Annual Corporate Governance Training Program, a four-hour session facilitated by Center for Global Best Practices.

The Bank also has a dedicated Corporate Governance head under the Compliance team to help address corporate governance issues.

PART V - EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits - Please refer to the Index to Exhibits on page 57

The other exhibits as indicated in the Exhibit Table of Revised Securities Act Forms are either not applicable to the Bank or require no answer.

(b) Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed in the last six months of 2023 and in the first quarter of 2024:

DATE	ITEM
7/4/2023	Appointment of a Director, Hiring of a Senior Officer and Promotion of 5 Senior Officers
7/13/2023	Press Release - "Security Bank issues PHP18.5 billion worth of Corporate Bonds due 2025 "
7/20/2023	Retirement of Senior Officer
7/20/2023	Resignation of Senior Officer
7/25/2023	Hiring and Change of Assignment of Senior Officers
8/11/2023	Quarterly Report
8/11/2023	Press Release - "Security Bank net profit up 8% in Q2-2023 on a sequential basis"
8/30/2023	Appointment of a Director, Hiring of a Senior Officer and Promotion of 5 Senior Officers
8/31/2023	Balance Sheet (Consolidated and Bank Proper) as of June 30, 2023
9/12/2023	Hiring of Senior Officer
10/24/2023	Cash Dividend Declaration - Common Shares
10/24/2023	Change in Assignments of Senior Officers
11/10/2023	Press Release - "Security Bank Q3-2023 net profit up 4% quarter-on-quarter and up 15% year-on-year"
11/10/2023	Quarterly Report
11/21/2023	Balance Sheet (Consolidated and Bank Proper) as of September 30, 2023
11/24/2023	Expiration of the corporate term of a subsidiary of Security Bank Corporation.
1/30/2024	Notice of Postponement of Annual Stockholders' Meeting
1/30/2024	Postponement and resetting of the 2024 Annual Stockholders' Meeting, April 2024 Board Meeting, and 2024 Organizational Board Meeting for Security Bank Corporation
2/20/2024	Balance Sheet (Consolidated and Bank Proper) as of December 31, 2023
2/23/2024	Notice of Analysts'/Investors' Briefing
2/27/2024	Cash Dividend Declaration of Preferred Shares (unlisted) and Repricing of Repricing of First Tranche of Preferred Shares
2/27/2024	Change in Assignments of Senior Officers
2/29/2024	Press Release - "Security Bank posts net income of PHP9.1 billion in 2023"
2/29/2024	Audited Financial Statements of Security Bank Corporation and Subsidiaries 2023
3/15/2024	Nomination of Directors for election by shareholders of Security Bank Corporation during the Annual Stockholders Meeting
3/26/2024	Hiring of a Senior Officer
3/26/2024	Cash Dividend Declaration - Common Shares

SIGNATURES

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

By:

[Redacted Signature]

Sanjiv Vohra
Principal Executive Officer / Principal Operating Officer

[Redacted Signature]

Eduardo M. Olbes
Principal Financial Officer

[Redacted Signature]

Joel Raymond R. Ayson
Corporate Secretary

[Redacted Signature]

Milarey M. Wee
Principal Accounting Officer/Comptroller

15 APR 2024

SUBSCRIBED AND SWORN to before me this _____, affiants exhibiting to me their Passport, as follows:

NAMES	ID NUMBERS	DATE OF ISSUE	PLACE OF ISSUE
Sanjiv Vohra	[Redacted]	June 27, 2018	Singapore
Eduardo M. Olbes	[Redacted]	July 27, 2018	Manila City
Joel Raymond R. Ayson	[Redacted]	March 19, 2019	Manila City
Milarey M. Wee	[Redacted]	May 21, 2019	Manila City

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Series of 2024

NOTA [Redacted] ATI

MCLE Compliance No. VII-0028676
20/F SECURITY BANK CENTRE, 6776 AYALA AVE., MAKATI CITY

INDEX TO EXHIBITS

Form 17-A Item 14

Exhibit Number		Page
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(2)	List of Bank-owned Branches	59
(3)	List of Leased Branches	60
(4)	Table of Organization	72

EXHIBIT (1):SUBSIDIARIES OF THE REGISTRANT

Security Bank Corporation's subsidiaries and joint ventures include:

	Percentage Ownership
Subsidiaries	
SB Capital Investment Corporation and Subsidiaries	100%
SB Rental Corporation	100%
SB Equities, Inc.	100%
SB International Services, Inc. (pre-operating stage)*	100%
SB Cards Corporation ****	100%
SB Forex, Incorporated**	100%
Security Finance and Leasing Inc. (formerly Landlink Property Investments (SPV-AMC)***	100%
Joint Ventures	
SBM Leasing, Inc.	60%
SB Finance, Inc.	49.96%

*Corporate term ended December 31, 2021, awaiting clearance from Bureau of Internal Revenue (BIR).

**Corporate term ended February 28, 2022, awaiting clearance from BIR.

***With BOD approval in 2022 to shorten corporate life on December 31, 2023. Approval to shorten life was revoked by the BOD last December 12, 2023

****With BOD approval to shorten corporate life on December 31, 2024

EXHIBIT (2): LIST OF BANK-OWNED BRANCHES AS OF DECEMBER 31, 2023

Branch		Address
1	Alabang	235 Montillano St., Rotonda Alabang-Muntinlupa
2	Angeles	Sbc Building, Mc. Arthur Highway, Balibago, Angeles City
3	Bacolod North Drive	Sbc Bldg., Bs Aquino Drive Corner Hilado Extension, Bacolod City
4	Baguio	Sbc Bldg., Corner Chugum and Abanao Sts., Baguio City
5	Batangas	Rizal Avenue Near Cor. P. Zamora St., Batangas City
6	BF Homes - Parañaque	SBC Bldg., President's Avenue. BF Homes, Paranaque City
7	Binan	National Highway, Barrio San Vicente, Binan, Laguna
8	Cagayan De Oro - Osmeña	Sergio Osmena St., Cagayan De Oro City
9	Cagayan De Oro - Velez	A. Velez Corner Montalban St., Cagayan De Oro City
10	Commonwealth	SBC Bldg., Lot 10, Block 9, Commonwealth Avenue, Quezon City
11	Concepcion	612 JP Rizal St., Concepcion, Marikina City
12	Dagupan	SBC Bldg., MH Del Pilar St., Dagupan City
13	Dasmarinas	Gen. Emilio Aguinaldo Highway, Dasmarinas, Cavite
14	Davao - Main (Magsaysay)	No. 358 R. Magsaysay Avenue, Davao City
15	Davao - Monteverde	Monteverde Corner Bruno Gempesaw Sts., Davao City
16	Davao - Panabo	Quezon Blvd., Panabo City, Davao Del Norte
17	Del Monte	G/F SBC Bldg., Lot 19, Blk. 344 Del Monte Ave., Quezon City
18	Edsa Magallanes	Edsa Cor. Magallanes Ave., Brgy. Magallanes, Makati City
19	General Santos	Lot 1341 Ireneo Santiago Blvd., Gen. Santos City
20	Guadalupe	No. 2185 Magsaysay St., Guadalupe, Makati City
21	Iligan	Quezon Avenue Corner Miguel Obach St., Poblacion, Iligan City
22	Kalookan	No. 266 Rizal Avenue Extension, Between 5Th And 6Th Ave., Grace Park, Kalookan City
23	Lipa	CM Recto Avenue, Lipa City, Batangas
24	Main Office Branch (MOB)	6776 Ayala Avenue, Makati City
25	Malabon	No. 2 Manapat St Corner Rizal Avenue Extension., Malabon City
26	Medical Plaza Makati	G-103 Medical Plaza Bldg., Dela Rosa Corner Amorsolo Sts., Makati City
27	Montalban	J.P. Rizal Ave., Manggahan, Montalban, Rizal
28	Novaliches - Bayan	897 Quirino Hi-Way, Brgy. Gulod, Novaliches, Q.C.
29	Pandacan	No. 2339 Palumpong St., Pandacan, Manila
30	Pasay Libertad	Libertad Corner Colayco Sts., Pasay City
31	Paseo De Roxas	Corporate Business Center, No. 151 Paseo De Roxas Cor. Arnaiz Ave., M.C
32	Roman Square	Roman Square Bldg., No. 979-981 Soler Corner Roman St., Binondo, Manila
33	Rosario	G/F SBC Bldg., Gen. Trias Drive, Rosario, Cavite
34	Salcedo	LPL Plaza Bldg., No. 124 L. P Leviste St., Salcedo Village, Makati City
35	Sampaloc	1700 G. Tuazon St. Cor M. Dela Fuente St., Sampaloc, Manila
36	San Pedro	Mabini Street, Poblacion, San Pedro, Laguna
37	Sta. Rosa	Brgy. Pulong , Sta. Cruz, Sta. Rosa, Laguna
38	Sucut	SBC Bldg., Dr. A. Santos Ave. Cor. St. Peter St., Sucut, Paranaque City
39	Tagaytay	SBC Bldg., Aguinaldo Highway, Mendez Crossing, Tagaytay City
40	Taytay - Ortigas Extension	SBC Bldg., Km. 23, Ortigas Avenue Extension, Taytay, Rizal
41	Tektite	G/F East Tektite Towers, Exchange Road., Ortigas Center, Pasig City
42	Tuguegarao	A. Bonifacio Corner Washington Sts., Tuguegarao, Cagayan
43	Ylaya - Tondo	No. 938, Ylaya Street, Tondo, Manila City
44	Zamboanga	Veterans Avenue, Zamboanga City.

EXHIBIT (3): LIST OF LEASED BRANCHES AS OF DECEMBER 31, 2023

Branch		Address	Start of Contract	End of Contract	Lease Term (Years)	Rent for the year ended December 2023 (all in ₱)
Leased Branches						
1	A. Linao - Paco	Units 1644 And 1646 Along Angel Linao St., Paco, Manila	10/26/21	10/25/26	5	857,096
2	Acropolis	E. Rodriguez Jr. Ave. (C-5), Libis, Quezon City	04/01/19	03/31/24	5	3,805,525
3	ADB Avenue	G/F, AIC Empire Tower, ADB Avenue Corner Sapphire Road, Ortigas Center, Pasig City	05/01/22	04/30/27	5	2,807,784
4	Adriatico - Faura	1326 M. Adriatico St., Manila	10/16/19	10/31/24	5	3,039,459
5	Alabang - Acacia	G/F Kingston Tower, Acacia Ave., Madrigal Business Park, Alabang, Muntinlupa City	10/15/21	10/14/26	5	3,556,616
6	Alabang - Insular	Insular Life Corporate Centre, Insular Life Drive, Filinvest Corporate City, Alabang, Muntinlupa	04/01/21	03/31/24	3	4,230,004
7	Alabang - Northgate	Indo-China Drive, Northgate Cyberzone, Filinvest, Alabang, Muntinlupa City	01/01/21	12/31/25	5	2,179,425
8	Alicia - Isabela	National Highway (Maharlika Highway), Poblacion, Alicia, Isabela	08/01/21	07/31/24	3	781,722
9	Ali Mall	Level 2 Alimall Phase Ii, Brgy Socorro, Cubao, Quezon City	10/01/21	09/30/22	1	2,279,520
10	Angeles - Sto.Rosario	293 Sto Rosario Street, Angeles City	08/16/23	08/15/24	1	1,990,999
11	Annapolis - Greenhills	G/F Greenhills Mansions, Annapolis St., Greenhills, San Juan, Mm.	02/01/19	01/31/24	5	3,543,982
12	Antipolo	CMDL Bldg., Circumferencial Road, Brgy. San Roque, Antipolo Rizal	01/01/22	12/31/24	3	1,403,325
13	Arnaiz Avenue	920-922 Pasay Road, Makati City	11/15/19	11/14/24	5	2,699,642
14	Aseana City	Aseana One Building, Bradco Avenue, Aseana City, Parañaque City	01/15/21	01/14/26	5	1,385,410
15	Aseana Square	Units 3 & 4, Aseana Square Building, Macapagal Blvd., Aseana City, Parañaque City	06/15/22	06/14/27	5	2,441,138
16	Ayala Alabang	El Molito Bldg., Madrigal Business Park, Madrigal Avenue, Ayala Alabang, Muntinlupa City	06/01/22	05/31/27	5	9,759,632
17	Ayala - Rufino	6797 Ayala Avenue., Makati City	10/01/22	09/30/27	5	4,764,420
18	Bacolod - Lacson	Ground Floor, Insular Life Building, Lacson Corner Galo Street, Bacolod City	07/01/20	06/30/25	5	1,529,387
19	Bacolod - Mandalagan	Ground Floor, O Residences, Lacson Street, Mandalagan, Bacolod City	01/01/21	12/31/25	5	971,433
20	Baguio Bgh Rotonda	Cya Centrum Building, Military Cut-Off Road, Baguio City	05/01/21	04/30/24	3	1,076,869
21	Balanga	Capitol Drive Near Corner Sampaguita St., San Jose Balanga City, Bataan 2100	04/01/17	03/31/27	10	845,635
22	Balut	No. 49 Honorio Lopez Blvd., Corner Rosario Nicasio St., Balut, Tondo, Manila	09/01/22	08/31/27	5	1,368,271
23	Banawe - Kitanlad	Nos. 34-36 Banawe Corner Kitanlad Sts., Quezon City	06/01/20	05/31/25	5	3,730,789
24	Banawe-Malaya (Relocation)	Maro Rlmc Building, #655 & #663 Banawe St., Barangay St. Peter, Quezon City	01/01/23	12/31/27	5	1,980,000
25	Banawe - Quezon Ave.	No. 247-249 Banaue Street, Barangay Lourdes, Sta. Mesa Heights, Quezon City	11/01/23	10/31/26	3	1,856,902
26	Bangoy - Chinatown	2nd Floor, Yahu Plaza, Bangoy Street, Davao City	04/16/21	04/15/26	5	1,666,980

Branch		Address	Start of Contract	End of Contract	Lease Term (Years)	Rent for the year ended December 2023 (all in ₱)
27	Batino - Calamba	Ground Floor City Gold Bldg., Calamba Premier Industrial Park Complex - Batino, Calamba, Laguna	04/03/23	04/02/26	3	1,069,897
28	Bel-Air	No. 40, Jupiter St., Bel-Air, Makati City	09/08/21	09/07/24	3	1,459,364
29	Benavidez	1264-66 Benavidez St., Sta Cruz, Manila	09/01/23	12/31/23	0.25	1,350,816
30	BF Parañaque-Aguirre	No. 178 Aguirre Avenue, BF Homes, Parañaque City	07/01/21	06/30/26	5	2,083,280
31	BF Resort - Las Piñas	#21 & 23 One Princeway Bldg., BF Resort Drive, BF Resort Village, Las Piñas City	05/16/22	05/15/25	3	1,339,518
32	Bicutan	#39 Doña Soledad Ave., Better Living, Parañaque City	12/16/23	12/15/33	10	1,068,200
33	Binondo	Nos. 463-469 Ewan Bldg., Quintin Paredes St., Binondo, Manila	05/01/21	04/30/26	5	10,998,435
34	Blumentritt	Chinese Gen. Hospital, Blumentritt Cor. Aurora Blvd., Sta. Cruz, Manila	09/16/22	09/15/27	5	5,461,232
35	Bocaue	Mcarthur Highway, Wakas Bocaue, Bulacan	02/16/17	03/15/27	10	1,259,006
36	Boni Avenue	Unit No. 3 Bonifacio Residences Condo, 612 Boni Ave. Corner Sikap Street., Mandaluyong City	12/01/23	11/30/25	2	1,521,450
37	Buendia - Dian	Omron Building, No. 40 Buendia Avenue, Brgy. San Isidro, Makati City	08/22/22	08/21/27	5	2,595,942
38	Bukidnon Valencia	Sayre Highway, Poblacion, Valencia City, Bukidnon	11/22/16	11/21/26	10	1,764,915
39	Butuan	J.C. Aquino Ave., Butuan City, Agusan Del Norte	11/02/21	11/01/26	5	1,223,211
40	Cabanatuan	Dr. D Building, Del Pilar Street, Cabanatuan City, Nueva Ecija	04/01/20	03/31/25	5	1,307,250
41	Cabanatuan - Maharlika	Km 112 Maharlika Hiway, Cabanatuan City	06/01/23	05/31/28	5	1,432,363
42	Calamba Lisp	MDC Building, National Highway, Malihan Manoto Subdivision, Brgy. Real, Calamba City	03/01/16	02/28/26	10	957,211
43	Calamba Crossing	National Highway, Crossing, Calamba, Laguna	11/01/20	10/31/25	5	2,201,843
44	Calapan	Ground Floor H&M Center Bldg. J. P Rizal St., Brgy. Camilmil, Calapan City, Oriental Mindoro	07/25/22	07/25/27	5	1,153,822
45	Caloocan-10Th Ave.	Unit 488-490, Rizal Avenue Ext. Cor, 10Th Avenue, Caloocan City	05/01/17	04/30/25	8	1,609,856
46	Caloocan-A. Mabini	Ground Floor One Aster Place, A. Mabini Street, Caloocan City	09/04/21	09/03/23	2	1,661,862
47	Capitol Hills	Fairway Residences Condo - Capitol Hills Drive Corner Alpha Road, Capitol Hills, Quezon City	10/01/22	09/30/27	5	3,203,972
48	Carmelray I	The Junction Strip Mall Wisdom Avenue Corner Knowledge Avenue, Carmel Town, Canlubang, Calamba, Laguna	05/01/21	04/30/26	5	1,722,360
49	Carmelray li	Unit 4, Admin. Building, Carmelray Industrial Park li, Calamba, Laguna	04/01/21	03/31/24	3	1,452,773
50	Carmona	Ground Floor 88 Building, Governor'S Drive, Maduya, Carmona, Cavite	07/30/21	07/29/26	5	727,431
51	Catarman	G.H. Del Pilar Corner Marcos Sts., Catarman, Northern Samar	09/01/22	08/31/29	7	800,489
52	Cauayan	#076 Maharlika Highway, Cauayan City, Isabela	07/01/16	06/30/26	10	1,152,995
53	Cdo - George	Georgetown Cybermall, Rodolfo Pelaez Blvd., Kauswagan, Cagayan De Oro	08/01/23	07/31/28	5	2,029,609

Branch		Address	Start of Contract	End of Contract	Lease Term (Years)	Rent for the year ended December 2023 (all in ₱)
	Town Cybermall					
54	Cdo - Limketkai	1st Level, East Concourse Annex Bldg., Limketkai Mall, Cagayan De Oro City	08/22/21	07/31/24	3	2,618,923
55	Cebu A.S. Fortuna	TPR Building, A.S. Fortuna St., Banilad, Cebu City	04/25/19	04/24/24	5	1,145,648
56	Cebu Business Park	Mindanao Ave., Cebu Business Park, Cebu City	08/15/22	08/14/27	5	4,617,799
57	Cebu Danao	Princetown Danao, Juan Luna Street, Danao City, Cebu	03/01/22	02/29/24	2	683,725
58	Cebu Juan Luna	Plaridel Street Corner Osmena Boulevard, Cebu City	03/17/21	03/16/23	2	917,891
59	Cebu Mactan	Island Central Mactan It Complex, Mactan Economic Zone, M.L. Quezon National Highway, Pusok, Lapu-Lapu City, Cebu	01/07/22	01/06/27	5	1,704,918
60	Cebu Osmena	Osmena Boulevard, Cebu City	08/01/23	07/31/24	1	2,352,000
61	Chino Roces - Don Bosco	2225 Chino Roces Avenue Cor Don Bosco St., Makati	05/01/23	04/30/28	5	2,518,054
62	Clark - Angeles	Unit 03, Ground Floor, Clark Center 10, Berthaphil Iii, Jose Abad Santos Avenue, Clark Freeport, Philippines, Clark Freeport Zone, Philippines	05/01/19	04/30/29	10	1,503,808
63	Clark - Medical City	100 Gatwick Gateway, Sabah Al-Ahmad, Global Gateway Logistics City, Industrial Estate 5, Clark Freeport Zone, Pampanga	06/16/20	06/15/25	5	2,469,648
64	Congressional	Congressional Avenue Corner Edsa, Quezon City	12/08/20	12/07/25	5	1,789,363
65	Congressional Tower	Congressional Town Center, No. 23 Congressional Avenue, Brgy. Bahay Toro, Quezon City	10/17/23	10/16/28	5	2,015,899
66	Connecticut	Northeast Square Bldg., #47 Connecticut Street, Northeast Greenhills, San Juan City	09/01/22	08/31/32	10	2,919,635
67	Cubao	Quezon Theater Bldg., Gen. Roxas St., Araneta Center, Cubao, Quezon City	11/01/21	10/31/26	5	2,606,986
68	Dagupan - Lucao	Dagupan-Binmaley Road, Lucao District, Dagupan City, Pangasinan	05/01/16	04/30/26	10	1,077,427
69	Dasmariñas - Fcie	Governor's Drive, Dasmariñas, Cavite	10/01/21	09/30/24	3	1,695,000
70	Davao - Bajada	Bi Zone - Phase 2, J. Laurel Ave., Bajada, Davao City	10/01/23	09/30/28	5	2,250,429
71	Davao - Lanang	J.P. Laurel Ave., Insular Village, Phase 2, Lanang, Davao City	07/01/22	06/30/27	5	1,397,484
72	Davao - Rizal	Ground Floor, Philam Life Building, Jp Rizal Street, Poblacion Davao City	04/01/22	03/31/27	5	1,211,658
73	Davao - Toril	Mars Building, Saavedra Street, Toril, Davao City	05/15/23	05/14/28	5	969,518
74	Dela Rosa	Ground Floor King's Court II Bldg., 2129 Pasong Tamo Cor. Dela Rosa Sts., Makati City	04/01/23	03/31/28	5	5,012,837
75	Digos	Poblacion, Digos City	06/01/23	05/31/28	5	1,111,896
76	Diliman - Matalino	No. 24 Matalino St., Brgy Central, Dist Iv, Quezon City	07/02/23	07/01/28	5	2,661,347
77	Dipolog	Quezon Avenue, Dipolog City	08/20/13	08/19/28	15	510,266
78	Divisoria	Pasilio A. Ledesma Bldg., No. 853 Tabora St., Binondo, Manila	07/01/22	06/30/27	5	1,154,643
79	Divisoria - Sto. Cristo	Sto. Cristo Street, Manila	05/02/19	05/01/24	5	1,570,324

Branch		Address	Start of Contract	End of Contract	Lease Term (Years)	Rent for the year ended December 2023 (all in ₱)
80	Don Antonio Heights	Unit 2 L24, B6 Don Antonio Heights, Holy Spirit Drive, Brgy Holy Spirit, Quezon City	08/05/21	08/04/26	5	2,624,933
81	Dumaguete	Portal West Bldg., Silliman Ave. Cor. Hibbard Avenue, Dumaguete City	02/01/21	01/31/24	3	1,695,445
82	E. Rodriguez	Unit No. 6, Ground Floor Athens Tower, The Capital Towers, E. Rodriguez Sr. Avenue, Quezon City	04/01/19	03/31/24	5	1,880,076
83	E. Rodriguez - New York Ave.	1791 E. Rodriguez Sr. Ave., Near Corner New York Street., Quezon City	12/01/22	11/30/25	3	1,815,000
84	E. Rodriguez - Slmc	Units 104 to 107 MAB, St. Lukes Medical Center E. Rodriguez Sr. Avenue, Quezon City	06/01/22	05/31/27	5	3,601,874
85	Eastwood	Unit LG-3-5 To Unit LG 3-6, Ground Floor, Le Grand 3, E-Commerce Avenue, Eastwood, Quezon City	05/01/20	04/30/25	5	3,200,250
86	Edsa Caloocan	512 Edsa Near Corner Urbano Plata St., Caloocan City	09/16/19	09/15/24	5	730,315
87	Elcano	PSA Bldg. Elcano Corner San Nicolas St., Binondo, Manila	03/01/21	02/28/26	5	2,132,514
88	Emerald Avenue	Ground Floor The Taipan Place, Emerald Ave., Ortigas Center, Pasig City	09/01/19	08/31/24	5	3,253,148
89	Ermita	UN Ave. Corner Bocobo & Churucca Sts., Ermita, Manila	07/01/21	06/30/26	5	2,088,408
90	España Boulevard	1880 España Boulevard Sampaloc, Manila	07/16/21	07/15/26	5	2,033,299
91	Evangelista Quiapo	450 Evangelista Cor. Paterno St., Sta. Cruz, Manila	02/15/12	02/14/27	15	1,560,000
92	Fairview Commonwealth	B2 L21 Commonwealth Ave., Fairview, Quezon City	10/15/21	10/14/24	3	1,761,575
93	Fort Bonifacio - Infinity	Ground Floor, The Infinity Tower, 26Th St., Fort Bonifacio Global City, Taguig City, Mm.	07/15/20	07/14/25	5	3,873,929
94	Fort Bonifacio - Net Cube	Ground Floor, Net Cube, 3Rd Ave. Cor. 30Th St., E' Square Zone, Fort Bonifacio, Global City, Taguig	09/15/20	09/14/25	5	5,683,634
95	Fort Bonifacio - Slmc	Ground Floor, Medical Arts Bldg., Slmc-Global City, Fort Bonifacio Global City, Taguig	08/01/19	07/31/24	5	4,320,026
96	Fort Fairways	Ground Floor, Fairways Tower, Mckinley Corner 5Th Avenue, Bonifacio Global City, Taguig City	05/01/19	04/30/24	5	2,321,308
97	Fort Grand Hamptons li	Ground Floor, Grand Hamptons Tower 2, 1St Avenue Corner 31St Street, Fort Bonifacio Global City, Taguig City	07/01/21	06/30/24	3	1,912,260
98	Fort Bonifacio - Nac Tower	NAC Tower, 32nd Street, Bonifacio Global City, Taguig	03/15/23	03/14/28	5	5,033,896
99	Fort - Panorama	Panorama Tower 34th St Corner Lane A Bonifacio Global City, Taguig City	06/01/16	05/30/26	10	4,013,022
100	Fort Triangle Drive - Relocation	Ground Floor Unit 103, Brilliance Corporate Center, 40Th Avenue Corner 11Th Street, Bonifacio Global City	01/01/20	12/31/24	5	4,976,769
101	Fort-W City Center	Ground Floor-Unit B, W City Center, 7th Avenue Cor. 30th Street, Bonifacio Global City, Taguig City	10/16/21	10/15/26	5	9,366,145
102	FPIP - Sto. Tomas	Unit 007, Ground Floor, Oasis Commercial Center, FPIP – Special Economic Zone, R.S. Diaz Avenue, Brgy. Sta. Anastacia, Sto. Tomas, Batangas	07/14/21	07/13/26	5	1,390,418

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103	G. Araneta Avenue	No. 128 G. Araneta Avenue. Brgy. Doña Imelda, Quezon City	12/01/22	11/30/23	1	1,738,969
104	General Santos National Highway	Lot 1341 Ireneo Santiago Blvd., Gen. Santos City	09/15/17	09/14/27	10	902,612
105	General Trias	Ground Floor, Divine Grace Medical Hospital Bypass Road, Brgy. Tejero, Gen. Trias, Cavite	08/15/22	08/14/27	5	1,280,705
106	Gil Puyat	Unit 101 A, Ground Floor, Oppen Building, 349 Sen. Gil J. Puyat Avenue, Makati City	02/01/19	01/31/24	5	4,095,564
107	Gramercy	Ground Floor, Gramercy Residences, Kalayaan Ave., Makati City	02/01/23	01/31/26	3	1,762,208
108	Greenhills West	Quadstar Bldg., No. 80 Ortigas Ave. Greenhills, San Juan	10/01/22	09/30/27	5	2,661,012
109	Guadalupe Commercial Complex	Ground Floor Exchange Bldg., No. 107 V.A Rufino Herrera Bolanos & Esteban Sts. Legaspi Village, Makati City	12/01/21	11/30/26	5	1,995,823
110	Herrera	Ground Floor Exchange Bldg., No. 107 V.A Rufino Herrera Bolanos & Esteban Sts. Legaspi Village, Makati City	02/19/23	02/18/25	2	4,071,027
111	H.V. Dela Costa	Ground Floor Alpha Salcedo Bldg., Hv Dela Costa St., Salcedo Village, Brgy. Bel - Air, Makati City	08/25/19	08/24/24	5	5,453,613
112	Iloilo Business Park	BPO Building A, Festival Walk, Iloilo Business Park, Iloilo City	07/01/21	06/30/26	5	2,647,366
113	Iloilo - General Luna	Insular Life Building, General Luna St., Brgy. San Felix, Molo, Iloilo City	11/01/20	10/31/25	5	958,831
114	Iloilo - Iznart	Ground Floor, John A. Tan Bldg., Iznart St., Iloilo City	12/01/23	11/30/28	5	1,306,374
115	Iloilo Ledesma	Charly Resources Bldg., Corner Ledesma And Quezon Sts., Iloilo City	03/01/21	02/28/26	5	2,133,076
116	Imus - Relocation	G/F Lgc Commercial Building, Palico 2, Aguinaldo Highway, Imus, Cavite	09/01/19	09/30/24	5	2,013,130
117	J. Abad Santos	1839 J.Abad Santos St., Tondo, Manila	09/01/21	08/31/26	5	1,281,521
118	Juan Luna - Binondo	514 Juan Luna St., Binondo, Manila	07/01/19	06/30/24	5	3,600,000
119	Kabankalan	Milza Arcade 3, J.Y. Perez Highway, Brgy. Talubangi, Kabankalan City, Negros Occidental	04/01/22	03/31/27	5	580,850
120	Kalibo	No. 263 Roxas Avenue, Kalibo, Aklan	07/01/20	06/30/25	5	806,920
121	Kamias	1422 Kamias Rd. Corner Anonas Extension, Sikatuna Village, Q.C.	01/06/23	01/05/28	5	1,203,351
122	Karuhatan	Ground Floor, PRDC Building 257 Mc Arthur Highway, Karuhatan, Valenzuela City	01/01/23	12/31/27	5	1,638,203
123	Katipunan	Ground Floor, The Xanland Condominium Building., Katipunan Avenue, Loyola Heights, Q.C.	04/15/20	04/14/25	5	2,775,797
124	Keyland-Valero	114 Valero St., Salcedo Village, Makati City	07/01/22	06/30/25	3	9,703,476
125	Koronadal	Hotel Eighty-Eight, Ground Floor, General Santos Drive, Koronadal City, South Cotabato	06/16/17	06/15/27	10	1,071,429
126	La Trinidad	JC - 084 Brgy. Pico, Km. 5 National Highway, La Trinidad, Benguet	09/02/23	09/01/28	5	1,798,869
127	La Union	Ground Floor, Kenny Plaza, Quezon Avenue, San Fernando City, La Union	06/06/21	06/05/26	5	840,000

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128	Lagro	Bonanza Plaza Bldg., Quirino Highway, Lagro Quezon City	06/15/22	06/14/24	2	1,825,491
129	Laoag	Ground Floor, LC Square, J.P. Rizal Street Cor. Balintawak, Laoag City	06/01/20	05/31/25	5	1,393,213
130	Lapu - Lapu	M. L Quezon National Highway Corner Patalinhug Avenue, Pajo, Brgy. Sangi, Lapu Lapu City, Cebu	01/01/20	12/31/24	5	972,405
131	Legazpi	Landco Business Park, Legazpi City	04/01/23	03/31/28	5	1,768,514
132	Lemery	Ground Floor, Sola Grande Center, Ilustre Avenue, Palanas, Lemery, Batangas	03/22/23	03/21/24	1	853,702
133	Lipa Medix Hospital	Ground Floor, Old Mab, Lipa Medix Hospital, National Highway, Lipa City, Batangas	05/01/21	04/30/26	5	1,862,679
134	Lucena	Doña Cristina Bldg., Corner Tagaro & Merchan Sts., Lucena City	01/01/23	12/31/25	3	1,412,414
135	Magdalena	Nos. 1025-1027 HLC Bldg., Masangkay Cor. Soler Sts., Binondo, Manila	10/18/22	10/17/27	5	1,409,280
136	Makati Avenue Constellation	Makati Avenue Corner Constellation Street., Brgy. Bel - Air, Makati City	11/01/22	10/31/25	3	1,908,443
137	Makati Avenue Zuellig	Unit 2, Ground Floor, Zuellig Building, Makati Avenue Corner Paseo De Roxas, Makati City	03/01/22	02/28/27	5	5,171,605
138	Malabon - Potrero	Units 8 & 9, Ground Floor Mary Grace Bldg., 142 Mc Arthur Highway, Potrero, Malabon City	02/01/23	01/31/25	2	967,072
139	Malabon - Tugatog	137 M.H. Del Pilar St., Brgy. Tugatog, Malabon City	09/01/20	08/31/25	5	1,061,780
140	Malate	M. Adriatico Corner San Andres St., Malate, Manila	09/01/21	08/31/26	5	818,595
141	Malinta	No. 271 Paso De Blas, Valenzuela City	10/01/23	09/30/26	3	745,691
142	Malolos	Ground Floor, Feliza Jazz Bldg., Mc. Arthur Highway, Sumapang Matanda, Malolos City, Bulacan	05/05/22	05/04/23	1	1,528,903
143	Mandaluyong	No. 360 Shaw Center Mall, Shaw Blvd. Corner Nueve De Febrero, Addition Hills, Mandaluyong City	10/16/19	10/15/24	5	2,947,668
144	Mandaluyong - Edsa	No. 167 Edsa, Mandaluyong	04/01/23	03/31/28	5	3,063,076
145	Mandaluyong - Greenfield	Units 7 & 8, Level 1, Soho Central, Shaw Boulevard., Greenfield District, Mandaluyong City	05/01/19	05/01/24	5	3,347,989
146	Mandaluyong - Libertad	DM Guevarra St. Cor. Calbayog St., Mandaluyong	08/16/23	08/15/26	3	1,359,151
147	Mandaluyong - Pioneer	Ground Floor, Madison Square Plaza, Pioneer Corner Sheridan Street, Mandaluyong City	10/15/23	10/14/26	3	851,014
148	Cebu Mandaue	Tipolo Square, Mandaue Highway, Tipolo, Mandaue City, Cebu	12/15/22	12/14/27	5	1,009,800
149	Mandaue North Road	National Highway, Tabok, Mandaue City	05/01/22	04/30/27	5	1,478,511
150	Marikina	Bayan-Bayanan Avenue, Concepcion, Marikina City	08/03/21	08/02/26	5	2,599,637
151	Marikina - Gil Fernando Ave	B6 L10 Almon St., Cor Gil Fernando Ave, Brgy San Roque, Marikina	04/15/23	04/14/28	5	1,861,594
152	Market Market	157-A, Ground Floor, Market Market Mall, Bonifacio Global City, Taguig, Mm.	10/01/19	12/31/24	5.25	4,801,050
153	Maypajo	APN Bldg., No. 172 A. Mabini St., Maypajo, Kalookan City	08/05/23	08/04/26	3	1,029,279

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154	Mckinley Hill	Ground Floor, Commerce & Industry Plaza Bldg., Mckinley Hill, Fort Bonifacio, Taguig City	02/01/24	01/31/29	5	5,185,255
155	Medical City	Ground Floor, Medical Arts Tower, The Medical City Hospital., Ortigas Avenue, Pasig City	12/05/14	12/03/24	10	2,763,635
156	Mendiola	La Consolacion College Manila, No. 8 Mendiola Street, San Miguel, Manila City	10/19/20	10/18/25	5	1,977,132
157	Meralco Avenue	Ground Floor, Suntree Tower, No. 13 Meralco Avenue, Ortigas Center, Pasig City	11/01/22	10/31/27	5	3,512,967
158	Meycauayan	Meycauayan College Bldg., Mc. Arthur Highway, Calvario, Meycauayan, Bulacan	07/22/21	07/21/26	5	881,921
159	Mindanao Avenue	Ground Floor, Metro North Medical Center & Hospital, Mindanao Ave., Bahay Toro, Quezon City	05/01/19	05/01/24	5	1,293,334
160	Molino	Ground Floor, Evy Bldg., Molino Blvd., Molino, Bacoor, Cavite	03/16/11	03/15/26	15	2,509,614
161	Morgan Suites Mckinley	Ground Floor, Morgan Suites Executive Residences, Florence Way, Mckinley Hill, Fort Bonifacio, Taguig	02/01/21	01/31/24	3	2,450,079
162	Naga Diversion Road	M. Roxas Avenue, Naga City, Camarines Sur	04/01/23	03/31/26	3	759,834
163	NAIA	2 nd Floor Arrival Lobby, NAIA Complex, Pasay City	01/01/22	12/31/22	1	158,631
164	Navotas	318 Northbay Blvd. South, Navotas City	04/01/14	03/31/24	10	1,333,377
165	Nieva	G1 & G2, Asian Mansion 2, Dela Rosa Cor. Nieva Sts, Legaspi Village., Makati City	12/01/20	11/30/25	5	2,238,855
166	Ninoy Aquino Avenue	Ground Floor, Pair - Pags Centre, NAIA Complex., Ninoy Aquino Ave., Paranaque City	10/01/21	09/30/26	5	2,005,229
167	Nuvo City Aspire	Unit D Ground Floor, Aspire Tower At Nuvo City, 150 E.Rodriguez Jr. Ave., Corner Calle Industria, Bagumbayan, Quezon City	03/28/20	03/27/24	4	1,876,134
168	Olongapo - Relocation	Ground Floor, JB Richwell Building, Rizal Avenue, East Tapinac, Olongapo City	10/01/20	09/30/25	5	2,447,042
169	One Mall Valenzuela	6008 Gen. T. De Leon St., Brgy. Gen T. De Leon, Valenzuela City	05/06/22	05/05/27	5	2,398,974
170	Ongpin	Strata Gold Tower Cond., Ongpin St., Binondo, Manila	06/15/23	06/14/28	5	4,368,436
171	Ormoc	Niko'S Ark Bldg., Real St., Ormoc City, Leyte	09/01/23	08/31/24	1	1,229,243
172	Ortigas	SBC Building, No. 228 Ortigas Ave., Greenhills, San Juan, Mm.	02/01/24	01/31/29	5	14,847,307
173	Ozamis	Capistrano Street, Ozamiz City, 7200 Misamis Occidental	10/29/21	10/28/26	5	891,747
174	P. Guevarra - Wilson	Unit GF03 Metro Pointe Center, P. Guevarra Cor. N. Averilla St., San Juan	06/28/23	06/30/28	5	1,479,834
175	Pagadian	Poblacion, Pagadian City	01/01/20	12/31/24	5	583,393
176	Pasay - Taft	No. 1924 Taft Avenue Corner Bernabe Street., Pasay City	09/01/22	08/31/27	5	1,062,696
177	Pasig Boulevard	Elements Bldg., Shaw Boulevard Cor Rosemarie Lane, Brgy. Kapitolyo, Pasig lty	04/01/22	03/31/27	5	742,637
178	Pasig - C. Raymundo	Lot 1 & 2-A Good Harvest Complex, C. Raymundo Ave., Brgy. Caniogan, Pasig City	03/16/22	03/15/27	5	1,320,000

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179	Pasig - Mabini	Mabini Cor Del Pilar St., Kapasigan, Pasig City	04/15/22	04/14/25	3	1,115,000
180	Pasig - Santolan	Ground Floor, Unit 101 - A Ad Center Square, A. Rodriguez Corner Evangelista, Santolan, Pasig City	04/01/23	03/31/26	3	1,245,674
181	Pasig - Mercedes Ave.	Mercedes Avenue Corner M. Suarez Avenue (Market Avenue), Brgy. San Miguel, Pasig City	09/01/19	08/31/24	5	1,315,842
182	Pasong Tamo	Ground Floor, Narra Bldg., Pasong Tamo Extension, Makati City	09/01/19	08/31/24	5	2,262,961
183	Plaridel	Ground Floor, Plaza Plaridel Building, No. 263 Padilla Road, Banga 1St, Plaridel Bulacan	04/01/22	03/31/25	3	677,952
184	Puerto Princesa	Rizal Avenue, Puerto Princesa City, Palawan	03/09/22	03/08/24	2	1,554,781
185	Quezon Ave.	Ground Floor, Capitol Medical Center Bldg. Iii, Quezon Ave. Corner Scout. Magbanua, Quezon City	11/16/19	11/15/24	5	1,785,824
186	Quezon Ave. - South Triangle	Jr Building, 1520 Quezon Avenue, South Triangle, Quezon City	11/16/23	11/15/26	3	1,095,050
187	Quirino Highway	No. 360 Quirino Highway, Sangandaan, Novaliches, Quezon City	01/16/23	01/15/28	5	2,687,029
188	Regalado Fairview	Angelus Bldg., #22 Regalado Ave., West Fairview, Q.C.	04/02/23	04/01/26	3	1,300,741
189	Reina Regente	No. 1040 Reina Regente St., Binondo, Manila	05/01/22	04/30/27	5	1,236,304
190	Reposo - JP Rizal	1752 N. Garcia St., Barangay Poblacion, Makati	01/15/23	01/14/28	5	1,595,652
191	Retiro	Retiro Street Corner Mayon Street, La Loma, Quezon City	09/01/22	08/30/25	3	3,135,128
192	Roosevelt	Roosevelt Avenue, Sfdm, Quezon City	02/01/22	01/31/27	5	1,228,384
193	Roxas Boulevard	Unit 4103, VIP Building, Roxas Boulevard Cor Nuestra Senora De Guia Street, Ermita, Manila	08/01/22	07/31/27	5	2,568,517
194	Roxas City	Lawaan Highway Corner Sacred Heart Of Jesus Street, Pueblo De Panay, Lawaan Roxas City	07/01/22	06/30/27	5	548,124
195	San Fernando	G/F Doña Sevilla Bldg., Mc. Arthur Highway, Brgy. Dolores, San Fernando City, Pampanga	12/01/21	11/30/26	5	1,810,228
196	San Fernando - Dolores	Amhsc Building, Mac Arthur Highway, Dolores, San Fernando City, Pampanga	10/01/23	09/30/24	1	1,507,033
197	San Fernando-Sindalan	MC Square Plaza, Mcarthur Highway, Sindalan, San Fernando City, Pampanga	01/01/22	12/31/24	3	1,056,688
198	San Francisco - Agusan Del Sur	Quezon St., Brgy. Dos, San Francisco, Agusan Del Sur	04/23/22	04/22/27	5	835,938
199	San Jose-Nueva Ecija	SBC Building, Maharlika Highway, Brgy. F.E. Marcos, San Jose City, Nueva Ecija	06/16/17	06/15/27	10	1,291,311
200	San Juan - Blumentritt	One Roxas Square Building, F. Roxas Cor. F. Blumentritt, San Juan City	07/01/16	06/30/26	10	2,264,906
201	San Miguel	No. 101 Medico Bldg., San Miguel Corner Louredes St., Pasig City	04/15/22	04/14/27	5	2,553,250
202	San Pablo	Rizal Avenue Corner P. Zamora Sts., San Pablo, Laguna	07/01/21	06/30/24	3	1,062,685

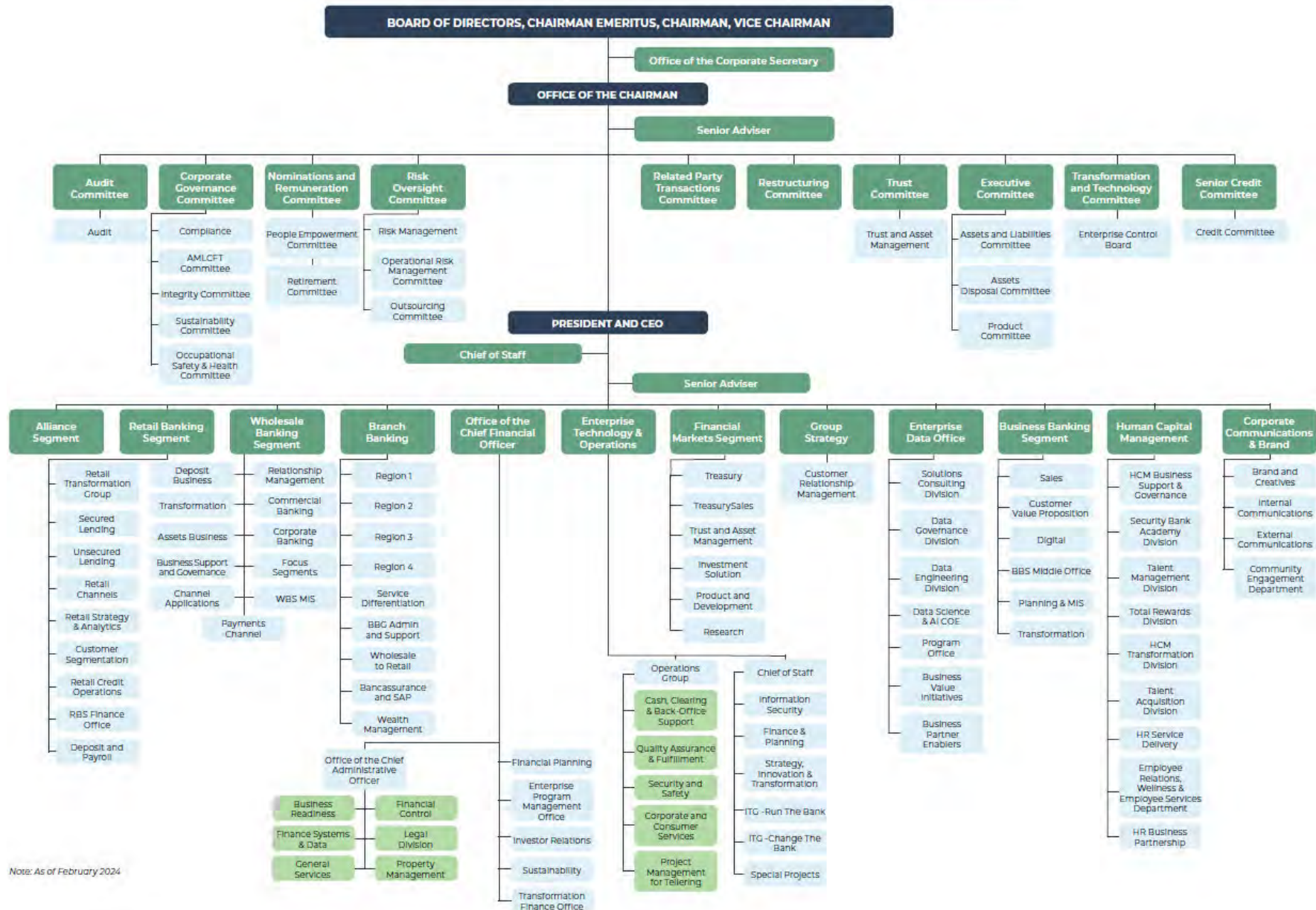
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203	San Pedro - Pacita Complex	Allen Building, National Highway, Pacita Complex, San Pedro, Laguna	10/01/21	09/30/26	5	1,329,521
204	Santiago	Ground Floor, Flora Sy Bldg., Maharlika Highway, Victory Norte, Santiago City, Isabela	03/01/20	02/28/25	5	988,650
205	Silver City	Ground Floor, Silver City, Tiendesitas Complex, Frontera Verde, Brgy. Ugong, Pasig City	03/01/21	02/28/26	5	3,808,909
206	Solano	Benigno Aquino Avenue, Poblacion South, Solano Nueva Vizcaya	03/06/22	03/05/25	3	1,267,295
207	Soler	Ground Floor, Le Mar Ben Bldg., Along San Bernardo St., Sta. Cruz, Manila	03/16/22	03/15/27	5	1,861,724
208	St. Ignatius - Katipunan	No. 119 Katipunan Avenue, Quezon City	03/09/22	03/08/27	5	2,500,000
209	Sta. Elena	3 rd Floor, 168 Shopping Mall, Sta. Elena St., Binondo Manila	01/01/22	12/31/26	5	1,828,539
210	Sta. Maria	Gov. F. Halili Ave., Brgy. Bagabaguin, Sta. Maria, Bulacan	07/01/22	06/30/24	2	1,476,000
211	Sta. Rosa - Greenfield	Laguna Central - Greenfield City, Don Jose, Sta Rosa City	10/01/21	09/30/26	5	2,423,109
212	Starmall Las Piñas	Starmall, C.V. Starr Ave., Philamlife Village, Pamplona li, Las Piñas City	04/01/22	03/31/27	5	1,541,808
213	Subic	Block 47, Rizal Hwy, Central Business District, Subic Bay Freeport Zone	08/16/20	08/15/25	5	2,809,387
214	Sucat-Amaia Steps	R106 & 107, Upper Ground Floor, Blanca Building, Amaia Steps Sucat, Dr. A. Santos Avenue, Brgy. San Antonio, Sucat, Parañaque	01/27/22	09/30/27	5.75	1,042,668
215	Sumulong	Ground Floor Silicon Bldg., No. 167, Sumulong Highway, Mayamot, Antipolo City	11/01/21	10/31/26	5	1,842,225
216	Surigao	San Nicolas Corner Diez Sts., Surigao City	02/01/22	01/31/24	2	1,519,668
217	Tacloban Rizal	Ground Floor, Roqson Bldg., Rizal Avenue Corner Burgos St And Rizal Avenue., Tacloban City	10/01/22	09/30/27	5	2,595,334
218	Tacloban Veteranos	Ground Floor, Insular Life Building, Avenida Veteranos, Tacloban City	07/01/21	06/30/26	5	946,464
219	Tacurong	HWG Building Along Alunan Highway, Tacurong City, Sultan Kudarat	06/01/22	05/31/25	3	1,246,362
220	Taft - Nakpil	SM Lazo Medical Clinic, 1755 Taft Avenue Cor. Nakpil Street, Malate, Manila	07/01/22	06/30/27	5	1,603,159
221	Taft - Vito Cruz	Unit 3 Ground Floor, 2 Torre Lorenzon Condominium Building, 2444 Taft Avenue, Malate, Manila	10/01/22	09/30/27	5	2,759,558
222	Tagbilaran	No. 27 Cpg Avenue, Tagbilaran City, Bohol	11/01/20	10/31/25	5	2,606,532
223	Tagum - Relocation	Ground Floor, SG Complex, National Highway, Purok Tandang Sora, Magugpo Poblacion, Tagum City, Davao Del Norte	05/01/22	04/30/32	10	1,795,200
224	Tandang Sora	400 Tandang Sora Ave., Barangay Culiati, Q.C.	01/21/23	01/21/23	0	1,264,022
225	Tarlac	Ground Floor, Intellect Building, Along Macarthur Highway, Brgy. San Sebastian, Tarlac City	05/01/21	04/30/26	5	1,546,910
226	Tarlac-Tañedo	Tañedo Corner Zapiro Street, San Nicolas, Tarlac City	07/01/16	06/30/26	10	1,049,036
227	Taytay-Manila East	Ground Floor, Verde Oro East Plaza, Manila East Road, Taytay, Rizal	08/01/21	07/31/26	5	1,531,538

Branch		Address	Start of Contract	End of Contract	Lease Term (Years)	Rent for the year ended December 2023 (all in ₱)
228	Timog Ave.	Toyoma Group Center Bldg., 22 Timog Ave., Brgy. Laging Handa, Quezon City	02/01/24	01/31/29	5	2,119,093
229	Tomas Morato	Ground Floor, Maine Bldg., Tomas Morato Avenue, South Triangle, Quezon City	10/30/19	10/29/24	5	5,291,689
230	Tuguegarao Buntun Hiway	Pulsar Commercial Complex Plaza, Buntun Highway, Tuguegarao City	06/15/21	06/14/24	3	1,179,041
231	Un Ave.	Units 1110 & 1112 Dolmar Bldg., U.N. Avenue, Paco, Manila	08/01/19	07/31/24	5	943,318
232	Urdaneta	Ground Floor, CSI Bldg., Mc. Arthur Highway, Brgy. Nancayasan, Urdaneta City	06/02/23	06/01/28	5	1,957,953
233	U.S.T.	Ground Floor, Quadricentennial Pavillion, Ust Cpd., Espana, Manila	03/18/23	03/17/28	5	4,187,693
234	Valenzuela	Km. 14, Mc. Arthur Highway, Malinta, Valenzuela City	01/16/20	01/15/25	5	2,071,208
235	Valle Verde	E. Rodriguez Jr. Avenue, Bagong Ilog, Pasig City, Metro Manila	01/01/23	12/31/27	5	1,535,376
236	Victorias	Vicmico PMC Bldg., Osmeña Highway, Victorias City, Negros Occidental	02/25/23	02/24/26	3	580,368
237	Vigan	Ground Floor, Luisa Building, Quezon Avenue Brgy Iii, Vigan City, Ilocos Sur	04/01/22	03/31/24	2	1,375,350
238	Visayas Ave. - Project 6	53 Visayas Avenue, Brgy Vasra, Project 6, Qc.	11/01/23	10/31/28	5	1,570,324
239	Wack Wack	Ground Floor, Lee Gardens, Shaw Blvd Corner Lee St., Wack Wack, Mandaluyong City	07/01/22	06/30/27	5	2,656,800
240	West Avenue	No. 4 Bulletin St. Corner West Avenue, Quezon City	05/15/23	05/14/33	10	2,188,531
241	Zamboanga - Canelar	Mayor Jaldon St., Brgy. Canelar, Zamboanga City	01/09/24	01/08/29	5	1,003,811
242	Angeles - McArthur Highway	Mcarthur Highway Cor. San Pablo Street, Angeles City, Pampanga	05/01/23	04/30/28	5	1,750,329
243	Cotabato City	Ground Floor, Ro-Ma Building #020 Sinsuat Avenue, Poblacion 6, Cotabato City	09/27/18	09/26/23	5	1,178,297
244	Davao - Matina	Ground Floor, Plaza Luisa Ii, Matina It Park, McArthur Highway, Matina, Davao City	09/27/23	09/26/26	3	1,531,818
245	Gamboa	Luz Building, 116 Gamboa Street, Legazpi Village, Makati City	11/01/18	10/31/23	5	3,021,679
246	Lima	The Outlet At Lipa, Lima Technology Center, Brgy. Bugtong Na Pulo, Lipa City, Batangas	10/01/23	09/30/28	5	1,367,136
247	Shangri-La Plaza East Wing	Unit 1001B, Lower Ground Level, East Wing, EDSA, Shaw Blvd. And St. Francis St. Mandaluyong City	08/16/23	08/31/25	2	1,536,733
248	Malayan Plaza	Unit G2 Ground Floor, Malayan Plaza Building, Adb Avenue Corner Opal Road, Ortigas Center, Pasig City	02/01/24	01/31/29	5	4,072,452
249	Promenade - Greenhills	Unit No. 107 Ground Floor, Greenhills Promenade 3, Greenhills Shopping Center, San Juan City	02/21/19	02/28/24	5	4,170,505
250	San Lorenzo Place	2F B31-B32 San Lorenzo Place Mall, Makati City	10/01/19	09/30/24	5	1,680,374
251	Robinsons Magnolia	Ground Floor, Unit 107, 2047 Robinsons Magnolia, Aurora Boulevard Corner Doña Hemady and N. Domingo Streets, New Manila, Quezon City	04/01/20	03/31/25	5	2,913,245

Branch		Address	Start of Contract	End of Contract	Lease Term (Years)	Rent for the year ended December 2023 (all in ₱)
252	Cebu It Park	Ground Floor, Shops 7 & 8, Skyrise 4B, Cebu I.T. Park Subdivision Barangay Apas Cebu City	11/21/20	11/20/25	5	2,896,740
253	Iloilo Jaro	Westwood Building, #422 E. Lopez Street, Brgy. Luna Jaro, 5000, Iloilo City	08/30/20	08/29/30	10	3,841,975
254	Naga - Relocation	The Rad On Panganiban Drive, Panganiban Drive Corner Blumentritt Street, Brgy. Tinago, Naga City, Camarines Sur	07/01/20	06/30/25	5	1,808,100
255	Baliwag - Relocation	D'Eminent Place, Doña Remedios Trinidad Highway Pagala, Baliwag Bulacan	07/27/20	07/26/25	5	2,242,044
256	Eton Centris	C1-1 Eton Centris, Quezon Avenue Corner Edsa, Barangay Pinyahan, Quezon City	02/01/23	01/31/25	2	2,414,645
257	Fort Icon Showroom	5th Avenue Corner 25th Street, Bonifacio Global City, Taguig City	12/01/20	11/30/25	5	4,105,728
258	Ruby Road Ortigas	Ground Floor, Unit 103 Jollibee Plaza Condominium, F. Ortigas Jr. Road, Ortigas Center, Pasig City	09/16/19	05/14/24	4.5	4,568,393
259	Sta. Cruz-Laguna	GF-08B, Ground Floor, Metro Central Mall, National Road, Brgy. Labuin, Sta. Cruz, Laguna	11/16/21	11/15/26	5	679,972
260	Macapagal Blvd.	Ground Floor, Unit 105, The Reach Building Along Macapagal Boulevard, Moa Complex, Pasay City	07/26/22	07/27/27	5	1,667,880
261	Antique	Poblacion, Municipality Of San Jose, Province Of Antique	05/01/23	04/30/33	10	473,100
262	Tagbilaran Uptown It Hub	Tenant 4 Ground Floor, JLU Centre Bloc, Tagbilaran Uptown IT Hub, Rajah Sikatuna Avenue, Brgy. Dampas, Tagbilaran City, Bohol 6300	10/01/22	09/30/27	5	2,360,256
263	Aparri	GF A1 & A2, Novo Mall Aparri, Centro 14, Aparri, Cagayan	08/31/23	08/30/28	5	329,600
264	Parqal	Unit 103, Ground Floor, Parqal Bldg. 2, Aseana City, Paranaque City	04/15/23	04/14/28	5	1,231,390
265	Hermosa	Hermosa Ecozone Industrial Park, Brgy Palihan, Hermosa Bataan	11/15/23	11/14/28	5	272,184
266	Alaminos	Ramos Bldg, Marcos Avenue, Brgy Palamis, Alaminos Pangasinan	10/01/23	09/30/28	5	600,000
267	Cdo Uptown	Block 7 Lot 30, Masterson Avenue, Cagayan De Oro	12/15/23	12/14/28	5	183,400
268	Gapan	Ground Floor Flores Bldg, Maharlika Highway/Pan-Philippine Highway, Gapan, Nueva Ecija	12/01/23	11/30/28	5	128,000
269	Kidapawan	National Highway , Poblacion, Kidapawan City, North Cotabato	10/15/23	10/14/33	10	486,990
270	Cebu Streetscape	Unit 1-06, Paseo Saturnino, Maria Luisa Road, Banilad, Cebu City.	06/01/23	05/31/28	5	453,200
271	Iligan - Andres Bonifacio	Eusebio G. Torrevillas Building, Purok 13, Andres Bonifacio Avenue, Saray, Iligan City	12/01/23	11/30/28	5	40,000
Branch Lite						
1	Medical City Branchlite	Unit 1716, The Medical City Hospital., Ortigas Avenue, Pasig City	07/01/23	06/30/24	1	904,337
2	Port Royal-Rada Branch Lite	Ground Floor, Port Royal Place, 118 Rada Street, Legaspi Village, Makati City	10/01/19	09/30/24	5	1,352,491
3	Capitol Commons Branch Lite	Ground Level GI-21A, Unimart Capitol Commons, Meralco Avenue Corner Shaw Boulevard, Brgy. Oranbo, Pasig City	12/20/19	11/30/24	5	1,823,782

Branch		Address	Start of Contract	End of Contract	Lease Term (Years)	Rent for the year ended December 2023 (all in ₱)
4	Tordesillas Branch Lite	Ground Floor, Three Salcedo Condominium, Brgy. Bel-Air, Makati City	11/01/19	10/31/29	10	4,652,185
5	Circuit-City Makati Branch Lite	Unit L2035, Level 2, Ayala Malls Circuit, Circuit Makati Hippodromo Street, Carmona, Makati City	06/15/19	09/30/24	5	1,041,490
6	A. Roces Avenue Branch Lite	No. 83 Don A. Roces Avenue, Brgy. Laging Handa, Quezon City	11/01/20	07/31/25	4.75	2,438,000
7	Ayala Malls Manila Bay Branch Lite	Space 2022, 2Nd Floor, Ayala Malls Manila Bay, Macapagal Boulevard Corner Aseana Avenue, Paranaque City	01/15/20	09/30/24	4.75	2,962,650
8	Katipunan Blue Ridge Branch Lite	Upper Ground Floor Jso Building, # 210 Katipunan Avenue, Barangay Blueridge, Quezon City	12/01/20	11/30/25	5	3,095,820
9	Quezon Avenue-West triangle Branch Lite	1389 Quezon Avenue, Quezon City	03/01/21	02/28/26	5	2,478,904
10	Intramuros Branch Lite	Muralla Street Corner Anda Street, Intramuros, Manila	02/26/23	02/25/28	5	1,699,192

EXHIBIT (4): TABLE OF ORGANIZATION



Note: As of February 2024

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Form 17-A Item 7

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Independent Auditors' Report	Exhibit 5
Consolidated Statements of Financial Positions as of December 31, 2023 and 2022	-do-
Consolidated Statements of Income for the years ended December 31, 2023, 2022 and 2021	-do-
Consolidated Statements of Comprehensive Income for the years ended December 31, 2023, 2022 and 2021	-do-
Consolidated Statements of Changes in Equity for the years ended December 31, 2023, 2022 and 2021	-do-
Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021	-do-
Notes to Consolidated Financial Statements	-do-
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Sustainability Report	Exhibit 6

**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

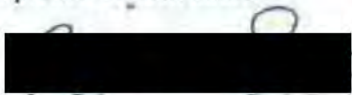
The management of Security Bank Corporation and Subsidiaries (the Group) and of Security Bank Corporation (the Parent Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

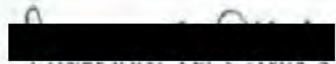
The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders for the periods December 31, 2023 and 2022, has audited the consolidated financial statements of the Group and of the Parent Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


CIRILO P. NOEL
Interim Chairman of the Board


SANJIV VOHRA
President & Chief Executive Officer


EDUARDO M. OLBES
Chief Financial Officer

Signed this 28th day of February 2024

14 MAR 2024

SUBSCRIBED AND SWORN to before me this _____ affiants exhibiting to me their Passport ID as follows:

NAMES	ID NUMBER	DATE OF ISSUE	PLACE OF ISSUE
Cirilo P. Noel	[REDACTED]	January 22, 2018	Muntinlupa City
Sanjiv Vohra	[REDACTED]	June 27, 2018	Singapore
Eduardo M. Olbes	[REDACTED]	July 27, 2018	Manila City

Doc. No. 439
Page No. 88
Book No. III
Series of 2024

[REDACTED]

MCLE Compliance No. 111
20/F SECURITY BANK CENTRE, 6776 AYALA AVE., MAKATI CITY



SyCip Gorres Velayo & Co. Tel: (632) 8891 0307
6760 Ayala Avenue Fax: (632) 8819 0872
1226 Makati City ey.com/ph
Philippines

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Security Bank Corporation
Security Bank Centre
6776 Ayala Avenue
Makati City

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Security Bank Corporation and its subsidiaries (the Group) and the parent company financial statements of Security Bank Corporation (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2023 and 2022, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated and parent company financial statements, including material accounting policy information.

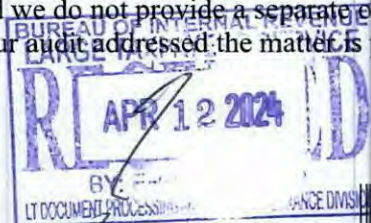
In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2023 and 2022, and their financial performance and their cash flows for each of the three years 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 *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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



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

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

Allowance for Credit Losses on Loans and Receivables

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

Allowance for credit losses on loans and receivables as of December 31, 2023 amounted to ₱15.5 billion for the Group and the Parent Company, respectively. Provision for credit losses on loans and receivables of the Group and the Parent Company in 2023 amounted to ₱4.3 billion.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 13 to the financial statements.

Audit Response

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

We (a) assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, (c) tested the Group's and the Parent Company's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, management's strategies in disposing collaterals, write-offs and collateral valuations,



and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge and (h) tested the effective interest rate used in discounting the expected loss.

Further, we compared the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis. We reviewed the disclosures made in the financial statements.

We involved our internal specialists in the performance of the above procedures.

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 consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

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

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



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

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

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Reports on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 40 and Revenue Regulations 15-2010 in Note 39 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 Security Bank Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Juan Carlo B. Maminta.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-132-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10079968, January 6, 2024, Makati City

February 28, 2024



SECURITY BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31			
	2023	2022	2023	2022
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items	₱13,947,069	₱13,180,172	₱13,946,944	₱13,180,047
Due from Bangko Sentral ng Pilipinas (Note 18)	45,821,155	63,011,416	45,821,155	63,011,416
Due from Other Banks (Notes 7 and 31)	12,022,007	20,097,291	11,962,662	20,033,377
Interbank Loans Receivable and Securities Purchased Under Resale				
Agreements with the Bangko Sentral ng Pilipinas (Note 36)	4,080,999	27,515,367	4,080,999	27,515,367
Financial Assets at Fair Value through Profit or Loss (Note 10)	10,886,351	7,566,572	10,886,326	7,566,547
Financial Assets at Fair Value through Other				
Comprehensive Income (Note 11)	139,861,049	112,891,493	139,816,639	112,851,702
Investment Securities at Amortized Cost (Note 12)	76,156,084	69,229,960	76,156,084	69,229,960
Loans and Receivables (Notes 13 and 31)	538,329,399	502,617,434	539,564,128	502,285,425
Investments in Subsidiaries and Joint Ventures (Note 14)	2,625,071	2,440,544	5,033,614	4,549,341
Property, Equipment, and Right-of-Use Assets (Note 15)	6,429,496	5,278,875	4,318,022	4,001,865
Investment Properties (Note 16)	4,790,602	3,204,671	4,789,827	3,203,896
Deferred Tax Assets (Note 27)	5,703,100	4,851,104	5,664,128	4,823,323
Goodwill (Note 4)	841,602	841,602	841,602	841,602
Intangible Assets (Note 17)	4,969,055	3,735,225	4,960,263	3,725,076
Other Assets (Note 17)	5,046,416	5,829,412	4,814,507	5,627,298
TOTAL ASSETS	₱871,509,455	₱842,291,138	₱872,656,900	₱842,446,242
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 18 and 31)				
Demand	₱245,268,222	₱232,536,229	₱246,851,638	₱232,667,786
Savings	118,280,754	117,513,439	118,400,566	119,200,233
Time	232,566,397	231,020,114	233,114,194	231,243,894
Long-term Negotiable Certificates of Deposit	10,416,014	24,766,786	10,416,014	24,766,786
	606,531,387	605,836,568	608,782,412	607,878,699
Financial Liabilities at Fair Value through				
Profit or Loss (Note 19)	2,968,706	1,752,818	2,968,706	1,752,818
Bills Payable and Securities Sold Under				
Repurchase Agreements (Note 20)	51,339,105	40,920,403	51,273,271	40,802,069
Acceptances Payable	2,782,734	1,085,264	2,782,734	1,085,264
Margin Deposits and Cash Letters of Credit	57,568	63,946	57,568	63,946
Manager's and Certified Checks Outstanding	5,208,887	4,103,071	5,208,887	4,103,071
Income Tax Payable (Note 27)	802,086	198,340	775,827	189,872
Notes and Bonds Payable (Note 21)	48,963,521	47,111,693	48,963,521	47,111,693
Accrued Interest, Taxes and Other Expenses (Note 22)	4,844,732	4,153,526	4,723,141	4,113,551
Other Liabilities (Note 23)	11,880,389	11,217,428	10,988,376	9,495,061
TOTAL LIABILITIES	735,379,115	716,443,057	736,524,443	716,596,044
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital stock (Note 25)	7,635,389	7,635,389	7,635,389	7,635,389
Additional paid-in capital (Note 25)	38,524,323	38,524,323	38,551,028	38,551,028
Surplus (Note 25)	95,555,339	89,004,617	95,538,904	88,988,182
Net unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 11)	(5,534,401)	(9,238,853)	(5,542,554)	(9,247,006)
Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income (Notes 11 and 14)	20,632	16,619	20,632	16,619
Cumulative foreign currency translation	(70,942)	(94,014)	(70,942)	(94,014)
TOTAL EQUITY	136,130,340	125,848,081	136,132,457	125,850,198
TOTAL LIABILITIES AND EQUITY	₱871,509,455	₱842,291,138	₱872,656,900	₱842,446,242

See accompanying Notes to Financial Statements.



SECURITY BANK CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	2023	2022	2021
	(Amounts in Thousands, Except Earnings per Share)					
INTEREST INCOME ON						
Loans and receivables (Notes 13 and 31)	₱38,140,064	₱29,686,399	₱28,061,190	₱38,233,106	₱29,730,457	₱28,102,761
Financial assets at fair value through other comprehensive income and investment securities at amortized cost (Note 8)	8,555,245	5,848,229	3,246,691	8,555,245	5,848,229	3,246,691
Financial assets at fair value through profit or loss (Note 8)	1,303,820	759,588	662,867	1,303,820	759,588	662,802
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	993,763	373,989	320,457	993,763	373,989	320,457
Deposits with banks and others (Note 7)	102,195	86,766	612,274	99,181	84,221	609,957
	49,095,087	36,754,971	32,903,479	49,185,115	36,796,484	32,942,668
INTEREST EXPENSE ON						
Deposit liabilities (Notes 18 and 31)	8,195,106	5,043,112	2,940,798	8,260,343	5,062,401	2,947,809
Subordinated note, bills payable, securities sold under repurchase agreements, notes payable, and other borrowings (Note 20)	5,473,221	1,987,727	2,073,650	5,462,681	1,980,841	2,066,825
Derivative instruments (Note 19)	612,119	406,421	348,849	612,119	406,421	348,849
Lease liabilities (Note 15)	80,990	71,508	83,974	80,990	71,831	83,974
	14,361,436	7,508,768	5,447,271	14,416,133	7,521,494	5,447,457
NET INTEREST INCOME	34,733,651	29,246,203	27,456,208	34,768,982	29,274,990	27,495,211
Service charges, fees and commissions (Note 29)	6,067,992	5,284,975	4,530,855	5,510,062	4,718,963	4,028,404
Profit from assets sold/exchanged (Notes 15, 16 and 17)	1,211,848	1,496,888	1,390,922	1,211,843	1,496,510	1,390,922
Rent (Notes 16, 31 and 32)	708,404	631,118	570,156	39,520	74,703	42,743
Trading and securities gain (loss) - net (Note 9)	288,555	(25,871)	1,091,728	288,234	(25,933)	1,090,082
Share in net income of subsidiaries and joint ventures (Note 14)	179,565	147,364	81,346	480,472	266,214	177,963
Foreign exchange gain (loss) - net (Note 6)	(2,092,750)	966,654	170,261	(2,092,766)	965,578	169,521
Gain on disposal/redemption of investment securities at amortized cost (Note 12)	-	4,004	66,028	-	4,004	66,028
Miscellaneous (Note 30)	1,861,458	1,883,870	1,453,069	1,795,526	1,806,088	1,402,718
TOTAL OPERATING INCOME	42,958,723	39,635,205	36,810,573	42,001,873	38,581,117	35,863,592
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 28 and 31)	8,912,812	7,538,940	6,922,432	8,803,147	7,440,488	6,826,843
Provision for credit losses (Note 13)	4,666,194	2,634,324	5,280,537	4,663,189	2,635,597	5,285,966
Taxes and licenses	3,195,408	3,059,983	3,301,844	3,154,014	3,024,346	3,278,277
Depreciation and amortization (Note 15)	2,150,173	2,114,519	2,173,089	1,694,720	1,588,759	1,665,270
Amortization of software costs (Note 17)	675,041	551,180	362,322	674,567	550,599	361,734
Occupancy costs (Notes 16, 31 and 30)	388,520	370,126	375,433	383,003	364,600	373,842
Provision for (recovery of) impairment losses (Note 16)	134,680	207,060	(15,153)	134,680	207,060	(14,653)
Miscellaneous (Notes 27 and 30)	10,776,982	9,273,934	8,148,489	10,499,405	8,952,550	7,861,672
TOTAL OPERATING EXPENSES	30,899,810	25,750,066	26,548,993	30,006,725	24,763,999	25,638,951
INCOME BEFORE INCOME TAX	12,058,913	13,885,139	10,261,580	11,995,148	13,817,118	10,224,641
PROVISION FOR INCOME TAX (Note 27)	2,953,475	3,329,540	3,344,610	2,889,710	3,256,110	3,286,138
NET INCOME	₱9,105,438	₱10,555,599	₱6,916,970	₱9,105,438	₱10,561,008	₱6,938,503

ATTRIBUTABLE TO:

Equity holders of the Parent Company (Notes 25 and 35)	₱9,105,438	₱10,555,599	₱6,916,970
NET INCOME	₱9,105,438	₱10,555,599	₱6,916,970
Basic/Diluted Earnings Per Share (Note 35)	₱12.08	₱14.00	₱9.17

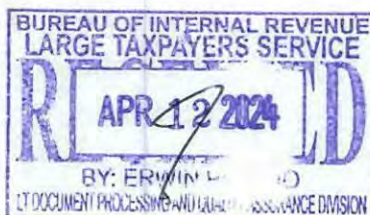
See accompanying Notes to Financial Statements.



SECURITY BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	2023	2022	2021
	(Amounts in Thousands)					
NET INCOME FOR THE YEAR	₱9,105,438	₱10,555,599	₱6,916,970	₱9,105,438	₱10,561,008	₱6,938,503
OTHER COMPREHENSIVE INCOME (LOSS)						
<i>Other Comprehensive Income (Loss) to be Reclassified to Profit or Loss in Subsequent Periods:</i>						
Cumulative translation adjustments	23,072	(186,410)	761,825	23,072	(186,410)	761,825
Change in net unrealized gain (loss) on debt instruments at fair value through other comprehensive income (Note 11)	3,619,508	(7,238,472)	(4,091,585)	3,619,508	(7,238,472)	(4,091,585)
	3,642,580	(7,424,882)	(3,329,760)	3,642,580	(7,424,882)	(3,329,760)
<i>Other Comprehensive Income (Loss) not to be Reclassified to Profit or Loss in Subsequent Periods:</i>						
Remeasurement gains (losses) on defined benefit plans (Notes 14, 25 and 28)	(289,840)	(138,577)	413,246	(289,840)	(138,577)	413,246
Revaluation gains (losses) on equity instruments at fair value through other comprehensive income (Note 11)	88,957	51,297	27,906	88,957	51,297	26,001
	(200,883)	(87,280)	441,152	(200,883)	(87,280)	439,247
OTHER COMPREHENSIVE GAIN (LOSS) FOR THE YEAR	3,441,697	(7,512,162)	(2,888,608)	3,441,697	(7,512,162)	(2,890,513)
TOTAL COMPREHENSIVE INCOME	₱12,547,135	₱3,043,437	₱4,028,362	₱12,547,135	₱3,048,846	₱4,047,990
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	₱12,547,135	₱3,043,437	₱4,028,362	₱12,547,135	₱3,048,846	₱4,047,990
	₱12,547,135	₱3,043,437	₱4,028,362	₱12,547,135	₱3,048,846	₱4,047,990

See accompanying Notes to Financial Statements.



SECURITY BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY

Consolidated

Years Ended December 31, 2023, 2022 and 2021

Equity Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Surplus (Note 25)	Net Unrealized Gain on Subsidiaries' Financial Assets at Fair Value through Other Comprehensive Income (Note 11)	Net Unrealized Gain on Subsidiaries' Financial Assets at Fair Value through Other Comprehensive Income (Note 11)	Cumulative Foreign Currency Translation	Total Equity
Balance at January 1, 2023	P7,635,389	P38,524,323	P89,004,617	(P9,238,853)	P16,619	(P94,014)	P125,848,081
Total comprehensive income for the year	-	-	8,815,598	3,704,452	4,013	23,072	12,547,135
Declaration of cash dividends (Note 25)	-	-	(2,264,876)	-	-	-	(2,264,876)
Balance at December 31, 2023	P7,635,389	P38,524,323	P95,555,339	(P5,534,401)	P20,632	(P70,942)	P136,130,340
Balance at January 1, 2022	P7,635,389	P38,524,323	P80,852,471	(P2,043,212)	P8,153	P92,396	P125,069,520
Total comprehensive income for the year	-	-	10,417,022	(7,195,641)	8,466	(186,410)	3,043,437
Declaration of cash dividends (Note 25)	-	-	(2,264,876)	-	-	-	(2,264,876)
Balance at December 31, 2022	P7,635,389	P38,524,323	P89,004,617	(P9,238,853)	P16,619	(P94,014)	P125,848,081
Balance at January 1, 2021	P7,635,389	P38,524,323	P75,787,131	P2,022,546	P6,074	(P669,429)	P123,306,034
Total comprehensive income for the year	-	-	7,330,216	(4,065,758)	2,079	761,825	4,028,362
Declaration of cash dividends (Note 25)	-	-	(2,264,876)	-	-	-	(2,264,876)
Balance at December 31, 2021	P7,635,389	P38,524,323	P80,852,471	(P2,043,212)	P8,153	P92,396	P125,069,520



Parent Company

Years Ended December 31, 2023, 2022 and 2021

	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Surplus (Note 25)	Net Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income (Loss) (Note 11)	Net Unrealized Gain on Subsidiaries' Financial Assets at Fair Value through Other Comprehensive Income (Note 11)	Cumulative Foreign Currency Translation	Total Equity
Balance at January 1, 2023	₱7,635,389	₱38,551,028	₱88,988,182	(₱9,247,006)	₱16,619	(₱94,014)	₱125,850,198
Total comprehensive income for the year	-	-	8,815,598	3,704,452	4,013	23,072	12,547,135
Declaration of cash dividends	-	-	(2,264,876)	-	-	-	(2,264,876)
Balance at December 31, 2023	₱7,635,389	₱38,551,028	₱95,538,904	(₱5,542,554)	₱20,632	(₱70,942)	₱136,132,457
Balance at January 1, 2022	₱7,635,389	₱38,551,028	₱80,830,627	(₱2,051,365)	₱8,153	₱92,396	₱125,066,228
Total comprehensive income for the year	-	-	10,422,431	(7,195,641)	8,466	(186,410)	3,048,846
Declaration of cash dividends	-	-	(2,264,876)	-	-	-	(2,264,876)
Balance at December 31, 2022	₱7,635,389	₱38,551,028	₱88,988,182	(₱9,247,006)	₱16,619	(₱94,014)	₱125,850,198
Balance at January 1, 2021	₱7,635,389	₱38,551,028	₱75,743,754	₱2,016,298	₱6,074	(₱669,429)	₱123,283,114
Total comprehensive income for the year	-	-	7,351,749	(4,067,663)	2,079	761,825	4,047,990
Declaration of cash dividends	-	-	(2,264,876)	-	-	-	(2,264,876)
Balance at December 31, 2021	₱7,635,389	₱38,551,028	₱80,830,627	(₱2,051,365)	₱8,153	₱92,396	₱125,066,228

See accompanying Notes to Financial Statements.



SECURITY BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS

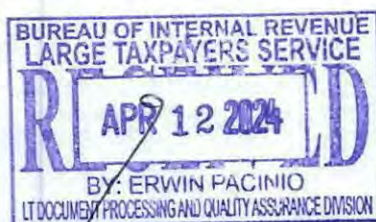
	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	2023	2022	2021
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱12,058,913	₱13,885,139	₱10,261,580	₱11,995,148	₱13,817,118	₱10,224,641
Adjustments for:						
Provision for credit losses (Note 13)	4,666,194	2,634,324	5,280,537	4,663,189	2,635,597	5,285,966
Depreciation and amortization (Note 15)	2,150,173	2,114,519	2,173,089	1,694,720	1,588,759	1,665,270
Profit from assets sold/exchanged (Notes 15, 16 and 17)	(1,211,848)	(1,496,888)	(1,390,922)	(1,211,843)	(1,496,510)	(1,390,922)
Amortization of premium on financial assets at fair value through other comprehensive income and investment securities at amortized cost (Notes 11 and 12)	557,747	639,083	884,568	557,747	639,083	884,568
Amortization of software costs (Note 17)	675,041	551,180	362,322	674,567	550,599	361,734
Provision for (recovery of) impairment losses (Notes 15,16 and 17)	134,680	207,060	(15,153)	134,680	207,060	(14,653)
Share in net income of subsidiaries and joint ventures (Note 14)	(179,565)	(147,364)	(81,346)	(480,472)	(266,214)	(177,963)
Amortization of transaction costs on LTNCD, notes and bonds payable (Notes 18 and 21)	281,433	220,522	138,597	281,433	220,522	138,597
Gain on disposal/redemption of investment securities at amortized cost (Note 12)	-	(4,004)	(66,028)	-	(4,004)	(66,028)
Loss (gain) on disposal of financial assets at FVTOCI (Note 9)	132,350	-	(1,233,901)	132,350	-	(1,233,901)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Loans and receivables (Note 13)	(41,542,654)	(58,508,199)	(16,105,533)	(43,106,425)	(58,215,856)	(15,874,741)
Financial assets at FVTPL (Note 10)	(3,319,779)	(644,116)	4,088,638	(3,319,779)	(644,115)	4,050,685
Interbank loans receivable and SPURA	(1,998,614)	(3,997,851)	1,045,041	(1,998,614)	(3,997,851)	1,045,041
Due from other banks	(279)	159	3,358	(241)	212	993
Other assets	(635,519)	(3,379,268)	(226,047)	(610,482)	(2,472,284)	(184,222)
Increase (decrease) in the amounts of:						
Deposit liabilities (Note 18)	15,045,591	82,209,064	83,140,303	15,254,485	82,367,590	83,475,580
Financial liabilities at FVTPL (Note 19)	1,215,888	467,432	(75,901)	1,215,888	467,432	(83,889)
Accrued interest, taxes and other expenses (Note 22)	691,206	1,257,015	(849,314)	609,590	1,281,626	(880,631)
Acceptances payable	1,697,470	83,759	563,557	1,697,470	83,759	563,557
Manager's and certified checks outstanding	1,105,816	(118,301)	358,467	1,105,816	(118,301)	358,467
Margin deposits and cash letters of credit	(6,378)	23,764	(21,588)	(6,378)	23,764	(21,588)
Other liabilities (Note 23)	1,394,572	1,772,112	(2,554,290)	2,217,871	446,615	(2,721,075)
Net cash generated from (used in) operations	(7,087,562)	37,769,141	85,680,034	(8,499,280)	37,114,601	85,405,486
Income taxes paid	(3,474,324)	(2,438,731)	(1,288,379)	(3,414,471)	(2,357,771)	(1,258,589)
Net cash provided by (used in) operating activities	(10,561,886)	35,330,410	84,391,655	(11,913,751)	34,756,830	84,146,897

(Forward)



	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	2023	2022	2021
	(Amounts in Thousands)					
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Financial assets at FVTOCI (Note 11)	(₱57,299,480)	(₱42,625,610)	(₱128,202,460)	(₱57,299,480)	(₱42,625,610)	(₱128,202,460)
Investment securities at amortized cost (Note 12)	(12,600,658)	(46,566,445)	(4,056,173)	(12,600,658)	(46,566,445)	(4,056,173)
Property and equipment (Note 15)	(2,471,040)	(1,285,087)	(1,902,489)	(1,132,039)	(556,392)	(1,346,186)
Software costs (Note 17)	(1,926,760)	(1,098,153)	(861,651)	(1,926,659)	(1,098,126)	(874,871)
Investment in joint ventures (Note 14)	-	(750,000)	(750,000)	-	(750,000)	(750,000)
Proceeds from:						
Disposals or maturities of financial assets at FVTOCI (Note 11)	32,869,002	3,909,601	114,116,186	32,869,002	3,909,601	114,116,186
Disposals of investment properties and chattel mortgages	961,502	1,318,057	2,515,051	961,502	1,318,058	2,515,051
Disposals, redemptions or maturities of investment securities at amortized cost	4,552,693	2,057,500	6,075,674	4,552,693	2,057,500	6,075,674
Disposals of property and equipment	343,414	133,226	241,151	299,260	66,599	164,145
Dividends received from subsidiaries (Note 14)	-	-	-	-	-	63,375
Net cash used in investing activities	(35,571,327)	(84,906,911)	(12,824,711)	(34,276,379)	(84,244,815)	(12,295,259)
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlements of:						
Bills payable and securities sold under repurchase agreements (Note 36)	(724,538,355)	(457,098,389)	(25,188,717)	(724,485,855)	(457,098,389)	(25,005,384)
Notes and bonds payable (Note 36)	(17,056,500)	(13,500,000)	(18,000,000)	(17,056,500)	(13,500,000)	(18,000,000)
LTNCD	(14,381,000)	-	-	(14,381,000)	-	-
Proceeds from:						
Bills payable and securities sold under repurchase agreements (Note 36)	736,658,375	494,565,466	7,034,386	736,658,375	494,543,799	7,004,386
Issuance of notes and bonds payable (Notes 21 and 36)	18,352,354	30,359,962	-	18,352,354	30,359,962	-
Cash dividends paid (Note 25)	(2,273,063)	(2,266,963)	(2,262,765)	(2,273,063)	(2,265,882)	(2,262,765)
Payments of lease liabilities (Note 15)	(748,610)	(688,571)	(731,547)	(744,244)	(688,571)	(731,547)
Net cash provided by (used in) financing activities	(3,986,799)	51,371,505	(39,148,643)	(3,929,933)	51,350,919	(38,995,310)
Effect of exchange rate differences	186,996	(3,013,042)	272,998	191,616	(3,018,938)	283,439
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(49,933,016)	(1,218,038)	32,691,299	(49,928,447)	(1,156,004)	33,139,767
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	13,180,172	11,083,299	13,310,838	13,180,047	11,083,174	13,310,713
Due from Bangko Sentral ng Pilipinas	63,011,416	67,391,502	47,391,378	63,011,416	67,391,502	47,391,378
Due from other banks	20,097,291	13,126,213	10,034,045	20,033,377	13,000,265	9,459,629
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	27,515,367	29,424,643	17,598,097	27,515,367	29,424,643	17,598,097
	123,804,246	121,025,657	88,334,358	123,740,207	120,899,584	87,759,817

(Forward)



	Consolidated				Parent Company	
	Years Ended December 31					
	2023	2022	2021	2023	2022	2021
	(Amounts in Thousands)					
CASH AND CASH EQUIVALENTS						
AT END OF YEAR						
Cash and other cash items	₱13,947,069	₱13,180,172	₱11,083,299	₱13,946,944	₱13,180,047	₱11,083,174
Due from Bangko Sentral ng Pilipinas	45,821,155	63,011,416	67,391,502	45,821,155	63,011,416	67,391,502
Due from other banks	12,022,007	20,097,291	13,126,213	11,962,662	20,033,377	13,000,265
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	2,080,999	23,518,740	29,424,643	2,080,999	23,518,740	29,424,643
	₱73,871,230	₱119,807,619	₱121,025,657	₱73,811,760	₱119,743,580	₱120,899,584
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest received	₱48,562,000	₱36,867,320	₱33,830,932	₱48,648,260	₱36,397,593	₱29,404,454
Interest paid	14,026,707	6,261,589	5,354,030	14,085,829	6,271,507	5,353,559
Dividends received	3,395	1,612	3,344	1,612	1,612	3,344

See accompanying Notes to Financial Statements.



SECURITY BANK CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Security Bank Corporation (the Parent Company) is a domestic corporation registered with the Securities and Exchange Commission (SEC) in 1951 and was listed in the Philippine Stock Exchange (PSE) in 1995. The Parent Company's head office is located at Security Bank Centre, 6776 Ayala Avenue, Makati City.

The Parent Company was incorporated on May 8, 1951 and started its operations as a commercial bank on June 18, 1951. On May 30, 2000, the Board of Directors (BOD) of the Parent Company approved its Amended Articles of Incorporation to extend the corporate term of the Parent Company, which would have expired on May 8, 2001, for another 50 years. On February 19, 2001, the SEC approved such amendment.

Republic Act No. 1132, otherwise known as the "Revised Corporate Code of the Philippines" or "RCC", took effect on February 23, 2019. The corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation. As of February 23, 2019, the Bank is deemed to have selected a perpetual term.

In 1994, the Parent Company was approved by the Bangko Sentral ng Pilipinas (BSP) to operate as a universal bank, allowing it to expand its financial services and revenue sources.

The Parent Company provides expanded commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services. In addition, the Parent Company is licensed to engage in financial derivatives to service the requirements of its customers and as a means of reducing and managing the Parent Company's foreign exchange and interest rate exposures.

The Parent Company and its subsidiaries and joint ventures (collectively referred to as the "Group"), which are all incorporated in the Philippines, are engaged in the following businesses:

Subsidiaries and Joint Ventures	Principal place of business	Line of Business	Effective Percentage of Ownership	
			December 31, 2023	December 31, 2022
SB Capital Investment Corporation (SBCIC)	18 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Investment house	100.00	100.00
SB Equities, Inc. (SBEI)	18 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Stock brokerage	100.00	100.00
SB International Services, Inc. (SISI) ***	17 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Marketing services	100.00	100.00
SB Rental Corporation (SBRC)	5 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Rental / leasing	100.00	100.00
SB Cards Corporation (SBCC)****	Diners Club Center, 114 Valero St. Salcedo Village, Makati City	Credit card operations	100.00	100.00
Security Finance and Leasing Inc. (formerly Landlink Property Investments (SPV-AMC), Inc. (LPII))*****	Security Bank Centre, 6776 Ayala Avenue, Makati City	Financing	100.00	100.00
SB Forex, Incorporated**	Security Bank Centre, 6776 Ayala Avenue, Makati City	Foreign exchange services	100.00	100.00
SBM Leasing, Inc. (SBML)*	5 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Financing	60.00	60.00
SB Finance, Inc. (SBFI) (formerly SB Finance Company, Inc.)*	Keyland Amaiz Building, 849 Antonio Arnaiz Avenue, Legaspi Village, Makati City 1229	Financing	49.96	49.96

* Joint Ventures

** Corporate term ended February 28, 2022, awaiting clearance from Bureau of Internal Revenue

*** Corporate term ended December 31, 2021, awaiting clearance from Bureau of Internal Revenue

**** With BOD approval to shorten corporate life on December 31, 2024

***** With BOD approval in 2022 to shorten corporate life on December 31, 2023. Approval to shorten life was revoked by the BOD last December 12, 2023



The Parent Company is the ultimate parent company of the Group.

2. Summary of Material Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at Fair Value through Profit or Loss (FVTPL), financial assets at Fair Value through Other Comprehensive Income (FVTOCI) and derivative assets and liabilities designated as hedges that have been measured at fair value. The carrying values of recognized loans and receivables and investment securities at amortized cost that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The financial statements are presented in Philippine Peso and all values are rounded to the nearest thousand peso (₱000) except when otherwise indicated.

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

The consolidated financial statements provide comparative information in respect of the previous period.

Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency. The functional currency of each of the Parent Company's subsidiaries is the Philippine Peso.

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements of the Group are prepared for the same reporting period as the subsidiaries, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.



When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Profit or loss and each component of 'Other comprehensive income (OCI)' are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used in line with those used by the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components' gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling Interest

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that do not result in a loss of control are accounted for as equity transactions, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognized as an equity transaction and attributed to the owners of the Parent Company.



Changes in Accounting Policies

Except for these new and amended standards which were adopted as of January 1, 2023, the accounting policies adopted are consistent with those of previous financial year.

The adoption of the following amendments did not have a significant impact on the consolidated financial statements of the Group:

- Amendments to PAS 1 and Philippine Financial Reporting Standard (PFRS) Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

Fair Value Measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each statement of financial position date.

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 (i.e., an exit price). 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 Group.

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

If the asset or liability measured at fair value has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value, regardless of where the input is categorized within the fair value hierarchy.

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

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

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

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



- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

External appraisers are involved for valuation of significant non-financial assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy (see Note 6).

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Regular way purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market, except for derivatives, are recognized on the settlement date. Settlement date is the date on which the transaction is settled by delivery of the assets that are the subject of the agreement. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group. Deposits, amounts due to banks and customers, loans and receivables and spot transactions are recognized when cash is received by the Group or advanced to the borrowers.

Derivatives are recognized on trade date - the date that the Group becomes a party to the contractual provisions of the instrument. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) 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 the trade date.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value plus any directly attributable cost of acquisition or issue, except in the case of financial assets and financial liabilities at FVTPL.

'Day 1' difference

Where the transaction price is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group immediately recognizes the difference between the transaction price and the fair value of the instrument (a 'Day 1' difference) in the statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.



Classification and Measurement of Financial Assets

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' from the point of view of the issuer (under PAS 32, *Financial Instruments: Presentation*), except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial instruments are 'debt instruments'.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the 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 those risks are managed
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

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

The Solely Payments of Principal and Interest (SPPI) test

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

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

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement 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 FVTPL.

Financial assets at amortized cost

Debt financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



Debt 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, with the interest calculated recognized as 'Interest income' in the statement of income. The Group classified 'Cash and other cash items (COCI)', 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and Securities purchased under resale agreements (SPURA) with the BSP', 'Investment securities at amortized cost', 'Loans and receivables', and cash collateral deposits and security deposits (included under 'Other assets') as financial assets at amortized cost.

The Group may irrevocably elect at initial recognition to classify a debt financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the debt financial asset been measured at amortized cost.

Financial assets at FVTPL

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss.

Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI 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 Group 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.

The Group's financial assets at FVTPL include government securities, private bonds and equity securities held for trading purposes, debt and hybrid instruments that do not meet the amortized cost criteria, and equity investments not designated as at FVTOCI.

As of December 31, 2023 and 2022, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

Financial assets at FVTPL are carried at fair value and gains and losses on these instruments are recognized as 'Trading and securities gain (loss) - net' in the statement of income. Interest earned on these investments is reported in the statement of income under 'Interest income' while dividend income is reported in the statement of income under 'Miscellaneous income' when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If a financial asset at FVTPL has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value. If quoted market prices are not available, their fair values are estimated based on market observable inputs. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the Bankers Association of the Philippines (BAP) closing rate at the statement of financial position date. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at FVTPL, the foreign exchange component is recognized in the statement of income. For foreign currency-denominated debt instruments classified as at amortized cost, the foreign exchange gains and losses are determined based on the amortized cost of the asset and are recognized in the statement of income.



Equity instruments at FVTOCI

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

Equity investments as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in 'Net unrealized gain on financial assets at FVTOCI' in the statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in 'Net unrealized gain on financial assets at FVTOCI' is not reclassified to profit or loss, but is reclassified to 'Surplus'. Equity instruments at FVTOCI are not subject to an impairment assessment.

As of December 31, 2023 and 2022, the Group has designated certain equity instruments that are not held for trading as at FVTOCI on initial application of PFRS 9 (see Note 11).

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

Debt instruments at FVTOCI

The Group applies this category under PFRS 9 of debt instruments measured at FVTOCI when both of the following conditions are met:

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

Debt instruments at FVTOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Derivative instruments

The Parent Company uses derivative instruments such as cross-currency swaps, interest rate swaps, foreign currency forward contracts, options on foreign currencies and bonds and interest rate futures. These derivatives are entered into as a service to customers and as a means for reducing or managing the Parent Company's respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative instruments are initially recorded at fair value and carried as financial assets at FVTPL when their fair value is positive and as financial liabilities at FVTPL when their fair value is negative.

Any gains or losses arising from changes in fair value of derivative instruments (except for foreign currency forwards) are recognized as 'Trading and securities gain (loss) - net'. For foreign currency forwards, changes in fair value are recognized in 'Foreign exchange gain - net' in the statement of income.



Interest income is recognized in the statement of income if the “receive leg” is higher than the “pay leg” of interest-earning derivatives. Interest expense is recognized in the statement of income if the “pay leg” is higher than the “receive leg” of interest-bearing derivatives.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of PFRS 9 (e.g., financial liabilities and non-financial host contracts) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

The Group assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment only where there is a change to the contract that significantly modifies the contractual cash flows.

As of December 31, 2023 and 2022, the Parent Company’s hybrid financial instruments are classified as at FVTPL (see Note 10).

Reclassification of financial assets

The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument’s contractual cash flows meet the amortized cost criteria; and
- from FVTOCI to amortized cost if the objective of the business model changes so that the fair value criteria are no longer met but the amortized cost criteria are still met and the instrument’s contractual cash flows meet the amortized cost criteria.

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

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

Impairment of Financial Assets

The Group and the Parent Company record the allowance for expected credit losses for all loans and receivables and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under PFRS 9.

Expected Credit Loss (ECL) represents credit losses that reflect an unbiased and probability-weighted amount which 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. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument.



Staging assessment

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 are as follows: (i) current including past due up within the cure period of up to 30 days; or (ii) unclassified. For the wholesale loans, Stage 1 criteria (i) are considered; while for the retail loans, Stage 1 criteria (i), and (ii) are used. The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced a SICR as of reporting date compared to initial recognition. A SICR is generally deemed present in accounts with: (i) 31 days up to 90 days past due; (ii) especially mentioned; (iii) substandard; or (iv) small accounts with Borrower Risk Rating of 10. For wholesale loans, Stage 2 criteria (i), (ii), (iii) and (iv) are considered; while for the retail loans, only Stage 2 criteria (i) and (iii) are used. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Group's criteria for Stage 3 accounts are generally aligned with the definition of "default" which is explained in the next paragraph. The Group recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of "default" and "restored"

The Group classifies loans, investments, receivables, or any financial asset as in default when it is credit impaired, becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. As part of a qualitative assessment of whether a customer is in default, the Group considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Credit risk at initial recognition

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

For accounts originated before the transition date, an approximation of the initial probability of default (PD) at origination was utilized. Average PD per portfolio was used as approximated initial PD at origination. Average of the Point-in-Time PDs was used since most of the accounts were booked in the same year.

Modification

In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include,



but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

Significant increase in credit risk

The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses.

Or, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower except as provided by law. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies

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

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stages 2 and 3. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segments its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It makes use of defaulted accounts that have either been identified as cured, restructured, or liquidated. The Group segmented its LGD based on homogenous risk characteristics and calculated the corresponding averages based on security.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as gross domestic product (GDP) growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.



The key forward-looking economic variables used in each of the economic scenarios for the ECL calculations are GDP changes in inventory, current prices, Business outlook index on the macroeconomy – Real Estate, Unemployment Rate, Industry NPL of Universal Banks and Parent Company's Wholesale Banking Segment (WBS) Loan Portfolio NPL Rate.

Debt instruments measured at FVTOCI

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

Consumer loans and credit card receivables

The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products is based on the remaining term.

Restructured loans

Where possible, the Group 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 as past due but remains adversely classified until the account has established sufficient track record of payment. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur.

Financial Liabilities

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities held for trading include:

- derivative liabilities that are not accounted for as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (i.e., an entity that sells financial assets it has borrowed and does not yet own);
- financial liabilities that are incurred with an intention to repurchase them in the near term (e.g., a quoted debt instrument that the issuer may buy back in the near term depending on changes in its fair value); and
- financial liabilities that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

Management may designate a financial liability as at FVTPL upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or



- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial liabilities at FVTPL are recorded in the statements of financial position at fair value. Changes in fair value of financial instruments are recorded in 'Trading and securities gain (loss) - net' in the statement of income. Interests incurred are recorded in 'Interest expense' in the statement of income.

Bills payable and other borrowed funds

Bills payable and other borrowed funds are issued financial instruments or their components, which are not financial liabilities at FVTPL. They are classified as such when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, bills payable and similar financial liabilities not qualified as and not recognized as financial liabilities at FVTPL, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Derecognition of Financial Assets and Liabilities

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; or
- the Group 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 Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset, but has transferred control over the asset.

Where the Group 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 the asset nor transferred control over the asset, the asset is recognized to the extent of the Group'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 Group could be required to repay.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty



- If the modification results in the asset no longer considered “solely payment for principal and interest”

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

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

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

Financial liabilities

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

Financial Guarantees

In the ordinary course of business, the Parent Company provides financial guarantees. 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 expected credit loss model and the amount initially recognized, less when appropriate, the cumulative amount of income recognized in accordance with PFRS 15.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is 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 either 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, therefore, the related assets and liabilities are presented gross in the statement of financial position.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents consist of ‘COCI’, ‘Due from BSP’, ‘Due from other banks’, and ‘Interbank loans receivable and SPURA with the BSP’ that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value. ‘Due from BSP’ includes the



statutory reserves required by the BSP which the Parent Company considers as cash equivalents wherein drawings can be made to meet cash requirements.

Repurchase and Reverse Repurchase Agreements

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

Conversely, securities purchased under agreements 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 SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Foreign Currency Translation

Transactions and balances

For financial reporting purposes, the foreign currency-denominated assets and liabilities in the RBU are translated into their equivalents in Philippine pesos based on the Bankers Association of the Philippines (BAP) closing rate, prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rate at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign-currency denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

FCDU

As at the reporting date, the assets and liabilities of the FCDU of the Parent Company are translated into the Parent Company's presentation currency (the Philippine Peso) at BAP closing rate prevailing at the statements of financial position date, and its income and expenses are translated at BAP weighted average rate (BAPWAR) for the year. Exchange differences arising on translation to the presentation currency are taken to the statement of comprehensive income under 'Cumulative translation adjustment'. 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.

Investments in Subsidiaries and Joint Ventures

Investment in subsidiaries

Subsidiaries pertain to all entities over which the Group has control.

Interest in joint ventures

A joint venture is a type of joint arrangement where the multiple parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group's investment in joint ventures represent its 60.0% interest in SBML and 49.96% interest in SBFI.



The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group and the Parent Company's investment in its subsidiaries and joint ventures are accounted for using the equity method. Under the equity method, the investment in a subsidiary and/or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group and the Parent Company's share of net assets of the subsidiary and/or joint venture since the acquisition date. Goodwill relating to the subsidiary and/or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of income reflects the Group and the Parent Company's share of the results of operations of the subsidiary and/or joint venture. Any change in OCI of the investee is presented as part of the Group and the Parent Company's OCI. In addition, when there has been a change recognized directly in the equity of the subsidiary and/or joint venture, the Group and the Parent Company recognizes its share of any changes, when applicable, in the statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a subsidiary and joint venture is shown on the face of the statement of income under 'Share in net income of subsidiaries and joint ventures' and represents profit or loss after tax and non-controlling interests in the subsidiaries and joint ventures.

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

After application of the equity method, the Group and the Parent Company determine whether it is necessary to recognize an impairment loss on its investment in subsidiaries and joint venture. At each statement of financial position date, the Group and the Parent Company determines whether there is objective evidence that the investment in subsidiaries and joint venture is impaired. If there is such evidence, the Group and the Parent Company calculate the amount of impairment as the difference between the recoverable amount of the subsidiaries and joint venture and their carrying value, then recognizes the loss in the statement of income.

Upon loss of joint control over the subsidiary or joint venture, the Group and the Parent Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

Transfer of business from subsidiary to the Parent

The Parent Company accounts for the transfer as if it has effectively received a distribution that it accounts for at the fair value of the business received. Any excess in the fair value of the net assets received over the consideration is recognized in the statement of income. This reflects the assets acquired and liabilities assumed at their fair value, including goodwill, which will be measured as at the date of the transfer. These transfers have no effect on the consolidated financial statements.

Property and Equipment

Land is stated at cost less any impairment in value. Depreciable properties including building and improvements, furniture, fixtures and equipment, transportation 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 consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts, and any resulting gain or loss is reflected as income or loss in the statement of income.

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

	Years
Building and improvements	20
Furniture, fixtures and equipment	3-5
Transportation equipment	5
Leasehold improvements	5-15

Leasehold improvements are amortized over the applicable EUL of the improvements or the terms of the related leases, whichever is shorter.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate 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).

Right-of-use Assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term, as follows:

	Years
Buildings and improvements	2 to 15
Transportation equipment	2 to 3



Investment Properties

Investment properties are measured initially at cost including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Any gain or loss on exchange is recognized 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).

Real properties acquired

Depreciable real properties acquired are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value. Land is carried at cost less 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 the cost of the real properties acquired.

The Group applies the cost model in accounting for investment properties. Depreciation is computed on a straight-line basis over the EUL of 10 years. The EUL 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 real properties acquired.

The carrying values of the real 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 value exceeds the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

Investments in real estate

Investments in real estate consist of investments in land and building. Investments in land are carried at cost less impairment in value. Building is carried at cost less accumulated depreciation and impairment in value. All costs that are directly attributable to the acquisition and development of property are capitalized, including borrowing costs incurred to finance the property development. Depreciation is computed on a straight-line basis over 10-15 years.

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

Other Properties Acquired

Other properties acquired include chattel mortgage properties acquired in settlement of loan receivables. The Group applies the cost model in accounting for other properties acquired. 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 EUL of 3 years. The EUL 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 included in the statement of income as 'Profit from assets sold/exchanged' in the year the asset is derecognized.

Intangible Assets

Intangible assets consist of software costs, exchange trading right and branch licenses. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Software costs

Costs related to software purchased by the Group for use in operations are amortized on a straight-line basis over 3 to 10 years. The amortization period and the amortization method for software cost are reviewed periodically to be consistent with the changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset. The amortization expense on software costs is recognized in the statement of income.

Exchange trading right

The exchange trading right of SBEI is an intangible asset regarded as having an indefinite useful life as there is no foreseeable limit to the period over which this asset is expected to generate cash inflows. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the Philippine Stock Exchange shares) less impairment in value. SBEI does not intend to sell the exchange trading right in the near future.

Branch licenses

Branch licenses have been acquired and granted by the BSP, and capitalized on the basis of the cost incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

The carrying values of intangible assets with definite useful lives 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).

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in 'Miscellaneous expense' in the statement of income.



When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and is within the scope of PFRS 9 is measured at fair value with changes in fair value either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the Group assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of assets acquired over the aggregate consideration transferred, then the gain is recognized in statement of income.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash Generating Unit (CGU) or a group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with PFRS 8.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

When an entity reorganizes its reporting structure in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill shall be reallocated to the units affected. This reallocation shall be performed using a relative value approach similar to that used when an entity disposes of an operation within a cash-generating unit, unless the entity can demonstrate that some other method better reflects the goodwill associated with the reorganized units.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the statement of income.



Impairment of Non-financial Assets

Non-financial assets include property, equipment and right-of-use assets, investment properties, investment in subsidiaries and a joint venture, software costs, goodwill, exchange trading right, branch licenses and other properties acquired.

Property, equipment and right-of-use assets, investments in subsidiaries and joint ventures, investment properties, and other properties acquired

The Group assesses at each statements of financial position date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use (VIU). Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Any impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement 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 life.

Intangible assets - branch licenses, exchange trading right and software costs

Intangible assets with indefinite useful lives are tested for impairment annually at each statement of financial position date either individually or at the cash generating unit level, as appropriate or when circumstances indicate that the intangible asset may be impaired. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.



Income Taxes

Current income tax

Current income tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statements of financial position date.

Deferred tax

Deferred tax is provided on all temporary differences at the statements of financial position 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, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carry-forward of unused MCIT and unused NOLCO can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference 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; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

- a. Identify the contract(s) with a customer
- b. Identify the performance obligations in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligation in the contract
- e. Recognize revenue when (or as) the entity satisfies a performance obligation

The standard requires the Group to exercise judgement, 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.

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

Revenues within the scope of PFRS 15:

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 collectibility.

Fees and commissions

a. Fee income earned from services that are provided over time

Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees are recognized as earned over the term of the credit lines granted to each borrower. However, loan commitment fees for loans that are likely to be drawn are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan.

Fees received in connection with the issuance of credit cards are deferred and amortized on a straight-line basis over the period the cardholder is entitled to use the card.

b. Bancassurance fees

Non-refundable access fees are recognized on a straight-line basis over the term of the period of the provision of the access.

Refundable access fees and milestone fees are recognized in reference to the stage of achievement of the milestones.

c. Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as underwriting fees, corporate finance fees, and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part 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 Group's cardholders and other credit card companies' cardholders when the Group is acting as an acquirer. These discounts are computed based on certain agreed rates and are deducted from the amounts remitted to the member establishments.

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. The amount allocated to the loyalty programmes is deferred under 'Other Liabilities' in the statement of financial position and recognized as revenue when the award credits are redeemed. Income generated from customer loyalty programmes is recognized in 'Service charges, fees and commissions' in the statement of income.

Other income

Income from the sale of services is recognized upon completion of service. Income from sale of properties is recognized upon completion of earnings process and the collectibility of the sales price is reasonably assured under 'Profit from assets sold/exchanged' in the statement of income.

Revenues outside the scope of PFRS 15:

Interest income

Interest on interest-bearing financial assets at FVTPL and Held-for-Trading (HFT) investments are recognized based on the contractual rate. Interest on financial instruments measured at amortized cost and FVTOCI are recognized based on the effective interest method of accounting.

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

The EIR is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Group estimates cash flows from the financial instrument (e.g., prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized thereafter using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Trading and securities gain (loss) - net

Results arising from trading activities include all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, gains and losses from disposal of investment securities at amortized cost and any ineffectiveness recognized on accounting hedges. Costs of investment securities sold are determined using the weighted average cost method.

Dividend income

Dividend income is recognized when the Group's right to receive the payment is established.

Rental income

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



Expense Recognition

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

Operating expenses

Operating expenses constitute costs which arise in the normal business operation and are recognized when incurred.

Taxes and licenses

This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees and are recognized when incurred.

Pension Cost

The Parent Company and certain subsidiaries have a non-contributory defined benefit plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group's retirement cost is determined using the projected unit credit method. The retirement cost is generally funded through payments to a trustee-administered fund, determined by periodic actuarial calculations.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise and are closed to surplus at the end of the year. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both



the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Leases

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

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest (included in 'Interest expense on lease liabilities') and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

Group as a lessee

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Provisions and Contingencies

Provisions are recognized when the Group 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 Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense' in the statement of income.

Contingent liabilities are not recognized but are disclosed in the financial statements except if the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Debt Issuance Costs

Issuance, underwriting and other related costs incurred in connection with the issuance of debt instruments are deferred and amortized over the terms of the instruments using the effective interest



method. Unamortized debt issuance costs are included in the carrying amount of the debt instrument in the statements of financial position.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing the net income for the year attributable to equity holders of the Parent Company after deducting dividends declared to preferred shareholders by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

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

Equity

'Capital stock' is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital'. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital'. If the additional paid-in capital is not sufficient, the excess is charged against 'Surplus'.

When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

'Surplus' represents accumulated earnings of the Group less dividends declared.

Surplus reserves pertain to the 10.0% of the net profits realized by the Parent Company from its trust business is appropriated to surplus reserve in compliance with existing BSP regulations. The yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Parent Company's regulatory capital.

Dividends on Common Shares and Preferred Shares

Cash dividends on common shares and preferred shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company, while stock dividends are deducted from equity when approved by the BOD and shareholders of the Parent Company.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. If the Group changes the structure of its internal organization in a manner that causes the composition of its reportable segments 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 34.

Fiduciary Activities

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

Events after the Reporting Period

Any post-year-end event that provides additional information about the Group's position at the statement of financial position date (adjusting event) is reflected in the financial statements. Any



post-year-end events that are not adjusting events are disclosed when material to the financial statements.

Standards Issued but Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted, and that fact must be disclosed.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of



entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Amendments to PAS 21, *Lack of Exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

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

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



Judgments

a. *Leases*

Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

b. *Business model test*

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high quality liquid assets while maintaining a strategic portfolio of financial assets for trading activities.

The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost and those sales are more than insignificant in value (either individually or in aggregate), the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

In making this judgment, the Group considers the circumstances surrounding the disposal as well as the requirements of BSP Circular No. 1011, *Guidelines on the adoption of PFRS 9*. For changes in business models, the Group considers whether the internal and external changes that triggered the change in business model are significant to the Group and are demonstrable to third parties.

In June 2022, the Parent Company decided to re-establish the HTC Government Securities business. In making the assessment, the Bank considered the impact of the COVID-19 pandemic and the Ukraine-Russia war to its ability to deploy its funds as envisioned in 2020 affecting its overall strategy and risk appetite. The objective of the business model is to hold a core portfolio of government securities, which is funded primarily from the Parent Company's capital, core



deposits, and other long-term liabilities (see Note 12). The Parent Company also imposed limits based on the long-term funding sources for the reestablished HTC government securities business model to ensure that there will be no sale that is more than infrequent and more than insignificant from the HTC government securities portfolio.

c. Cash flow characteristics test

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

d. Contingencies

The Group is currently involved in various legal proceedings, claims and assessments. The estimate of the probable costs for the resolution of these claims and assessments has been developed in consultation with outside counsel handling the Group's defense in these matters and is based on an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the financial statements. 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 33).

e. 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 Group considers the following:

- the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

f. Consolidation and joint venture arrangements

The Group has determined that it controls and consolidates the subsidiaries in which it owns majority of the shares.

The Group has a Joint Venture Agreement (JVA) with Marubeni Corporation (Marubeni) where the Parent Company owns 60.0% of SBML. Under the JVA, the parties agreed to use SBML as a joint venture entity and requires the unanimous consent of both the Parent Company and Marubeni for any significant decisions made in the ordinary course of business of SBML.

The Group also has a JVA with The Bank of Ayudhya Public Company Ltd. (Krungsri) where the Parent Company owns 49.96% of SBFI. Under the JVA, the parties agreed to use SBFI as a joint venture entity and requires the unanimous consent of both the Parent Company and Krungsri for any significant decisions made in the ordinary course of business of SBFI.

The Group has (after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangements and the Group's rights and obligations arising from the



arrangements) classified its interest in SBML and SBFI under PFRS 11. Based on the foregoing, the Group accounts for its investment in SBML and SBFI using the equity method.

Estimates

a. Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques such as discounted cash flow analysis and standard option pricing models for some derivative instruments. Where valuation techniques are used to determine fair values, they are reviewed by qualified personnel independent of the area that created them. All financial models are reviewed before they are used and to the extent practicable, financial models use only observable data, however, areas such as credit risk (both own and counterparty) volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Refer to Note 6 for the fair value measurements of financial instruments.

b. Impairment of financial assets

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Internal credit grading model, which assigns PDs to the individual grades
- Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime CL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP changes in inventory, current prices, Business outlook index on the macroeconomy – Real Estate, Unemployment Rate, Industry NPL of Universal Banks and Parent Company's WBS Loan Portfolio NPL Rate
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- Segmentation of the portfolio, where the appropriate model or ECL approach is used

The ECL models and all ECL-related policies are assessed and approved by the Risk Oversight Committee and the Board of Directors.

Model calibration or the process of improving the accuracy of ECL model to reflect the as-built status and actual operating conditions shall be performed at least annually. These will require the following approvals:

- ECL Steering Committee consisting of the Business Segment Heads, Chief Financial Officer and Chief Risk Officer, for changes in the model estimates
- Risk Oversight Committee for changes in model assumptions or inputs with material increase or decrease on portfolio-level ECL of at least 10% or ₱200.0 million.



In 2023 and 2022, changes in the model estimates and/or assumptions as a result of calibration were accordingly assessed and approved by the ECL Steering Committee and/or Risk Oversight Committee.

In 2023, probability weights used in ECL calculations were revised from 60 – Base, 30 – Bad and 10 – Good to 50 – Base, 40 – Bad and 10 – Good. This is due to the Bank's increased confidence in the base assumptions given removal of uncertainties like COVID 19 pandemic and better predictability of macroeconomic variables. Assumption was approved by the ECL Steering Committee and noted by ROC.

The Group identified specific accounts that would need to be assessed separately for ECL purposes.

For 2022, the accounts were determined by subjecting the Parent Company's loan portfolio within the Wholesale Banking Segment to a sensitivity analysis using the interest rate increase experienced in the prior year. The sensitivity of each account's Net Cash After Operations (NCAO)/ Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) to the interest rate increase in 2022 was assessed and accounts falling below the threshold and parameters set are subjected to an additional overlay.

Additional ECL was calculated for Remedial accounts that has a higher probability of being downgraded to a Doubtful classification based on the sensitivity analysis. For these accounts identified, the Parent Company used the historical migration rate of Remedial accounts from internal class II to internal class III to determine the PD. For the LGD, the average LGD of Stage 2 and Stage 3 accounts is applied.

The ECL models and all ECL-related policies are assessed and approved by the Risk Oversight Committee and the Board of Directors.

The gross carrying amounts of financial assets and the related allowance for credit losses are disclosed in Notes 7, 11, 12, 13, and 17.

c. Recognition of deferred tax assets

The Group reviews the carrying amounts of deferred tax assets at each statements of financial position date and reduces it to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The recognized net deferred tax assets and unrecognized deferred tax assets of the Group and the Parent Company are disclosed in Note 27.

d. Impairment of non-financial assets

Investments in subsidiaries and joint ventures and other non-financial assets

The Parent Company and SBCIC assess impairment on its investments in subsidiaries and joint ventures whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Among others, the factors that the Parent Company and SBCIC consider important which could trigger an impairment review on its investments include the following:

- deteriorating or poor financial condition;
- recurring net losses; and



- significant changes with an adverse effect on the subsidiary or associate have taken place during the period, or will take place in the near future, the technological, market, economic, or legal environment in which the subsidiary operates.

The Group assesses impairment on other non-financial assets (i.e., ‘Property and equipment’, ‘Investment properties’, ‘Software costs’, and ‘Other properties acquired’) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired nonfinancial assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is computed based on the higher of the asset’s fair value less cost to sell or VIU. Recoverable amounts are estimated for individual nonfinancial assets or, if it is not possible, for the CGU to which the nonfinancial asset belongs. In 2022 and 2021, the Group considered the impact of the COVID-19 pandemic in determining the VIU.

The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

As of December 31, 2023 and 2022, the carrying values of the Parent Company’s investments in subsidiaries and joint ventures are disclosed in Note 14.

The carrying values of the Group’s and the Parent Company’s non-financial assets (other than ‘Goodwill’) follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Property, equipment and right-of-use assets (Note 15)	₱6,429,496	₱5,278,875	₱4,318,022	₱4,001,865
Investment properties (Note 16)	4,790,602	3,204,671	4,789,827	3,203,896
Branch licenses (Note 17)	1,445,000	1,445,000	1,445,000	1,445,000
Software costs (Note 17)	3,516,055	2,281,225	3,515,263	2,280,076
Other properties acquired (Note 17)	872,153	899,386	872,153	899,386
Exchange trading right (Note 17)	8,000	9,000	–	–

The provision for (recovery of) impairment losses on non-financial assets of the Group and the Parent Company are disclosed in Note 16.

Intangible assets with indefinite useful life

Intangible assets with indefinite useful lives such as exchange trading right and branch licenses are tested for impairment annually at statement of financial position date either individually or at the cash generating unit level, as appropriate. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the intangible assets relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income.



The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows.

Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The carrying value of goodwill is disclosed in Note 4.

e. Estimated useful lives of property, equipment and right-of-use assets, investment properties, software costs and other properties acquired

The Group reviews on an annual basis the estimated useful lives of property, equipment and right-of-use assets, depreciable investment properties, software costs and other properties acquired based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment, depreciable investment properties, software costs and other properties acquired would decrease their respective balances and increase the recorded depreciation and amortization expense.

The carrying values of depreciable property and equipment, investment properties, software costs and other properties acquired follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Property, equipment and right-of-use assets (Note 15)*	₱5,986,459	₱4,865,211	₱3,874,984	₱3,588,201
Investment properties (Note 16)*	2,715,404	1,600,406	2,715,404	1,600,408
Software costs (Note 17)	3,516,055	2,281,225	3,515,263	2,280,076
Other properties acquired (Note 17)	872,152	899,386	872,152	899,386

*Excludes land

f. Pension benefits

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The present value of the defined benefit obligation of the Group and the Parent Company are disclosed in Note 28.

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



The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

Further details about the assumptions used are provided in Note 28.

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. As of December 31, 2023 and 2022, accrual for other employee benefit obligations and expenses included under 'Accrued other expenses payable' (included under 'Accrued interest, taxes and other expenses' in the statements of financial position) amounted to ₱1.8 billion and ₱1.8 billion, respectively, in 2023 and 2022 for the Group and the Parent Company (see Note 22).

4. **Goodwill**

Impairment Testing of Goodwill

In 2012, goodwill acquired through business combination has been allocated to Security Bank Savings (SBS) as the CGU. In 2015, the entire goodwill was reallocated to the Branch Banking Group (BBG) as a result of the integration of SBS to the Parent Company. As of December 31, 2023 and 2022, the carrying amount of goodwill amounted to ₱841.6 million and there was no impairment loss recognized in 2023 and 2022.

The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows. Future cash flows and growth rates were based on experiences and strategies developed and prospects. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to a comparable entity. In 2023 and 2022, the pre-tax discount rate applied to cash flow projections is 13.01%, while the growth rate used to extrapolate cash flows beyond the three-year period is 9.33% and 8.67%, respectively.

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

5. **Financial Risk Management Objectives and Policies**

Introduction

Integral to the Parent Company's value creation process is risk management. It therefore operates an integrated risk management system to address the risks it faces in its banking activities, including credit, market, liquidity, operational and sustainability risks. Exposures across these risk areas are regularly identified, measured, controlled, monitored and reported to Senior Management, Risk Oversight Committee (ROC) and the BOD.

Risk Management Structure

Board of Directors

The BOD directs the Parent Company's over-all risk management strategy. The risk management processes of the subsidiaries are the separate responsibilities of their respective BOD. The BOD performs an oversight function on the Parent Company's implementation of its risk policies through various committees that it has created as follows



Executive Committee

The Executive Committee may act on specific matters within the competence of the Board of Directors and as delegated to it by the Board of Directors from time to time.

Risk Oversight Committee

The ROC reviews, approves, and ensures effective implementation of the risk management framework. It approves risk-related policies, oversees limits to discretionary authority that the BOD delegates to management, and evaluates the magnitude, distribution and direction of risks in the Parent Company.

Corporate Governance Committee

The Corporate Governance Committee oversees the compliance function and assists the BOD in fulfilling its corporate governance responsibilities across a broad range of areas including sustainability. It is responsible for ensuring the BOD's effectiveness and, due observance of corporate governance principles and guidelines.

Audit Committee

The Audit Committee through the Internal Audit Division provides the independent assessment of the overall effectiveness of, and compliance with the Parent Company's governance, internal controls, risk management functions.

Senior Credit Committee

The Senior Credit Committee is the highest credit decision-making body in the Bank and works closely with the ROC in managing the overall credit risk of the Bank. The committee reviews and approves proposals and facilities related to credit, except for Directors, Officers, Stockholders and Related Interests (DOSRI) and material related party transactions (RPT) accounts.

Restructuring Committee

The Restructuring Committee approves remedial and/or recovery strategies of the Bank for identified problem loan accounts.

Related Party Transaction Committee

The Related Party Transaction Committee ensures that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders.

Nominations and Remunerations Committee

The Nominations and Remunerations Committee has oversight over Board nominees and other appointments requiring Board approval, as well as their remuneration commensurate with corporate and individual performance.

Trust Committee

The Trust Committee ensures that funds and properties held in trust or in any fiduciary capacity shall be administered with the skill, care, prudence and diligence necessary under the circumstances then prevailing that a prudent person, acting in like capacity and familiar matters, would exercise in the conduct of an enterprise of like character and with similar aims.

Transformation and Technology Committee

The Transformation and Technology Committee shall oversee the development and implementation of strategy, transformation, innovation and information technology initiatives of the Bank and its subsidiaries and affiliates, in support of the Group's vision, mission and strategic objectives



The Parent Company's organizational structure includes the Risk Management Group (RMG), which is responsible for driving the following risk management processes of the Group:

- Independent assessment, measurement, monitoring and reporting of the Group's risk-taking activities; and
- Formulation, review and recommendation of risk-related policies and control structures.

Nevertheless, the Group's risk management framework adopts the basic tenet that risks are owned by the respective business and process owners. Everyone in the organization is therefore expected to proactively manage the risks inherent to their respective area by complying with the Group's risk management framework, policies and standards.

The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries have their own risk management procedures but are structured similar to that of the Parent Company. To a certain extent, the respective risk management programs and objectives are the same across the Group.

Risk Measurement and Reporting

The Parent Company's risks are measured using various methods compliant with Basel III standards. The Parent Company also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Expected credit loss models are developed and maintained by the Risk Management Group. These models are used as a tool for the Parent Company's risk management process and management reporting systems. The applicable results of the calculations are used as the basis for the assessment of expected credit losses.

Monitoring and controlling risks are primarily performed based on limits established by the Parent Company. These limits reflect the business strategy and market environment of the Parent Company as well as the level of risk that the Parent Company is willing to take. In addition, the Parent Company monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

For all levels throughout the Parent Company, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information. These reports include aggregate credit exposure, credit metric forecasts, limit exceptions, Value-at-Risk (VaR), liquidity ratios and risk profile changes.

Credit Risk Management prepares detailed reporting of risks per credit classification, payment status, industry, loan tenor, and other measures of portfolio quality. Senior management assesses the appropriateness of allowance for credit losses on a yearly basis or as the need arises. The ROC and the heads of the concerned business units receive a comprehensive portfolio quality review monthly which is designed to provide all the necessary information to assess and conclude on the credit risks of the Parent Company.

In the case of market risk, a monthly report is presented to the ROC on the utilization of market limits and liquidity, plus any other risk developments.

Information compiled from businesses is examined and processed in order to analyze, control and identify risks early. This information is assessed and deliberated by the heads of each business unit, the ROC and the BOD.



Risk Mitigation

The Parent Company uses various risk mitigation practices to manage different types of risks, such as credit risk, market risk, operational risk, and liquidity risk. Generally, these include establishing and reviewing risk limits and policies by considering the risk appetite, strategy and objectives of the Bank, as well as the regulatory requirements and industry best practices; implementing and enforcing these limits by using effective monitoring and reporting systems, and by escalating and resolving any limit breaches or policy violations; and conducting regular and ad hoc stress testing.

Excessive Risk Concentration

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

The Parent Company manages concentration risks by setting exposure limits to borrowing groups, industries, countries, and where appropriate, on products and facilities. These limits are reviewed as the need arises but at least annually.

In order to avoid excessive concentrations of risk, the Parent Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of risks are controlled and managed accordingly.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to perform its obligations during the life of the transaction. This includes risk of non-payment by borrowers or issuers, failed settlement of transactions and default on contracts.

The Parent Company drives credit risk management fundamentally via its Credit Policy Manual (CPM), the provisions of which are regularly reviewed and updated to reflect changing regulations and risk conditions. The CPM defines the principles and parameters governing credit activities, ensuring that each account's creditworthiness is thoroughly understood and regularly reviewed. Lending units assume overall responsibility for the management of credit exposures while middle and back office functions are clearly defined to provide independent checks and balance to credit risk-taking activities. A system of approving and signing limits ensures adequate senior management involvement for bigger and more complex transactions. Large exposures of the Group are kept under rigorous review as these are subjected to stress testing and scenario analysis to assess the impact of changes in market conditions or key risk factors (examples are economic cycles, interest rate, liquidity conditions or other market movements) on its profile and earnings.

The risk management structure of policies, accountabilities and responsibilities, controls and senior management involvement is similarly in place for non-performing assets.

Derivative financial instruments

Credit risk in respect of derivative financial instruments is limited to those with positive fair values, which are included under 'Financial assets at FVTPL'. As a result, the maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts in the statements of financial position.

Credit-related commitments

The Parent Company makes available to its customers, guarantees which may require the Parent Company to make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit)



commit the Parent Company to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Parent Company to similar risks to loans and these are mitigated by the same control processes and policies. This also includes the unutilized credit limit of the Group's credit card customers.

Maximum exposure to credit risk of on-balance sheet credit risk exposures with collaterals held or other credit enhancements

The tables below show the maximum exposure to on-balance sheet credit risk exposures of the Group and the Parent Company after taking into account any collaterals held or other credit enhancements (amounts in millions):

	Consolidated				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral	Associated ECL*
December 31, 2023					
Credit risk exposure relating to on-balance sheet assets					
SPURA with BSP	P-	P-	P-	P-	P-
Receivable from customers - net (exclusive of SBEI):					
Corporate lending	375,984	92,844	300,199	75,785	9,575
Consumer lending	41,349	40,676	20,981	20,368	1,660
Small business lending	550	440	180	370	35
Residential mortgages	82,518	86,621	31,071	51,447	858
Credit card receivables - individual	30,070	-	30,070	-	3,074
Receivable from customers - net (SBEI):					
Corporate	254	6,108	10	244	-
Individual	84	1,110	3	81	-
Other receivables	7,520	191	7,366	154	315
	P538,329	P227,990	P389,880	P148,449	P15,517

	Consolidated				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral	Associated ECL*
December 31, 2022					
Credit risk exposure relating to on-balance sheet assets					
SPURA with BSP	P23,519	P23,519	P-	P23,519	P-
Receivable from customers - net (exclusive of SBEI):					
Corporate lending	375,187	85,208	305,678	69,509	11,955
Consumer lending	28,442	35,704	10,884	17,558	1,299
Small business lending	670	548	251	419	48
Residential mortgages	69,852	80,231	22,004	47,848	1,000
Credit card receivables - individual	21,291	-	21,291	-	1,798
Receivable from customers - net (SBEI):					
Corporate	752	14,792	73	679	-
Individual	278	2,203	16	262	1
Other receivables	6,145	177	6,000	145	377
	P526,136	P242,382	P366,197	P159,939	P16,478

*Amount deducted from gross amount to reflect carrying amount



	Parent Company				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral	Associated ECL*
December 31, 2023					
Credit risk exposure relating to on-balance sheet assets					
SPURA with BSP	P-	P-	P-	P-	P-
Receivable from customers - net (exclusive of SBEI):					
Corporate lending	377,893	92,844	302,108	75,785	9,575
Consumer lending	41,347	40,674	20,980	20,367	1,660
Small business lending	550	440	180	370	35
Residential mortgages	82,518	86,621	31,071	51,447	858
Credit card receivables - individual	30,070	-	30,070	-	3,074
Other receivables	7,186	128	7,059	127	288
	P539,564	P220,707	P391,468	P148,096	P15,490

	Parent Company				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral	Associated ECL*
December 31, 2022					
Credit risk exposure relating to on-balance sheet assets					
SPURA with BSP	P23,519	P23,519	P-	P23,519	P-
Receivable from customers - net (exclusive of SBEI):					
Corporate lending	376,388	85,208	306,879	69,509	11,955
Consumer lending	28,440	35,703	10,883	17,557	1,298
Small business lending	670	548	251	419	48
Residential mortgages	69,852	80,231	22,004	47,848	1,000
Credit card receivables - individual	21,291	-	21,291	-	1,798
Other receivables	5,644	114	5,530	114	346
	P225,804	P225,323	P366,838	P158,966	P16,445

*Amount deducted from gross amount to reflect carrying amount

The maximum exposure to credit risks for the other financial assets is limited to the carrying value as of December 31, 2023 and 2022.

Credit card receivables and receivables of SBEI are presented separately for the purpose of identifying receivables that are subjected to different credit risk rating systems.

Other receivables include accrued interest receivable, accounts receivable, sales contracts receivable and dividend receivable.

Risk concentrations of the maximum exposure to credit risk

The Group considers loans and receivables as highly concentrated when Herfindahl-Hirschman Index (HHI) reaches 2,500 or greater. The maximum acceptable HHI set by the Group for its loan concentration is 1,500 to 2,500, which means moderately concentrated. HHI is a measure of concentration, calculated by squaring the share of each loan segment to total loan portfolio and then summing the resulting numbers. In addition, the Group limits its total exposure to most industry segments at 15.0% each of the total credit risk exposure and complies with regulatory caps set by the BSP such as 25% real estate limit.



The distribution of financial assets and off-balance sheet items by industry sector of the Group and the Parent Company, before taking into account collateral held or other credit enhancements (maximum exposure) follows (amounts in millions):

	Consolidated				Total
	Loans and Receivables	Financial Investments*	Loans and Advances to Banks**	Others***	
December 31, 2023					
Financial and insurance activities	P22,726	P30,638	P63,391	P6,707	P123,462
Real estate activities	148,139	19,013	-	9,907	177,059
Public administration and defense; compulsory social security	5,374	164,236	-	120	169,730
Activities of households as employers; undifferentiated goods and services and producing activities of households for own use****	58,527	-	-	90,127	148,654
Wholesale and retail trade; repair of motor vehicles and motorcycles	89,289	481	-	11,308	101,078
Electricity, gas, steam and air conditioning supply	78,596	2,143	-	12,402	93,141
Manufacturing	44,113	2,559	-	3,777	50,449
Construction	19,361	-	-	5,058	24,419
Transportation and storage	21,356	3,150	-	9,711	34,217
Information and communication	17,272	1,197	-	625	19,094
Water supply, sewerage, waste management and remediation activities	9,416	-	-	1,553	10,969
Professional scientific and technical services	4,035	-	-	2,037	6,072
Agriculture, forestry and fishing	9,424	-	-	656	10,080
Others	10,701	3,486	-	4,154	18,341
	P538,329	P226,903	P63,391	P158,142	P986,765
December 31, 2022					
Financial and insurance activities	P18,578	P32,374	P113,027	P2,244	P166,223
Real estate activities	123,865	18,031	-	8,838	150,734
Public administration and defense; compulsory social security	-	123,844	-	-	123,844
Activities of households as employers; undifferentiated goods and services and producing activities of households for own use****	41,804	-	-	53,050	94,854
Wholesale and retail trade; repair of motor vehicles and motorcycles	81,646	500	-	10,413	92,559
Electricity, gas, steam and air conditioning supply	77,579	2,115	-	8,594	88,288
Manufacturing	57,545	4,731	-	3,866	66,142
Construction	15,145	-	-	22,439	37,584
Transportation and storage	20,845	3,036	-	4,772	28,653
Information and communication	23,886	1,184	-	721	25,791
Water supply, sewerage, waste management and remediation activities	9,920	-	-	3,003	12,923
Professional scientific and technical services	9,957	-	-	1,561	11,518
Agriculture, forestry and fishing	9,683	-	-	993	10,676
Others	12,164	3,873	-	5,207	21,244
	P502,617	P189,688	P113,027	P125,701	P931,033

* Consists of Financial assets at FVTPL and FVTOCI, and Investment securities at amortized cost

** Consists of Due from BSP, Due from other banks, Interbank loans receivables and SPURA and Cash collateral deposits (included in 'Other assets')

*** Consists of Contingent liabilities relating to inward and outward bills for collections, outstanding guarantees, letters of credit, unutilized credit limit of credit card holders, committed loan lines, security deposits and financial guarantees with commitment

**** Excludes loans and receivables on real estate or dwelling units which are considered production activities and classified under "Real estate"



	Parent Company				Total
	Loans and Receivables	Financial Investments*	Loans and Advances to Banks**	Others***	
December 31, 2023					
Financial and insurance activities	₱24,230	₱30,593	₱63,331	₱6,707	₱124,861
Real estate activities	148,070	19,013	–	9,907	176,990
Public administration and defense; compulsory social security	5,374	164,236	–	120	169,730
Activities of households as employers; undifferentiated goods and services and producing activities of households for own use****	58,524	–	–	90,127	148,651
Wholesale and retail trade; repair of motor vehicles and motorcycles	89,276	481	–	11,308	101,065
Electricity, gas, stream and air conditioning supply	78,596	2,143	–	12,402	93,141
Manufacturing	44,092	2,559	–	3,777	50,428
Transportation and storage	21,336	3,150	–	9,711	34,197
Construction	19,355	–	–	5,058	24,413
Information and communication	17,269	1,197	–	625	19,091
Water supply, sewerage, waste management and remediation activities	9,416	–	–	1,553	10,969
Agriculture, forestry and fishing	9,423	–	–	656	10,079
Professional scientific and technical services	4,035	–	–	2,037	6,072
Others	10,568	3,487	–	4,154	18,209
	₱539,564	₱226,859	₱63,331	₱158,142	₱987,896
December 31, 2022					
Financial and insurance activities	₱18,715	₱32,374	₱112,963	₱2,244	₱166,296
Real estate activities	123,845	18,031	–	8,838	150,714
Public administration and defense; compulsory social security	–	123,844	–	–	123,844
Activities of households as employers; undifferentiated goods and services and producing activities of households for own use****	41,804	–	–	53,050	94,854
Wholesale and retail trade; repair of motor vehicles and motorcycles	81,643	500	–	10,413	92,556
Electricity, gas, stream and air conditioning supply	77,577	2,115	–	8,594	88,286
Manufacturing	57,545	4,731	–	3,866	66,142
Construction	15,145	–	–	22,439	37,584
Transportation and storage	20,845	3,036	–	4,772	28,653
Information and communication	23,886	1,184	–	721	25,791
Water supply, sewerage, waste management and remediation activities	9,920	–	–	3,003	12,923
Professional scientific and technical services	9,957	–	–	1,561	11,518
Agriculture, forestry and fishing	9,683	–	–	993	10,676
Others	11,720	3,833	–	5,209	20,762
Financial and insurance activities	₱502,285	₱189,648	₱112,963	₱125,703	₱930,599

* Consists of Financial assets at FVTPL and FVTOCI, and Investment securities at amortized cost

** Consists of Due from BSP, Due from other banks, Interbank loans receivables and SPURA and Cash collateral deposits (included in 'Other assets')

*** Consists of Contingent liabilities relating to inward and outward bills for collections, outstanding guarantees, letters of credit, unutilized credit limit of credit card holders, committed loan lines, security deposits and financial guarantees with commitment

**** Excludes loans and receivables on real estate or dwelling units which are considered production activities and classified under "Real estate"

For details of the composition of the loans and receivables portfolio, refer to Note 13.

Offsetting of financial assets and financial liabilities

The Parent Company has various derivative financial instruments with various counterparties transacted under the International Swaps and Derivatives Association (ISDA) which are subject to enforceable master netting agreements. Under the agreements, the Parent Company has the right to settle its derivative financial instruments either: (1) upon election of the parties; or (2) in the case of default and insolvency or bankruptcy. The Parent Company, however, has no intention to net settle or to gross settle the accounts simultaneously. Also, the enforceability of netting upon default is contingent on a future event, and so the offsetting criteria under PAS 32 are not met. Consequently,



the gross amount of the derivative asset and the gross amount of the derivative liability are presented separately in the Parent Company's statements of financial position.

Cash collaterals have also been received from and pledged to the counterparties for the net amount of exposures from the derivative financial instruments. These cash collaterals do not meet the offsetting criteria under PAS 32 since it can only be set off against the net amount of the derivative asset and derivative liability in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

The Parent Company has entered into sale and repurchase agreements with various counterparties that are accounted for as collateralized borrowing. The Parent Company has also entered into a reverse sale and repurchase agreements with various counterparties that are accounted for as a collateralized lending. These transactions are subject to a global master repurchase agreement with a right of set-off only against the collateral securities upon default and insolvency or bankruptcy and therefore do not meet the offsetting criteria under PAS 32. Consequently, the related SSURA is presented separately from the collateral securities in the Parent Company's statements of financial position.

The table below presents the recognized financial instruments of the Group and the Parent Company that are offset, or subject to enforceable master netting agreements or other similar arrangements but not offset, as at December 31, 2023 and 2022, taking into account the effects of over-collateralization.

	Gross amounts of recognized financial instruments [a]	Gross amounts set-off in accordance with the PAS 32 offsetting criteria [b]	Net amount presented in statements of financial position [c]=[a]-[b]	Effect of remaining rights of set-off that do not meet PAS 32 offsetting criteria		Net exposure [e]=[c]-[d]
				Financial instruments [d]	Financial collateral	
2023						
Financial Assets						
Derivative assets (Notes 6 and 10)	P922,356	P-	P922,356	P246,387	P-	P675,969
	P922,356	P-	P922,356	P246,387	P-	P675,969
Financial Liabilities						
Derivative liabilities (Notes 6 and 19)	P2,968,706	P-	P2,968,706	P246,387	P-	P2,722,319
SSURA (Note 20)	46,525,809	-	46,525,809	-	54,197,254	-
	P49,494,515	P-	P49,494,515	P246,387	P54,197,254	P2,722,319
2022						
Financial Assets						
Derivative assets (Notes 6 and 10)	P2,664,382	P-	P2,664,382	P392,611	P-	P2,271,771
SPURA (Note 36)	23,518,740	-	23,518,740	-	23,519,798	-
	P26,183,122	P-	P26,183,122	P392,611	P23,519,798	P2,271,771
Financial Liabilities						
Derivative liabilities (Notes 6 and 19)	P1,752,818	P-	P1,752,818	P392,611	P-	P1,360,207
SSURA (Note 20)	23,360,860	-	23,360,860	-	26,709,407	-
	P25,113,678	P-	P25,113,678	P392,611	P26,709,407	P1,360,207

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. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.



The main types of collateral obtained are as follows:

- For corporate accounts - cash, guarantees, securities and physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, commercial, industrial and residential lots are preferred.
- For retail lending - mortgages on residential properties and financed vehicles.

Management monitors the market value of real property collateral on an annual basis and as needed for marketable securities to preserve collateral cover. The existing market value of collateral is considered during the review of the credit facilities and adequacy of the allowance for credit losses.

It is the Parent Company’s policy to dispose assets acquired in an orderly fashion. The proceeds from the sale of the foreclosed assets (classified as ‘Investment properties’ in the statements of financial position) are used to reduce or repay the outstanding claim. In general, the Parent Company does not use repossessed properties for business.

Credit quality per class of financial assets

In compliance with BSP Circular No. 855, the Parent Company has developed and continually reviews and calibrates its internal risk rating system for credit exposures aimed at uniformly assessing its credit portfolio in terms of risk profile. Where appropriate, it obtains security, enters into master netting agreements, and limits the duration of exposures to maintain and even further enhance the quality of the Parent Company’s credit exposures.

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

The credit quality of trading and financial investment securities is generally monitored through internal ratings except for foreign entities which use external ratings of eligible external credit rating institutions. Credit exposures to foreign corporations and foreign financial institutions are limited to entities that are rated investment grade. The minimum acceptable risk rating is BBB- stable (for S&P) and Baa3 (for Moody’s).

Presented below is the credit risk rating table of S&P & Moody’s:

Agency		Investment Grade								
S&P	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3

Agency		Non-Investment Grade						
S&P		BB+	BB	BB-	B+	B	B-	Below B-
Moody's		Ba1	Ba2	Ba3	B1	B2	B3	Below B3

In the Bank's mapping of risk ratings of its asset classes, S&P and Moody’s investment grade ratings and BB+/Ba1 are considered high grade, BB/Ba2 down to B-/B3 ratings are considered medium grade, and below B-/B3 ratings are considered low grade.

For loan exposures, the credit quality is generally monitored using its internal credit risk ratings system. It is the Parent Company’s policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates management to focus on major potential risk and the comparison of credit exposures across all lines of business, demographics and products. The rating system is supported by a variety of financial analytics, combined with an assessment of qualitative factors such as management and market information to provide the main inputs for the measurement of credit or counterparty risk. Other variables that may impact the borrower’s creditworthiness but are not yet factored into the baseline rating are considered in the model overlay to arrive at the final PD. All PD



ratings are tailored with various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

The Group uses PD Ratings to classify the credit quality of its receivables portfolio. This is currently undergoing upgrade to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment. The description of the loan grades used by the Group for receivable from customers, except credit card receivables and receivables of SBEI, are as follows:

Wholesale Banking Segment Scorecards

The Parent Company has two (2) Wholesale Banking Segment scorecards, differentiated according to the revenue size of the borrower: Big Accounts scorecard for borrowers with at least ₱2.0 billion in revenue size, and Small Accounts scorecard for borrowers with less than ₱2.0 billion revenue size. Both scorecards are mapped to an 11-grade scale masterscale with each grade having a corresponding PD.

High Grade (PD Rating of 1 to 7)

Accounts in this category have a low probability of defaulting on their obligations over the next 12 months. A comfortable degree of stability and diversity can be found in these borrowers.

Medium Grade (PD Rating of 8 to 9)

The PD of accounts in this category is slightly higher than high grade borrowers. Accounts whose financial ratios exhibit an amount of buffer though somewhat limited. These accounts can withstand minor economic weaknesses but may suffer if conditions deteriorate in a significant way and therefore, default risk is present under such adverse conditions. Repayment ability is more or less assured if economic and industry conditions remain stable.

Low Grade (PD Rating of 10 to 11)

Accounts for which default risk are very much present and those that have defaulted already are included in this category.

For SBEI's receivable portfolio, the Group classifies accounts that are neither past due nor impaired as follows:

High Grade – receivables from counterparties with no history of default and with apparent ability to settle the obligation. In case of receivables from customers, the outstanding amount must be more than 200.0% secured by collateral.

Medium Grade – receivable from counterparties with no history of default, with apparent ability to settle the obligation and the outstanding amount must be 100.0% – 200.0% secured by collateral.

Low Grade – receivable from counterparties with history of default and partially secured or unsecured accounts.



Unrated – Receivables from employees and refundable deposits.

For Auto Loan receivables, the Parent Company classifies accounts that are neither past due nor impaired as follows:

High Grade – Accounts with behavioral score >752

Medium Grade – Accounts with behavioral score >679-752; or with behavioral score >565-679 and uses 0 Delinquency Segment scorecard.

Low Grade – Accounts with behavioral score >565-679 and uses 0+ Delinquency Segment scorecard; or with behavioral score <=564.

Unrated – Accounts which no behavioral score such as new bookings.

For Credit Card receivables, the Parent Company classifies accounts that are neither past due nor impaired as follows:

High Grade – Accounts with behavioral score >715.

Medium Grade – Accounts with behavioral score >580-715.

Low Grade – Accounts with score <=580.

Unrated – Accounts which are inactive in the last 12 months; too early or not enough information to rate.

For Business Banking Loan receivables, scorecards are used to determine the PD of the account. The Parent Company classifies accounts that are neither past due nor impaired as follows:

High Grade (PD Rating of <1%)

Accounts in this category have a low probability of defaulting on their obligations over the next 12 months. A comfortable degree of stability and diversity can be found in these borrowers.

Medium Grade (PD Rating of 1% to 10%)

The PD of accounts in this category is slightly higher than high grade borrowers. These accounts can withstand minor economic weaknesses but may suffer if conditions deteriorate in a significant way and therefore, default risk is present under such adverse conditions. Repayment ability is more or less assured if economic and industry conditions remain stable.

Low Grade (PD Rating of 10+% and above)

Accounts for which an assumed default risk is present.

Unrated – Accounts which are unrated and 0-30 Days Past Due

For the other products in the consumer loans portfolio, the Group is currently building a separate credit rating system to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment. Accounts which are neither past due nor impaired are presented as unrated.



The tables below show the credit quality by class of financial assets (gross of allowance for credit losses and net of unearned discounts and deferred credits) of the Group and the Parent Company.

As of December 31, 2023 and 2022, all investment securities are classified as Stage 1.

	Consolidated				Total
	Neither Past Due nor Individually Impaired				
	High Grade	Medium Grade	Low Grade	Unrated	
December 31, 2023					
Financial assets at FVTPL:					
HFT investments:					
Government securities	P9,681,878	P-	P-	P-	P9,681,878
Private bonds	138,013	-	-	144,079	282,092
Total HFT investments	9,819,891	-	-	144,079	9,963,970
Derivative assets:					
Currency forwards	469,401	-	-	160,453	629,854
Interest rate swaps	233,549	-	-	6,333	239,882
Interest rate futures	40,776	-	-	-	40,776
Cross-currency swaps	-	-	-	11,828	11,828
Bond forwards and options	8	-	-	8	16
Total derivative assets	743,734	-	-	178,622	922,356
Total financial assets at FVTPL	P10,563,625	P-	P-	P322,701	P10,886,326
Financial assets at FVTOCI:					
Treasury notes and bills	P82,365,379	P-	P-	P-	P82,365,379
Treasury bonds	55,451,234	-	-	-	55,451,234
Private bonds	1,523,151	-	-	-	1,523,151
Total financial assets at FVTOCI	P139,339,764	P-	P-	P-	P139,339,764
Financial assets at amortized cost (excluding loans and receivables)					
Due from BSP	P45,821,155	P-	P-	P-	P45,821,155
Due from other banks	12,023,449	-	-	-	12,023,449
Interbank loans receivable and SPURA	4,081,000	-	-	-	4,081,000
Investment securities at amortized cost					
Private bonds	57,874,831	-	-	-	57,874,831
Treasury bonds	14,959,970	-	-	-	14,959,970
Treasury notes and bills	3,372,462	-	-	-	3,372,462
Total investment securities at amortized cost	76,207,263	-	-	-	76,207,263
Total financial assets at amortized cost	138,132,867	-	-	-	138,132,867
Total financial assets at December 31, 2023	P288,036,256	P-	P-	P322,701	P288,358,957
December 31, 2022					
Financial assets at FVTPL:					
HFT investments:					
Government securities	P4,804,041	P-	P-	P-	P4,804,041
Private bonds	70,653	-	-	27,471	98,124
Total HFT investments	4,874,694	-	-	27,471	4,902,165
Derivative assets:					
Currency forwards	1,173,788	-	-	472,515	1,646,303
Interest rate swaps	710,772	-	-	-	710,772
Cross-currency swaps	-	-	-	304,835	304,835
Bond forwards and options	2,472	-	-	-	2,472
Total derivative assets	1,887,032	-	-	777,350	2,664,382
Total financial assets at FVTPL	P6,761,726	P-	P-	P804,821	P7,566,547
Financial assets at FVTOCI:					
Treasury notes and bills	P52,666,184	P-	P-	P-	P52,666,184
Treasury bonds	55,759,876	-	-	-	55,759,876
Private bonds	4,050,963	-	-	-	4,050,963
Total financial assets at FVTOCI	P112,477,023	P-	P-	P-	P112,477,023
Financial assets at amortized cost (excluding loans and receivables)					
Due from BSP	P63,011,416	P-	P-	P-	P63,011,416
Due from other banks	20,098,513	-	-	-	20,098,513
Interbank loans receivable and SPURA	27,516,755	-	-	-	27,516,755
Investment securities at amortized cost					
Private bonds	57,241,929	-	-	-	57,241,929
Treasury bonds	9,308,398	-	-	-	9,308,398
Treasury notes and bills	2,697,158	-	-	-	2,697,158
Total investment securities at amortized cost	69,247,485	-	-	-	69,247,485
Total financial assets at amortized cost	179,874,169	-	-	-	179,874,169
Total financial assets at December 31, 2022	P299,112,918	P-	P-	P804,821	P299,917,739



	Parent Company				Total
	Neither Past Due nor Individually Impaired				
	High Grade	Medium Grade	Low Grade	Unrated	
December 31, 2023					
Financial assets at FVTPL:					
HFT investments:					
Government securities	P9,681,878	P-	P-	P-	P9,681,878
Private bonds	138,013	-	-	144,079	282,092
Total HFT investments	9,819,891	-	-	144,079	9,963,970
Derivative assets:					
Currency forwards	469,401	-	-	160,453	629,854
Interest rate swaps	233,549	-	-	6,333	239,882
Interest rate futures	40,776	-	-	-	40,776
Cross-currency swaps	-	-	-	11,828	11,828
Bond forwards and options	8	-	-	8	16
Total derivative assets	743,734	-	-	178,622	922,356
Total financial assets at FVTPL	P10,563,625	P-	P-	P322,701	P10,886,326
Financial assets at FVTOCI					
Treasury notes and bills	P82,365,379	P-	P-	P-	P82,365,379
Treasury bonds	55,451,234	-	-	-	55,451,234
Private bonds	1,523,151	-	-	-	1,523,151
	P139,339,764	P-	P-	P-	P139,339,764
Financial assets at amortized cost (excluding loans and receivables)					
Due from BSP	P45,821,155	P-	P-	P-	P45,821,155
Due from other banks	11,963,925	-	-	-	11,963,925
Interbank loans receivable and SPURA	4,081,000	-	-	-	4,081,000
Investment securities at amortized cost	-	-	-	-	-
Private bonds	57,874,831	-	-	-	57,874,831
Treasury bonds	14,959,970	-	-	-	14,959,970
Treasury notes and bills	3,372,462	-	-	-	3,372,462
	76,207,263	-	-	-	76,207,263
	138,073,343	-	-	-	138,073,343
	P287,976,732	P-	P-	P322,701	P288,299,433
December 31, 2022					
Financial assets at FVTPL:					
HFT investments:					
Government securities	P4,804,041	P-	P-	P-	P4,804,041
Private bonds	70,653	-	-	27,471	98,124
Total HFT investments	4,874,694	-	-	27,471	4,902,165
Derivative assets:					
Currency forwards	1,173,788	-	-	472,515	1,646,303
Cross-currency swaps	-	-	-	304,835	304,835
Interest rate swaps	710,772	-	-	-	710,772
Interest rate futures	-	-	-	-	-
Bond option	2,472	-	-	-	2,472
Total derivative assets	1,887,032	-	-	777,350	2,664,382
Total financial assets at FVTPL	P6,761,726	P-	P-	P804,821	P7,566,547
Financial assets at FVTOCI					
Treasury notes and bills	P52,666,184	P-	P-	P-	P52,666,184
Treasury bonds	55,759,876	-	-	-	55,759,876
Private bonds	4,050,963	-	-	-	4,050,963
	P112,477,023	P-	P-	P-	P112,477,023
Financial assets at amortized cost (excluding loans and receivables)					
Due from BSP	P63,011,416	P-	P-	P-	P63,011,416
Due from other banks	20,034,425	-	-	-	20,034,425
Interbank loans receivable and SPURA	27,516,755	-	-	-	27,516,755
Investment securities at amortized cost	-	-	-	-	-
Private bonds	57,241,929	-	-	-	57,241,929
Treasury bonds	9,308,398	-	-	-	9,308,398
Treasury notes and bills	2,697,158	-	-	-	2,697,158
	69,247,485	-	-	-	69,247,485
	179,810,081	-	-	-	179,810,081
	P299,048,830	P-	P-	P804,821	P299,853,651



The tables below show the credit quality by class of loans and receivables (gross of allowance for credit losses and net of unearned discounts and deferred credits) of the Group and the Parent Company.

	Consolidated			
	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Receivable from customers:				
Corporate lending				
Neither past due nor impaired				
High grade	₱222,578,045	₱2,459,775	₱-	₱225,037,820
Medium grade	100,680,258	2,826,341	-	103,506,599
Low grade	569,000	42,297,602	-	42,866,602
Past due but not impaired	-	86,891	-	86,891
Past due and impaired	-	-	14,060,673	14,060,673
	323,827,303	47,670,609	14,060,673	385,558,585
Consumer lending (excluding credit card receivables)				
Neither past due nor impaired				
High grade	10,325,281	686	-	10,325,967
Medium grade	27,608,178	338,665	-	27,946,843
Low grade	1,687,451	406,844	-	2,094,295
Unrated	285,399	-	-	285,399
Past due but not impaired	-	922,287	-	922,287
Past due and impaired	-	-	1,434,341	1,434,341
	39,906,309	1,668,482	1,434,341	43,009,132
Small business lending				
Neither past due nor impaired				
High grade	9,000	-	-	9,000
Medium grade	463,556	1,761	-	465,317
Low grade	-	55,475	-	55,475
Past due but not impaired	-	4,000	-	4,000
Past due and impaired	-	-	51,781	51,781
	472,556	61,236	51,781	585,573
Residential mortgages				
Neither past due nor impaired				
High grade	6,975,390	12,730	-	6,988,120
Medium grade	72,337,994	114,068	-	72,452,062
Low grade	8,004	1,430,520	-	1,438,524
Unrated	-	-	-	-
Past due but not impaired	-	861,833	-	861,833
Past due and impaired	-	-	1,635,354	1,635,354
	79,321,388	2,419,151	1,635,354	83,375,893
Credit card receivables – individual				
Neither past due nor impaired				
High grade	6,662,821	4,745	-	6,667,566
Medium grade	20,743,167	176,732	-	20,919,899
Low grade	-	603,144	-	603,144
Unrated	1,932,278	480,736	-	2,413,014
Past due but not impaired	-	1,027,921	-	1,027,921
Past due and impaired	-	-	1,511,663	1,511,663
	29,338,266	2,293,278	1,511,663	33,143,207
Receivable from customers (SBEI)				
Neither past due nor impaired				
High grade	74,664	-	-	74,664
Medium grade	201,533	-	-	201,533
Low grade	51,497	-	-	51,497
Past due but not impaired	-	10,547	-	10,547
	327,694	10,547	-	338,241
Total receivable from customers	473,193,516	54,123,303	18,693,812	546,010,631

(Forward)



	Consolidated			
	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Other receivables				
Neither past due nor impaired				
High grade	P4,555,644	P39,198	P-	P4,594,842
Medium grade	1,314,419	24,624	-	1,339,043
Low grade	231,518	316,633	-	548,151
Unrated	657,654	-	-	657,654
Past due but not impaired	-	180,622	-	180,622
Past due and impaired	-	-	515,591	515,591
	6,759,235	561,077	515,591	7,835,903
Other assets*				
Neither past due nor impaired				
High grade	2,180,021	-	-	2,180,021
	P482,132,772	P54,684,380	P19,209,403	P556,026,555

*Consists of cash collateral and security deposits

	Consolidated			
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Receivable from customers:				
Corporate lending				
Neither past due nor impaired				
High grade	P194,660,762	P-	P-	P194,660,762
Medium grade	88,751,868	30,310,696	-	119,062,564
Low grade	35,363,938	25,672,195	-	61,036,133
Past due but not impaired	-	677,000	-	677,000
Past due and impaired	-	-	11,705,398	11,705,398
	318,776,568	56,659,891	11,705,398	387,141,857
Consumer lending (excluding credit card receivables)				
Neither past due nor impaired				
High grade	4,989,221	-	-	4,989,221
Medium grade	12,989,200	13,839	-	13,003,039
Low grade	2,835,313	310,260	-	3,145,573
Unrated	5,659,469	442,328	-	6,101,797
Past due but not impaired	-	957,551	-	957,551
Past due and impaired	-	-	1,543,684	1,543,684
	26,473,203	1,723,978	1,543,684	29,740,865
Small business lending				
Neither past due nor impaired				
High grade	9,000	-	-	9,000
Medium grade	271,273	3,517	-	274,790
Low grade	338,489	32,902	-	371,391
Past due but not impaired	-	-	-	-
Past due and impaired	-	-	62,888	62,888
	618,762	36,419	62,888	718,069
Residential mortgages				
Neither past due nor impaired				
High grade	2,082,629	-	-	2,082,629
Medium grade	294,036	-	-	294,036
Low grade	488,536	540,890	-	1,029,426
Unrated	64,934,643	116,860	-	65,051,503
Past due but not impaired	-	636,766	-	636,766
Past due and impaired	-	-	1,757,024	1,757,024
	67,799,844	1,294,516	1,757,024	70,851,384

(Forward)



	Consolidated			
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Credit card receivables – individual				
Neither past due nor impaired				
High grade	P3,456,969	P1,550	P–	P3,458,519
Medium grade	16,146,212	127,781	–	16,273,993
Low grade	–	570,242	–	570,242
Unrated	876,087	320,027	–	1,196,114
Past due but not impaired	–	700,739	–	700,739
Past due and impaired	–	–	889,354	889,354
	20,479,268	1,720,339	889,354	23,088,961
Receivable from customers (SBEL)				
Neither past due nor impaired				
High grade	121,719	–	–	121,719
Medium grade	582,893	–	–	582,893
Low grade	292,743	–	–	292,743
Unrated	–	–	–	–
Past due but not impaired	–	32,972	–	32,972
	997,355	32,972	–	1,030,327
Total receivable from customers	435,145,000	61,468,115	15,958,348	512,571,463
Other receivables				
Neither past due nor impaired				
High grade	3,382,693	206,021	–	3,588,714
Medium grade	697,320	59,640	–	756,960
Low grade	606,676	240,343	–	847,019
Unrated	620,931	21,488	–	642,419
Past due but not impaired	–	82,514	–	82,514
Past due and impaired	–	–	606,598	606,598
	5,307,620	610,006	606,598	6,524,224
Other assets*				
Neither past due nor impaired				
High grade	2,402,982	–	–	2,402,982
	P442,855,602	P62,078,121	P16,564,946	P521,498,669

*Consists of cash collateral and security deposits

	Parent Company			
	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Receivable from customers:				
Corporate lending				
Neither past due nor impaired				
High grade	P224,487,157	P2,459,775	P–	P226,946,932
Medium grade	100,680,258	2,826,341	–	103,506,599
Low grade	569,000	42,297,602	–	42,866,602
Past due but not impaired	–	86,891	–	86,891
Past due and impaired	–	–	14,060,673	14,060,673
	325,736,415	47,670,609	14,060,673	387,467,697
Consumer lending (excluding credit card receivables)				
Neither past due nor impaired				
High grade	10,325,281	686	–	10,325,967
Medium grade	27,608,178	338,665	–	27,946,843
Low grade	1,687,451	406,843	–	2,094,294
Unrated	283,201	–	–	283,201
Past due but not impaired	–	922,287	–	922,287
Past due and impaired	–	–	1,434,341	1,434,341
	39,904,111	1,668,481	1,434,341	43,006,933

(Forward)



	Parent Company			
	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Small business lending				
Neither past due nor impaired				
High grade	₱9,000	₱-	₱-	₱9,000
Medium grade	463,556	1,761	-	465,317
Low grade	-	55,475	-	55,475
Unrated	-	-	-	-
Past due but not impaired	-	4,000	-	4,000
Past due and impaired	-	-	51,781	51,781
	472,556	61,236	51,781	585,573
Residential mortgages				
Neither past due nor impaired				
High grade	6,975,390	12,730	-	6,988,120
Medium grade	72,337,994	114,068	-	72,452,062
Low grade	8,004	1,430,520	-	1,438,524
Unrated	-	-	-	-
Past due but not impaired	-	861,833	-	861,833
Past due and impaired	-	-	1,635,354	1,635,354
	79,321,388	2,419,151	1,635,354	83,375,893
Credit card receivables - individual				
Neither past due nor impaired				
High grade	6,662,821	4,745	-	6,667,566
Medium grade	20,743,167	176,732	-	20,919,899
Low Grade	-	603,144	-	603,144
Unrated	1,932,278	480,736	-	2,413,014
Past due but not impaired	-	1,027,921	-	1,027,921
Past due and impaired	-	-	1,511,663	1,511,663
	29,338,266	2,293,278	1,511,663	33,143,207
Total receivable from customers	474,772,736	54,112,755	18,693,812	547,579,303
Other receivables				
Neither past due nor impaired				
High grade	4,567,794	39,198	-	4,606,992
Medium grade	1,314,419	24,624	-	1,339,043
Low Grade	54,214	316,633	-	370,847
Unrated	461,606	-	-	461,606
Past due but not impaired	-	180,622	-	180,622
Past due and impaired	-	-	515,591	515,591
	6,398,033	561,077	515,591	7,474,701
Other assets*				
Neither past due nor impaired				
High grade	2,177,127	-	-	2,177,127
	₱483,347,896	₱54,673,832	₱19,209,403	₱557,231,131

*Consists of cash collateral and security deposits



	Parent Company			Total
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	
Receivable from customers:				
Corporate lending				
Neither past due nor impaired				
High grade	P194,660,762	P-	P-	P194,660,762
Medium grade	88,751,868	30,310,696	-	119,062,564
Low grade	36,565,132	25,672,195	-	62,237,327
Past due but not impaired	-	677,000	-	677,000
Past due and impaired	-	-	11,705,398	11,705,398
	319,977,762	56,659,891	11,705,398	388,343,051
Consumer lending (excluding credit card receivables)				
Neither past due nor impaired				
High grade	4,989,221	-	-	4,989,221
Medium grade	12,989,200	13,839	-	13,003,039
Low grade	2,835,313	310,260	-	3,145,573
Unrated	5,657,105	442,328	-	6,099,433
Past due but not impaired	-	957,551	-	957,551
Past due and impaired	-	-	1,543,684	1,543,684
	26,470,839	1,723,978	1,543,684	29,738,501
Small business lending				
Neither past due nor impaired				
High grade	9,000	-	-	9,000
Medium grade	271,273	3,517	-	274,790
Low grade	338,489	32,902	-	371,391
Unrated	-	-	-	-
Past due but not impaired	-	-	-	-
Past due and impaired	-	-	62,888	62,888
	618,762	36,419	62,888	718,069
Residential mortgages				
Neither past due nor impaired				
High grade	2,082,629	-	-	2,082,629
Medium grade	294,036	-	-	294,036
Low grade	488,536	540,890	-	1,029,426
Unrated	64,934,643	116,860	-	65,051,503
Past due but not impaired	-	636,766	-	636,766
Past due and impaired	-	-	1,757,024	1,757,024
	67,799,844	1,294,516	1,757,024	70,851,384
Credit card receivables - individual				
Neither past due nor impaired				
High grade	3,456,969	1,550	-	3,458,519
Medium grade	16,146,212	127,781	-	16,273,993
Low Grade	-	570,242	-	570,242
Unrated	876,087	320,027	-	1,196,114
Past due but not impaired	-	700,739	-	700,739
Past due and impaired	-	-	889,354	889,354
	20,479,268	1,720,339	889,354	23,088,961
Total receivable from customers	435,346,475	61,435,143	15,958,348	512,739,966
Other receivables				
Neither past due nor impaired				
High grade	3,377,605	206,021	-	3,583,626
Medium grade	697,320	59,640	-	756,960
Low Grade	190,326	240,343	-	430,669
Unrated	582,705	21,488	-	604,193
Past due but not impaired	-	78,277	-	78,277
Past due and impaired	-	-	536,647	536,647
	4,847,956	605,769	536,647	5,990,372
Other assets*				
Neither past due nor impaired				
High grade	2,402,982	-	-	2,402,982
	2,402,982	-	-	2,402,982
	P442,597,413	P62,040,912	P16,494,995	P521,133,320

*Consists of cash collateral and security deposits



The following table provides the analysis of the Group and the Parent Company's restructured receivables by class (included in the preceding table for the credit quality by class of financial assets) as of December 31, 2023 and 2022:

	Consolidated and Parent Company			
	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Corporate lending				
Neither past due nor impaired				
Medium grade	₱240,816	₱286,900	₱-	₱527,716
Low Grade	-	4,131,390	-	4,131,390
Past due but not impaired	-	-	-	-
Past due and impaired	-	-	4,766,600	4,766,600
	240,816	4,418,290	4,766,600	9,425,706
Consumer lending				
Neither past due nor impaired				
High grade	57,368	-	-	57,368
Medium grade	167,269	13,000	-	180,269
Low Grade	93,046	25,315	-	118,361
Unrated	115,976	-	-	115,976
Past due but not impaired	-	15,942	-	15,942
Past due and impaired	-	-	133,480	133,480
	433,659	54,257	133,480	621,396
Small business lending				
Past due and impaired	-	-	27,905	27,905
Residential mortgages				
Neither past due nor impaired				
High grade	151,519	12,340	-	163,859
Medium grade	912,160	98,846	-	1,011,006
Past due and impaired	-	-	83,098	83,098
	1,063,679	111,186	83,098	1,257,963
	₱1,738,154	₱4,583,733	₱5,011,083	₱11,332,970

	Consolidated and Parent Company			
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Corporate lending				
Neither past due nor impaired				
Medium grade	₱11,472	₱102,145	₱-	₱113,617
Low Grade	-	6,614,561	-	6,614,561
Past due and impaired	-	-	3,977,722	3,977,722
	11,472	6,716,706	3,977,722	10,705,900
Consumer lending				
Neither past due nor impaired				
High grade	15,426	-	-	15,426
Medium grade	276,510	4,905	-	281,415
Low Grade	94,211	33,006	-	127,217
Unrated	109,641	37,735	-	147,376
Past due but not impaired	-	79,245	-	79,245
Past due and impaired	-	-	293,161	293,161
	495,788	154,891	293,161	943,840

(Forward)



	Consolidated and Parent Company			
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Small business lending				
Past due and impaired	₱-	₱-	₱28,833	₱28,833
	-	-	28,833	28,833
Residential mortgages				
Neither past due nor impaired				
Unrated	934,607	106,388	-	1,040,995
Past due but not impaired	-	31,624	-	31,624
Past due and impaired	-	-	260,108	260,108
	934,607	138,012	260,108	1,332,727
	₱1,441,867	₱7,009,609	₱4,559,824	₱13,011,300

Impairment assessment

The Group calculates ECLs either on a collective or an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- Wholesale Banking Segment loans

Asset classes where the Group calculates ECL on a collective basis include:

- Wholesale Banking Segment loans
- Business Banking Segment loans
- Retail Banking Segment loans
- The treasury, trading and interbank relationships (such as investment securities not held for trading, due from other banks, interbank loans and cash collateral deposits)

The Group groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans. It includes but not limited to product type, property type, geographic location, internal grade, exposure value, utilization and collateral type, as applicable.

The Group performs assessment of significant increase in credit risk (see Note 2).

As of December 31, 2023 and 2022, the Group and the Parent Company recognize impairment losses based on the results of its individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, a significant credit rating downgrade, infringement of the original terms of the contract has happened, or when there is inability to pay principal or interest overdue beyond a certain threshold. These and other factors, either singly or together with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

Liquidity Risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. Liquidity risk is monitored and managed mainly using liquidity gap and Maximum Cumulative Outflows (MCO) limits, stress testing, and compliance to Basel III liquidity ratios. A Contingency Funding Plan is likewise in place to ensure readiness for identified liquidity crisis situation.



The Parent Company's Asset and Liability Committee (ALCO) is directly responsible for market and liquidity risk exposures. ALCO regularly monitors the Parent Company's positions and sets the appropriate transfer pricing rate to effectively manage movements of funds across business activities.

In 2022, to manage funding liquidity risk in relation to the reestablishment of the HTC business model, the Bank applied a notional limit to its HTC government securities as a percentage of its core deposits and capital. The Bank continuously monitors the volume of its HTC government securities against the notional limit.

Analysis of financial instruments by remaining contractual maturities

The table below shows the maturity profile of the Group's and the Parent Company's financial instruments, based on the Group's and the Parent Company's internal methodology that manages liquidity based on remaining contractual undiscounted cash flows.

Financial assets

Maturity profile of financial assets held for liquidity purposes is shown below. Analysis of equity and debt securities at FVTPL into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date, except for deposits which are based on expected withdrawals. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

	Consolidated						
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
December 31, 2023							
Financial Assets							
Financial assets at FVTPL:							
HFT investments:							
Government securities	P9,681,878	P-	P-	P-	P-	P-	P9,681,878
Private bonds	282,092	-	-	-	-	-	282,092
Equity Securities	25	-	-	-	-	-	25
Total HFT investments	9,963,995	-	-	-	-	-	9,963,995
Derivatives	-	147,084	98,261	370,279	296,847	9,885	922,356
Total financial assets at FVTPL	9,963,995	147,084	98,261	370,279	296,847	9,885	10,886,351
Financial assets at amortized cost:							
COCI and due from BSP	59,768,224	-	-	-	-	-	59,768,224
Due from other banks	12,023,449	-	-	-	-	-	12,023,449
Interbank loans receivable and SPURA with BSP	-	107,756	26,217	2,067,617	582,800	1,688,325	4,472,715
Investment securities at amortized cost	-	305,432	445,050	8,717,908	8,709,147	72,439,372	90,616,909
Receivable from customers and other receivables	-	118,947,227	41,906,052	76,577,676	43,893,795	431,454,336	712,779,086
Total financial assets at amortized cost	71,791,673	119,360,415	42,377,319	87,363,201	53,185,742	505,582,033	879,660,383
Financial assets at FVTOCI	-	2,862,166	4,144,715	3,726,535	3,669,988	166,858,396	181,261,800
Total financial assets	P81,755,668	P122,369,665	P46,620,295	P91,460,015	P57,152,577	P672,450,314	P1,071,808,534
Financial Liabilities							
Deposit liabilities:							
Demand	P245,268,222	P-	P-	P-	P-	P-	P245,268,222
Savings	118,280,754	-	-	-	-	-	118,280,754
Time	-	65,361,001	68,912,990	22,684,390	31,117,337	48,349,242	236,424,960
LTNCD	-	36,273	36,273	145,091	217,635	10,851,287	11,286,559
Total deposit liabilities	363,548,976	65,397,274	68,949,263	22,829,481	31,334,972	59,200,529	611,260,495
Bills payable and SSURA	-	12,382,574	6,221,920	27,825,454	3,293,446	2,421,236	52,144,630
Notes and bonds payable	-	16,191,517	146,192	15,091,942	490,250	18,478,121	50,398,022
Acceptances payable	-	1,943,502	48,712	781,562	8,958	-	2,782,734
Margin deposits and cash letters of credit	-	57,568	-	-	-	-	57,568
Manager's and certified checks outstanding	-	5,208,887	-	-	-	-	5,208,887
Accrued interest, expense and other liabilities	-	14,761,557	20,065	144,424	124,130	1,674,945	16,725,121
Total financial liabilities	P363,548,976	P115,942,879	P75,386,152	P66,672,863	P35,251,756	P81,774,831	P738,577,457



	Consolidated						Total
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
December 31, 2022							
Financial Assets							
Financial assets at FVTPL:							
HFT investments:							
Government securities	₱4,804,041	₱-	₱-	₱-	₱-	₱-	₱4,804,041
Private bonds	98,124	-	-	-	-	-	98,124
Equity Securities	24	-	-	-	-	-	24
Total HFT investments	4,902,189	-	-	-	-	-	4,902,189
Derivatives	-	622,591	536,135	302,666	455,244	747,746	2,664,382
Total financial assets at FVTPL	4,902,189	622,591	536,135	302,666	455,244	747,746	7,566,571
Financial assets at amortized cost:							
COCI and due from BSP	76,191,588	-	-	-	-	-	76,191,588
Due from other banks	20,097,291	-	-	-	-	-	20,097,291
Interbank loans receivable and SPURA with BSP	-	23,518,740	-	2,031,027	-	2,514,213	28,063,980
Investment securities at amortized cost	-	360,000	-	1,762,360	3,521,273	64,853,870	70,497,503
Receivable from customers and other receivables	-	118,298,074	81,570,585	67,270,389	47,781,414	317,987,898	632,908,360
Total financial assets at amortized cost	96,288,879	142,176,814	81,570,585	71,063,776	51,302,687	385,355,981	827,758,722
Financial assets at FVTOCI	-	2,709,866	917,683	1,814,233	2,613,871	125,821,920	133,877,573
Total financial assets	₱101,191,068	₱145,509,271	₱83,024,403	₱73,180,675	₱54,371,802	₱511,925,647	₱969,202,866
Financial Liabilities							
Deposit liabilities:							
Demand	₱232,542,791	₱-	₱-	₱-	₱-	₱-	₱232,542,791
Savings	117,524,207	-	-	-	-	-	117,524,207
Time	-	92,172,990	48,627,911	36,299,273	48,480,708	13,716,138	239,297,020
LTNCD	-	-	172,805	8,936,430	6,065,200	11,095,937	26,270,372
Total deposit liabilities	350,066,998	92,172,990	48,800,716	45,235,703	54,545,908	24,812,075	615,634,390
Bills payable and SSURA	-	21,313,167	10,853,530	4,214,461	-	5,204,811	41,585,969
Notes and bonds payable	-	-	-	-	16,726,500	30,600,000	47,326,500
Acceptances payable	-	861,769	103,038	110,904	-	9,553	1,085,264
Margin deposits and cash letters of credit	-	63,946	-	-	-	-	63,946
Manager's and certified checks outstanding	-	4,103,071	-	-	-	-	4,103,071
Accrued interest, expense and other liabilities	-	13,681,634	629,800	198,502	297,780	1,814,964	16,622,680
Total financial liabilities	₱350,066,998	₱132,196,577	₱60,387,084	₱49,759,570	₱71,570,188	₱62,441,403	₱726,421,820

	Parent Company						Total
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
December 31, 2023							
Financial Assets							
Financial assets at FVTPL:							
HFT investments:							
Government securities	₱9,681,878	₱-	₱-	₱-	₱-	₱-	₱9,681,878
Private bonds	282,092	-	-	-	-	-	282,092
Equity Securities	-	-	-	-	-	-	-
Total HFT investments	9,963,970	-	-	-	-	-	9,963,970
Derivatives	-	147,084	98,261	370,279	296,847	9,885	922,356
Total financial assets at FVTPL	9,963,970	147,084	98,261	370,279	296,847	9,885	10,886,326
Financial assets at amortized cost:							
COCI and due from BSP	59,768,099	-	-	-	-	-	59,768,099
Due from other banks	11,963,925	-	-	-	-	-	11,963,925
Interbank loans receivable and SPURA with BSP	-	107,757	26,217	2,067,616	582,800	1,688,325	4,472,715
Investment securities at amortized cost	-	305,432	445,051	8,717,908	8,709,147	72,439,372	90,616,910
Receivable from customers and other receivables	-	120,155,193	41,906,052	76,577,677	43,893,795	431,453,839	713,986,556
Total financial assets at amortized cost	71,732,024	120,568,382	42,377,320	87,363,201	53,185,742	505,581,536	880,808,205
Financial assets at FVTOCI	-	2,862,166	4,144,714	3,726,535	3,669,988	166,813,987	181,217,390
Total financial assets	₱81,695,994	₱123,577,632	₱46,620,295	₱91,460,015	₱57,152,577	₱672,405,408	₱1,072,911,921

(Forward)



	Parent Company						Total
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
Financial Liabilities							
Deposit liabilities:							
Demand	P246,851,638	P-	P-	P-	P-	P-	P246,851,638
Savings	118,400,566	-	-	-	-	-	118,400,566
Time	-	65,501,851	69,104,753	22,745,992	31,194,388	48,433,711	236,980,695
LTNCD	-	36,273	36,273	145,091	217,636	10,851,286	11,286,559
Total deposit liabilities	365,252,204	65,538,124	69,141,026	22,891,083	31,412,024	59,284,997	613,519,458
Bills payable and SSURA	-	12,361,581	6,221,920	27,825,454	3,293,446	2,376,395	52,078,796
Notes payable	-	16,191,517	146,192	15,091,942	490,250	18,478,121	50,398,022
Acceptances payable	-	1,943,502	48,712	781,562	8,958	-	2,782,734
Margin deposits and cash letters of credit	-	57,568	-	-	-	-	57,568
Manager's and certified checks outstanding	-	5,208,887	-	-	-	-	5,208,887
Accrued interest, expense and other liabilities	-	13,935,498	20,064	144,424	124,130	1,487,401	15,711,517
Total financial liabilities	P365,252,204	P115,236,676	P75,577,914	P66,734,465	P35,328,808	P81,626,915	P739,756,982

	Parent Company						Total
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
December 31, 2022							
Financial Assets							
Financial assets at FVTPL:							
HFT investments:							
Government securities	P4,804,041	P-	P-	P-	P-	P-	P4,804,041
Private bonds	98,124	-	-	-	-	-	98,124
Total HFT investments	4,902,165	-	-	-	-	-	4,902,165
Others	-	622,591	536,135	302,666	455,244	747,746	2,664,382
Total financial assets at FVTPL	4,902,165	622,591	536,135	302,666	455,244	747,746	7,566,547
Financial assets at amortized cost:							
COCI and due from BSP	76,191,463	-	-	-	-	-	76,191,463
Due from other banks	20,033,377	-	-	-	-	-	20,033,377
Interbank loans receivable and SPURA with BSP	-	23,518,740	-	2,031,027	-	2,514,213	28,063,980
Investment securities at amortized cost	-	360,000	-	1,762,360	3,521,273	64,853,870	70,497,503
Receivable from customers and other receivables	-	118,339,512	66,583,862	52,340,971	32,671,263	348,822,686	618,758,294
Total financial assets at amortized cost	96,224,840	142,218,252	66,583,862	56,134,358	36,192,536	416,190,769	813,544,617
Financial assets at FVTOCI	-	2,709,866	917,683	1,814,233	2,613,871	125,782,129	133,837,782
Total financial assets	P101,127,005	P145,550,709	P68,037,680	P58,251,257	P39,261,651	P542,720,644	P954,948,946
Financial Liabilities							
Deposit liabilities:							
Demand	P232,667,786	P-	P-	P-	P-	P-	232,667,786
Savings	119,200,233	-	-	-	-	-	119,200,233
Time	-	92,259,186	48,673,385	41,123,635	48,526,045	11,333,756	241,916,007
LTNCD	-	-	172,805	8,936,430	6,065,200	11,095,937	26,270,372
Total deposit liabilities	351,868,019	92,259,186	48,846,190	50,060,065	54,591,245	22,429,693	620,054,398
Bills payable and SSURA	-	21,313,167	10,803,530	4,176,127	-	5,204,811	41,497,635
Notes payable	-	-	-	-	16,726,500	30,600,000	47,326,500
Acceptances payable	-	861,769	103,038	110,904	-	9,553	1,085,264
Margin deposits and cash letters of credit	-	63,946	-	-	-	-	63,946
Manager's and certified checks outstanding	-	4,103,071	-	-	-	-	4,103,071
Accrued interest, expense and other liabilities	-	13,687,517	630,050	198,502	297,780	1,314,964	16,128,813
Total financial liabilities	P351,868,019	P132,288,656	P60,382,808	P54,545,598	P71,615,525	P59,559,021	P730,259,627



The table below shows the contractual expiry by maturity of the Group's and the Parent Company's contingent liabilities and commitments (gross of allowance for credit losses).

	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
December 31, 2023							
Unutilized credit limit of credit card holders	P89,916,523	P-	P-	P-	P-	P-	P89,916,523
Committed loan line	13,155,504	-	937,500	3,191,021	1,500,000	-	18,784,025
Unused commercial letters of credit	1,657,802	5,269,914	6,275,753	11,201,829	11,643,658	10,456,686	46,505,642
Outstanding guarantees	833,749	-	-	-	-	-	833,749
Inward bills for collection	1,451,832	134,744	28,965	-	-	-	1,615,541
Outward bills for collection	107,422	111,062	13,880	-	-	-	232,364
Financial guarantees with commitment	-	-	-	143,636	4,019	106,619	254,274
	P107,122,832	P5,515,720	P7,256,098	P14,536,486	P13,147,677	P10,563,305	P158,142,118
December 31, 2022							
Unutilized credit limit of credit card holders	P53,158,655	P-	P-	P-	P-	P-	P53,158,655
Committed loan line	1,882,108	-	11,835,013	2,311,500	16,441,711	-	32,470,332
Unused commercial letters of credit	1,226,879	3,100,558	6,851,960	10,334,487	10,608,538	5,398,641	37,521,063
Outstanding guarantees	899,839	-	-	-	-	-	899,839
Inward bills for collection	829,173	78,916	37,639	5,124	-	-	950,852
Outward bills for collection	237,609	4,246	180,984	-	131	-	422,970
Financial guarantees with commitment	-	1,239	14,946	9,033	2,750	-	27,968
	P58,234,263	P3,184,959	P18,920,542	P12,660,144	P27,053,130	P5,398,641	P125,451,679

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages those portfolios separately.

The Group manages its market risk exposures through various established structures, processes and measurement tools.

- Treasury Group, the unit in charge of managing customer flows, liquidity and interest rate risk in the banking book (IRRBB), and that which handles most of the proprietary trading of the Group, is assigned with risk limits by the ROC.
- The Risk Management Group performs daily monitoring of compliance with policies, procedures and risk limits and accordingly makes recommendations, where appropriate.
- The ALCO is the senior decision making body for the management of all market risks related to asset and liability management, and the trading and ac and crual books.
- VaR is the statistical model used by the Group to measure the market risk of its trading portfolio, with the confidence level set at 99%.

The market risk measurement models are subjected to periodic back testing to ensure validity of market assumptions used.

Other risk management tools utilized by the Parent Company are as follows:

- Loss limits
- Position and duration limits, where appropriate
- Mark-to-market valuation
- VaR limits
- Stress testing

Additional risk monitoring tools were likewise adopted to manage under fluid market environment. The tools include sensitivity analyses to pinpoint vulnerabilities in terms of profit or loss and capital erosion.



Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Bank defines Interest Rate Risk in the Banking Book as the risk of deterioration in the net interest income or capital of bank arising from the timing and rate mismatch of its assets and liabilities combined with unfavorable movements in interest rates.

The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Management of IRRBB entails identifications of risks in the banking book, modelling of balance sheet account behavior, measurement of interest rate gap, estimation of Earnings-at-Risk, interest rate stress-testing, calculation of change in Economic Value of Equity (EVE), reporting to ALCO, Risk Oversight Committee and the Board of Directors, model validation and maintenance, and regular audit.

Interest rate risk exposures are reported via the monthly repricing gap schedule. The repricing gap report highlights mismatches in the repricing tenors of assets and liabilities. Repricing gaps are calculated by distributing the statements of financial position accounts into time buckets based on the next repricing dates of individual items. For non-maturing deposits, distinction is made between the stable (i.e. core) and non-stable portions, where the former is spread in time buckets aligned with Basel's IRRBB document while the latter is bucketed in short-term tenors. For time deposits and loans, model assumptions were developed based on historical experience of the Bank to capture early redemption risk and prepayment risk. These are adjusted using scaling factors under different interest rate shocks and stress scenarios when measuring the impact of IRRBB in economic value. After slotting the balance sheet items into time buckets, the resulting difference between the amount of the assets and the amount of the liabilities that will reprice within a particular time bucket constitutes a repricing gap.

The Group employs gap analysis to measure the sensitivity of its assets and liabilities to fluctuations in market interest rates for any given period. A positive gap occurs when the amount of interest rate-sensitive assets exceeds the amount of interest rate-sensitive liabilities during a period of rising interest rates since it is in a better position to invest in higher yielding assets more quickly than it would need to refinance its interest-bearing liabilities. Conversely, during a period of falling interest rates, a positively gapped position could result in restrained growth or declining net interest income.

The Delta EVE is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. This measure is defined as a bank's value sensitivity to changes in market rates. Delta EVE will complement earnings-at-risk (EaR) and value-at-risk (VaR) as the Group's measure of interest rate risk. As of December 31, 2023, the Parent Company's Delta EVE is at 8.86%, arising from parallel down interest rate shock scenario.

In 2022, to manage repricing gaps in relation to the re-establishment of the HTC government securities business model, the Parent Company has applied a notional limit to its HTC government securities as a percentage of its total interest earning assets.



The following tables set forth the asset-liability gap position of the Group and of the Parent Company as of December 31, 2023 and 2022 (amounts in millions):

	Consolidated					Total
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
December 31, 2023						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	₱9,682	₱-	₱-	₱-	₱-	₱9,682
Private bonds	282	-	-	-	-	282
Total HFT investments	9,964	-	-	-	-	9,964
Derivative assets	147	98	370	297	10	922
Total financial assets at FVTPL	10,111	98	370	297	10	10,886
Financial assets at amortized cost:						
Due from BSP and other banks and						
Interbank loans receivable and SPURA with the BSP	57,925	-	2,000	500	1,500	61,925
Investment securities at amortized cost -						
gross of allowance	-	140	7,548	7,114	61,405	76,207
Receivable from customers and other receivables - gross of allowance	114,832	39,096	67,019	31,118	301,782	553,847
Total financial assets at amortized cost	172,757	39,236	76,567	38,732	364,687	691,979
Financial assets at FVTOCI	2,286	3,579	1,470	291	131,714	139,340
Total rate-sensitive assets	185,154	42,913	78,407	39,320	496,411	842,205
Rate-sensitive Financial Liabilities						
Deposit liabilities	428,011	68,749	21,906	30,213	57,652	606,531
Bills payable and SSURA	12,151	6,043	27,521	3,266	2,358	51,339
Notes and bonds payable	15,995	-	14,572	-	18,397	48,964
Total rate-sensitive liabilities	456,157	74,792	63,999	33,479	78,407	706,834
Asset-Liability Gap	(₱271,003)	(₱31,879)	₱14,408	₱5,841	₱418,004	₱135,371
December 31, 2022						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	₱4,804	₱-	₱-	₱-	₱-	₱4,804
Private bonds	98	-	-	-	-	98
Total HFT investments	4,902	-	-	-	-	4,902
Derivative assets	622	536	303	455	748	2,664
Total financial assets at FVTPL	5,524	536	303	455	748	7,566
Financial assets at amortized cost:						
Due from BSP and other banks and						
Interbank loans receivable and SPURA with the BSP	106,626	-	2,000	-	1,998	110,624
Investment securities at amortized cost -						
gross of allowance	328	1,030	737	3,519	63,616	69,230
Receivable from customers and other receivables - gross of allowance	108,095	27,193	37,947	74,622	271,239	519,096
Total financial assets at amortized cost	215,049	28,223	40,684	78,141	336,853	698,950
Financial assets at FVTOCI	2,302	518	222	231	109,204	112,477
Total rate-sensitive assets	222,875	29,277	41,209	78,827	446,805	818,993
Rate-sensitive Financial Liabilities						
Deposit liabilities	439,036	46,946	43,642	52,574	23,640	605,838
Bills payable and SSURA	18,701	10,854	6,181	33	5,151	40,920
Notes and bonds payable	-	-	-	16,705	30,407	47,112
Total rate-sensitive liabilities	457,737	57,800	49,823	69,312	59,198	693,870
Asset-Liability Gap	(₱234,862)	(₱28,523)	(₱8,614)	₱9,515	₱387,607	₱125,123



	Parent Company					Total
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
December 31, 2023						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	P9,682	P-	P-	P-	P-	P9,682
Private bonds	282	-	-	-	-	282
Total HFT investments	9,964	-	-	-	-	9,964
Derivative assets	147	98	370	297	10	922
Total financial assets at FVTPL	10,111	98	370	297	10	10,886
Financial assets at amortized cost:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP	57,866	-	2,000	500	1,500	61,866
Investment securities at amortized cost - gross of allowance	-	140	7,548	7,114	61,405	76,207
Receivable from customers and other receivables - gross	116,040	39,096	67,019	31,118	301,781	555,054
Total financial assets at amortized cost	173,906	39,236	76,567	38,732	364,686	693,127
Financial assets at FVTOCI	2,286	3,579	1,470	291	131,714	139,340
Total rate-sensitive assets	186,303	42,913	78,407	39,320	496,410	843,353
Rate-sensitive Financial Liabilities						
Deposit liabilities	430,262	68,749	21,906	30,213	57,652	608,782
Bills payable and SSURA	12,130	6,043	27,521	3,266	2,313	51,273
Notes and bonds payable	15,995	-	14,572	-	18,397	48,964
Total rate-sensitive liabilities	458,387	74,792	63,999	33,479	78,362	709,019
Asset-Liability Gap	(P272,084)	(P31,879)	P14,408	P5,841	P418,048	P134,334
December 31, 2022						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	P4,804	P-	P-	P-	P-	P4,804
Private bonds	98	-	-	-	-	98
Total HFT investments	4,902	-	-	-	-	4,902
Derivative assets	622	536	303	455	748	2,664
Total financial assets at FVTPL	5,524	536	303	455	748	7,566
Financial assets at amortized cost:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP	106,562	-	2,000	-	1,998	110,560
Investment securities at amortized cost - gross of allowance	328	1,030	737	3,519	63,616	69,230
Receivable from customers and other receivables - gross	107,729	27,193	37,947	74,622	271,239	518,730
Total financial assets at amortized cost	214,619	28,223	40,684	78,141	336,853	698,520
Financial assets at FVTOCI	2,303	518	222	231	109,203	112,477
Total rate-sensitive assets	222,446	29,277	41,209	78,827	446,804	818,563
Rate-sensitive Financial Liabilities						
Deposit liabilities	467,944	35,410	18,188	15,938	70,398	607,878
Bills payable and SSURA	18,666	10,804	6,181	-	5,151	40,802
Notes and bonds payable	-	-	-	16,705	30,407	47,112
Total rate-sensitive liabilities	486,610	46,214	24,369	32,643	105,956	695,792
Asset-Liability Gap	(P264,164)	(P16,937)	P16,840	P46,184	P340,848	P122,771



The following table provides for the average effective interest rates by period of repricing (or by period of maturity if there is no repricing) of the Group and of the Parent Company as of December 31, 2023 and 2022:

	Consolidated			Parent Company		
	Less than 3 months	3 months to 1 year	Greater than 1 year	Less than 3 months	3 months to 1 year	Greater than 1 year
December 31, 2023						
Peso						
Financial Assets						
Due from BSP	–	–	–	–	–	–
Due from banks	7.47%	8.01%	8.37%	7.47%	8.01%	8.37%
Interbank loans	1.31%	–	–	1.31%	–	–
Investment securities*	4.43%	6.11%	–	4.43%	6.11%	–
Loans and receivables	5.45%	7.53%	7.88%	5.45%	7.53%	7.88%
Financial Liabilities						
Deposit liabilities other than LTNCD	3.94%	4.18%	4.21%	3.94%	4.18%	4.21%
LTNCD	–	–	4.03%	–	–	4.03%
Bills payable and SSURA	–	–	8.00%	–	–	8.00%
Notes payable	–	–	4.29%	–	–	4.29%
USD						
Financial Assets						
Due from banks	1.00%	–	–	1.00%	–	–
Investment securities*	3.41%	4.36%	–	3.41%	4.36%	–
Loans and receivables	4.82%	5.94%	6.29%	4.82%	5.94%	6.29%
Financial Liabilities						
Deposit liabilities	1.33%	1.05%	3.26%	1.33%	1.05%	3.26%
Bills payable	4.87%	2.49%	–	4.87%	2.49%	–
Notes payable	–	–	–	–	–	–
December 31, 2022						
Peso						
Financial Assets						
Due from BSP	1.68%	–	–	1.68%	0.00%	–
Due from banks	–	3.75%	–	–	5.97%	–
Interbank loans	0.15%	–	–	0.15%	–	–
Investment securities*	5.04%	3.96%	4.18%	5.04%	3.96%	4.18%
Loans and receivables	4.43%	6.10%	7.21%	4.43%	6.10%	7.21%
Financial Liabilities						
Deposit liabilities other than LTNCD	5.00%	3.70%	3.99%	5.00%	3.70%	3.99%
LTNCD	–	–	4.10%	–	–	4.10%
Bills payable and SSURA	–	–	8.00%	–	–	8.00%
Notes payable	–	–	4.29%	–	–	4.29%
USD						
Financial Assets						
Due from banks	0.35%	–	–	0.35%	–	–
Investment securities*	2.62%	3.85%	2.93%	2.62%	3.85%	2.93%
Loans and receivables	3.61%	4.43%	5.74%	3.61%	4.43%	5.74%
Financial Liabilities						
Deposit liabilities	3.36%	3.15%	2.92%	3.36%	3.15%	2.92%
Bills payable	4.19%	2.35%	4.85%	4.19%	2.35%	4.85%
Notes payable	–	–	4.68%	–	–	4.68%

* Consists of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost

Market Risk in the Trading Book

The Parent Company measures VaR in order to estimate if the market value of an asset or of a portfolio of assets is likely to change over a certain time period as market factors change.



VaR computation is a two-step process which involves calculation of the changes in the relevant risk factors then computing for the corresponding impact on the exposure's value. A risk factor is defined as a variable that causes a change in the value of a financial instruments or a portfolio of financial instruments.

VaR Methodology

The Parent Company uses a Historical Model approach to calculate VaR for all products.

Unlike parametric methods, the historical approach does not put specific assumptions on the distribution (ex. normality assumption) of the historical returns. Instead, the Historical Model estimates VaR using historical changes in market factors to construct an empirical distribution of potential profits and losses, and then reading off the loss that is exceeded at a specified confidence level and period. The Parent Company employs Historical model using a Taylor expansion composed of "Greek" sensitivities (Delta and Gamma) characterizing market behavior.

VaR Parameters

The Group uses one-year historical observations consisting of 365 data points with a 99% confidence level and a 1-day holding period. This implies there is 99% confidence that the portfolio will not lose more than the calculated VaR over the next day.

The VaR figures are backtested against actual and hypothetical profit and loss to validate the robustness of the VaR model. Likewise, to complement the VaR measure, the Parent Company performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the VaR model.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits are set annually for all financial trading activities based on its risk appetite level. Exposures are then monitored daily against the established VaR limits.

The following table provides the VaR summary of the Parent Company as of December 31, 2023 and 2022 (amounts in millions):

Component VaR <i>(Jan 3 to Sep 6, 2023)</i>	FX and FX Swaps	Fixed Income	Interest Rate Swap Agreements*	Other Derivatives
2023-Highest	35,360.45	186,785.30	1,155.53	17,673.78
2023-Lowest	18.44	33,261.20	0.04	43.67
2023-Average Daily	7,270.63	107,091.28	335.89	1,293.65

**Includes interest rate swap transactions of same currency, e.g., PHP fix/float, and cross currency swaps, e.g., USD/PHP fix/fix*

Stand-alone VaR <i>(Sep 7 to Dec 31, 2023)</i>	FX and FX Swaps	Fixed Income	Interest Rate Swap Agreements*	Other Derivatives
As of Dec. 31, 2023	9,843.33	47,191.52	54,269.82	1,555.45
2023-Highest	45,482.34	68,837.74	56,719.42	5,802.12
2023-Lowest	5,765.02	44,012.10	235.65	807.88
2023-Average Daily	14,972.56	57,592.19	4,657.22	1,890.04

**Includes interest rate swap transactions of same currency, e.g., PHP fix/float, and cross currency swaps, e.g., USD/PHP fix/fix*



Component VaR 31-Dec-22	FX and FX Swaps	Fixed Income	Interest Rate Swap Agreements*	Other Derivatives
As of Dec. 31, 2022	7.083	7.305	5.523	6.505
Max as of Dec. 31, 2022	26.876	96.215	12.595	9.587
Min as of Dec. 31, 2022	0.72	5.008	1.943	0.784
Ave as of Dec. 31, 2022	6.996	27.942	6.189	5.53

*Includes interest rate swap transactions of same currency, e.g., PHP fix/float, and cross currency swaps, e.g., USD/PHP fix/fix

In September 2023, the Parent Company shifted from the use of component VaR which reflects decomposition of the risk of the portfolio to stand-alone VaR to properly capture the risk per risk factor.

The amounts displayed for disclosure above shows the stand-alone VaR for each product.

The Parent Company's trading in fixed income securities together with the interest rate swaps are exposed to movements in interest rates. Foreign exchange swaps and other derivatives such as options and gold forwards are exposed to multiple risk factors including foreign exchange rates, interest rates, and sometimes even the volatility of these factors, e.g., for options, the volatility of the FX rates are also being traded.

The high and low of the total portfolio may not equal to the sum of the individual components as the high and low of individual portfolios may have occurred on different trading days.

Equity price risk

Equity price risk is the risk that the fair values of equities will decrease as a result of changes in the levels of equity indices and the value of individual stocks. As of December 31, 2023 and 2022, this risk originates from the open stock positions of SB Equities. The Bank has no significant equity price risk as of December 31, 2023 and 2022.

The Group, except for SBEL, has no equity securities classified under Financial assets at FVTOCI as of December 31, 2023 and 2022 which are affected by changes in the PSEi as these securities are mainly golf and club shares.

Market Risk in the Non-Trading Book

The accrual book pertains to the assets and liabilities that make up the Parent Company's balance sheet. Such accrual positions are sensitive to changes in interest rates. The Parent Company monitors the exposure of non-trading assets and liabilities to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income.

The following tables set forth, for the period indicated, the sensitivity of the Parent Company's net interest income and equity to reasonably possible changes in interest rates with all other variables held constant:

Currency	2023				2022			
	PHP		USD		PHP		USD	
Changes in interest rates (in basis points)	+100	-100	+100	-100	+100	-100	+100	-100
Change in annualized net interest income*	(P348)	P348	(P1,036)	P1,036	(P835)	P835	(P10)	P10

*Amounts in millions

EaR is the bank's key measure of IRRBB. EaR is the sensitivity of the statement of income given assumed changes in interest rates on the net interest income for one year, based on the floating rate, non-trading financial assets and financial liabilities held at each statement of financial position date.



This approach focuses on the impact in profit or loss of holding on to the gaps over a 1-year time frame. The Bank calculates Earnings-at-Risk on a monthly basis.

The take-off point for the EaR calculation is the bank's repricing gap model which takes into account behavior. To control the interest rate repricing risk in the banking books, the Parent Company sets a limit on the EaR measure.

The Parent Company recognizes that this metric assumes a "business-as-usual" scenario and, therefore, do not show potential losses under a "stress" scenario. To address this limitation, the Parent Company performs regular stress testing to test its ability to cope with adverse changes in interest rates under different stress scenarios. This process involves applying interest rate shocks of different magnitudes to the current repricing gap positions in the balance sheet. Stress-testing involves yield curve shifts based on economic forecasts and regulatory guidelines. The bank uses hedging products such as interest rate swaps to hedge its banking book.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency-denominated deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The following tables summarize the Group's and the Parent Company's exposure to currency risk as of December 31, 2023 and 2022. Included in the tables are the Group's and the Parent Company's assets and liabilities at carrying amounts, categorized by currency (amounts in Philippine Peso thousands equivalent and excludes FCDU USD-denominated instruments).

	2023			2022		
	USD	Others*	Total	USD	Others*	Total
Financial Assets						
Cash and cash equivalents	P720	P204,460	P205,180	P183	P251,484	P251,667
Due from other banks	3,495,948	2,858,751	6,354,699	6,592,053	4,773,930	11,365,983
Financial assets at FVTPL	-	-	-	30,951	-	30,951
Loans and receivables	5,524,662	674,593	6,199,255	10,667,215	71,403	10,738,618
Other assets	1	1,922	1,923	-	-	-
Total financial assets	9,021,331	3,739,726	12,761,057	17,290,402	5,096,817	22,387,219
Financial Liabilities						
Deposit liabilities	-	33,131,529	33,131,529	-	4,158,853	4,158,853
Derivative liabilities	-	-	-	-	-	-
Bills payable and SSURA	(41)	901	860	955,611	157	955,768
Acceptances payable	2,773,929	8,805	2,782,734	1,577,162	71,403	1,648,565
Margin deposits and cash letters of credit	4,551	-	4,551	32,463	-	32,463
Accrued interest, taxes and other expenses	-	104,413	104,413	21,990	851	22,841
Other liabilities	398,956	58,139	457,095	43,316	4,923	48,239
Total financial liabilities	3,177,395	33,303,787	36,481,182	2,630,542	4,236,187	6,866,729
Currency Swaps and Forwards	93,957,497	30,693,963	124,651,460	(472,157)	261,642	(210,515)
Net Exposure	P99,801,433	P1,129,902	P100,931,335	P14,187,703	P1,122,272	P15,309,975

* Consists of Euro, British pound, Australian dollar, Canadian dollar, Hong Kong dollar, Singapore dollar, New Zealand dollar, Swiss franc, Japanese yen, Danish kroner, Thai baht, Chinese yuan, and South Korean won

Information relating to the Parent Company's currency derivatives are disclosed in Note 6. The Parent Company has outstanding cross-currency swaps with notional amount of USD11.8million and USD304.8 million as of December 31, 2023 and 2022, respectively, and foreign currency forward transactions with notional amount of USD3.1 billion (bought) and USD0.9 billion (sold) as of December 31, 2023, and USD1.3 billion (bought) and USD0.9 billion (sold) as of December 31, 2022. The impact of the range of reasonably possible changes in the US Dollar-Philippine Peso exchange rate (except those in the FCDU books) on the Parent Company's non-consolidated pre-tax income in 2023 and 2022 has been included in the VaR summary per product line.



Operational Risk

Operational risk is the probability of loss arising from fraud, unauthorized activities, errors, omissions, system failures, cyber incidents or from external events. This is the broadest risk type encompassing product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.

Operational Risk Management is considered a critical element in the Bank's commitment to sound management and corporate governance. Under the Bank's operational risk management framework, business units are provided extensive guidance on the comprehensive identification and effective assessment of their operational risks and the corresponding controls to promote a forward-looking culture of risk management. This is complemented by continuous focus on issue management to address identified weaknesses, as well as by enhanced incident response capability to ensure preparedness in the event of significant risk occurrences.

Group policies and frameworks have been developed and implemented covering key areas such as technology risks, business continuity, fraud, and information security, as well as new risk areas like social media, environmental, social, and governance (ESG), and reputational risk. Guidelines and tools have also been enhanced for key operational risk activities such as Issue Management, Incident and Loss Reporting and Key Risk Indicators to improve reporting and oversight of the Bank's operational risk environment. The Risk and Control Self-Assessment process has also been updated to ensure effective identification, assessment, mitigation and monitoring of operational risks by the risk owners in the first line of defense.

There remains increased focus on operational resilience, with ongoing reviews of business continuity plans and crisis management playbooks, and planned upgrades to critical systems as part of IT disaster recovery efforts.

Increased digitalization in response to customer needs has been accompanied by enhanced alignment of the Bank's risk assessment and technology project management processes. Security controls were strengthened to mitigate cybersecurity and external fraud risks, particularly within the online banking services. Security awareness programs for both customers and staff have likewise been enhanced. Finally, third-party experts are contracted to assess and guide further improvements to both cybersecurity maturity and incident response capability. This is all to ensure that information security, fraud, resiliency, and other operational risks are adequately addressed.

Sustainability Risk

Environmental & Social Risk Management (ESRM) is the identification, measurement, assessment, monitoring and reporting of environmental and social risks associated with the Bank's lending and investment activities, and its operations. The Bank has incorporated environmental and social factors into the lending process and customer dialogue to align with its policies. The Bank understands the consequences of failing to appropriately manage ESG issues can directly impact its reputation, its operations, and the communities where the Bank and its clients operate.



6. Fair Value Measurement and Derivative Transactions

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

	Consolidated				
	Carrying Value	Fair Value			
		Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2023					
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱9,681,878	₱9,681,878	₱2,913,828	₱6,768,050	₱-
Private bonds	282,092	282,092	174,580	107,512	-
Equity securities	25	25	-	25	-
Total HFT investments	9,963,995	9,963,995	3,088,408	6,875,587	-
Derivative assets:					
Currency forwards	629,854	629,854	-	629,854	-
Interest rate swaps	239,882	239,882	-	239,882	-
Interest rate future	40,776	40,776	-	40,776	-
Cross-currency swaps	11,828	11,828	-	11,828	-
Bond forwards and options	16	16	-	16	-
Total derivative assets	922,356	922,356	-	922,356	-
Total financial assets at FVTPL	10,886,351	10,886,351	3,088,408	7,797,943	-
Financial assets at FVTOCI:					
Treasury notes and bills	82,365,379	82,365,379	45,017,540	37,347,839	-
Treasury bonds	55,451,234	55,451,234	46,369,066	9,082,168	-
Private bonds	1,523,151	1,523,151	-	1,523,151	-
Equity securities	521,285	521,285	-	521,285	-
	139,861,049	139,861,049	91,386,606	48,474,443	-
	₱150,747,400	₱150,747,400	₱94,475,014	₱56,272,386	₱-
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost:					
Private bonds	₱57,825,124	₱56,774,956	₱22,295,281	₱34,479,675	₱-
Treasury bonds	14,958,498	14,988,687	-	14,988,687	-
Treasury notes and bills	3,372,462	3,447,353	815,028	2,632,325	-
Total investment securities at amortized cost	76,156,084	75,210,996	23,110,309	52,100,687	-
Receivable from customers:					
Corporate lending	376,237,689	370,771,905	-	-	370,771,905
Consumer lending	71,502,587	70,622,747	-	-	70,622,747
Small business lending	550,177	549,433	-	-	549,433
Residential mortgages	82,517,787	81,752,717	-	-	81,752,717
Total receivable from customers	530,808,240	523,696,802	-	-	523,696,802
Other receivables	7,521,159	7,521,159	-	-	7,521,159
Other assets	708,515	663,894	-	-	663,894
Total financial assets at amortized cost	615,193,998	607,092,851	23,110,309	52,100,687	531,881,855
Non-financial Assets					
Investment properties	4,790,602	6,504,188	-	-	6,504,188
	₱619,984,600	₱613,597,039	₱23,110,309	₱52,100,687	₱538,386,043
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Currency forwards	₱2,940,101	₱2,940,101	₱-	₱2,940,101	₱-
Interest rate futures	28,592	28,592	-	28,592	-
Bonds forward	13	13	-	13	-
Total financial liabilities at FVTPL	2,968,706	2,968,706	-	2,968,706	-
Liabilities for which Fair Values are Disclosed					
Deposit liabilities excluding LTNCD	596,115,373	597,217,974	-	-	597,217,974
Notes Payable	48,963,521	49,121,866	-	-	49,121,866
LTNCD	10,416,014	10,358,450	-	-	10,358,450
Bills payable and SSURA	51,339,105	51,663,319	-	-	51,663,319
	₱706,834,013	₱708,361,609	₱-	₱-	₱708,361,609



	Consolidated				
	Carrying Value	Total	Fair Value		
Quoted Prices in active market (Level 1)			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
December 31, 2022					
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	P4,804,041	P4,804,041	P179,691	P4,624,350	P-
Private bonds	98,124	98,124	62,254	35,870	-
Equity securities	25	25	-	25	-
Total HFT investments	4,902,190	4,902,190	241,945	4,660,245	-
Derivative assets:					
Currency forwards	1,646,303	1,646,303	-	1,646,303	-
Interest rate swaps	710,772	710,772	-	710,772	-
Cross-currency swaps	304,835	304,835	-	304,835	-
Bond forwards and options	2,472	2,472	-	2,472	-
Total derivative assets	2,664,382	2,664,382	-	2,664,382	-
Total financial assets at FVTPL	7,566,572	7,566,572	241,945	7,324,627	-
Financial assets at FVTOCI:					
Treasury notes and bills	52,666,184	52,666,184	18,403,670	34,262,514	-
Treasury bonds	55,759,876	55,759,876	17,000,162	38,759,714	-
Private bonds	4,050,963	4,050,963	-	4,050,963	-
Equity securities	414,470	414,470	-	414,470	-
	112,891,493	112,891,493	35,403,832	77,487,661	-
	P120,458,065	P120,458,065	P35,645,777	P84,812,288	P-
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost:					
Private bonds	P57,224,404	P54,764,889	P21,812,952	P32,951,937	P-
Treasury bonds	9,308,398	9,045,312	-	9,045,312	-
Treasury notes and bills	2,697,158	2,705,775	1,088,219	1,617,556	-
Total investment securities at amortized cost	69,229,960	66,515,976	22,901,171	43,614,805	-
Receivable from customers:					
Corporate lending	375,938,991	369,910,601	-	-	369,910,601
Consumer lending	50,010,942	48,152,662	-	-	48,152,662
Small business lending	669,819	663,934	-	-	663,934
Residential mortgages	69,851,609	69,222,082	-	-	69,222,082
Total receivable from customers	496,471,361	487,949,279	-	-	487,949,279
Other receivables	6,146,073	6,146,073	-	-	6,146,073
Other assets	527,231	478,574	-	-	478,574
Total financial assets at amortized cost	572,374,625	561,089,902	22,901,171	43,614,805	494,573,926
Non-financial Assets					
Investment properties	3,204,671	3,995,533	-	-	3,995,533
	P575,579,296	P565,085,435	P22,901,171	P43,614,805	P498,569,459
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Currency forwards	P1,126,730	P1,126,730	P-	P1,126,730	P-
Interest rate swaps	622,754	622,754	-	622,754	-
Bonds forward	3,334	3,334	-	3,334	-
Total financial liabilities at FVTPL	1,752,818	1,752,818	-	1,752,818	-
Liabilities for which Fair Values are Disclosed					
Deposit liabilities excluding LTNCD	581,069,782	580,435,471	-	-	580,435,471
Notes Payable	47,111,693	47,162,308	-	-	47,162,308
LTNCD	24,766,786	24,666,830	-	-	24,666,830
Bills payable and SSURA	40,920,403	40,914,705	-	-	40,914,705
	P693,868,664	P693,179,314	P-	P-	P693,179,314



	Parent Company				
	Carrying Value	Total	Fair Value		
Quoted Prices in active market (Level 1)			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
December 31, 2023					
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	P9,681,878	P9,681,878	P2,913,828	P6,768,050	P-
Private bonds	282,092	282,092	174,580	107,512	-
Total HFT investments	9,963,970	9,963,970	3,088,408	6,875,562	-
Derivative assets:					
Currency forwards	629,854	629,854	-	629,854	-
Interest rate swaps	239,882	239,882	-	239,882	-
Interest rate future	40,776	40,776	-	40,776	-
Cross-currency swaps	11,828	11,828	-	11,828	-
Bond forwards and options	16	16	-	16	-
Total derivative assets	922,356	922,356	-	922,356	-
Total financial assets at FVTPL	10,886,326	10,886,326	3,088,408	7,797,918	-
Financial assets at FVTOCI:					
Treasury notes and bills	82,365,379	82,365,379	45,017,540	37,347,839	-
Treasury bonds	55,451,234	55,451,234	46,369,066	9,082,168	-
Private bonds	1,523,151	1,523,151	-	1,523,151	-
Equity securities	476,875	476,875	-	476,875	-
	139,816,639	139,816,639	91,386,606	48,430,033	-
	P150,702,965	P150,702,965	P94,475,014	P56,227,951	P-
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost:					
Private bonds	P57,825,124	P56,774,956	P22,295,281	P34,479,675	P-
Treasury bonds	14,958,498	14,988,687	-	14,988,687	-
Treasury notes and bills	3,372,462	3,447,353	815,028	2,632,325	-
Total investment securities at amortized cost	76,156,084	75,210,996	23,110,309	52,100,687	-
Receivable from customers:					
Corporate lending	377,892,991	372,427,207	-	-	372,427,207
Consumer lending	71,416,364	70,536,524	-	-	70,536,524
Small business lending	550,177	549,433	-	-	549,433
Residential mortgages	82,517,787	81,752,717	-	-	81,752,717
Total receivable from customers	532,377,319	525,265,881	-	-	525,265,881
Other receivables	7,186,809	7,186,809	-	-	7,186,809
Other assets	710,517	666,271	-	-	666,271
Total financial assets at amortized cost	616,430,729	608,329,957	23,110,309	52,100,687	533,118,961
Non-financial Assets					
Investment properties	4,789,827	6,503,413	-	-	6,503,413
	P621,220,556	P614,833,370	P23,110,309	P52,100,687	P539,622,374
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Currency forwards	2,940,101	2,940,101	-	2,940,101	-
Interest rate swaps	P28,592	P28,592	P-	P28,592	P-
Bonds forward	13	13	-	13	-
Total financial liabilities at FVTPL	P2,968,706	P2,968,706	P-	P2,968,706	P-
Liabilities for which Fair Values are Disclosed					
Financial liabilities at amortized cost:					
Deposit liabilities excluding LTNCD	P598,366,398	P599,468,999	P-	P-	P599,468,999
Notes Payable	48,963,521	49,121,866	-	-	49,121,866
LTNCD	10,416,014	10,358,450	-	-	10,358,450
Bills payable and SSURA	51,273,271	51,597,485	-	-	51,597,485
	P709,019,204	P710,546,800	P-	P-	P710,546,800



	Parent Company				
	Carrying Value	Total	Fair Value		
Quoted Prices in active market (Level 1)			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
December 31, 2022					
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	P4,804,041	P4,804,041	P179,691	P4,624,350	P-
Private bonds	98,124	98,124	62,254	35,870	-
Total HFT investments	4,902,165	4,902,165	241,945	4,660,220	-
Derivative assets:					
Currency forwards	1,646,303	1,646,303	-	1,646,303	-
Interest rate swaps	710,772	710,772	-	710,772	-
Cross-currency swaps	304,835	304,835	-	304,835	-
Bond forwards and options	2,472	2,472	-	2,472	-
Total derivative assets	2,664,382	2,664,382	-	2,664,382	-
Total financial assets at FVTPL	7,566,547	7,566,547	241,945	7,324,602	-
Financial assets at FVTOCI:					
Treasury notes and bills	52,666,184	52,666,184	18,403,670	34,262,514	-
Treasury bonds	55,759,876	55,759,876	17,000,162	38,759,714	-
Private bonds	4,050,963	4,050,963	-	4,050,963	-
Equity securities	374,679	374,679	-	374,679	-
	112,851,702	112,851,702	35,403,832	77,447,870	-
	P120,418,249	P120,418,249	P35,645,777	P84,772,472	P-
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost:					
Private bonds	P57,224,404	P54,764,889	P21,812,952	P32,951,937	P-
Treasury bonds	9,308,398	9,045,312	-	9,045,312	-
Treasury notes and bills	2,697,158	2,705,775	1,088,219	1,617,556	-
Total investment securities at amortized cost	69,229,960	66,515,976	22,901,171	43,614,805	-
Receivable from customers:					
Corporate lending	376,388,458	370,360,068	-	-	370,360,068
Consumer lending	49,731,154	47,872,874	-	-	47,872,874
Small business lending	669,819	663,934	-	-	663,934
Residential mortgages	69,851,609	69,222,082	-	-	69,222,082
Total receivable from customers	496,641,040	488,118,958	-	-	488,118,958
Other receivables	5,644,385	5,644,385	-	-	5,644,385
Other assets	529,234	480,989	-	-	480,989
Total financial assets at amortized cost	572,044,619	560,760,308	22,901,171	43,614,805	494,244,332
Non-financial Assets					
Investment properties	3,203,896	3,994,758	-	-	3,994,758
	P575,248,515	P564,755,066	P22,901,171	P43,614,805	P498,239,090
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Currency forwards	P1,126,730	P1,126,730	P-	P1,126,730	P-
Interest rate swaps	622,754	622,754	-	622,754	-
Bonds forward	3,334	3,334	-	3,334	-
Total financial liabilities at FVTPL	P1,752,818	P1,752,818	P-	P1,752,818	P-
Liabilities for which Fair Values are Disclosed					
Financial liabilities at amortized cost:					
Deposit liabilities excluding LTNCD	P583,111,913	P583,811,300	P-	P-	P583,811,300
Notes Payable	47,111,693	47,162,308	-	-	47,162,308
LTNCD	24,766,786	24,666,830	-	-	24,666,830
Bills payable and SSURA	40,802,069	40,796,371	-	-	40,796,371
	P695,792,461	P696,436,809	P-	P-	P696,436,809

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any adjustments for transaction costs, the instruments are included within Level 1 of the hierarchy.



For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models, the instruments are included in Level 2. Instruments included in Level 3 include those for which there is currently no active market.

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The methods and assumptions used by the Group in estimating the fair value of its financial instruments are:

COCI, due from BSP and other banks and interbank loans receivable and SPURA with the BSP
The carrying amounts approximate fair values considering that these accounts consist mostly of overnight deposits and floating rate placements.

Debt securities

Fair values are generally based upon quoted market prices, if available. If the market prices are 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 the discounted cash flow methodology.

Equity securities

Fair values of quoted equity securities are based on quoted market prices. Fair values of unquoted equity securities are derived based on the adjusted net asset value method.

Receivable from customers and sales contracts receivable (included under 'Other receivables')

Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

Other receivables - Accounts receivable and accrued interest receivable

Carrying amounts approximate fair values given their short-term nature.

Investment properties

Fair value of investment properties are determined by independent or in-house appraisers using the market data approach. Valuations were 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 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 located along a main road are superior to properties located along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the 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 data is superior to historic data.
Discount	Generally, asking prices in advertisements 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.

Other financial assets

The carrying amounts approximate fair values due to their short-term nature.

Derivative instruments

Derivative products are valued using valuation techniques using market observable inputs including foreign exchange rates and interest rate curves prevailing at the statements of financial position date. For interest rate swaps, cross-currency swaps and foreign exchange contracts, discounted cash flow model is applied. This valuation model discounts each cash flow of the derivatives at a rate that is dependent on the tenor of the cash flow.

Deposit liabilities (demand and savings deposits excluding long-term deposits)

The carrying amounts approximate fair values considering that these are due and demandable.

Long-term negotiable certificates of deposit (LTNCD) and subordinated note

Fair values of LTNCD and subordinated note are estimated using adjusted quoted market prices of comparable investments. The adjustments on market quoted prices are unobservable inputs.

Other financial liabilities

For accrued interest and other expenses and other financial liabilities, the carrying amounts approximate fair values due to their short-term nature.

The significant unobservable input used in the fair value measurement of the Group's financial assets and financial liabilities is credit-adjusted rates for similar types of financial instruments. Significant increases (decreases) in the credit-adjusted rates would result in a significantly lower (higher) fair value measurement.

Derivative Financial Instruments

The following tables set out the information about the Group's and the Parent Company's derivative financial instruments and the related fair values:

	2023			2022		
	Notional Amounts	Derivative Asset (Note 10)	Derivative Liability (Note 19)	Notional Amounts	Derivative Asset (Note 10)	Derivative Liability (Note 19)
Forward exchange bought	USD3,142,807	P223,452	P2,843,050	USD1,319,707	P812,671	817,713
Forward exchange sold	USD935,432	406,402	97,051	USD940,797	833,632	309,017
Interest rate swaps	P21,740,784	239,882	-	P45,384,654	710,772	622,754
Bonds Forward	USD6,235	16	13	USD80,200	2,472	3,334
Warrants	USD250,258	-	-	USD250,258	-	-
Cross-currency swaps	USD3,240	11,828	-	USD 9,853	304,835	-
Interest rate futures	USD190,300	40,776	28,592	-	-	-
		P922,356	P2,968,706		P2,664,382	P1,752,818



The movements in the Group's and the Parent Company's derivative financial instruments follow:

	2023	2022
Derivative Assets (Note 10)		
Balance at beginning of year	₱2,664,382	₱1,240,315
Fair value changes during the year	(854,114)	1,159,083
Additions (settled) transactions	(887,912)	264,984
Balance at end of year	₱922,356	₱2,664,382
Derivative Liabilities (Note 19)		
Balance at beginning of year	₱1,752,818	₱1,285,386
Fair value changes during the year	1,726,501	(99,982)
Additions (settled) transactions	(510,613)	567,414
Balance at end of year	₱2,968,706	₱1,752,818

Fair value changes of derivatives other than forward contracts amounting to ₱0.2 billion gain and ₱0.4 billion gain in 2023 and 2022, respectively, are recognized as 'Trading and securities gain (loss) -net' in the statements of income (see Note 9), while fair value changes on forward contracts amounting to ₱2.8 billion loss in 2023 and ₱0.8 billion loss in 2022 are recognized as 'Foreign exchange gain - net' in the statements of income.

As of December 31, 2023 and 2022, the Parent Company has positions in the following types of derivatives:

Forwards

Forward contracts are contractual agreements to buy or sell a specified instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Parent Company with other financial institutions in which the Parent Company either receives or pays a floating rate in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Parent Company pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Interest rate futures

Futures contract is a contractual agreement made on a futures exchange to buy or sell particular assets at a predetermined price in the future. Futures contracts standardize the quality and quantity of the underlying asset.



Derivative financial instruments held or issued for trading purposes

The Parent Company's derivative trading activities relate to deals with customers which are normally laid off with counterparties. The Parent Company may also take positions with the expectation of generating profit from favorable movements in prices and rates on indices. Also included under this heading are any derivatives which do not meet hedge accounting requirements.

7. Due from Other Banks

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Foreign banks	₱9,533,595	₱18,218,076	₱9,533,274	₱18,218,076
Local banks	2,489,854	1,880,437	2,430,651	1,816,349
	12,023,449	20,098,513	11,963,925	20,034,425
Allowance for credit losses				
Balance at beginning of year	1,222	1,323	1,048	1,165
Provision for (recovery of) credit losses (Note 13)	279	(159)	241	(212)
Foreign exchange adjustment	(59)	58	(26)	95
	1,442	1,222	1,263	1,048
	₱12,022,007	₱20,097,291	₱11,962,662	₱20,033,377

In 2023 and 2022, due from other banks were carried at Stage 1 and there were no transfers into and out of Stage 1.

For the year ended December 31, 2023, peso-denominated due from other banks bear nominal annual interest rates ranging from 0.03% to 0.45%, while foreign currency-denominated due from other banks bear nominal annual interest rates ranging from 0.03% to 2.90%. For the year ended December 31, 2022, peso-denominated due from other banks bear nominal annual interest rates ranging from 0.05% to 0.45%, while foreign currency-denominated due from other banks bear nominal annual interest rates ranging from 0.03% to 0.13%.

Total interest income on 'Due from other banks' earned by the Group amounted to ₱85.8 million, ₱16.5 million and ₱5.8 million for the years ended December 31, 2023, 2022 and 2021, respectively, while total interest income on 'Due from other banks' earned by the Parent Company amounted to ₱ 85.8 million, ₱16.5 million and ₱3.5 million for the years ended December 31, 2023, 2022 and 2021, respectively, included in 'Interest income on deposits with banks and others' in the statements of income.



8. Interest Income on Financial Investments

This account consists of interest income on:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Investment securities at amortized cost (Note 12)	₱3,503,872	₱2,047,909	₱1,217,012	₱3,503,872	₱2,047,909	₱1,217,012
Financial assets at FVTOCI (Note 11)	5,051,373	3,800,320	2,029,679	5,051,373	3,800,320	2,029,679
	8,555,245	5,848,229	3,246,691	8,555,245	5,848,229	3,246,691
Financial assets at FVTPL (Note 10):						
Derivatives	788,000	453,043	435,180	788,000	453,043	435,180
Held-for-trading	515,820	306,545	227,687	515,820	306,545	227,622
	1,303,820	759,588	662,867	1,303,820	759,588	662,802
	₱9,859,065	₱6,607,817	₱3,909,558	₱9,859,065	₱6,607,817	₱3,909,493

Ranges of annual fixed interest on financial investments follow:

	2023	2022	2021
Peso-denominated			
HFT investments	2.38% to 12.38%	2.38% to 13.00%	2.38%-9.38%
Investment securities at amortized cost	3.44% to 8.63%	3.25% to 8.63%	3.44%-6.88%
Debt financial assets at FVTOCI	2.38% to 9.25%	2.38% to 6.88%	2.38%-6.88%
Foreign currency-denominated			
HFT investments	1.38% to 10.63%	1.38% to 9.50%	2.13%-9.50%
Investment securities at amortized cost	1.00% to 7.39%	1.00% to 7.39%	2.13%-4.13%
Debt financial assets at FVTOCI	0.13% to 10.63%	0.13% to 10.63%	0.13%-10.63%

9. Trading and Securities Gain (Loss)

Net gains (losses) from trading/disposal of investment securities and derivatives follow:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Financial assets at FVTOCI (Note 11)	(₱132,350)	₱-	₱1,233,901	(₱132,350)	₱-	₱1,233,901
Financial assets at FVTPL:						
Held-for-trading investments (Note 10)	(23,836)	(44,728)	(271,579)	(24,157)	(44,790)	(273,225)
Derivatives (Note 6)	444,741	18,857	129,406	444,741	18,857	129,406
	420,905	(25,871)	(142,173)	420,584	(25,933)	(143,819)
	₱288,555	(₱25,871)	₱1,091,728	₱288,234	(₱25,933)	₱1,090,082



10. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Held-for-trading:				
Government securities	₱9,681,878	₱4,804,041	₱9,681,878	₱4,804,041
Private bonds	282,092	98,124	282,092	98,124
Equity securities	25	25	–	–
	9,963,995	4,902,190	9,963,970	4,902,165
Derivative assets (Note 6):				
Currency forwards	629,854	1,646,303	629,854	1,646,303
Interest rate swaps	239,882	710,772	239,882	710,772
Interest rate futures	40,776	–	40,776	–
Cross-currency swaps	11,828	304,835	11,828	304,835
Bonds forwards and options	16	2,472	16	2,472
	922,356	2,664,382	922,356	2,664,382
	₱10,886,351	₱7,566,572	₱10,886,326	₱7,566,547

As of December 31, 2023 and 2022, 'Financial assets at FVTPL' include net unrealized loss of ₱39.7 million and unrealized gain of ₱125.5 million, respectively, for the Group and the Parent Company.

Fair value gains or losses on financial assets at FVTPL (other than currency forwards) are included in 'Trading and securities gain (loss) - net' (see Note 9) in the statements of income. Fair value gains or losses on currency forwards are included in 'Foreign exchange gain - net' in the statements of income (see Note 6).

As of December 31, 2023 and 2022, certain government securities were pledged with foreign banks as collateral for SSURA (see Note 20).

11. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Debt instruments				
Treasury notes and bills	₱82,365,379	₱52,666,184	₱82,365,379	₱52,666,184
Treasury bonds	55,451,234	55,759,876	55,451,234	55,759,876
Private bonds	1,523,151	4,050,963	1,523,151	4,050,963
	139,339,764	112,477,023	139,339,764	112,477,023
Equity instruments				
Golf and club shares	476,875	374,679	476,875	374,679
PSE shares	44,410	39,791	–	–
	521,285	414,470	476,875	374,679
	₱139,861,049	₱112,891,493	₱139,816,639	₱112,851,702



An analysis of changes in the fair value of debt instruments and the corresponding ECL allowances follow:

	2023	2022
Fair value at beginning of year	₱112,477,023	₱80,340,094
New assets originated or purchased	57,299,480	42,625,610
Disposals or maturities	(33,001,352)	(3,909,601)
Change in fair value	3,619,508	(7,238,472)
Foreign exchange adjustments	(1,054,895)	659,392
	₱139,339,764	₱112,477,023
ECL allowance at beginning of year	₱372	₱3,927
Provision for (recovery of) credit losses (Note 13)	6,942	(3,877)
Foreign exchange and other adjustments	(168)	322
	₱7,146	₱372

In 2023 and 2022, debt instruments at FVTOCI were carried at Stage 1 and there were no transfers into and out of Stage 1.

As of December 31, 2023 and 2022, Peso-denominated debt financial assets at FVTOCI amounted to ₱114.6 billion and ₱90.8 billion, respectively.

As of December 31, 2023 and 2022, USD-denominated debt financial assets at FVTOCI amounted to ₱24.7 billion and ₱21.7 billion, respectively.

As of December 31, 2023, certain treasury bond securities were pledged with foreign banks as collateral for SSURA (see Note 20).

As of December 31, 2023 and 2022, government securities included under 'Financial Assets at Fair Value through Other Comprehensive Income' with a total face value amounted to ₱1.2 billion and ₱1.0 billion, respectively, were deposited with the BSP in compliance with the requirements of the General Banking Law relative to the Parent Company's trust functions (see Note 26).

PSE shares were obtained by SBEI in 2001 as a result of the demutualization of its membership shares in the stock exchange. These investments were for long-term strategic purpose. SBEI designated these equity securities as financial assets at FVTOCI as management believes that this provides a more meaningful presentation for medium or long-term strategic investments, rather than reflecting changes in fair value immediately in the statements of income. The Group also adopted the same classification for its investments in golf and club shares.



The movements in 'Net unrealized gain (losses) on financial assets at FVTOCI' follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Balance at beginning of year	(P9,222,234)	(P2,035,059)	(P9,230,387)	(P2,043,212)
Unrealized gain (losses) for the year	3,569,173	(7,183,298)	3,569,174	(7,183,298)
Amount realized in profit or loss	139,292	(3,877)	139,292	(3,877)
Balance at end of year	(P5,513,769)	(P9,222,234)	(P5,521,921)	(P9,230,387)

12. Investment Securities at Amortized Cost

This account consists of investments by the Parent Company in:

	2023	2022
Private bonds	P57,874,831	P57,241,929
Treasury bonds	14,959,970	9,308,398
Treasury notes and bills	3,372,462	2,697,158
	76,207,263	69,247,485
Allowance for credit losses	51,179	17,525
	P76,156,084	P69,229,960

On May 11, 2022, the Parent Company participated on an issuer-initiated mandatory early redemption of PHP-denominated corporate bond with face value of P514.5 million. Total amount of redemptions during the year amounted to P2.1 billion resulting to a gain amounting to P4.1 million.

On November 30, 2021 and December 9, 2021, the Parent Company participated on an issuer-initiated mandatory early redemption of USD-denominated corporate bond with face value of USD20.0 million and PHP-denominated corporate bond with face value of P5.0 billion, respectively. Total amount of redemptions during the year amounted to P6.1 billion resulting to a gain amounting to P66.0 million.

On June 28, 2022, the Finance Committee and the BOD of the Parent Company approved a change in business model involving the reestablishment of the HTC business model for government securities. Various factors challenged the Parent Company's ability to execute its strategy of shifting towards more fee-based and client-driven income given a reduction in loan demand and an increase in the deterioration of the credit quality of existing loans as a direct result of the global pandemic. The Ukraine-Russia war also triggered significant market volatility which curtailed the Parent Company's ability to deploy its investible funds to government securities under the old business model. The HTC business model for government securities was established to help the Parent Company achieve its desired balance sheet structure by means of medium to long-term gap management while lowering overall portfolio credit risk (see Note 3).

As of December 31, 2023 and 2022, certain private bonds were pledged with foreign banks as collateral for SSURA (see Note 20).



An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	2023	2022
Gross carrying amount at beginning of year	₱69,247,485	₱21,904,006
New assets originated or purchased	12,600,658	46,566,445
Assets matured or redeemed	(4,552,693)	(2,057,500)
Amortized premium/discount	126,239	67,167
Foreign exchange adjustments	(1,214,426)	2,767,367
	₱76,207,263	₱69,247,485
Allowance for credit losses		
ECL allowance at beginning of year	₱17,525	₱67,399
Provision for (recovery of) credit losses (Note 13)	33,716	(49,407)
Foreign exchange and other adjustment	(62)	(467)
	₱51,179	₱17,525

In 2023 and 2022, investment securities at amortized cost were carried at Stage 1 and there were no transfers into and out of Stage 1.

13. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Receivable from customers:				
Corporate lending	₱386,695,606	₱388,777,469	₱388,350,908	₱389,226,927
Consumer lending	77,207,357	53,639,312	77,120,727	53,358,357
Residential mortgages	83,664,495	71,311,776	83,664,495	71,311,776
Small business lending	585,804	718,225	585,804	718,225
	548,153,262	514,446,782	549,721,934	514,615,285
Less unearned discounts and deferred credits	2,142,631	1,875,319	2,142,631	1,875,319
	546,010,631	512,571,463	547,579,303	512,739,966
Accrued interest receivable (Note 31)	6,548,895	5,458,069	6,555,357	5,460,756
Accounts receivable (Note 31)	1,157,735	952,001	790,071	415,462
Sales contracts receivable	129,273	114,154	129,273	114,154
	553,846,534	519,095,687	555,054,004	518,730,338
Less allowance for credit losses	15,517,135	16,478,253	15,489,876	16,444,913
	₱538,329,399	₱502,617,434	₱539,564,128	₱502,285,425

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to corporate lending follow:

	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount as at January 1, 2023	₱320,359,102	₱56,712,961	₱11,705,406	₱388,777,469
New assets originated or purchased	487,459,165	-	-	487,459,165
Assets derecognized or repaid (excluding write offs)	(454,125,881)	(32,597,963)	(2,567,254)	(489,291,098)
Transfers to Stage 1	15,086,249	(15,086,249)	-	-
Transfers to Stage 2**	(41,730,198)	41,730,198	-	-
Transfers to Stage 3**	(2,117,866)	(3,076,891)	5,194,757	-
Amounts written off	-	-	(249,930)	(249,930)
	₱324,930,571	₱47,682,056	₱14,082,979	₱386,695,606

(Forward)



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at January 1, 2023	₱743,230	₱2,125,516	₱9,085,856	₱11,954,602
Provision for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	111,931	-	-	111,931
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	130,906	961,521	1,092,427
Transfers to Stage 1	11,448	(11,448)	-	-
Transfers to Stage 2	(107,450)	107,450	-	-
Transfers to Stage 3	(112)	(1,250,508)	1,250,620	-
Other movements*	(567,308)	(663,251)	(969,227)	(2,199,786)
	(551,491)	(1,686,851)	1,242,914	(995,428)
Amounts written off	-	-	(249,930)	(249,930)
Foreclosures and other adjustments	-	-	(1,134,535)	(1,134,535)
	₱191,739	₱438,665	₱8,944,305	₱9,574,709

*includes changes in assumptions and payments

**includes transfers of newly originated assets

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at				
January 1, 2022	₱270,213,272	₱69,525,274	₱12,555,893	₱352,294,439
New assets originated or purchased	598,116,516	-	-	598,116,516
Assets derecognized or repaid (excluding write offs)	(504,386,512)	(52,788,439)	(4,356,201)	(561,531,152)
Transfers to Stage 1	4,409,375	(4,409,375)	-	-
Transfers to Stage 2**	(46,599,721)	46,599,721	-	-
Transfers to Stage 3**	(1,393,828)	(2,214,220)	3,608,048	-
Amounts written off	-	-	(102,334)	(102,334)
	₱320,359,102	₱56,712,961	₱11,705,406	₱388,777,469

ECL allowance as at January 1, 2022	₱968,490	₱1,010,598	₱9,564,430	₱11,543,518
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	124,074	-	-	124,074
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	1,092,561	1,014,392	2,106,953
Transfers to Stage 1	8,430	(8,430)	-	-
Transfers to Stage 2	(82,463)	82,463	-	-
Transfers to Stage 3	(11,201)	(1,582,841)	1,594,042	-
Other movements*	(264,100)	1,531,165	(2,046,535)	(779,470)
	(225,260)	1,114,918	561,899	1,451,557
Amounts written off	-	-	(41,807)	(41,807)
Foreclosures and other adjustments	-	-	(998,666)	(998,666)
	₱743,230	₱2,125,516	₱9,085,856	₱11,954,602

*includes changes in assumptions and payments

**includes transfers of newly originated assets

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at				
January 1, 2023	₱320,809,526	₱56,711,995	₱11,705,406	₱389,226,927
New assets originated or purchased	440,288,034	-	-	440,288,034
Assets derecognized or repaid (excluding write offs)	(405,748,907)	(32,597,963)	(2,567,253)	(440,914,123)
Transfers to Stage 1	15,085,283	(15,085,283)	-	-
Transfers to Stage 2	(41,730,026)	41,730,026	-	-
Transfers to Stage 3	(2,117,865)	(3,076,891)	5,194,756	-
Amounts written off	-	-	(249,930)	(249,930)
	₱326,586,045	₱47,681,884	₱14,082,979	₱388,350,908

(Forward)



	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at January 1, 2023	₱743,230	₱2,125,507	₱9,085,856	₱11,954,593
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	111,931	-	-	111,931
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	130,906	961,521	1,092,427
Transfers to Stage 1	11,448	(11,448)	-	-
Transfers to Stage 2	(107,449)	107,449	-	-
Transfers to Stage 3	(112)	(1,250,508)	1,250,620	-
Other movements*	(567,309)	(663,242)	(969,227)	(2,199,778)
	(551,491)	(1,686,843)	1,242,914	(995,420)
Amounts written off	-	-	(249,930)	(249,930)
Foreclosures and other adjustments	-	-	(1,134,535)	(1,134,535)
	₱191,739	₱438,664	₱8,944,305	₱9,574,708

*includes changes in assumptions and payments

**includes transfers of newly originated assets

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2022	₱270,766,345	₱69,525,274	₱12,555,893	₱352,847,512
New assets originated or purchased	566,057,197	-	-	566,057,197
Assets derecognized or repaid (excluding write offs)	(472,429,697)	(52,789,550)	(4,356,201)	(529,575,448)
Transfers to Stage 1	4,408,264	(4,408,264)	-	-
Transfers to Stage 2**	(46,598,755)	46,598,755	-	-
Transfers to Stage 3**	(1,393,828)	(2,214,220)	3,608,048	-
Amounts written off	-	-	(102,334)	(102,334)
	₱320,809,526	₱56,711,995	₱11,705,406	₱389,226,927

ECL allowance as at January 1, 2022	₱968,490	₱1,010,591	₱9,564,430	₱11,543,511
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	124,074	-	-	124,074
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	1,092,559	1,014,393	2,106,952
Transfers to Stage 1	8,430	(8,430)	-	-
Transfers to Stage 2	(82,463)	82,463	-	-
Transfers to Stage 3	(11,201)	(1,582,841)	1,594,042	-
Other movements*	(264,100)	1,531,165	(2,046,536)	(779,471)
	(225,260)	1,114,916	561,899	1,451,555
Amounts written off	-	-	(41,807)	(41,807)
Foreclosures and other adjustments	-	-	(998,666)	(998,666)
	₱743,230	₱ 2,125,507	₱9,085,856	₱11,954,593

*includes changes in assumptions and payments

**includes transfers of newly originated assets

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to consumer lending follow:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2023	₱47,618,025	₱3,516,359	₱2,504,928	₱53,639,312
New assets originated or purchased	122,077,594	-	-	122,077,594
Assets derecognized or repaid (excluding write offs)	(89,089,075)	(921,531)	(4,843,552)	(94,854,158)
Transfers to Stage 1	729,285	(627,824)	(101,461)	-
Transfers to Stage 2**	(2,961,938)	3,054,680	(92,742)	-
Transfers to Stage 3**	(8,260,395)	(934,860)	9,195,255	-
Amounts written off	-	-	(3,655,391)	(3,655,391)
	₱70,113,496	₱4,086,824	₱3,007,037	₱77,207,357

(Forward)



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at January 1, 2023	₱1,152,963	₱482,148	₱1,462,369	₱3,097,480
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	1,570,518	-	-	1,570,518
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	69,212	3,475,160	3,544,372
Transfers to Stage 1	132,919	(109,913)	(23,006)	-
Transfers to Stage 2	(117,545)	172,842	(55,297)	-
Transfers to Stage 3	(185,728)	(157,704)	343,432	-
Other movements*	(97,942)	35,704	330,464	268,226
	1,302,222	10,141	4,070,753	5,383,116
Amounts written off	-	-	(3,655,391)	(3,655,391)
Foreclosures and other adjustments	-	-	(91,024)	(91,024)
	₱2,455,185	₱492,289	₱1,786,707	₱4,734,181

*includes changes in assumptions and payments

**includes transfers of newly originated assets

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2022	₱42,501,203	₱3,851,214	₱3,986,294	₱50,338,711
New assets originated or purchased	82,467,054	-	-	82,467,054
Assets derecognized or repaid (excluding write offs)	(73,613,736)	(1,102,788)	(1,271,326)	(75,987,850)
Transfers to Stage 1	1,018,478	(804,882)	(213,596)	-
Transfers to Stage 2**	(2,659,100)	2,717,674	(58,574)	-
Transfers to Stage 3**	(2,095,874)	(1,144,859)	3,240,733	-
Amounts written off	-	-	(3,178,603)	(3,178,603)
	₱47,618,025	₱3,516,359	₱2,504,928	₱53,639,312

ECL allowance as at January 1, 2022	₱1,960,090	₱929,656	₱2,026,943	₱4,916,689
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	348,535	-	-	348,535
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	53,928	87,308	141,236
Transfers to Stage 1	345,126	(329,419)	(15,707)	-
Transfers to Stage 2	(203,322)	206,488	(3,166)	-
Transfers to Stage 3	(109,379)	(675,222)	784,601	-
Other movements*	(1,188,087)	296,717	2,036,470	1,145,100
	(807,127)	(447,508)	2,889,506	1,634,871
Amounts written off	-	-	(3,178,603)	(3,178,603)
Foreclosures and other adjustments	-	-	(275,477)	(275,477)
	₱1,152,963	₱482,148	₱1,462,369	₱3,097,480

*includes changes in assumptions and payments

**includes transfers of newly originated assets

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2023	₱47,369,078	₱3,484,354	₱2,504,925	₱53,358,357
New assets originated or purchased	116,661,283	-	-	116,661,283
Assets derecognized or repaid (excluding write offs)	(83,478,439)	(921,534)	(4,843,549)	(89,243,522)
Transfers to Stage 1	707,654	(606,193)	(101,461)	-
Transfers to Stage 2**	(2,961,938)	3,054,680	(92,742)	-
Transfers to Stage 3**	(8,260,395)	(934,860)	9,195,255	-
Amounts written off	-	-	(3,655,391)	(3,655,391)
	₱70,037,243	₱4,076,447	₱3,007,037	₱77,120,727

ECL allowance as at January 1, 2023	₱1,151,905	₱482,105	₱1,462,298	₱3,096,308
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	1,570,518	-	-	1,570,518
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	69,212	3,475,160	3,544,372
Transfers to Stage 1	132,919	(109,913)	(23,006)	-
Transfers to Stage 2	(117,545)	172,842	(55,297)	-
Transfers to Stage 3	(185,728)	(157,704)	343,432	-
Other movements*	(97,468)	35,714	330,463	268,709
	1,302,696	10,151	4,070,752	5,383,599
Amounts written off	-	-	(3,655,391)	(3,655,391)
Foreclosures and other adjustments	-	-	(90,740)	(90,740)
	₱2,454,601	₱492,256	₱1,786,919	₱4,733,776

*includes changes in assumptions and payments

**includes transfers of newly originated assets



	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2022	₱42,303,290	₱3,851,214	₱3,986,211	₱50,140,715
New assets originated or purchased	74,901,696	-	-	74,901,696
Assets derecognized or repaid (excluding write offs)	(66,094,558)	(1,139,648)	(1,271,245)	(68,505,451)
Transfers to Stage 1	1,013,624	(800,027)	(213,597)	-
Transfers to Stage 2**	(2,659,100)	2,717,674	(58,574)	-
Transfers to Stage 3**	(2,095,874)	(1,144,859)	3,240,733	-
Amounts written off	-	-	(3,178,603)	(3,178,603)
	₱47,369,078	₱3,484,354	₱2,504,925	₱53,358,357
ECL allowance as at January 1, 2022	₱1,957,990	₱929,573	₱2,026,868	₱4,914,431
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	348,534	-	-	348,534
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	53,927	87,308	141,235
Transfers to Stage 1	345,126	(329,418)	(15,708)	-
Transfers to Stage 2	(203,322)	206,488	(3,166)	-
Transfers to Stage 3	(109,379)	(675,222)	784,601	-
Other movements*	(1,187,044)	296,757	2,036,473	1,146,186
	(806,085)	(447,468)	2,889,508	1,635,955
Amounts written off	-	-	(3,178,603)	(3,178,603)
Foreclosures and other adjustments	-	-	(275,475)	(275,475)
	₱1,151,905	₱482,105	₱1,462,298	₱3,096,308

*includes changes in assumptions and payments

**includes transfers of newly originated assets

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to residential mortgages lending follow:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2023	₱68,242,680	₱1,299,252	₱1,769,844	₱71,311,776
New assets originated or purchased	22,715,476	-	-	22,715,476
Assets derecognized or repaid (excluding write offs)	(9,474,842)	(350,893)	(537,022)	(10,362,757)
Transfers to Stage 1	575,430	(266,900)	(308,530)	-
Transfers to Stage 2**	(1,881,211)	1,888,650	(7,439)	-
Transfers to Stage 3**	(589,914)	(147,684)	737,598	-
	₱79,587,619	₱2,422,425	₱1,654,451	₱83,664,495
ECL allowance as at January 1, 2023	₱539,476	₱54,705	₱405,596	₱999,777
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	49,732	-	-	49,732
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	5,427	15,430	20,857
Transfers to Stage 1	9,648	(4,591)	(5,057)	-
Transfers to Stage 2	(15,981)	16,449	(468)	-
Transfers to Stage 3	(67,348)	(26,686)	94,034	-
Other movements*	(82,234)	(13,982)	(38,630)	(134,846)
	(106,183)	(23,383)	65,309	(64,257)
Foreclosures and other adjustments	-	-	(77,414)	(77,414)
	₱433,293	₱31,322	₱393,491	₱858,106

*includes changes in assumptions and payments

**includes transfers of newly originated assets



	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount as at				
January 1, 2022	P54,175,501	P1,217,201	P3,234,258	P58,626,960
New assets originated or purchased	24,040,628	-	-	24,040,628
Assets derecognized or repaid (excluding write offs)	(9,815,403)	(259,843)	(1,280,566)	(11,355,812)
Transfers to Stage 1	1,265,013	(587,059)	(677,954)	-
Transfers to Stage 2**	(1,040,232)	1,097,117	(56,885)	-
Transfers to Stage 3**	(382,827)	(168,164)	550,991	-
	P68,242,680	P1,299,252	P1,769,844	P71,311,776
ECL allowance as at January 1, 2022	P492,974	P53,086	P653,440	P1,199,500
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	51,102	-	-	51,102
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	2,997	6,074	9,071
Transfers to Stage 1	40,267	(19,540)	(20,727)	-
Transfers to Stage 2	(33,246)	36,660	(3,414)	-
Transfers to Stage 3	(49,743)	(32,325)	82,068	-
Other movements*	38,122	13,827	(101,277)	(49,328)
	46,502	1,619	(37,276)	10,845
Foreclosures and other adjustments	-	-	(210,568)	(210,568)
	P539,476	P 54,705	P405,596	P999,777

*includes changes in assumptions and payments

**includes transfers of newly originated assets

	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount as at				
January 1, 2023	P68,242,680	P1,299,252	P1,769,844	P71,311,776
New assets originated or purchased	22,715,476	-	-	22,715,476
Assets derecognized or repaid (excluding write offs)	(9,474,841)	(350,894)	(537,022)	(10,362,757)
Transfers to Stage 1	575,430	(266,900)	(308,530)	-
Transfers to Stage 2**	(1,881,211)	1,888,650	(7,439)	-
Transfers to Stage 3**	(589,915)	(147,683)	737,598	-
	P79,587,619	P2,422,425	P1,654,451	P83,664,495
ECL allowance as at January 1, 2023	P539,475	P54,705	P405,597	P999,777
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	49,732	-	-	49,732
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	5,427	15,430	20,857
Transfers to Stage 1	9,648	(4,591)	(5,057)	-
Transfers to Stage 2	(15,981)	16,449	(468)	-
Transfers to Stage 3	(67,348)	(26,686)	94,034	-
Other movements*	(82,234)	(13,982)	(38,630)	(134,846)
	(106,183)	(23,383)	65,309	(64,257)
Foreclosures and other adjustments	-	-	(77,414)	(77,414)
	P433,292	P31,322	P393,492	P858,106

*includes changes in assumptions and payments

**includes transfers of newly originated assets



	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount as at				
January 1, 2022	P54,175,501	P1,217,201	P3,234,258	P58,626,960
New assets originated or purchased	24,040,628	-	-	24,040,628
Assets derecognized or repaid (excluding write offs)	(9,815,403)	(259,843)	(1,280,566)	(11,355,812)
Transfers to Stage 1	1,265,013	(587,059)	(677,954)	-
Transfers to Stage 2**	(1,040,232)	1,097,117	(56,885)	-
Transfers to Stage 3**	(382,827)	(168,164)	550,991	-
	P68,242,680	P1,299,252	P1,769,844	P71,311,776
ECL allowance as at January 1, 2022	P492,974	P53,086	P653,440	P1,199,500
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	51,102	-	-	51,102
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	2,997	6,074	9,071
Transfers to Stage 1	40,267	(19,540)	(20,727)	-
Transfers to Stage 2	(33,246)	36,660	(3,414)	-
Transfers to Stage 3	(49,743)	(32,325)	82,068	-
Other movements*	38,122	13,827	(101,277)	(49,328)
	46,502	1,619	(37,276)	10,845
Foreclosures and other adjustments	-	-	(210,568)	(210,568)
	P539,476	P54,705	P405,596	P999,777

*includes changes in assumptions and payments

**includes transfers of newly originated assets

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to small business lending follow:

	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount as at January 1, 2023	P618,853	P36,420	P62,952	P718,225
New assets originated or purchased	1,390,494	-	-	1,390,494
Assets derecognized or repaid (excluding write offs)	(1,473,705)	(33,363)	(15,847)	(1,522,915)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2**	(58,190)	58,190	-	-
Transfers to Stage 3**	(4,676)	-	4,676	-
	P472,776	P61,247	P51,781	P585,804
ECL allowance as at January 1, 2023	P143	P30	P48,077	P48,250
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	64	-	-	64
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	16	22	38
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(11)	11	-	-
Transfers to Stage 3	(13)	-	13	-
Other movements*	(115)	(25)	(12,814)	(12,954)
	(75)	2	(12,779)	(12,852)
	P68	P32	P35,298	P35,398

*includes changes in assumptions and payments

**includes transfers of newly originated assets



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2022	₱1,012,088	₱156,062	₱49,593	₱1,217,743
New assets originated or purchased	278,012	-	-	278,012
Assets derecognized or repaid (excluding write offs)	(649,981)	(140,908)	13,359	(777,530)
Transfers to Stage 1	6,350	(6,350)	-	-
Transfers to Stage 2**	(27,616)	27,616	-	-
Transfers to Stage 3**	-	-	-	-
	₱618,853	₱36,420	₱62,952	₱718,225
ECL allowance as at January 1, 2022	₱1,607	₱1,723	₱36,348	₱39,678
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	79	-	-	79
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	11	26,012	26,023
Transfers to Stage 1	3	(3)	-	-
Other movements*	(1,546)	(1,701)	(14,283)	(17,530)
	(1,464)	(1,693)	11,729	8,572
	₱143	₱30	₱48,077	₱48,250

*includes changes in assumptions and payments

**includes transfers of newly originated assets

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2023	₱618,853	₱36,420	₱62,952	₱718,225
New assets originated or purchased	1,390,494	-	-	1,390,494
Assets derecognized or repaid (excluding write offs)	(1,473,705)	(33,363)	(15,847)	(1,522,915)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(58,190)	58,190	-	-
Transfers to Stage 3	(4,676)	-	4,676	-
	₱472,776	₱61,247	₱51,781	₱585,804
ECL allowance as at January 1, 2023	₱143	₱30	₱48,077	₱48,250
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	64	-	-	64
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	16	22	38
Transfers to Stage 2	(11)	11	-	-
Transfers to Stage 3	(13)	-	13	-
Other movements*	(115)	(25)	(12,814)	(12,954)
	(75)	2	(12,779)	(12,852)
	₱68	₱32	₱35,298	₱35,398

*includes changes in assumptions and payments

**includes transfers of newly originated assets



	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2022	₱1,012,088	₱156,062	₱49,593	₱1,217,743
New assets originated or purchased	278,012	-	-	278,012
Assets derecognized or repaid (excluding write offs)	(649,981)	(140,908)	13,359	(777,530)
Transfers to Stage 1	6,350	(6,350)	-	-
Transfers to Stage 2**	(27,616)	27,616	-	-
	₱618,853	₱36,420	₱62,952	₱718,225
ECL allowance as at January 1, 2022	₱1,607	₱1,723	₱36,348	₱39,678
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	79	-	-	79
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	11	26,012	26,023
Transfers to Stage 1	3	(3)	-	-
Other movements*	(1,546)	(1,701)	(14,283)	(17,530)
	(1,464)	(1,693)	11,729	8,572
	₱143	₱30	₱48,077	₱48,250

*includes changes in assumptions and payments

**includes transfers of newly originated assets

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to other receivables (includes accrued interest receivable, sales contracts receivable and accounts receivable) follow:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2023	₱5,322,763	₱576,721	₱624,740	₱6,524,224
New assets originated or purchased	52,471,122	-	-	52,471,122
Assets derecognized or repaid (excluding write offs)	(50,741,605)	(113,667)	(252,933)	(51,108,205)
Transfers to Stage 1	215,304	(207,777)	(7,527)	-
Transfers to Stage 2**	(383,870)	385,148	(1,278)	-
Transfers to Stage 3**	(124,157)	(154,658)	278,815	-
Amounts written off	-	-	(51,238)	(51,238)
	₱6,759,557	₱485,767	₱590,579	₱7,835,903
ECL allowance as at January 1, 2023	₱31,444	₱26,330	₱320,370	₱378,144
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	11,800	-	-	11,800
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	-	2,593	30,645	33,238
Transfers to Stage 1	1,269	(863)	(406)	-
Transfers to Stage 2	(2,762)	3,063	(301)	-
Transfers to Stage 3	(12,361)	(24,802)	37,163	-
Other movements*	(3,758)	2,330	(25,331)	(26,759)
	(5,812)	(17,679)	41,770	18,279
Amounts written off	-	-	(51,238)	(51,238)
Foreclosures and other adjustments	-	-	(30,444)	(30,444)
	₱25,632	₱8,651	₱280,458	₱314,741

*includes changes in assumptions and payments

**includes transfers of newly originated assets



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2022	₱4,252,570	₱390,839	₱724,472	₱5,367,881
New assets originated or purchased	53,189,045	–	–	53,189,045
Assets derecognized or repaid (excluding write offs)	(51,486,829)	(175,596)	(262,938)	(51,925,363)
Transfers to Stage 1	57,320	(43,870)	(13,450)	–
Transfers to Stage 2**	(504,945)	507,557	(2,612)	–
Transfers to Stage 3**	(184,398)	(102,209)	286,607	–
Amounts written off	–	–	(107,339)	(107,339)
	₱5,322,763	₱576,721	₱624,740	₱6,524,224
ECL allowance as at January 1, 2022	₱107,230	₱21,526	₱362,815	₱491,571
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	5,164	–	–	5,164
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	14,912	53,604	68,516
Transfers to Stage 1	1,586	(969)	(617)	–
Transfers to Stage 2	(17,988)	18,095	(107)	–
Transfers to Stage 3	(14,174)	(24,057)	38,231	–
Other movements*	(50,374)	(3,177)	(16,205)	(69,756)
	(75,786)	4,804	74,906	3,924
Amounts written off	–	–	(107,339)	(107,339)
Foreclosures and other adjustments	–	–	(10,012)	(10,012)
	₱31,444	₱26,330	₱320,370	₱378,144

*includes changes in assumptions and payments

**includes transfers of newly originated assets

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2023	₱4,847,956	₱605,768	₱536,648	₱5,990,372
New assets originated or purchased	3,318,470	–	–	3,318,470
Assets derecognized or repaid (excluding write offs)	(1,475,349)	(142,714)	(164,840)	(1,782,903)
Transfers to Stage 1	215,305	(207,777)	(7,528)	–
Transfers to Stage 2**	(383,870)	385,148	(1,278)	–
Transfers to Stage 3**	(124,157)	(154,658)	278,815	–
Amounts written off	–	–	(51,238)	(51,238)
	₱6,398,355	₱485,767	₱590,579	₱7,474,701
ECL allowance as at January 1, 2023	₱30,931	₱26,321	₱288,733	₱345,985
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	8,662	–	–	8,662
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	2,593	30,322	32,915
Transfers to Stage 1	1,269	(863)	(406)	–
Transfers to Stage 2	(2,762)	2,877	(115)	–
Transfers to Stage 3	(9,219)	(24,802)	34,021	–
Other movements*	(3,755)	2,333	(25,334)	(26,756)
	(5,805)	(17,862)	38,488	14,821
Amounts written off	–	–	(51,238)	(51,238)
Foreclosures and other adjustments	–	–	(21,680)	(21,680)
	₱25,126	₱8,459	₱254,303	₱287,888

*includes changes in assumptions and payments

**includes transfers of newly originated assets



	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount as at				
January 1, 2022	₱3,895,968	₱405,596	₱646,877	₱4,948,441
New assets originated or purchased	3,383,859	–	–	3,383,859
Assets derecognized or repaid (excluding write offs)	(1,829,936)	(157,764)	(246,889)	(2,234,589)
Transfers to Stage 1	57,320	(43,870)	(13,450)	–
Transfers to Stage 2**	(501,404)	504,015	(2,611)	–
Transfers to Stage 3**	(157,851)	(102,209)	260,060	–
Amounts written off	–	–	(107,339)	(107,339)
	₱4,847,956	₱605,768	₱536,648	₱5,990,372
ECL allowance as at January 1, 2022	₱106,129	₱18,800	₱342,116	₱467,045
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	4,742	–	–	4,742
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	14,903	50,793	65,696
Transfers to Stage 1	1,586	(969)	(617)	–
Transfers to Stage 2	(17,988)	18,095	(107)	–
Transfers to Stage 3	(14,174)	(24,057)	38,231	–
Other movements*	(49,364)	(451)	(16,455)	(66,270)
	(75,198)	7,521	71,845	4,168
Amounts written off	–	–	(107,339)	(107,339)
Foreclosures and other adjustments	–	–	(17,889)	(17,889)
	₱30,931	₱26,321	₱288,733	₱345,985

*includes changes in assumptions and payments

**includes transfers of newly originated assets

The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of changes in credit risk.

Receivable from customers consist of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Loans (Note 31)	₱496,185,246	₱463,918,623	₱497,753,918	₱464,087,126
Customers' liabilities under letters of credit and trust receipts	13,213,402	21,304,204	13,213,402	21,304,204
Credit card receivables	34,110,664	23,613,848	34,110,664	23,613,848
Bills purchased (Note 23)	1,861,216	3,960,151	1,861,216	3,960,151
Customers' liabilities under acceptances	2,782,734	1,649,956	2,782,734	1,649,956
	548,153,262	514,446,782	549,721,934	514,615,285
Less unearned discounts and deferred credits	2,142,631	1,875,319	2,142,631	1,875,319
	₱546,010,631	₱512,571,463	₱547,579,303	₱512,739,966

Restructured receivables of the Group and the Parent Company amounted to ₱11.3 billion as of December 31, 2023 and ₱13.1 billion as of December 31, 2022. Interest income on these restructured receivables amounted to ₱810.7 million in 2023, ₱626.7 million in 2022, and ₱463.5 million in 2021 for the Group and Parent Company.



Provision for (recovery of) credit losses on financial assets in the statements of income are as follows:

	Consolidated		
	For the year ended December 31		
	2023	2022	2021
Due from other banks (Note 7)	₱279	(₱159)	(₱3,358)
Interbank loans receivable and SPURA with BSP	(1,386)	1,224	(2,541)
Financial assets at FVTOCI (Note 11)	6,942	(3,877)	(16,787)
Investment securities at amortized cost (Note 12)	33,716	(49,407)	(105,113)
Loans and receivables	4,328,858	3,109,769	5,116,716
Financial guarantees, loan and other commitments (Note 33)	297,785	(423,226)	291,620
	₱4,666,194	₱2,634,324	₱5,280,537

	Parent Company		
	For the year ended December 31		
	2023	2022	2021
Due from other banks (Note 7)	₱241	(₱212)	(₱993)
Interbank loans receivable and SPURA with BSP	(1,386)	1,224	(2,541)
Financial assets at FVTOCI (Note 11)	6,942	(3,877)	(16,787)
Investment securities at amortized cost (Note 12)	33,716	(49,407)	(105,113)
Loans and receivables	4,325,891	3,111,095	5,119,780
Financial guarantees, loan and other commitments (Note 33)	297,785	(423,226)	291,620
	₱4,663,189	₱2,635,597	₱5,285,966

As of December 31, 2023 and 2022, the fair value of the collateral held relating to the total loan portfolio amounted to ₱228.0 billion and ₱242.4 billion, respectively, for the Group and ₱220.7 billion and ₱225.3 billion, respectively, for the Parent Company. The collateral consists of cash, securities, letters of guarantee and real and personal properties.

The Group and the Parent Company took possession of various properties previously held as collateral. The carrying values of such properties amounted to ₱5.7 billion and ₱4.0 billion for the Group and the Parent Company as of December 31, 2023 and 2022, respectively.

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Loans	₱31,482,404	₱25,498,130	₱24,542,891	₱31,575,446	₱25,542,188	₱24,584,462
Credit card receivables	5,447,808	3,308,797	2,973,226	5,447,808	3,308,797	2,973,226
Customers' liabilities under letters of credit and trust receipts	1,199,236	850,118	520,324	1,199,236	850,118	520,324
Sales contracts receivable	10,616	7,058	7,436	10,616	7,058	7,436
Bills purchased	-	22,296	17,313	-	22,296	17,313
	₱38,140,064	₱29,686,399	₱28,061,190	₱38,233,106	₱29,730,457	₱28,102,761

Of the total receivables from customers of the Group and of the Parent Company, 32.7% and 37.3% as of December 31, 2023 and 2022, respectively, are subject to periodic interest repricing. Remaining receivables from customers, for the Group and the Parent Company, earn annual fixed interest rates, as follows:

	2023	2022	2021
Peso-denominated	1.25% - 38.57%	2.00% - 38.57%	2.00% - 37.52%
Foreign currency-denominated	0.05% - 8.94%	0.05% - 9.14%	1.00% - 9.14%



Sales contracts receivable earns interest rates ranging from 7.75% to 12.00% and 10.00% to 13.00% as of December 31, 2023 and 2022, respectively, for the Group and the Parent Company.

14. Investments in Subsidiaries and Joint Ventures

This account consists of investments in:

	% of Ownership		Consolidated		Parent Company	
	2023	2022	2023	2022	2023	2022
Subsidiaries:						
Cost:						
SBCIC	100.00	100.00	₱-	₱-	₱500,000	₱500,000
SBCC	100.00	100.00	-	-	325,000	325,000
SFLI	100.00	100.00	-	-	125,000	125,000
SB Forex	100.00	100.00	-	-	50,000	50,000
			-	-	1,000,000	1,000,000
Accumulated equity in net income						
Balance at beginning of year			-	-	1,017,410	898,560
Share in net income			-	-	300,907	118,850
Balance at end of year			-	-	1,318,317	1,017,410
Accumulated equity in OCI						
Balance at beginning of year					91,387	84,414
Remeasurement gains (loss) on defined benefit plans			-	-	(5,174)	(1,493)
Net unrealized gain on financial assets at fair value through other comprehensive income*			-	-	4,013	8,466
Balance at end of year			-	-	90,226	91,387
			-	-	2,408,543	2,108,797
Joint Ventures:						
Cost:						
SBML	60.00	60.00	150,058	150,058	150,058	150,058
SBFI	49.96	49.96	2,095,655	2,095,655	2,095,655	2,095,655
			2,245,713	2,245,713	2,245,713	2,245,713
Accumulated equity in net income						
Balance at beginning of year			194,831	44,535	194,831	44,535
Share in net income			179,565	147,364	179,565	147,364
Remeasurement gains on defined benefit plans			4,962	2,932	4,962	2,932
Balance at end of year			379,358	194,831	379,358	194,831
			2,625,071	2,440,544	2,625,071	2,440,544
			₱2,625,071	₱2,440,544	₱5,033,614	₱4,549,341

*Arising from accumulated mark to market gain on equity securities.

The details of the dividends by the subsidiaries to the Parent Company are provided below:

Subsidiary	Date of declaration	Per share	Total amounts in thousands
SBCC	July 28, 2021	₱19.5 per share	₱63,375
SFLI	September 16, 2019	0.2 per share	19,204
SBCC	June 29, 2018	50.0 per share	162,500
SBCC	June 29, 2017	60.0 per share	195,000

Reclassification of SBFI to Joint Venture

On October 20, 2020, after obtaining regulatory approvals in the Philippines and in Thailand, the Parent Company completed the sale of the 7,075,000 SBFI shares to Krungsri for a total consideration of ₱1.53 billion. The shares sold represent 50% of the outstanding shares of SBFI. The Group and the Parent Company recorded a gain from sale amounting to ₱933.1 million. Accordingly, SBFI ceased to be a subsidiary of the Parent Company. The financial statements of SBFI were deconsolidated from the consolidated financial statements of the Group.



On February 23, 2021, the Parent Company's BOD approved an additional capital infusion amounting to ₱1.5 billion to SBFI. Krungsri likewise approved an equivalent capital infusion to SBFI of ₱1.5 billion for a total of ₱3.0 billion. SBFI issued 25,850,000 common shares which was subscribed on a 50:50 basis by the Parent Company and Krungsri.

On May 21, 2021, SBFI obtained the first tranche of capital infusion from the Parent Company and Krungsri amounting to ₱1.5 billion. SBFI issued 850,000 common shares with par value of P100 per share for ₱500.0 million from its remaining unissued common shares.

The remaining ₱1.0 billion from the first tranche represents subscription payments required by the SEC for SBFI's application to increase its authorized capital stock for an additional 25,000,000 common shares. This was approved by the SEC on December 29, 2021 and accordingly, SBFI issued the corresponding 10,000,000 common shares corresponding to the ₱1.0 billion subscription payment.

On January 18, 2022, SBFI obtained the second tranche of capital infusion from the Parent Company and Krungsri amounting to ₱1.5 billion. Accordingly, SBFI issued the remaining 15,000,000 common shares.

Financial Information of Joint Ventures

The summarized financial information of the joint ventures are set out below (in millions):

SBML:

	2023	2022
Cash and cash equivalents	₱99	₱88
Loans receivable held for sale	284	136
Loans and receivables	1,126	1,324
Other assets	108	91
Deposits on lease contracts	(356)	(425)
Bills payable	(337)	(363)
Accounts payable and other liabilities	(317)	(274)
Equity	607	577
Proportion of the Group's ownership	60%	60%
Carrying amount of the investment	₱364	₱346
	2023	2022
Income		
Leasing and interest income	₱103	₱99
Interest expense	(23)	(19)
Net interest income	80	80
Other income	62	70
Operating expenses	(104)	(110)
Income (loss) before income tax	38	40
Provision for income tax	(10)	(5)
Net income (loss)	28	35
Group's share for the year	₱17	₱20



SBFI:

	2023	2022
Cash and cash equivalents	₱589	₱243
Loans and receivables	8,680	7,600
Other Assets	1,531	1,136
Bills payable	(5,705)	(4,808)
Accrued expenses and other liabilities	(569)	21
Equity	4,526	4,192
Proportion of the Group's ownership	49.96%	49.96%
Carrying amount of the investment	₱2,261	₱2,094

	2023	2022
Income		
Interest income	₱3,116	₱2,281
Interest expense	(267)	(181)
Net interest income	2,849	2,100
Other income	652	594
Operating expenses	(3,043)	(2,414)
Income before income tax	458	280
Provision for income tax	(133)	(26)
Net income	325	254
Group's share for the year	₱162	₱127

SBML and SBFI have no contingent liabilities or capital commitments as of December 31, 2023 and 2022.

15. Property, Equipment and Right-of-Use Assets

The composition of and movements in the Group's and the Parent Company's property, equipment and right-of-use assets follow:

	Consolidated					Right-of-use Assets			Total
	Land	Building and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Building and Improvements	Transportation Equipment	Total Right-of-use assets	
December 31, 2023									
Cost									
Balance at beginning of year	₱427,784	₱2,654,457	₱5,112,711	₱2,277,857	₱225,485	₱3,227,818	₱15,513	₱3,243,331	₱13,941,625
Additions	35,222	55,641	1,484,176	724,786	171,215	625,648	15,797	641,445	3,112,485
Disposals	-	(27,193)	(178,239)	(457,652)	(1,376)	(390,192)	(10,191)	(400,383)	(1,064,843)
Amortization of leasehold improvements	-	-	-	-	(102,266)	-	-	-	(102,266)
Reclassifications and other adjustments (Note 17)	-	541	(985)	10,603	(275)	10,756	(476)	10,280	20,164
Balance at end of year	463,006	2,683,446	6,417,663	2,555,594	292,783	3,474,030	20,643	3,494,673	15,907,165
Accumulated depreciation									
Balance at beginning of year	-	1,965,513	3,654,830	1,362,143	-	1,662,827	2,949	1,665,776	8,648,262
Depreciation	-	100,623	605,662	327,658	-	704,909	7,911	712,820	1,746,763
Disposals	-	(25,697)	(155,368)	(395,481)	-	(364,711)	(2,644)	(367,355)	(943,901)
Reclassifications and other adjustments (Note 17)	-	-	-	5,942	-	(1,055)	-	(1,055)	4,887
Balance at end of year	-	2,040,439	4,105,124	1,300,262	-	2,001,970	8,216	2,010,186	9,456,011
Allowance for impairment loss (Note 16)									
Balance at the end of year	19,969	1,689	-	-	-	-	-	-	21,658
Net book value at end of year	₱443,037	₱641,318	₱2,312,539	₱1,255,332	₱292,783	₱1,472,060	₱12,427	₱1,484,487	₱6,429,496



	Consolidated								Total
	Land	Building and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Right-of-use Assets			
						Building and Improvements	Transportation Equipment	Total Right-of-use assets	
December 31, 2022									
Cost									
Balance at beginning of year	P441,288	P2,641,346	P4,553,748	P2,307,763	P262,562	P3,574,736	P10,969	P3,585,705	P13,792,412
Additions	-	55,752	746,416	405,574	77,345	922,570	15,854	938,424	2,223,511
Disposals	(13,504)	(6,411)	(122,808)	(522,926)	-	(1,347,313)	(11,310)	(1,358,623)	(2,024,272)
Amortization of leasehold improvements	-	-	-	-	(117,600)	-	-	-	(117,600)
Reclassifications and other adjustments (Note 17)	-	(36,230)	(64,645)	87,446	3,178	77,825	-	77,825	67,574
Balance at end of year	427,784	2,654,457	5,112,711	2,277,857	225,485	3,227,818	15,513	3,243,331	13,941,625
Accumulated depreciation									
Balance at beginning of year	-	1,891,091	3,198,208	1,392,101	-	2,101,976	9,374	2,111,350	8,592,750
Depreciation	-	102,979	566,709	418,207	-	726,319	4,884	731,203	1,819,098
Disposals	-	(5,377)	(119,703)	(474,321)	-	(1,158,351)	(11,309)	(1,169,660)	(1,769,061)
Reclassifications and other adjustments (Note 17)	-	(23,180)	9,616	26,156	-	(7,117)	-	(7,117)	5,475
Balance at end of year	-	1,965,513	3,654,830	1,362,143	-	1,662,827	2,949	1,665,776	8,648,262
Allowance for impairment loss (Note 16)									
Balance at the end of year	14,120	368	-	-	-	-	-	-	14,488
Net book value at end of year	P413,664	P688,576	P1,457,881	P915,714	P225,485	P1,564,991	P12,564	P1,577,555	P5,278,875

	Parent Company								Total
	Land	Building and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Right-of-use Assets			
						Building and Improvements	Transportation Equipment	Total Right-of-use assets	
December 31, 2023									
Cost									
Balance at beginning of year	P427,784	P2,654,457	P4,049,611	P298,875	P220,468	P3,227,818	P15,513	P3,243,331	P10,894,526
Additions	35,222	55,641	763,056	106,905	171,215	625,648	15,797	641,445	1,773,484
Disposals	-	(27,193)	(89,160)	(84,503)	(1,376)	(390,192)	(10,191)	(400,383)	(602,615)
Amortization of leasehold improvements	-	-	-	-	(102,084)	-	-	-	(102,084)
Reclassifications and other adjustments (Note 17)	-	541	(985)	10,603	(275)	10,756	(476)	10,280	20,164
Balance at end of year	463,006	2,683,446	4,722,522	331,880	287,948	3,474,030	20,643	3,494,673	11,983,475
Accumulated depreciation									
Balance at beginning of year	-	1,960,740	3,101,237	150,420	-	1,662,827	2,949	1,665,776	6,878,173
Depreciation	-	100,623	420,543	57,507	-	704,909	7,911	712,820	1,291,493
Disposals	-	(25,698)	(74,512)	(63,192)	-	(364,711)	(2,644)	(367,355)	(530,757)
Reclassifications and other adjustments (Note 17)	-	-	-	5,942	-	(1,055)	-	(1,055)	4,887
Balance at end of year	-	2,035,665	3,447,268	150,677	-	2,001,970	8,216	2,010,186	7,643,796
Allowance for impairment loss (Note 16)									
Balance at the end of year	19,969	1,689	-	-	-	-	-	-	21,657
Net book value at end of year	P443,037	P646,092	P1,275,254	P181,203	P287,948	P1,472,060	P12,427	P1,484,487	P4,318,022

	Parent Company								Total
	Land	Building and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Right-of-use Assets			
						Building and Improvements	Transportation Equipment	Total Right-of-use assets	
December 31, 2022									
Cost									
Balance at beginning of year	P441,288	P2,605,116	P3,784,854	P284,527	P260,783	P3,574,735	P10,969	P3,585,704	P10,962,272
Additions	-	55,752	388,821	65,842	77,345	922,570	15,854	938,424	1,526,184
Disposals	(13,504)	(6,411)	(106,423)	(58,779)	-	(1,347,312)	(11,310)	(1,358,622)	(1,543,739)
Amortization of leasehold improvements	-	-	-	-	(117,600)	-	-	-	(117,600)
Reclassifications and other adjustments (Note 17)	-	-	(17,641)	7,285	(60)	77,825	-	77,825	67,409
Balance at end of year	427,784	2,654,457	4,049,611	298,875	220,468	3,227,818	15,513	3,243,331	10,894,526
Accumulated depreciation									
Balance at beginning of year	-	1,863,138	2,798,542	137,022	-	2,094,859	9,374	2,104,233	6,902,935
Depreciation	-	102,979	406,366	52,790	-	726,319	4,884	731,203	1,293,338
Disposals	-	(5,377)	(103,671)	(44,702)	-	(1,158,351)	(11,309)	(1,169,660)	(1,323,410)
Reclassifications and other adjustments (Note 17)	-	-	-	5,310	-	-	-	-	5,310
Balance at end of year	-	1,960,740	3,101,237	150,420	-	1,662,827	2,949	1,665,776	6,878,173
Allowance for impairment loss (Note 16)									
Balance at the end of year	14,120	368	-	-	-	-	-	-	14,488
Net book value at end of year	P413,664	P693,349	P948,374	P148,455	P220,468	P1,564,991	P12,564	P1,577,555	P4,001,865

As of December 31, 2023 and 2022, the cost of fully depreciated property and equipment still in use amounted to P4.2 billion and P4.9 billion, respectively, for the Group and the Parent Company.

Gain or loss on disposal of equipment is included under 'Profit from assets sold/exchanged' in the statements of income. In 2023, 2022 and 2021, the Profit from assets sold/ exchanged amounted to



₱274.3 million, ₱66.6 million and ₱0.5 million, respectively, for the Group and ₱274.3 million, ₱67.0 million and ₱0.5 million for the Parent Company.

The details of depreciation and amortization recognized in the statements of income follow.

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Property, equipment and right-of-use assets	₱1,746,763	₱1,819,098	₱1,851,812	₱1,291,493	₱1,293,338	₱1,344,462
Leasehold improvements	102,266	117,600	135,131	102,083	117,600	134,662
Investment properties (Note 16)	228,276	103,010	67,235	228,276	103,010	67,235
Other properties acquired (Note 17)	72,868	74,811	118,911	72,868	74,811	118,911
	₱2,150,173	₱2,114,519	₱2,173,089	₱1,694,720	₱1,588,759	₱1,665,270

Set out below are the carrying amounts of lease liability (see Note 23) and the movements during the year:

	Consolidated		Parent	
	2023	2022	2023	2022
Balance at beginning of year	₱1,538,021	₱1,454,658	₱1,533,655	₱1,454,658
Additions	544,522	789,427	544,522	789,427
Disposals/pre-terminations	(23,053)	(191,215)	(23,053)	(191,216)
Accretion of interest	80,990	71,508	80,990	71,831
Payments	(748,610)	(586,357)	(744,244)	(591,045)
Balance at end of year	₱1,391,870	₱1,538,021	₱1,391,870	₱1,533,655

16. Investment Properties

The composition of and movements in the Group and the Parent Company's investment properties follow:

	Consolidated		
	Land	Building and Improvements	Total
December 31, 2023			
Cost			
Balance at beginning of year	₱1,704,013	₱1,993,517	₱3,697,530
Additions (Note 36)	866,629	1,510,337	2,376,966
Disposals	(391,917)	(142,091)	(534,008)
Balance at end of year	2,178,725	3,361,763	5,540,488
Accumulated Depreciation			
Balance at beginning of year	–	295,838	295,838
Depreciation (Note 15)	–	228,276	228,276
Disposals	–	(31,871)	(31,871)
Balance at end of year	–	492,243	492,243
Allowance for Impairment Loss			
Balance at beginning of year	99,748	97,273	197,021
Provision for impairment losses	25,305	59,944	85,249
Disposals	(21,526)	(3,101)	(24,627)
Balance at end of year	103,527	154,116	257,643
Net Book Value at End of Year	₱2,075,198	₱2,715,404	₱4,790,602



	Consolidated		
	Land	Building and Improvements	Total
December 31, 2022			
Cost			
Balance at beginning of year	P745,484	P668,317	P1,413,801
Additions (Note 36)	1,049,167	1,382,098	2,431,265
Disposals	(90,638)	(56,898)	(147,536)
Balance at end of year	1,704,013	1,993,517	3,697,530
Accumulated Depreciation			
Balance at beginning of year	-	213,483	213,483
Depreciation (Note 15)	-	103,010	103,010
Disposals	-	(20,655)	(20,655)
Balance at end of year	-	295,838	295,838
Allowance for Impairment Loss			
Balance at beginning of year	3,831	13,677	17,508
Provision for impairment losses	96,414	77,368	173,782
Disposals	(497)	6,228	5,731
Balance at end of year	99,748	97,273	197,021
Net Book Value at End of Year	P1,604,265	P1,600,406	P3,204,671

	Parent Company		
	Land	Building and Improvements	Total
December 31, 2023			
Cost			
Balance at beginning of year	P1,703,239	P1,993,516	P3,696,755
Additions (Note 36)	866,629	1,510,337	2,376,966
Disposals	(391,917)	(142,091)	(534,008)
Balance at end of year	2,177,951	3,361,762	5,539,713
Accumulated Depreciation			
Balance at beginning of year	-	295,839	295,839
Depreciation (Note 15)	-	228,276	228,276
Disposals	-	(31,871)	(31,871)
Balance at end of year	-	492,244	492,244
Allowance for Impairment Loss			
Balance at beginning of year	99,751	97,269	197,020
Provision for impairment losses	25,305	59,944	85,249
Disposals	(21,525)	(3,102)	(24,627)
Balance at end of year	103,531	154,111	257,642
Net Book Value at End of Year	P2,074,420	P2,715,407	P4,789,827

December 31, 2022			
Cost			
Balance at beginning of year	P684,735	P727,523	P1,412,258
Additions (Note 36)	1,109,141	1,322,123	2,431,264
Disposals	(90,637)	(56,130)	(146,767)
Balance at end of year	1,703,239	1,993,516	3,696,755
Accumulated Depreciation			
Balance at beginning of year	-	207,753	207,753
Depreciation (Note 15)	-	103,010	103,010
Disposals	-	(14,924)	(14,924)
Balance at end of year	-	295,839	295,839
Allowance for Impairment Loss			
Balance at beginning of year	3,337	19,901	23,238
Provision for impairment losses	96,414	77,368	173,782
Balance at end of year	99,751	97,269	197,020
Net Book Value at End of Year	P1,603,488	P1,600,408	P3,203,896



Investment properties are real estate properties acquired in settlement of loans and receivables. The difference between the fair value of the asset upon foreclosure and the carrying value of the loan is recognized under 'Profit from assets sold/exchanged'. In 2023, 2022 and 2021, the Profit from assets sold/ exchanged, amounted to ₱0.9 billion, ₱1.2 billion and ₱0.1 billion for the Group and the Parent Company.

The fair values of investment properties are disclosed in Note 6.

As of December 31, 2023 and 2022, the carrying value of investment properties still subject to redemption amounted to ₱1.3 billion and ₱2.0 billion, respectively, for the Group and the Parent Company.

The Group and the Parent Company have no investment properties, which are leased out under operating leases as of December 31, 2023, 2022 and 2021.

In 2023, 2022, and 2021, direct operating expenses, consisting of depreciation and amortization and repairs and maintenance (included under 'Occupancy costs' in the statements of income) pertaining to investment properties amounted to ₱72.9 million, ₱74.8 million, and ₱118.9 million, respectively, for the Group and ₱72.9 million, ₱74.8 million, and ₱118.9 million, respectively, for the Parent Company.

Provision for (recovery of) impairment losses on non-financial assets in the statements of income are as follows:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Property, equipment and right-of-use assets (Note 15)	₱21,422	₱433	₱7,884	₱21,422	₱433	(₱13,605)
Investment properties	85,249	173,782	(25,584)	85,249	173,782	(3,595)
Other properties acquired (Note 17)	28,009	32,845	2,547	28,009	32,845	2,547
	₱134,680	₱207,060	(₱15,153)	₱134,680	₱207,060	(₱14,653)

17. Intangible and Other Assets

Intangible assets consist of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Branch licenses	₱1,445,000	₱1,445,000	₱1,445,000	₱1,445,000
Software costs	3,516,055	2,281,225	3,515,263	2,280,076
Exchange trading right	8,000	9,000	-	-
	₱4,969,055	₱3,735,225	₱4,960,263	₱3,725,076



Branch licenses of the Group amounting to ₱1.5 billion represents the following:

- a. 1 branch license acquired in in 2017 amounting to ₱20.0 million;
- b. 4 branch licenses acquired in in 2016 amounting to ₱80.0 million;
- c. 23 branch licenses acquired in 2015 amounting to ₱345.0 million;
- d. 11 branch licenses acquired in 2014 amounting to ₱220.0 million;
- e. 26 branch licenses acquired in 2013 amounting to ₱520.0 million; and
- f. 13 branch licenses acquired in 2012 amounting to ₱260.0 million

Movements in software costs follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Cost				
Balance at beginning of year	₱4,643,991	₱3,578,676	₱4,497,568	₱3,432,280
Additions	1,926,760	1,098,153	1,926,659	1,098,126
Disposal	(291)	(21,879)	(291)	(21,879)
Reclassification (Note 15)	(16,614)	(10,959)	(16,614)	(10,959)
Balance at end of year	₱6,553,846	₱4,643,991	₱6,407,322	₱4,497,568
Accumulated Amortization				
Balance at beginning of year	₱2,362,766	₱1,811,598	₱2,217,492	₱1,666,893
Amortization	675,041	551,180	674,567	550,599
Disposal	(16)	(12)	-	-
Balance at end of year	3,037,791	2,362,766	2,892,059	2,217,492
Net Book Value at End of Year	₱3,516,055	₱2,281,225	₱3,515,263	₱2,280,076

As of December 31, 2023 and 2022, the latest transacted price of SBEI's exchange trading right amounted to ₱8.0 million and ₱9.0 million, respectively.

Other assets consist of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Cash collateral deposits	₱1,466,610	₱2,402,982	₱1,466,610	₱2,402,982
Other properties acquired – net	872,153	899,386	872,153	899,386
Prepaid expenses	702,353	363,435	627,309	329,263
Rental and security deposits (Note 32)	558,992	527,231	560,994	529,234
Due from brokers	311,044	407,824	311,044	407,824
Documentary stamps	277,476	348,758	277,476	348,758
Income tax credits	136,296	120,272	17,111	17,111
Due from trust	79,939	58,907	79,939	58,907
Returned checks and other cash items	50,560	35,434	50,560	35,434
Deferred input VAT	26,411	56,662	-	-
Pension asset (Note 28)	2,786	200,867	-	191,736
Miscellaneous	561,796	407,654	551,311	406,663
	₱5,046,416	₱5,829,412	₱4,814,507	₱5,627,298

Cash collateral deposits represent the Parent Company's restricted deposits for its treasury transactions such as interest rate swaps and SSURA. The carrying amount of these deposits approximates their fair value.

In 2023 and 2022, the gross carrying amount of cash collateral securities were carried at Stage 1 and there were no transfers into and out of Stage 1.



Other properties acquired represent chattel mortgages foreclosed from loan borrowers. Gain or loss upon foreclosure is included under ‘Profit from assets sold/exchanged’ in the statements of income. In 2023, 2022 and 2021 the Profit from assets sold/ exchanges, amounted to ₱59.8 million, ₱0.3 billion and ₱1.3 billion, respectively, for the Group and the Parent Company.

As of December 31, 2023 and 2022, ‘Other assets – miscellaneous’ includes prepaid employee benefits under car plan program amounting to ₱224.8 million and ₱181.9 million for the Group, respectively, and ₱223.7 million and ₱181.0 million for the Parent Company, respectively, and items in process for clearing amounting to ₱177.6 million and ₱133.8 million as of December 31, 2023 and 2022, respectively.

Movements in the other properties acquired by the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Cost				
Balance at beginning of year	₱993,047	₱243,545	₱993,047	₱243,518
Additions (Note 36)	505,628	1,608,374	505,628	1,608,374
Disposals	(455,277)	(858,872)	(455,277)	(858,845)
Reclassification (Note 15)	(5,112)	–	(5,112)	–
Balance at end of year	1,038,286	993,047	1,038,286	993,047
Accumulated Depreciation				
Balance at beginning of year	60,815	34,351	60,815	34,324
Depreciation (Note 15)	72,868	74,811	72,868	74,811
Disposals	(23,963)	(48,347)	(23,963)	(48,320)
Reclassification (Note 15)	(263)	–	(263)	–
Balance at end of year	109,457	60,815	109,457	60,815
Accumulated Impairment Loss				
Balance at beginning of year	32,846	2,547	32,846	2,547
Provision for impairment losses (Note 16)	28,009	32,845	28,009	32,845
Disposals	(4,148)	(2,497)	(4,148)	(2,497)
Reclassification	(31)	(49)	(31)	(49)
Balance at end of year	56,676	32,846	56,676	32,846
Net Book Value at End of Year	₱872,153	₱899,386	₱872,153	₱899,386

18. Deposit Liabilities

On June 23, 2023, the BSP through BSP Circular 1175, approved the 250 basis point reduction from 12.0% to 9.5% in the reserve requirement ratios of selected reservable liabilities of the Bank effective June 30, 2023. As of December 31, 2023, the Group was in compliance with such regulation.

As of December 31, 2023 and 2022, the Group and the Parent Company has set aside ‘Due from BSP’ as reserves amounting to ₱40.3 billion and ₱54.0 billion, respectively. Total interest income on ‘Due from BSP’ earned by the Group and Parent Company amounted to nil, ₱46.8 million and ₱606.5 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Long-term Negotiable Certificates of Deposit matured on May 8, 2023

On November 8, 2017, the Parent Company issued 3.875% fixed coupon rate (EIR of 4.01%) unsecured LTNCD at par value of ₱8.6 billion. The Parent Company incurred debt issue costs amounting to ₱58.9 million. On May 8, 2023, the Parent Company paid ₱8.6 billion unsecured LTNCD.

The issuance of the foregoing LTNCD under the terms approved by the BOD was approved by the BSP on October 5, 2017.



Long-term Negotiable Certificates of Deposit matured on November 2, 2023

On May 2, 2018, the Parent Company issued 4.50% fixed coupon rate (EIR of 4.69%) unsecured LTNCD at par value of ₱5.78 billion. The Parent Company incurred debt issue costs amounting to ₱53.6 million. On November 3, 2023, the Parent Company paid ₱53.6 million unsecured LTNCD.

The issuance of the foregoing LTNCD under the terms approved by the BOD was approved by the BSP on October 5, 2017.

Long-term Negotiable Certificates of Deposit maturing on March 23, 2025

On September 23, 2019, the Parent Company issued 4.00% fixed coupon rate (EIR of 4.18%) unsecured LTNCD at par value of ₱6.06 billion. The Parent Company incurred debt issue costs amounting to ₱54.9 million.

The issuance of the foregoing LTNCD under the terms approved by the BOD was approved by the BSP on May 30, 2019.

Long-term Negotiable Certificates of Deposit maturing on June 17, 2025

On December 17, 2019, the Parent Company issued 4.00% fixed coupon rate (EIR of 4.16%) unsecured LTNCD at par value of ₱2.31 billion. The Parent Company incurred debt issue costs amounting to ₱18.7 million.

The issuance of the foregoing LTNCD under the terms approved by the BOD was approved by the BSP on May 30, 2019.

Long-term Negotiable Certificates of Deposit maturing on August 5, 2025

On February 5, 2020, the Parent Company issued 4.00% fixed coupon rate (EIR of 4.16%) unsecured LTNCD at par value of ₱2.07 billion. The Parent Company incurred debt issue costs amounting to ₱16.6 million.

The issuance of the foregoing LTNCD under the terms approved by the BOD was approved by the BSP on May 30, 2019.

The movement of unamortized debt issue costs on LTNCDs follows:

	2023	2022
Beginning balance	₱54,214	₱92,427
Amortization	(30,228)	(38,213)
Balance at end of year	₱23,986	₱54,214

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Demand	₱371,371	₱242,646	₱204,516	₱390,094	₱243,015	₱204,819
Savings	129,558	70,062	107,435	129,725	70,167	107,715
Time	6,909,626	3,683,052	1,581,248	6,955,973	3,701,867	1,587,676
LTNCD	784,551	1,047,352	1,047,599	784,551	1,047,352	1,047,599
	₱8,195,106	₱5,043,112	₱2,940,798	₱8,260,343	₱5,062,401	₱2,947,809



Ranges of annual fixed interest on deposit liabilities excluding LTNCD follow:

	2023	2022	2021
Peso-denominated	0.01%-6.75%	0.01%-6.65%	0.01%-3.28%
Foreign currency-denominated	0.01%-5.50%	0.01%-5.10%	0.01%-1.97%

19. Financial Liabilities at Fair Value through Profit or Loss

This account consists of:

	2023	2022
Derivative liabilities (Note 6):		
Currency forwards	P2,940,101	P1,126,730
Interest rate futures	28,592	–
Bonds forward	13	3,334
Interest rate swaps	–	622,754
	P2,968,706	P1,752,818

Interest expense on derivative instruments consists of:

	2023	2022	2021
Interest rate swaps	P567,504	P300,435	P217,100
Cross-currency swaps	44,615	105,986	131,749
	P612,119	P406,421	P348,849

20. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		Parent Company	
	2023	2022	2023	2022
SSURA	P46,525,809	P23,360,860	P46,525,809	P23,360,860
Local government banks with relending facilities	117,965	4,633,186	117,965	4,633,186
Foreign banks	–	5,017,950	–	5,017,950
Local banks	4,695,331	7,908,407	4,629,497	7,790,073
	P51,339,105	P40,920,403	P51,273,271	P40,802,069

The following are the carrying values of the investment securities pledged and transferred under SSURA transactions of the Group:

	December 31, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at FVTPL (Note 10)				
Government securities	P3,813,159	P3,813,159	P3,857,764	P3,857,764
Financial assets at FVTOCI (Note 11)				
Treasury bonds	19,832,200	19,832,200	4,142,731	4,142,731
Investment securities at amortized cost (Note 12)				
Private bonds	31,093,477	30,551,895	19,888,110	18,708,912
	P54,738,836	P54,197,254	P27,888,605	P26,709,407



For the years ended December 31, 2023, 2022 and 2021, interest expense on bills payable and SSURA, notes payable, subordinated notes and other borrowings in the statements of income consist of the following:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Notes and bonds payable (Note 21)	₱2,696,656	₱1,456,891	₱1,726,394	₱2,696,656	₱1,456,891	₱1,726,394
Bills payable and SSURA	2,771,815	528,168	324,661	2,765,987	523,888	317,836
Others	4,750	2,668	22,595	38	62	22,595
	₱5,473,221	₱1,987,727	₱2,073,650	₱5,462,681	₱1,980,841	₱2,066,825

Annual fixed interest rate ranges on the Group's and the Parent Company's interbank borrowings and rediscounting availments follow:

	2023	2022	2021
Interbank borrowings:			
Peso-denominated	1.50%-8.00%	1.50%-8.00%	1.50%-8.00%
Foreign currency-denominated	4.17%-6.04%	0.05%-4.83%	0.02%-1.33%

21. Notes and Bonds Payable

This account consists of the following:

	2023	2022
Fixed rate bonds due January 2025	₱18,396,413	₱-
Fixed rate bonds due January 2024	15,995,449	15,910,768
Fixed rate bonds due May 2024	14,571,659	14,496,317
Senior unsecured notes due September 2023	-	16,704,608
	₱48,963,521	₱47,111,693

Senior Unsecured Notes due September 2023

In September 2018, the Parent Company issued \$300.0 million senior unsecured notes ("Senior Notes") due on September 25, 2023. The Senior Notes, which are listed in the Singapore Stock Exchange, were priced at a discount, with a coupon rate of 4.50% fixed rate (EIR of 4.68%) payable on a semi-annual basis commencing on March 25, 2019. The Parent Company incurred debt issue costs amounting to ₱57.6 million.

On September 25, 2023, the Parent Company paid ₱17.1 billion senior unsecured notes.

Fixed Rate Bonds due July 2022

On July 24, 2020, the Parent Company issued ₱13.5 billion fixed rate bonds due on July 24, 2022. The bond, which are listed in Philippine Dealing and Exchange Corporation, were priced at par with a coupon rate of 3.125% fixed rate payable on a quarterly basis commencing on October 24, 2020. The Parent Company incurred debt issue costs amounting to ₱11.2 million.

On July 25, 2022, the Parent Company paid ₱13.5 billion fixed rate bonds.



Fixed Rate Bonds due June 2021

On June 28, 2019, the Parent Company issued ₱18.0 billion fixed rate bonds due on June 28, 2021. The bond, which are listed in Philippine Dealing and Exchange Corporation, were priced at par with a coupon rate of 5.875% fixed rate payable on a quarterly basis commencing on September 28, 2019. The Parent Company incurred debt issue costs amounting to ₱160.8 million. This fixed rate bond already matured and is no longer outstanding as of December 31, 2021.

Fixed Rate Bonds due January 2024

On July 20, 2022, the Parent Company issued ₱16.0 billion fixed rate bonds due on January 20, 2024. The bond, which are listed in Philippine Dealing and Exchange Corporation, were priced at par with a coupon rate of 3.7407% fixed rate (EIR of 4.29%) payable on a quarterly basis commencing on October 20, 2022. The Parent Company incurred debt issue costs amounting to ₱126.0 million.

On January 22, 2024, the Parent Company paid ₱16.0 billion fixed rate bonds.

Fixed Rate Bonds due May 2024

On November 10, 2022, the Parent Company issued ₱14.6 billion fixed rate bonds due on May 10, 2024. The bond, which are listed in Philippine Dealing and Exchange Corporation, were priced at par with a coupon rate of 5.3000% fixed rate (EIR of 5.85%) payable on a quarterly basis commencing on February 10, 2023. The Parent Company incurred debt issue costs amounting to ₱114.1 million.

Fixed Rate Bonds due January 2025

On July 13, 2023, the Parent Company issued ₱18.5 billion fixed rate bonds due on January 13, 2025. The bond, which are listed in Philippine Dealing and Exchange Corporation, were priced at par with a coupon rate of 6.4250% fixed rate (EIR of 6.9901%) payable on a quarterly basis commencing on October 13, 2023. The Parent Company incurred debt issue costs amounting to ₱147.6 million.

The movements in unamortized discount follow:

	2023	2022
Balance at beginning of year	₱214,807	₱78,387
Additions	147,646	240,038
Amortization	(251,205)	(182,309)
Translation adjustment	25,231	78,691
Balance at end of year	₱136,479	₱214,807

22. Accrued Interest, Taxes and Other Expenses

This account consists of:

	<u>Consolidated</u>		<u>Parent Company</u>	
	2023	2022	2023	2022
Accrued interest payable (Note 31)	₱1,891,893	₱1,838,597	₱1,893,601	₱1,844,730
Accrued other expenses payable	1,843,864	1,790,180	1,750,777	1,766,817
Accrued other taxes and licenses payable	818,453	519,582	789,134	502,004
Pension liability - net (Notes 28 and 31)	290,522	5,167	289,629	-
	₱4,844,732	₱4,153,526	₱4,723,141	₱4,113,551

Accrued other expenses payable includes accrual for various operating expenses such as payroll, repairs and maintenance, utilities, rental, and contractual services. This also includes estimated provision for probable losses arising from various legal cases of the Group (see Note 33).



23. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Accounts payable (Note 31)	₱4,047,392	₱2,675,545	₱3,920,437	₱2,611,583
Other deferred credits	1,527,736	1,444,777	1,527,736	1,444,777
Lease liability (Notes 2 and 15)	1,391,870	1,538,021	1,391,870	1,533,655
Bills purchased - contra	833,344	884,311	833,344	884,311
Provision for ECL on loan commitments and financial guarantees (Note 33)	606,059	277,722	606,059	277,722
Payable to brokers	603,515	1,560,367	–	–
Cash collateral on borrowings	415,679	955,641	415,679	955,641
Insurance premiums payable	412,145	197,208	412,145	197,208
Withholding taxes payable	405,112	316,096	398,847	311,757
Due to the Treasurer of the Philippines	245,840	181,309	245,840	181,309
Security Deposit on Lease Contracts	176,084	138,403	–	–
Rewards for cardholders	173,146	80,407	173,146	80,407
Unearned initial milestone fee	110,218	319,770	110,218	319,770
Provision related to legal cases	106,400	130,593	106,400	130,593
Subscription payable	30,000	30,000	123,750	123,750
Deposits for keys of safety deposit boxes	7,523	7,297	7,523	7,297
Dividends payable	24	8,211	–	8,187
Miscellaneous	788,302	471,750	715,382	427,094
	₱11,880,389	₱11,217,428	₱10,988,376	₱9,495,061

Miscellaneous liabilities include Social Security System pension for the Group's depositors amounting to ₱48.3 million and ₱41.7 million as of December 31, 2023 and 2022, respectively, and items in process for clearing amounting to ₱541.9 million and ₱365.4 million as of December 31, 2023 and 2022, respectively.

24. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled (amounts in millions):

	Consolidated			Parent Company		
	Within One Year	Over One Year	Total	Within One Year	Over One Year	Total
December 31, 2023						
Financial Assets						
Cash and other cash items	₱13,947	₱–	₱13,947	₱13,947	₱–	₱13,947
Due from BSP	45,821	–	45,821	45,821	–	45,821
Due from other banks	12,023	–	12,023	11,964	–	11,964
Interbank loans receivable and SPURA	2,581	1,500	4,081	2,581	1,500	4,081
Financial assets at FVTPL:						
HFT investments	9,964	–	9,964	9,964	–	9,964
Derivative assets	912	10	922	912	10	922
Total financial assets at FVTPL	10,876	10	10,886	10,876	10	10,886
Financial assets at FVTOCI	7,626	132,235	139,861	7,626	132,191	139,817
Investment securities at amortized cost	14,802	61,405	76,207	14,802	61,405	76,207
Loans and receivables - at gross	253,417	302,572	555,989	254,625	302,572	557,197
Other assets	2,464	714	3,178	2,450	710	3,160
Total financial assets	363,557	498,436	861,993	364,692	498,388	863,080

(Forward)



	Consolidated			Parent Company		
	Within One Year	Over One Year	Total	Within One Year	Over One Year	Total
Non-financial Assets						
Investments in subsidiaries and joint ventures	P-	P2,625	P2,625	P-	P5,034	P5,034
Property and equipment (Net)	-	6,429	6,429	-	4,318	4,318
Investment properties	-	4,791	4,791	-	4,790	4,790
Deferred tax assets	-	5,703	5,703	-	5,664	5,664
Goodwill	-	842	842	-	842	842
Intangible assets	-	4,969	4,969	-	4,960	4,960
Other assets	997	872	1,869	782	872	1,654
Total non-financial assets	997	26,231	27,228	782	26,480	27,262
	P364,554	P524,667	889,221	P365,474	P524,868	P890,342
Less: Allowance for credit losses			15,569			15,542
Unearned discounts and deferred credits			2,143			2,143
Total Assets			P871,509			P872,657
Financial Liabilities						
Deposit liabilities	P548,879	P57,652	P606,531	P551,130	P57,652	P608,782
Financial liabilities at FVTPL	2,969	-	2,969	2,969	-	2,969
Bills payable and SSURA	48,981	2,358	51,339	48,960	2,313	51,273
Acceptances payable	2,783	-	2,783	2,783	-	2,783
Margin deposits and cash letters of credit	58	-	58	58	-	58
Manager's and certified checks outstanding	5,209	-	5,209	5,209	-	5,209
Notes payable	30,567	18,397	48,964	30,567	18,397	48,964
Accrued interest, taxes and other expenses	4,026	-	4,026	3,934	-	3,934
Other liabilities	8,862	1,665	10,527	8,202	1,487	9,689
Total financial liabilities	652,334	80,072	732,406	653,812	79,849	733,661
Non-financial Liabilities						
Income tax payable	802	-	802	776	-	776
Accrued interest, taxes and other expenses	818	-	818	789	-	789
Other liabilities	1,344	9	1,353	1,298	-	1,298
Total non-financial liabilities	2,964	9	2,973	2,863	-	2,863
Total Liabilities	P655,298	P80,081	P735,379	P656,675	P79,849	P736,524
December 31, 2022						
Financial Assets						
Cash and other cash items	P13,180	P-	P13,180	P13,180	P-	P13,180
Due from BSP	63,011	-	63,011	63,011	-	63,011
Due from other banks	20,098	-	20,098	20,034	-	20,034
Interbank loans receivable and SPURA	25,517	1,998	27,515	25,517	1,998	27,515
Financial assets at FVTPL:						
HFT investments	4,902	-	4,902	4,902	-	4,902
Derivative assets	1,917	748	2,665	1,917	748	2,665
Total financial assets at FVTPL	6,819	748	7,567	6,819	748	7,567
Financial assets at FVTOCI	3,274	109,617	112,891	3,275	109,577	112,852
Investment securities at amortized cost	5,614	63,616	69,230	5,614	63,616	69,230
Loans and receivables - at gross	276,721	244,250	520,971	276,704	243,902	520,606
Other assets	3,507	527	4,034	3,496	529	4,025
Total financial assets	417,741	420,756	838,497	417,650	420,370	838,020

(Forward)



	Consolidated			Parent Company		
	Within One Year	Over One Year	Total	Within One Year	Over One Year	Total
Non-financial Assets						
Investments in subsidiaries and joint ventures	P-	P2,441	P2,441	P-	P4,549	P4,549
Property and equipment (Net)	-	5,279	5,279	-	4,002	4,002
Investment properties	-	3,205	3,205	-	3,204	3,204
Deferred tax assets	-	4,851	4,851	-	4,823	4,823
Goodwill	-	842	842	-	842	842
Intangible assets	-	3,735	3,735	-	3,725	3,725
Other assets	897	899	1,796	703	899	1,602
Total non-financial assets	897	21,252	22,149	703	22,044	22,747
	P418,638	P442,008	860,646	P418,353	P442,414	P860,767
Less: Allowance for credit losses			16,480			16,446
Unearned discounts and deferred credits			1,875			1,875
Total Assets			P842,291			P842,446
Financial Liabilities						
Deposit liabilities	P573,440	P32,397	P605,837	P576,975	P30,904	P607,879
Financial liabilities at FVTPL	1,753	-	1,753	1,753	-	1,753
Bills payable and SSURA	35,769	5,151	40,920	35,651	5,151	40,802
Acceptances payable	1,075	10	1,085	1,075	10	1,085
Margin deposits and cash letters of credit	64	-	64	64	-	64
Manager's and certified checks outstanding	4,103	-	4,103	4,103	-	4,103
Notes payable	16,705	30,407	47,112	16,705	30,407	47,112
Accrued interest, taxes and other expenses	3,634	-	3,634	3,612	-	3,612
Other liabilities	9,357	1,646	11,003	7,699	1,598	9,297
Total financial liabilities	645,900	69,611	715,511	647,637	68,070	715,707
Non-financial Liabilities						
Income tax payable	198	-	198	190	-	190
Accrued interest, taxes and other expenses	520	-	520	502	-	502
Other liabilities	211	3	214	197	-	197
Total non-financial liabilities	929	3	932	889	-	889
Total Liabilities	P646,829	P69,614	P716,443	P648,526	P68,070	P716,596

25. Equity

As of December 31, 2023 and 2022, the Parent Company's capital stock consists of:

	Shares*	Amount
Common stock - P10 par value		
Authorized	1,000,000,000	P10,000,000
Issued and outstanding		
Balance at the beginning and end of the period	753,538,887	7,535,389
Preferred stock - P0.10 par value		
Authorized	1,000,000,000	100,000
Issued and outstanding		
Balance at the beginning and end of the period	1,000,000,000	100,000
	1,753,538,887	P7,635,389

*Absolute number of shares



On November 26, 2013, the Parent Company's stockholders approved and authorized the following:

1. Creation of 1.0 billion non-cumulative, non-participating, non-convertible voting Preferred Stock with par value of ₱0.1 each and issuance of approximately 602.8 million of such Preferred Stock; and
2. Increase in authorized capital stock from ₱10.0 billion to ₱10.1 billion broken down into ₱10.0 billion Common Stock and ₱100.0 million Preferred Stock.

The Preferred Stock was offered to eligible common stockholders, with each eligible stockholder entitled to subscribe to one voting preferred share for every one common stock held as of the record date, June 16, 2014.

On July 10, 2014, the Parent Company issued the first tranche of non-cumulative, non-participating, non-convertible Preferred Stock of 602,831,109 with 0.1 par value. The dividend rate is 3.90% repricing every 10 years.

On April 1, 2016, the Parent Company issued the second tranche of non-cumulative, non-participating, non-convertible Preferred Stock of 397,168,891 with 0.1 par value. The dividend rate is 4.805% repricing every 10 years.

The Preferred Stock is redeemable at the sole option of the Parent Company at its issue price. Redemption shall at all times be subject to regulation of the BSP and shall require (i) prior approval of the BSP; (ii) replacement with at least an equivalent amount of newly paid-in shares; (iii) a lapse of at least five (5) years from the date of issuance; and (iv) solvency of the Parent Company. Redemption shall not be allowed when the Parent Company is insolvent or if such redemption will cause insolvency, impairment of capital or inability of the Parent Company to meet its debts as they mature.

A sinking fund for the redemption of Preferred Shares amounting ₱100.0 million is created upon their issuance, to be effected by the transfer of free surplus to a restricted surplus account and shall not be available for dividend distribution.

Details of the Parent Company's cash dividend distribution follow:

Shares	Date of declaration	Per share	Dividend		Record date	Payment date
			Per share	Total amounts in thousands		
Common	October 24, 2023	₱1.50	₱1,130,308		November 10, 2023	November 24, 2023
Common	March 28, 2023	1.50	1,130,308		April 14, 2023	April 28, 2023
Preferred	February 28, 2023	0.0039	2,351		June 26, 2023	July 10, 2023
Preferred	February 28, 2023	0.0048	1,908		March 20, 2023	April 3, 2023
Common	October 25, 2022	1.50	1,130,308		November 10, 2022	November 24, 2022
Common	March 29, 2022	1.50	1,130,308		April 12, 2022	April 28, 2022
Preferred	February 22, 2022	0.0039	2,351		June 27, 2022	July 11, 2022
Preferred	February 22, 2022	0.0048	1,908		March 18, 2022	April 1, 2022
Common	October 26, 2021	1.50	1,130,308		November 10, 2021	November 24, 2021
Common	March 20, 2021	1.00	753,539		April 16, 2021	April 29, 2021
Common	March 20, 2021	0.5000	376,770		April 16, 2021	April 29, 2021
Preferred	February 23, 2021	0.0039	2,351		June 28, 2021	July 12, 2021
Preferred	February 23, 2021	0.0048	1,908		March 18, 2021	April 5, 2021

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 16 issued in September 2023 differs to a certain extent from the computation following BSP guidelines including capital adequacy requirements and other considerations such as general



loan loss reserves. However, on September 17, 2015, the BSP through MB Resolution No. 1516, allowed banks to declare and pay dividends without prior BSP verification provided that pre-qualification criteria including capital adequacy requirements are met.

The track record of the Parent Company's registration of securities in compliance with the Securities Regulation Code Rule 68 Annex 68-D 1(I) follows:

a. Authorized Shares

<u>Date of SEC Approval</u>	<u>Type of Shares</u>	<u>Authorized Number of Shares*</u>
April 8, 2014	Preferred	1,000,000,000
November 11, 2013	Common	1,000,000,000
July 29, 1998	Common	600,000,000
February 19, 1997	Common	450,000,000
June 8, 1995	Common	200,000,000

* Absolute number of shares

b. Stock Dividends

<u>Date of BSP Approval</u>	<u>Percentage</u>
July 11, 2013	20.00%
March 29, 2011	20.00%
May 26, 1998	13.75%
April 29, 1997	20.00%
March 26, 1996	20.00%

c. Stock Rights Offering

<u>Date of SEC Approval</u>	<u>Number of shares Registered*</u>	<u>Offer Price</u>
October 8, 2009	89,285,714	₱28.00 per share
February 19, 1997	65,037,768	25.00 per share

*Absolute number of shares

d. Number of Shareholders

<u>Year End</u>	<u>Number of shareholders</u>
December 31, 2023	2,139
December 31, 2022	2,151
December 31, 2021	2,154

In the consolidated financial statements, a portion of the Group's surplus corresponding to the accumulated net earnings of the subsidiaries amounting to ₱557.6 million and ₱383.6 million as of December 31, 2023 and 2022, respectively, is not available for dividend declaration. This accumulated equity in net earnings becomes available for dividend declaration upon receipt of dividends from the investees, subject also to SEC and BSP rules on dividend declaration.



Surplus reserves of the Group and the Parent Company consist of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Reserve for regulatory requirements	₱3,546,865	₱3,967,265	₱3,546,865	₱3,967,265
Reserve for self-insurance	1,015,500	1,015,500	1,015,500	1,015,500
Reserve for trust business	412,811	383,706	412,811	383,706
Reserve for redemption of preferred stock	100,000	100,000	100,000	100,000
	₱5,075,176	₱5,466,471	₱5,075,176	₱ 5,466,471

In compliance with existing BSP regulations, 10.0% of the net profits realized by the Parent Company from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Parent Company's regulatory capital.

To comply with Securities Regulation Code Rule 49.1 (B), *Reserve Fund*, requiring broker dealers to annually appropriate a certain minimum percentage of its audited profit after tax as reserve fund, a portion of the Group's surplus corresponding to the net earnings of SBEI amounting to ₱39.6 million and ₱39.5 million as of December 31, 2023 and 2022, respectively, has been appropriated in the consolidated financial statements and is not available for dividend declaration.

The following table shows the components of comprehensive income closed to Surplus:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Net income attributable to the equity holders of the Parent Company	₱9,105,438	₱10,555,599	₱6,916,970	₱9,105,438	₱10,561,008	₱6,938,503
Remeasurement gains (losses) on defined benefit plans (Notes 14 and 28)	(289,840)	(138,577)	413,246	(289,840)	(138,577)	413,246
	₱8,815,598	₱10,417,022	₱7,330,216	₱8,815,598	₱10,422,431	₱7,351,749

Capital Management

The Group considers the equity attributable to the equity holders of the Parent Company as the capital base of the Group. The primary objectives of the Group's capital management are to ensure that it complies with capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities and assessment of prospective business requirements or directions. In order to maintain or adjust the capital structure, the Group may adjust the amount and mode of dividend payment to shareholders, issue capital securities or undertake a share buy-back. No changes were made in the objectives, policies and processes from the previous year.



The Parent Company adopted a dividend policy that is intended to support the Bank to weather the uncertainties and volatilities in the market; comply with the higher requirements of Basel III and the BSP; maintain strong credit ratings; minimize the need for capital calls in the medium-term; and provide a capital base for business expansion that will create value over the long-term for all stakeholders. In declaring dividend pay-outs, may use a combination of regular and special dividends such that the dividend pay-out for Common Shares generally may range from 15% to 30% of prior year's NIAT.

BSP Reporting

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

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

Common Equity Tier 1 (CET1) ratio	6.00%
Tier 1 Capital ratio	7.50%
Total Capital Adequacy Ratio (CAR)	10.00%
Capital Conservation Buffer *	2.50%

**composed of CET1 capital on top of the minimum CET1 requirement*

BSP Circular No. 856 covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased in starting January 1, 2017, with full compliance on January 1, 2019.

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, additional paid-in capital, retained earnings including current year profit, retained earnings reserves, OCI and non-controlling interest less required regulatory deductions. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debts and general loan loss provision. RWA consist of total assets excluding cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. Operational RWA are computed using the Basic Indicator Approach.



The CAR of the Group and of the Parent Company as reported to the BSP as of December 31, 2023 and 2022 follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Tier 1 Capital	₱130,488,792	₱120,397,856	₱130,488,792	₱120,397,856
Less Required deductions	21,235,215	15,286,081	25,493,544	18,509,954
	109,253,577	105,111,775	104,995,248	101,887,902
Excess from Tier 2 deducted to Tier 1 Capital*	-	-	-	-
Net Tier 1 Capital	109,253,577	105,111,775	104,995,248	101,887,902
Tier 2 Capital	6,327,332	3,191,713	6,296,513	3,191,535
Less: Required deductions	-	-	-	-
	6,327,332	3,191,713	6,296,513	3,191,535
Excess of Tier 2 deducted to Tier 1 Capital*	-	-	-	-
Net Tier 2 Capital	6,327,332	3,191,713	6,296,513	3,191,535
Total Qualifying Capital	₱115,580,909	₱108,303,488	₱111,291,761	₱105,079,437
Credit Risk-Weighted Assets	₱632,168,889	₱582,441,067	₱629,056,303	₱579,379,526
Market Risk-Weighted Assets	16,489,117	7,257,879	16,489,117	7,257,875
Operational Risk-Weighted Assets	65,420,128	62,891,089	63,559,171	60,413,586
Total Risk Weighted Assets	₱714,078,134	₱652,590,035	₱709,104,591	₱647,050,987
CET 1 Ratio	15.30%	16.11%	14.81%	15.75%
Tier 1 CAR	15.30%	16.11%	14.81%	15.75%
Total CAR	16.19%	16.60%	15.69%	16.24%

*Deductions to Tier 2 Capital are capped at its total gross amount and any excess shall be deducted from Tier 1 Capital.

The Group and its individually regulated operations have complied with all regulatory capital requirements throughout the year.

The Bank Viability Assessment Process supplements the BSP's risk-based capital adequacy framework. In compliance with this, the Group has adopted and developed its Internal Capital and Liquidity Assessment frameworks to ensure that appropriate level and quality of capital and liquidity are maintained by the Group. Under these frameworks, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget as well as regulatory edicts.

Basel III Leverage Ratio (BLR)

BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk based capital requirements and shall not be less than 5.00%.

The details of the BLR as reported to the BSP, as of December 31, 2023 and 2022 follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Tier 1 Capital	₱109,253,577	₱105,111,775	₱104,995,247	₱101,887,902
Exposure Measure	1,033,488,172	904,525,595	1,030,374,836	901,429,237
BLR	10.57%	11.62%	10.19%	11.30%



Under the framework, BLR is defined as the capital measure divided by the exposure measure. Capital measure is Tier 1 capital. Exposure measure is the sum of on balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items.

Liquidity Coverage Ratio (LCR)

BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is aimed to promote short-term resilience against liquidity risk by requiring banks to maintain an adequate stock of unencumbered high-quality liquid assets (HQLAs) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. Bank shall maintain an LCR not be lower than 100.00%. As of December 31, 2023 and 2022, the LCR in single currency as reported to the BSP, was at 157.98% and 144.23%, respectively, for the Group, and 157.22% and 142.78%, respectively, for the Parent Company.

Net Stable Funding Ratio (NSFR)

On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards NSFR. The NSFR is aimed to promote long term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100% at all times. As of December 31, 2023 and 2022, the NSFR as reported to the BSP, was at 131.05 % and 121.80%, respectively, for the Group, and 130.94% and 121.85%, respectively, for the Parent Company.

26. Trust Operations

Securities and other properties held by the Parent Company in a fiduciary or agency capacity for clients and beneficiaries are not included in the accompanying statements of financial position since these are not assets of the Parent Company.

As of December 31, 2023 and December 31, 2022, government securities included under 'Financial Assets at Fair Value through Other Comprehensive Income' with a total face value of ₱1.2 billion and ₱1.0 billion, respectively, were deposited with the BSP in compliance with the requirements of the General Banking Law relative to the Parent Company's trust functions (see Note 11).

27. Income Taxes

Provision for (benefit from) income tax consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Current:						
Final	₱1,474,423	₱1,060,856	₱747,213	₱1,461,382	₱1,056,722	₱745,932
Corporate – RCIT	2,597,632	1,488,709	565,229	2,539,044	1,425,117	530,622
Corporate – MCIT	6,015	1,709	239	–	–	–
	4,078,070	2,551,274	1,312,681	4,000,426	2,481,839	1,276,554
Deferred	(1,124,595)	778,266	2,031,929	(1,110,716)	774,271	2,009,584
	₱2,953,475	₱3,329,540	₱3,344,610	₱2,889,710	₱3,256,110	₱3,286,138



The Group's provision for income tax - current represents final tax, RCIT of the Parent Company's RBU and SBCIC; and MCIT of SBRC, SBEI, SBCC, SBFI and other subsidiaries.

Under Philippine tax laws, the Parent Company and its financial intermediary subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of documentary stamp tax and gross receipts tax.

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE). Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect on April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Group and to the Parent Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Effective July 1, 2020, interest expense allowed as a deductible expense is reduced to 20.0% from 33% of interest income subject to final tax.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023, then will revert to two percent (2%) effective July 1, 2023. Accordingly, the rate of minimum corporate income tax (MCIT) for CY 2023 is one and a half percent (1.5%).
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Applying the provisions of the CREATE Act, the Group and the Parent Company is subject to lower regular corporate income tax rate of 25% effective July 1, 2020.
- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated corporate income tax rate of the Group and the Parent Company for the year 2020 is 27.5%. This will result in a lower provision for current income tax for the year ended December 31, 2020 by ₱171.5 million. The reduced amounts were reflected in the Group's and Parent Company's 2020 annual income tax return. However, for financial reporting purposes, the changes are recognized in the 2021 financial statements.

In 2021, this also resulted to a write-down of the deferred tax assets and liabilities of the Group and Parent Company recognized as of December 31, 2020 by ₱1.2 billion. This is recognized as provision for income tax - deferred expense in the 2021 financial statements.



Republic Act (RA) No. 9294, which became effective in May 2004, provides that the income derived by the FCDU from foreign currency transactions with non-residents, offshore banking units (OBUs), and local commercial banks, including branches of foreign banks, is tax-exempt while interest income on foreign currency-denominated loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.0% income tax.

Components of net deferred tax assets follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Deferred tax assets on:				
Allowance for credit and impairment losses	₱3,959,793	₱4,072,533	₱3,952,265	₱4,063,776
Unrealized loss on derivative liabilities	712,714	280,718	712,714	280,718
Lease liability	348,532	385,665	347,967	383,414
Unrealized loss on investment in debt securities	207,249	462,004	207,249	462,004
Accrued expenses	182,301	313,372	179,183	310,525
Unamortized past service cost	177,888	210,177	174,792	206,424
Undrawn commitments	150,568	68,614	150,568	68,614
Accumulated depreciation on investment properties	150,425	73,960	150,425	73,960
Others*	384,141	55,996	354,416	35,305
	6,273,611	5,923,039	6,229,579	5,884,740
Deferred tax liabilities on:				
Right-of-use asset	371,562	396,077	371,122	394,389
Unrealized gain on derivative assets	134,375	491,420	134,375	491,420
Unrealized gain on financial assets at FVTOCI	60,134	44,182	59,386	44,041
Accrued rent income	3,743	4,189	568	568
Retirement asset	697	53,002	-	47,934
Others	-	83,065	-	83,065
	570,511	1,071,935	565,451	1,061,417
Net deferred tax assets	₱5,703,100	₱4,851,104	₱5,664,128	₱4,823,323

*Includes unrealized loss on foreclosures amounting ₱238.7 million.

Movement in net deferred tax assets of the Group in 2023 and 2022 charged against statement of comprehensive income amounted to (₱270.5) million and ₱383.9 million, respectively.

Movement in net deferred tax assets of the Parent Company in 2023 and 2022 charged against statement of comprehensive income amounted to (₱269.9) million and ₱383.9 million, respectively.



As of December 31, 2023 and 2022, deferred tax assets of the Group and Parent-FCDU have not been recognized in respect of the deductible temporary differences follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
NOLCO	₱846,349	₱434,595	₱791,701	₱98,808
MCIT	6,121	1,872	-	-
Allowance for credit and impairment losses	70	886	-	-
	₱852,540	₱437,353	₱791,701	₱98,808

Details of the MCIT credits follow:

Inception Year	Consolidated			
	Amount	Expired	Balance	Expiry Year
2020	₱969	₱969	₱-	2023
2021	381	-	381	2024
2022	1,811	-	1,811	2025
2023	6,835	-	6,835	2026
	₱9,996	₱969	₱9,027	

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of Bayanihan to Recover as One Act which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2023, the Group have available NOLCO which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years immediately following the year of such loss. Details as follows:

Inception Year	Consolidated			
	Amount	Used	Balance	Expiry Year
2022	₱164,708	₱36,469	₱128,239	2025
2023	715,732	-	715,732	2026
	₱880,440	₱36,469	₱843,971	

Inception Year	Parent Company			
	Amount	Used	Balance	Expiry Year
2022	₱98,808	₱-	₱98,808	2025
2023	692,892	-	692,892	2026
	₱791,700	₱-	₱791,700	



As of December 31, 2023, the Subsidiaries have incurred NOLCO in taxable years 2020 and 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to Bayanihan 2, as follows:

Inception Year	Consolidated			Expiry Year
	Amount	Used/Expired	Balance	
2020	₱39,438	₱36,360	₱3,078	2025
2021	53,149	52,133	1,016	2026
	₱92,587	₱88,493	₱4,094	

A reconciliation between the applicable statutory income tax rate to the effective income tax rate follows:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Statutory income tax rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Tax effect of:						
FCDU net loss (income)	4.48%	-0.36%	-2.85%	4.50%	-0.37%	-2.86%
Non-deductible expenses	-0.18%	2.77%	2.23%	0.18%	2.78%	1.91%
Interest income from tax-paid and exempt investments	-0.69%	-2.03%	-1.79%	-0.49%	-2.04%	-1.79%
Change in deferred tax assets	-2.35%	0.12%	1.91%	-2.16%	0.04%	1.74%
Non-taxable income	-1.78%	-1.52%	-1.98%	-2.93%	-1.84%	-1.90%
CREATE Impact	-	-	10.07%	-	-	10.04%
Effective income tax rate	24.48%	23.98%	32.59%	24.10%	23.57%	32.14%

28. Pension Obligations

The Group provides non-contributory defined benefit pension plans for all employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The most recent actuarial valuation was carried out as of December 31, 2023. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit actuarial method.

The amounts of defined benefit plans are presented in the statements of financial position as follows:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Other assets (Note 17)	(₱2,786)	(₱200,867)	₱-	(₱191,736)
Accrued interest, taxes and other expenses (Note 22)	290,522	5,167	289,629	-
Net pension liability (asset)	₱287,736	(₱195,700)	₱289,629	(₱191,736)



Changes in net defined benefit liability of the Group and the Parent Company in 2023 and 2022 are as follows:

	Consolidated		
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Asset)
December 31, 2023			
Balance at beginning of year	P4,241,572	(P4,437,272)	(P195,700)
Net Benefit Cost in Statements of Income			
Current service cost	301,563	-	301,563
Net interest	295,688	(309,338)	(13,650)
	597,251	(309,338)	287,913
Benefits paid	(493,905)	493,905	-
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	-	216,543	216,543
Actuarial changes arising from experience adjustments	(136,537)	-	(136,537)
Actuarial changes arising from changes in financial assumptions	214,796	-	214,796
	78,259	216,543	294,802
Contributions paid	-	(99,279)	(99,279)
Balance at end of year	P4,423,177	(P4,135,441)	P287,736

	Consolidated		
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Asset)
December 31, 2022			
Balance at beginning of year	P4,173,215	(P4,578,561)	(P405,346)
Net Benefit Cost in Statements of Income			
Current service cost	295,716	3,445	299,161
Net interest	198,780	(219,539)	(20,759)
	494,496	(216,094)	278,402
Benefits paid	(245,655)	245,655	-
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	-	296,938	296,938
Actuarial changes arising from experience adjustments	94,542	-	94,542
Actuarial changes arising from changes in financial assumptions	(252,903)	-	(252,903)
	(158,361)	296,938	138,577
Transferred (liability)/asset	(22,123)	22,123	-
Contributions paid	-	(207,333)	(207,333)
Balance at end of year	P4,241,572	(P4,437,272)	(P195,700)

	Parent Company		
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Asset)
December 31, 2023			
Balance at beginning of year	P4,200,415	(P4,392,151)	(P191,736)
Net benefit cost in statements of income			
Current service cost	297,304	-	297,304
Net interest	292,771	(306,133)	(13,362)
	590,073	(306,133)	283,942
Benefits paid	(490,304)	490,304	-
Remeasurement in other comprehensive income			
Return on plan assets (excluding amount included in net interest)	-	215,643	215,643

(Forward)



	Parent Company		
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Asset)
Actuarial changes arising from experience adjustments	(P138,205)	P-	(P138,205)
Actuarial changes arising from changes in financial assumptions	212,190	-	212,190
	73,985	215,643	289,628
Transferred (liability)/asset	-	-	-
Contributions paid	-	(92,205)	(92,205)
Balance at end of year	P4,374,171	(P4,084,542)	P289,629
December 31, 2022			
Balance at beginning of year	P4,120,996	(P4,534,242)	(P413,246)
Net benefit cost in statements of income			
Current service cost	303,831	-	303,831
Net interest	196,747	(217,645)	(20,898)
	500,578	(217,645)	282,933
Benefits paid	(240,675)	240,675	-
Remeasurement in other comprehensive income			
Return on plan assets (excluding amount included in net interest)	-	296,938	296,938
Actuarial changes arising from experience adjustments	94,542	-	94,542
Actuarial changes arising from changes in financial assumptions	(252,903)	-	(252,903)
	(158,361)	296,938	138,577
Transferred (liability)/asset	(22,123)	22,123	-
Contributions paid	-	(200,000)	(200,000)
Balance at end of year	P4,200,415	(P4,392,151)	(P191,736)

The fair value of plan assets by each class as at the end of the reporting period follow:

	Consolidated				Parent Company			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Debt instruments:								
Government Securities	P1,666,793		P1,667,400		P1,648,788		P1,647,074	
High Grade	349,948		375,105		338,397		364,073	
	2,016,741	45.9	2,042,505	45.0	1,987,185	45.7	2,011,147	44.9
Equity instruments:								
Financial intermediaries	1,307,858		1,466,562		1,306,662		1,463,928	
Real estate	238,112		317,615		238,112		317,615	
Transport, storage and communication	124,526		128,039		124,526		128,039	
Power, electricity and water distribution	216,946		82,015		216,946		82,015	
Manufacturing	54,598		55,899		54,598		55,899	
Wholesale/Retail Trade	-		19,110		-		19,110	
Others	83,157		102,878		83,157		102,878	
	2,025,197	48.8	2,172,118	47.9	2,024,001	49.3	2,169,484	48.3
Deposits in banks	25,702	0.2	7,498	2.5	15,035	0.1	5,060	2.4
Investments in Unit Investment Trust Funds	9,369	1.5	68,750	0.7	-	1.2	55,000	0.5
Loans and other receivables:								
Government Securities	28,197		28,772		28,091		28,664	
High Grade	2,373		2,492		2,291		2,408	
Not rated	45,200		125,074		45,146		130,248	
	75,770	3.6	156,338	3.9	75,528	3.7	161,320	3.9
Total fund asset	4,152,779	100	4,447,209	100.0	4,101,749	100	4,402,011	100.0
Total fund liability	(17,338)		(9,937)		(17,206)		(9,860)	
Net fund asset	P4,135,441		P4,437,272		P4,084,543		P4,392,151	



All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in active market. The plan assets consist of diverse investments and is not exposed to any concentration risk.

The principal actuarial assumptions used in determining retirement liability of the Parent Company and some of its subsidiaries as of January 1, 2023 and 2022 are shown below:

	2023			2022		
	Average Duration of Benefit Payments	Salary Rate Increase	Discount Rate	Average Duration of Benefit Payments	Salary Rate Increase	Discount Rate
Parent Company	15	6%	6.97%	10	5%	4.80%
SBCIC	17	6%	7.12%	16	5%	4.98%
SBEI	17	6%	7.07%	13	5%	4.84%
SBRC	19	6%	7.16%	17	5%	5.00%

Discount rates used in computing for the present value of the obligation of the Parent Company and significant subsidiaries as of December 31, 2023 and 2022 follow:

	Parent Company	SBCIC	SBEI	SBRC
2023	6.06%	6.08%	6.07%	6.10%
2022	6.97%	7.12%	7.07%	7.16%

The sensitivity analysis as of December 31, 2023 shown below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Consolidated		Parent Company	
	Increase (decrease)	Amount	Increase (decrease)	Amount
Discount rates	1.00% (1.00%)	(P234,715) 278,231	1.00% (1.00%)	(P231,944) 274,854
Turnover rate	10.00% (10.00%)	54,049 (54,049)	10.00% (10.00%)	53,801 (53,801)
Future salary increases	1.00% (1.00%)	272,330 (240,646)	1.00% (1.00%)	269,027 (237,798)

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Less than 1 year	P1,215,759	P1,502,328	P1,199,624	P1,490,107
More than 1 year to 5 years	1,919,474	1,736,427	1,903,995	1,723,404
More than 5 years to 10 years	2,821,444	2,590,186	2,784,047	2,573,877
More than 10 years to 15 years	2,982,073	2,537,849	2,955,882	2,486,666
More than 15 years to 20 years	7,781,302	6,282,376	7,549,548	6,060,791
Total	P16,720,052	P14,649,166	P16,393,096	P14,334,845

There are no reimbursement rights recognized as a separate asset as of December 31, 2023 and 2022. The Group and Parent Company expect to contribute to the defined benefit retirement plans the required funding for normal cost in 2023 amounting to P686 million and P682.1 million, respectively.



29. Service Charges, Fees and Commissions

This account consists of service charges, fees and commissions on:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Credit cards	₱2,237,897	₱1,665,741	₱1,274,743	₱2,237,897	₱1,665,741	₱1,274,743
Bancassurance	916,901	852,355	817,104	916,901	852,355	817,104
Deposits	811,844	801,867	719,763	811,844	801,867	719,763
Loans	781,805	827,301	887,903	781,805	827,301	887,903
Remittance	483,211	363,577	192,063	483,211	363,577	192,063
Advisory	340,477	372,564	236,702	-	-	-
Stock brokerage	229,724	210,994	265,749	12,271	17,546	-
Miscellaneous	266,133	190,576	136,828	266,133	190,576	136,828
	₱6,067,992	₱5,284,975	₱4,530,855	₱5,510,062	₱4,718,963	₱4,028,404

In 2014, the Parent Company entered into a distribution agreement with FWD for the marketing of FWD's life insurance products through the Parent Company's marketing and distribution network. The distribution agreement was approved by the BSP on December 22, 2014 under Monetary Board Resolution No. 2073, through its letter to the Parent Company dated January 7, 2015, and by the Insurance Commission on January 12, 2015. The term of the distribution agreement shall not be less than 11 years but no longer than 19 years.

Bancassurance revenues include recognized portion of access fees, recognized portion of milestone fees, commissions and bonuses from the Bancassurance agreement. The Parent Company may also receive milestone fees and performance bonuses over the term of the agreement.

Miscellaneous include service charges on bills payment amounting to ₱33.5 million, ₱30.7 million, ₱32.4 million for the period ended December 31, 2023, 2022 and 2021, respectively and commission on insurance amounting to ₱92.1 million, ₱91.9 million, ₱103.4 million for the period ended December 31, 2023, 2022 and 2021.

30. Miscellaneous Income and Expense

Miscellaneous income consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Recovery on charged-off assets	₱1,261,748	₱1,323,974	₱948,405	₱1,258,469	₱1,322,398	₱948,405
Income from trust operations	291,047	285,884	280,204	291,047	285,884	280,204
Dividend income	3,395	3,573	3,344	1,612	1,612	3,344
Miscellaneous	305,268	270,439	221,116	244,398	196,194	170,765
	₱1,861,458	₱1,883,870	₱1,453,069	₱1,795,526	₱1,806,088	₱1,402,718



Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Management and other professional fees	₱3,236,959	₱2,712,662	₱2,652,772	₱3,061,054	₱2,545,042	₱2,513,442
Repairs and maintenance	1,691,047	1,021,186	744,093	1,687,035	1,016,523	740,311
Insurance	1,405,505	1,332,073	1,197,850	1,399,792	1,326,078	1,191,211
Security, clerical, messengerial and janitorial services	962,878	817,677	778,416	959,321	813,848	775,283
Advertising and publicity	907,045	519,830	339,440	905,570	518,402	337,699
Entertainment, amusement and recreation (Note 27)	633,629	859,299	447,948	628,561	854,072	444,358
Postage, telephone and cables and telegrams	373,885	360,028	281,679	357,106	341,737	261,447
Litigation/assets acquired expenses	388,085	328,168	466,906	388,085	328,168	466,906
Banking fees	285,419	242,429	253,490	285,419	242,429	253,490
Donations and charitable contributions	246,079	174,616	246,994	246,079	174,616	246,994
Information technology	185,094	111,832	43,457	185,094	111,832	43,457
Stationery and supplies used	144,217	194,252	209,839	143,925	193,767	209,533
Brokerage fees	30,435	22,124	20,357	30,435	22,124	20,357
Miscellaneous	286,705	577,758	465,248	221,929	463,912	357,184
	₱10,776,982	₱9,273,934	₱8,148,489	₱10,499,405	₱8,952,550	₱7,861,672

Miscellaneous expense includes travelling expenses amounting to ₱119.2 million, ₱75.4 million, and ₱58.3 million for the Group and ₱118.5 million, ₱75.1 million, and ₱58.1 million for the Parent Company for the years ended December 31, 2023, 2022 and 2021, respectively. It also includes athletics and other events amounting to ₱83.7 million, ₱37.1 million, and ₱47.5 million for the Group and ₱83.7 million, ₱37.1 million, and ₱47.5 million for the Parent Company, and fuel and lubricants amounting to ₱49.9 million, ₱50.3 million, and ₱36.1 million for the Group and ₱49.1 million, ₱49.5 million, and ₱35.3 million for the Parent Company for the years ended December 31, 2023, 2022, and 2021, respectively.

31. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group'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;
- Subsidiaries, joint ventures and their respective subsidiaries;
- Entities under the same group (other affiliates); and
- Post-employment benefit plans for the benefit of the Groups employees

The Group 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, as those prevailing at the time for comparable transactions with other parties and are usually settled in cash. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.



Transactions of the Parent Company with Subsidiaries

December 31, 2023			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Loans and receivables		P1,909,111	Long term, unsecured, with interest ranging from 2.75% to 7.15%
Grants	P1,754,500		
Settlements	1,046,583		
Accrued interest receivable	6,476	41	Interest income and accrued interest receivable
Accounts receivable		2,994	On demand, unsecured, non-interest bearing
Deposit liabilities		2,249,323	Earns interest at the respective bank deposit rates
Deposits	129,401,084		
Withdrawals	128,752,789		
Accrued interest payable		-	Interest expense and accrued interest payable
Accounts payable		56	On demand, unsecured, non-interest bearing
Rent income	7,230		Lease of office spaces for periods ranging from 1 to 5 years
Rent expense	1,760		Lease of transportation equipment for 3 years
Other assets		3,306	Security deposits
Other liability		947	Security deposits
December 31, 2022			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Loans and receivables		P1,201,194	Long term, unsecured, with interest ranging from 2.75% to 7.15%
Grants	P881,000		
Settlements	755,000		
Accrued interest receivable	7,796		Interest income and accrued interest receivable
Accounts receivable		3,120	On demand, unsecured, non-interest bearing
Deposit liabilities		1,713,961	Earns interest at the respective bank deposit rates
Deposits	136,765,977		
Withdrawals	136,125,323		
Accrued interest payable		-	Interest expense and accrued interest payable
Accounts payable		1,235	On demand, unsecured, non-interest bearing
Rent income	11,183		Lease of office spaces for periods ranging from 1 to 5 years
Rent expense	6,753		Lease of transportation equipment for 3 years
Other assets		3,306	Security deposits
Other liability		-	Security deposits

Accounts receivable from subsidiaries pertains to expenses paid by the Parent Company, which were later billed for reimbursement. Accounts payable to SBCC pertains to collections received from credit cardholders on behalf of the Parent Company.

The Parent Company has lease agreements with some of its subsidiaries for periods ranging from 1 to 5 years. The lease agreements include the share of the subsidiaries in the maintenance of the building.

The foregoing transactions were eliminated in the consolidated financial statements of the Group. Other related party transactions conducted in the normal course of business includes the following, as detailed in the Memorandum of Agreement (MOA) between the Parent Company and its subsidiaries:

- Human resource related services
- Finance, accounting and tax services including audit
- Collection services (for legal action)
- Preparation of reports
- Processing of credit application (for property appraisal and credit information)
- Legal documentation
- Risk and compliance services
- Corporate secretarial services
- Information technology related service
- General services



Expenses allocated to SBFI, SBML, SBCIC, SBEI, SBRC and SBCC pertaining to the above services amounted to ₱173.9 million in 2023, ₱113.3 million in 2022 and ₱185.8 million in 2021. The Parent Company has not charged expenses to the other subsidiaries since the levels of their operations remain low.

Transaction of the Group with the Joint Ventures

December 31, 2023			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Receivables purchased	₱668,620		Assignment of rights on a without recourse basis
Collection Fee		₱1,181	Collection fee expense and prepaid collection fee, equivalent to 0.2% of the selling price of the lease receivables amortized over the lease term
Sale of loans			Sale of loans on a without recourse basis
Loans receivable:		961,000	2 to 3-year term; earns 3.5% to 6.25% interest
Grants	1,116,000		
Settlement	3,290,972		
Accrued interest receivable	86,761	2,492	Interest income and accrued interest receivable
Accounts receivable	2,430	3,420	Expenses advanced by the Parent Company and outstanding accounts payable (on demand, unsecured, non-interest bearing)
Deposit liabilities:		676,795	Earns interest at the respective bank deposit rates
Deposits	38,327,719		
Withdrawals	37,961,353		
Accrued interest payable	2,436		Interest expense and accrued interest payable
December 31, 2022			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Receivables purchased	₱740,958	₱-	Assignment of rights on a without recourse basis
Collection Fee	-	3,402	Collection fee expense and prepaid collection fee, equivalent to 0.2% of the selling price of the lease receivables amortized over the lease term
Sale of loans	317,128		2 to 3-year term; earns 3.5% to 6.25% interest
Loans receivable:		3,135,972	
Grants	1,100,000		
Settlement	1,182,097		
Accrued interest receivable	126,563	5,151	Interest income and accrued interest receivable
Accounts receivable	-	16,214	Expenses advanced by the Parent Company and outstanding accounts payable (on demand, unsecured, non-interest bearing)
Deposit liabilities:		336,326	Earns interest at the respective bank deposit rates
Deposits	38,866,189		
Withdrawals	39,005,759		
Accrued interest payable	4,381		Interest expense and accrued interest payable

In 2023, 2022, and 2021, SBML sold various loans and lease receivables to the Parent Company with carrying amounts of ₱665.0 million, ₱716.0 million and ₱224.0 million, respectively, and realized gains amounting to ₱25.3 million, ₱27.6 million and ₱5.7 million, respectively.

The Parent Company's proportionate share in the gain on sale of lease receivables was eliminated in the consolidated financial statements of the Group.



Transactions of the Parent Company with Other Affiliates

December 31, 2023			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Due from other banks		\$37	Earns interest at the respective bank deposit rates
Deposits	\$43,397		
Withdrawals	44,074		
Due from other banks		¥431,599	Earns interest at the respective bank deposit rates
Deposits	¥2,269,896,705		
Withdrawals	2,269,907,634		
Accounts receivable		P4,082	Unsecured, noninterest bearing
Loans and receivable		\$900	Unsecured, noninterest bearing
Accrued interest receivable	P44,578		Interest income and accrued interest receivable
Deposit liabilities		P880	Earns interest at the respective bank deposit rates
Deposits	P520		
Withdrawals	552		
Deposit liabilities		P1,381,728	Earns interest at the respective bank deposit rates
Deposits	P16,364,332		
Withdrawals	16,133,278		
Bills payable (USD)		\$-	1 – 6 months term; earns 1.08% to 1.70% interest
Availments	\$-		
Payments	-		
Loans and Payable		\$88,795	Unsecured, noninterest bearing
Accrued interest payable	P71,012	P81,588	Interest expense and accrued
December 31, 2022			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Due from other banks		\$714	Earns interest at the respective bank deposit rates
Deposits	\$65,787		
Withdrawals	65,179		
Due from other banks		¥442,528	Earns interest at the respective bank deposit rates
Deposits	¥746,441,869		
Withdrawals	746,394,655		
Accounts receivable		P6,275	Unsecured, noninterest bearing
Accrued interest receivable	P105,689	P991	Interest income and accrued interest receivable
Deposit liabilities		\$912	Earns interest at the respective bank deposit rates
Deposits	\$545		
Withdrawals	350		
Deposit liabilities		P1,150,674	Earns interest at the respective bank deposit rates
Deposits	P11,420,387		
Withdrawals	10,822,526		
Bills payable (USD)		\$-	3 months – 3 years term; earns 2% to 5% interest
Availments	\$-		
Payments	157,026		
Accrued interest payable	P15		Interest expense and accrued

Transaction of the Group with another Related Party

As part of the Group's continuing support for worthwhile education and livelihood projects, it has made donations to SB Foundation, Inc. (SB Foundation), a non-stock, non-profit organization registered with the SEC and accredited by the Philippine Council for Non-Governmental Organization, as follows:

Donor	2023	2022
Parent Company	P214,446	P140,855

The Parent Company also recognized trust fees amounting to P0.7 million in 2023 and 2022 for acting as the Investment Manager of SB Foundation's fund.



Transactions of the Group with Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers senior officers to constitute key management personnel.

Consolidated			
December 31, 2023			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Deposit liabilities	(P87,448)	P285,542	Earns interest at respective bank deposit rates

Consolidated			
December 31, 2022			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Deposit liabilities	P26,914	P372,991	Earns interest at respective bank deposit rates

Parent Company			
December 31, 2023			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Deposit liabilities	(P88,312)	P284,522	Earns interest at respective bank deposit rates

Parent Company			
December 31, 2022			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Deposit liabilities	P26,960	P372,834	Earns interest at respective bank deposit rates

Compensation of key management personnel follows:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Salaries and other short-term benefits	P420,530	P366,486	P330,122	P382,732	P335,775	P298,059
Post-employment benefits	15,935	14,876	8,268	15,935	14,876	7,811
	P436,465	P381,362	P338,390	P398,667	P350,651	P305,870

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plan.

Transactions of the Group with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of its retirement plans pursuant to which it provides trust and management services to these plans. Income earned by the Parent Company from such services amounted to P10.7 million and P11.0 million in 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the fair values of the plan assets of the Parent Company and some of its subsidiaries in the retirement funds amounted to P4.1 billion and P4.4 billion, respectively.



Relevant information on statements of financial position of carrying values of the Group and the Parent Company's retirement funds:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Debt instruments	₱2,016,741	₱2,042,505	₱1,987,185	₱2,011,147
Equity instruments	2,025,197	2,172,118	2,024,001	2,169,484
Deposits in banks	25,702	7,498	15,035	5,060
Loans and other receivables	75,770	156,338	75,528	161,320
Investments in Unit Investment Trust Funds	9,369	68,750	–	55,000
Total Fund Assets	₱4,152,779	₱4,447,209	₱4,101,749	₱4,402,011
Total Fund Liability	₱17,338	₱9,937	₱17,206	₱9,860

Debt instruments include government and private securities.

The Group's retirement funds may hold or trade the Parent Company's shares or securities. Significant transactions of the retirement fund, particularly with related parties, are approved by the Parent Company's Employees Retirement Plan Board of Trustees. A summary of transactions with related party retirement plans follows (*amounts in thousands except number of shares and market value per share*):

	Consolidated		Parent Company	
	2023	2022	2023	2022
Dividend income	₱68,914	₱83,624	₱68,791	₱83,440
Number of Parent Company's shares held by plan - common	4,523,120	3,232,170	4,523,120	3,232,170
Number of Parent Company's shares held by plan - preferred	2,060,400	2,060,400	2,060,400	2,060,400
Market value per common share	₱71.50	₱87.00	₱71.50	₱87.00
Market value of common shares	₱323,403,080	₱281,198,790	₱323,403,080	₱281,198,790

Voting rights over the Parent Company's shares are exercised by an authorized trust officer.

32. Long-term Leases

The Group has entered into commercial property leases with various tenants on its investment property portfolio and part of its bank premises, consisting of the Group's surplus offices and real properties acquired. These non-cancellable leases have remaining lease terms of between 1 and 5 years as of December 31, 2023 and 2022. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.0%. Rent income from long-term leases (included in 'Rent income' in the statements of income) amounted to ₱708.4 million in 2023, ₱631.1 million in 2022 and ₱570.2 million in 2021 for the Group, of which, ₱39.5 million in 2023, ₱74.7 million in 2022 and ₱42.7 million in 2021 pertain to the Parent Company (see Note 15).



Future minimum rental receivable under non-cancellable operating leases follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Within one year	₱662,845	₱440,569	₱601	₱552
After one year but not more than five years	672,296	373,938	26,561	37,550
More than five years	5,588	6,105	5,588	6,105
	₱1,340,729	₱820,612	₱32,750	₱44,207

The Parent Company leases the premises occupied by some of its branches (about 14.24% of the branch sites are Parent Company-owned). Some of its subsidiaries also lease the premises occupied by their head offices and most of their branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable at the Parent Company's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.0%.

33. Commitments and Contingent Liabilities

In the normal course of operations of the Group, there are outstanding commitments and contingent liabilities and bank guarantees that are not reflected in the financial statements. The Group does not anticipate losses that will materially affect its financial position and financial performance as a result of these transactions.

There are several suits, claims and assessments that remain unsettled. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such cases and claims will not have a material effect on the Group's financial position and financial performance.

Regulatory Reporting

The following is a summary of the Group's and of the Parent Company's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2023	2022
Derivatives	₱370,310,050	₱193,973,621
Trust department accounts	108,624,757	95,116,738
Unutilized credit limit of credit cardholders	89,916,523	53,158,655
Unused commercial letters of credit	46,505,642	37,521,064
Spot foreign exchange contracts	18,857,987	3,039,571
Committed loan line	18,784,025	32,470,332
Inward bills for collection	1,615,541	950,852
Outstanding guarantees	833,748	899,839
Late deposit/payment received	307,630	587,806
Financial guarantees with commitment	254,274	27,968
Outward bills for collection	232,364	422,970
Others	250,770	—



Changes in allowance for credit losses on financial guarantees, loan and other commitments of the Group and Parent Company follow (see Note 23):

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at January 1, 2023	₱186,441	₱91,281	–	₱277,722
Provision for credit losses (Note 13)	249,397	47,075	1,313	297,785
Transfers to Stage 1	81,882	(81,255)	(627)	–
Transfers to Stage 2	(48,698)	48,832	(134)	–
Transfers to Stage 3	(412)	(26)	438	–
Foreign exchange and other adjustments	(136)	30,688	–	30,552
	₱468,474	₱136,595	₱990	₱606,059

	Stage 1	Stage 2	Total
ECL allowance as at January 1, 2022	₱410,651	₱288,730	₱699,381
Provision for credit losses (Note 13)	(231,484)	(191,742)	(423,226)
Transfers to Stage 1	5,830	(5,830)	–
Transfers to Stage 2	(123)	123	–
Foreign exchange and other adjustment	1,567	–	1,567
	₱186,441	₱91,281	₱277,722

34. Segment Information

The Group'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. The Group underwent changes in the structure of its internal organization in a manner that caused the composition of its reportable segments to change and in the performance reporting. Formerly part of the Retail Banking Segment, the Business Banking Segment was created to differentiate and optimize our service to the micro, small and medium enterprises (MSMEs). The Group's equity brokerage operation was also transferred from Wholesale Banking Segment to Financial Markets Segment. Accordingly, the corresponding segment information for the prior period presented herein is restated to reflect such changes in the structure and performance reporting.

The Group derives revenues from the following main operating business segments:

Retail Banking Segment - this segment serves individual clients. It covers deposits, consumer loans, credit cards, bancassurance and investments. Share in net income from SBF is also part of the segment.

Wholesale Banking Segment - this segment addresses corporates, institutional, and public sector markets and commercial clients. Services include relationship management, loans, trade, cash management, deposits and investments. It also provides structured financing and advisory services, debt and equity capital raising, project financing, and mergers and acquisitions advisory via SB Capital. Operating leases via SBRC and share in net income from SBML are also part of the segment.

Business Banking Segment - this segment serves the MSMEs with holistic propositions covering deposits, loans, cash management, insurance and investments.

Financial Markets Segment - this segment focuses on providing money market, foreign exchange, financial derivatives, debt and equity securities brokerage, asset management, trust and fiduciary services, as well as the management of the funding operations for the Group. The Group's equity



brokerage operations are also part of this segment.

Eliminations and Others - This segment includes the Bank's non-reportable segments such as support services and eliminations in accordance with the Bank's group internal reporting. Eliminations in 2023 include net interest income from third party and intersegment amounting to ₱11.1 billion and ₱10.0 billion, respectively; non-interest income and non-interest expense amounting to ₱6.6 billion and ₱13.4 billion, respectively; and total assets and total liabilities amounting to ₱4.3 billion and ₱189.6 billion, respectively. Eliminations in 2022 include net interest income from third party and intersegment amounting to ₱2.9 billion and ₱4.5 billion, respectively; non-interest income and non-interest expense amounting to ₱2.0 billion and ₱11.4 billion, respectively; and total assets and total liabilities amounting to ₱6.1 billion and ₱161.9 billion, respectively.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location), therefore, geographical segment information is no longer presented.

The Group has no significant customers which contribute 10.0% or more of the consolidated revenue, net of interest expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Segment information follows (amounts in millions):

	December 31, 2023					
	Financial Markets	Wholesale Banking	Retail Banking	Business Banking	Elimination and Others	Total
Statement of Income						
Net interest income:						
Third party	(₱8,688)	₱22,178	₱8,887	₱1,324	₱11,033	₱34,734
Intersegment	8,058	(10,368)	5,872	2,294	(5,856)	–
	(630)	11,810	14,759	3,618	5,177	34,734
Noninterest income	2,249	3,276	7,692	574	(5,566)	8,225
Revenue – net of interest expense	1,619	15,086	22,451	4,192	(389)	42,959
Noninterest expense	3,898	6,226	18,050	3,000	(274)	30,900
Income before income tax	(2,279)	8,860	4,401	1,192	(115)	12,059
Provision for income tax	–	2,035	1,012	274	(367)	2,954
Net income for the period						
attributable to the Parent						
Company	(₱2,279)	₱6,825	₱3,389	₱918	₱252	₱9,105

(Forward)



December 31, 2023						
	Financial Markets	Wholesale Banking	Retail Banking	Business Banking	Elimination and Others	Total
Statement of Financial Position						
Total Assets	₱310,128	₱408,549	₱124,307	₱8,868	₱19,657	₱871,509
Total Liabilities	₱395,791	₱213,047	₱250,645	₱52,516	(₱176,620)	₱735,379
Other Segment Information						
Capital expenditures	₱17	₱931	₱1,087	₱23	₱2,340	₱4,398
Depreciation and amortization	₱11	₱598	₱698	₱15	₱1,503	₱2,825
Provision for credit and impairment losses	(₱2)	₱107	₱4,970	₱571	(₱845)	₱4,801

December 31, 2022						
	Financial Markets	Wholesale Banking	Retail Banking	Business Banking	Eliminations and Others	Total
Statement of Income						
Net interest income:						
Third party	(₱499)	₱17,431	₱8,514	₱854	₱2,946	₱29,246
Intersegment	3,213	(5,760)	2,528	1,426	(1,407)	–
	2,714	11,671	11,042	2,280	1,539	29,246
Noninterest income	1,525	2,629	6,960	566	(1,290)	10,390
Revenue - net of interest expense	4,239	14,300	18,002	2,846	249	39,636
Noninterest expense	3,157	7,486	13,011	1,537	559	25,750
Income before income tax	1,082	6,814	4,991	1,309	(310)	13,886
Provision for (benefit from) income tax	270	1,704	1,247	327	(218)	3,330
Net income for the period attributable to the Parent Company	₱812	₱5,110	₱3,744	₱982	(₱92)	₱10,556
Statement of Financial Position						
Total Assets	₱264,073	₱437,692	₱119,262	₱6,058	15,206	₱842,291
Total Liabilities	₱280,891	₱312,512	₱213,272	₱59,118	(149,350)	₱716,443
Other Segment Information						
Capital expenditures	₱11	₱560	₱583	₱7	₱1,222	₱2,383
Depreciation and amortization	₱12	₱626	₱652	₱8	₱1,368	₱2,666
Provision for credit and impairment losses	₱1	₱673	₱1,281	(₱8)	₱894	₱2,841

December 31, 2021					
	Financial Markets	Wholesale Banking	Retail Banking	Eliminations and Others	Total
Statement of Income					
Net interest income:					
Third party	₱939	₱16,422	₱10,064	₱31	₱27,456
Intersegment	855	(5,687)	2,643	2,189	–
	1,794	10,735	12,707	2,220	27,456
Noninterest income	2,453	1,021	6,310	(429)	9,355
Revenue - net of interest expense	4,247	11,756	19,017	1,791	36,811
Noninterest expense	1,757	11,997	12,064	731	26,549
Income before income tax	2,490	(241)	6,953	1,060	10,262
Provision/(benefit) for income tax	727	869	1,875	(126)	3,345
Net income for the year attributable to the Parent Company	₱1,763	(₱1,110)	₱5,078	₱1,186	₱6,917
Statement of Financial Position					
Total assets	₱227,321	₱345,467	₱109,381	₱17,448	₱699,617



	December 31, 2021				Total
	Financial Markets	Wholesale Banking	Retail Banking	Eliminations and Others	
Total liabilities	₱70,819	₱234,973	₱260,044	₱8,711	₱574,547
Other Segment Information					
Capital expenditures	₱13	₱623	₱917	₱578	₱2,131
Depreciation and amortization	₱13	₱635	₱935	₱590	₱2,173
Provision for credit and impairment losses	(₱4)	₱4,795	₱1,168	(₱694)	₱5,265

No operating segments have been aggregated to form the above reportable operating business segments.

35. Earnings Per Share

Basic earnings per share amounts were computed as follows (amounts in thousands except earnings per share and weighted average number of outstanding common shares):

	2023	2022	2021
a. Net income attributable to the equity holders of the Parent Company	₱9,105,438	₱10,555,599	₱6,916,970
b. Dividends declared to Preferred Shares	4,259	4,259	4,259
c. Weighted average number of outstanding common shares	753,538,887	753,538,887	753,538,887
d. Earnings per share [(a-b)/c]	₱12.08	₱14.00	₱9.17

As of December 31, 2023, 2022 and 2021, the Parent Company has no potentially dilutive common shares.

36. Notes to the Statements of Cash Flows

The amounts of interbank loans receivables and securities purchased under agreements to resell considered as cash and cash equivalents follow:

	2023	2022
Interbank loans receivable and SPURA		
SPURA	₱-	₱23,518,740
Interbank loans receivable	2,080,999	-
Interbank loans receivable and SPURA not considered as cash and cash equivalents		
Interbank loans receivable	2,000,000	3,996,627
	₱4,080,999	₱27,515,367

As of December 31, 2023 and 2022, movements in allowance for credit losses on 'Due from other banks' and 'Interbank loans receivable and securities purchased under agreements to resell' as follows:

	2023	2022
Due from other banks (Note 7)	(₱279)	₱159
Interbank loans receivable and SPURA	1,386	(1,224)
	₱1,107	(₱1,065)



Significant non-cash transactions of the Group and the Parent Company include foreclosures of investment properties and chattels as disclosed in Notes 16 and 17, respectively.

Reconciliation of liabilities arising from financing activities follows:

	Consolidated					
	Beginning Balance	Cashflows		Non-cash charges		Ending balance
		Proceeds/ Availments	Payments	Foreign exchange movement	Amortization of transaction costs	
December 31, 2023						
Bills payable and SSURA	₱40,920,403	₱736,658,375	₱724,538,355	(₱1,701,318)	₱-	₱51,339,105
Notes payable	47,111,693	18,352,354	17,056,500	304,769	251,205	48,963,521
LTNCD	24,766,786	-	14,381,000	-	30,228	10,416,014
	₱112,798,882	₱755,010,729	₱755,975,855	(₱1,396,549)	₱281,433	₱110,718,640
December 31, 2022						
Bills payable and SSURA	₱3,464,424	₱494,565,466	₱457,098,389	(₱11,098)	₱-	₱40,920,403
Notes payable	28,721,313	30,359,962	13,500,000	1,348,109	182,309	47,111,693
LTNCD	24,728,573	-	-	-	38,213	24,766,786
	₱56,914,310	₱524,925,428	₱470,598,389	₱1,337,011	₱220,522	₱112,798,882

	Parent Company					
	Beginning balance	Cashflows		Non-cash charges		Ending balance
		Proceeds/ Availments	Payments	Foreign exchange movement	Amortization of transaction costs	
December 31, 2023						
Bills payable and SSURA	₱40,802,069	₱736,658,375	₱724,485,855	(₱1,701,318)	₱-	₱51,273,271
Notes payable	47,111,693	18,352,354	17,056,500	304,769	251,205	48,963,521
LTNCD	24,766,786	-	14,381,000	-	30,228	10,416,014
	₱112,680,548	₱755,010,729	₱755,923,355	(₱1,396,549)	₱281,433	₱110,652,806
December 31, 2022						
Bills payable and SSURA	₱3,367,757	₱494,543,799	₱457,098,389	(₱11,098)	₱-	₱40,802,069
Notes payable	28,721,313	30,359,962	13,500,000	1,348,109	182,309	47,111,693
LTNCD	24,728,573	-	-	-	38,213	24,766,786
	₱56,817,643	₱524,903,761	₱470,598,389	₱1,337,011	₱220,522	₱112,680,548

Reconciliation of lease liabilities of the Group and the Parent Company are disclosed in Note 15.

37. Events after the Reporting Period

On January 22, 2024, the Parent Company settled ₱16.0 billion in matured fixed rate bonds (see Note 21).

The Parent Company's BOD, in its meeting held on February 27, 2024, approved the declaration of the following annual cash dividends:

Shares	Date of declaration	Per share	Record date	Payment date
Preferred	February 27, 2024	₱0.004805	March 14, 2024	April 1, 2024
Preferred	February 27, 2024	0.0039	June 26, 2024	July 10, 2024

As part of Preferred Stock features stated in the Seventh Article of the Bank's Amended Articles of Incorporation, the dividend rate will be repriced every 10 years thereafter at the 10-year prevailing rate on each relevant 10th year anniversary from the issue date. On February 27, 2024, the Parent Company's BOD approved to reprice the dividend rate for the first tranche of Preferred Stock on July 10, 2024 using the 10-year PHP BVAL from 10-Year PDST-R2.



38. Approval of the Release of the Financial Statements

The BOD of the Parent Company delegated the review and approval for the release of the accompanying consolidated and parent company financial statements to the Audit Committee on February 27, 2024. The Audit Committee reviewed and approved the release of the accompanying consolidated and parent company financial statements on February 28, 2024.

39. Supplementary Information Required Under Revenue Regulation No. 15-2010

On November 25, 2010, the BIR issued Revenue Regulation (RR) No. 15-2010 to amend certain provisions of RR No. 21-2002. The Regulations provide that starting 2010, the notes to financial statements shall include information on taxes and licenses paid or accrued during the taxable year. In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the calendar year ended December 31, 2023:

Gross receipt tax (GRT)

The Parent Company is subject to GRT on its gross income from Philippine sources. GRT is imposed on interest, fees and commissions from lending activities at 5.0% or 1.0%, depending on the loan term, and at 7.0% on non-lending fees and commissions, trading and foreign exchange gains and other items constituting gross income.

In FCDU, income classified under Others, which is subject to corporate income tax, is also subject to GRT at 7.0%.

The details of the Parent Company's GRT payments and corresponding GRT tax base in 2023 are as follows:

	GRT	GRT tax base
Income from lending activities	₱1,728,354	₱43,692,419
Other income	549,326	7,847,521
	₱2,277,680	₱51,539,940

Taxes and Licenses

This includes all other taxes, local and national, incurred in 2023 and lodged under 'Taxes and licenses' in the statement of income, as follows:

	Amount
Documentary stamp taxes	₱685,821
Mayor's permit	92,947
Fringe benefit taxes	68,888
Real estate taxes	22,933
Other taxes	5,745
	₱876,334

Other taxes include car registration fees, privilege taxes and other permits.



Withholding Taxes

Details of total remittances in 2023 and balances as of December 31, 2023 are as follows:

	Total Remittance	Balance
Final withholding taxes	₱1,979,603	₱149,022
Withholding taxes on compensation and benefits	1,116,950	181,857
Expanded withholding taxes	637,556	67,968
	₱3,734,109	₱398,847

Tax Assessments and Cases

As of December 31, 2023, the Parent Company has no deficiency tax assessments and has no tax cases, litigation and/or prosecution in courts or bodies outside the BIR.

40. Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks

Section 174 of the MORB provides for disclosure requirements to the audited financial statements, which are to be presented either (i) on specific notes to the financial statements, or (ii) in a separate note containing supplementary information as required by the BSP. This supplementary information is not a required disclosure under PFRS.

In compliance with the requirements of Section 174 of the MORB, hereunder are the supplementary information:

Financial performance indicators

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Return on average equity	6.95%	8.42%	5.57%	6.95%	8.45%	5.61%
Return on average assets	1.06%	1.37%	1.02%	1.06%	1.37%	1.03%
Net interest margin	4.49%	4.23%	4.43%	4.49%	4.24%	4.44%

The following formulas were used to compute the indicators:

Performance Indicator	BSP Prescribed Formula
Return on Average Equity	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Capital Accounts}}$ <p style="text-align: center;">Where: Average Total Capital Accounts = Current calendar/fiscal year-end Total capital accounts balance + $\frac{\text{previous calendar /fiscal year-end Total capital accounts balance}}{2}$ </p>



Return on Average Assets	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Assets}}$ <p>Where: Average Total Assets = $\frac{\text{Current calendar/fiscal year-end Total assets balance} + \text{previous calendar /fiscal year-end Total assets balance}}{2}$</p>
Net Interest Margin	$\frac{\text{Net Interest Income} \times 100}{\text{Average Interest Earning Assets}}$ <p>Where: Net Interest Income = Total Interest Income – Total Interest Expense</p> <p>Average Interest Earning Assets = $\frac{\text{Current calendar/fiscal year-end Total interest earning assets balance} + \text{previous calendar /fiscal year-end Total interest earning assets balance}}{2}$</p>

Capital instruments

As of December 31, 2023 and 2022, the Parent Company's capital stock consists of:

	Shares*	Amount
Common stock - ₱10 par value		
Authorized	1,000,000,000	₱10,000,000
Issued and outstanding		
Balance at the beginning and end of the period	753,538,887	7,535,389
Preferred stock - ₱0.10 par value		
Authorized	1,000,000,000	100,000
Issued and outstanding		
Balance at the beginning and end of the period	1,000,000,000	100,000
	1,753,538,887	₱7,635,389

*Absolute number of shares

There are no capital instruments issued by the Group and the Parent Company in 2023 and 2022.

Significant credit exposures as to industry/economic sector

As of December 31, 2023 and 2022, information on the concentration of credit as to industry, net of unearned discounts and deferred credits, follows (amounts in millions):

	Consolidated				Parent Company			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Real estate activities	₱148,272	27.2	₱124,325	24.3	₱148,272	27.1	₱124,325	24.2
Wholesale and retail trade; repair of motor vehicles and motorcycles	92,584	17.0	85,691	16.7	92,584	16.9	85,691	16.7
Electricity, gas, steam and air conditioning supply	77,611	14.2	76,678	15.0	77,611	14.2	76,678	15.0
Activities of households as employers; undifferentiated goods and services producing activities of households for own use*	61,035	11.2	43,305	8.4	61,035	11.1	43,304	8.4

(Forward)



	Consolidated				Parent Company			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Manufacturing	P46,917	8.6	P60,430	11.8	P46,917	8.6	P60,430	11.8
Financial and insurance activities	22,199	4.1	15,583	3.0	24,108	4.4	16,784	3.3
Transportation and storage	21,750	4.0	21,631	4.2	21,750	4.0	21,631	4.2
Construction	20,504	3.8	17,156	3.3	20,504	3.7	17,156	3.3
Information and communication	17,239	3.2	23,783	4.6	17,239	3.1	23,783	4.6
Agriculture, forestry and fishing	9,881	1.8	10,407	2.0	9,881	1.8	10,407	2.0
Water supply, sewerage, waste management and remediation activities	9,418	1.7	9,892	1.9	9,418	1.7	9,892	1.9
Professional scientific and technical services	4,310	0.8	10,298	2.0	4,310	0.8	10,298	2.0
Others	14,291	2.6	13,392	2.6	13,950	2.5	12,361	2.4
	P546,011	100.0	P512,571	100.0	P547,579	100.0	P512,740	100.0

*Excludes loans and receivables on real estate or dwelling units which are considered production activities and classified under "Real estate"

Breakdown of total loans as to security and status

The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2023 and 2022 (amounts in millions):

	Consolidated				Parent Company			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Secured by:								
Real estate	P84,439	15.4	P74,325	14.4	P84,439	15.4	P74,325	14.4
Chattel	18,032	3.3	16,883	3.3	18,032	3.3	16,883	3.3
Assignment of projects/ company assets/contracts	22,556	4.1	20,661	4.0	22,556	4.1	20,661	4.0
Mortgage trust indenture	8,338	1.5	9,485	1.8	8,338	1.5	9,485	1.8
Deposit hold-out	2,945	0.5	3,278	0.6	2,945	0.5	3,278	0.6
Others	10,765	2.0	11,655	2.3	10,427	1.9	10,625	2.1
	147,075	26.8	136,287	26.5	146,737	26.7	135,257	26.3
Unsecured	401,078	73.2	378,160	73.5	402,985	73.3	379,358	73.7
	P548,153	100.0	P514,447	100.0	P549,722	100.0	P514,615	100.0

The following table shows the breakdown of receivable from customers net of unearned discounts and deferred credits as to performing and non-performing as of December 31, 2023 and 2022:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Performing loans				
Corporate lending	P371,751,722	P376,188,196	P373,407,024	P376,637,653
Consumer lending	73,290,766	50,675,378	73,204,136	50,394,424
Residential mortgages	81,740,538	69,094,360	81,740,538	69,094,360
Small business lending	533,793	655,181	533,793	655,181
	527,316,819	496,613,115	528,885,491	496,781,618
Non-performing loans				
Corporate lending	14,060,673	11,705,398	14,060,673	11,705,398
Consumer lending	2,946,004	2,433,038	2,946,004	2,433,038
Residential mortgages	1,635,354	1,757,024	1,635,354	1,757,024
Small business lending	51,781	62,888	51,781	62,888
	18,693,812	15,958,348	18,693,812	15,958,348
	P546,010,631	P512,571,463	P547,579,303	P512,739,966



Information on related party loans

In the ordinary course of business, the Parent Company has loan transactions with subsidiaries and with certain DOSRI. Under the Parent Company's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that shall govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding loans, credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of the bank's net worth, the unsecured portion shall not exceed 5.00% of such net worth. Further, the total outstanding exposures shall not exceed 20.00% of the net worth of the lending bank. The said Circular became effective on February 15, 2007.

BSP Circular No. 423, dated March 15, 2004 amended the definition of DOSRI accounts. Further, BSP issued Circular No. 464 dated January 4, 2005 clarifying the definition of DOSRI accounts.

The following table shows information relating to DOSRI accounts of the Parent Company:

	2023	2022
Total outstanding DOSRI accounts (in billions)	₱0.376	₱0.344
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	0.07	0.07
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	-	-
Percent of DOSRI accounts to total loans	0.07	0.07
Percent of unsecured DOSRI accounts to total DOSRI loans	5.33	5.21
Percent of past due DOSRI accounts to total DOSRI loans	-	-
Percent of nonperforming DOSRI accounts to total DOSRI loans	-	-

Total interest income on DOSRI accounts in 2023, 2022, and 2021 amounted to ₱161.5 million, ₱66.9 million, ₱52.1 million, respectively.

Aggregate amount of secured liabilities and assets pledged as security

The following are the carrying values of the investment securities pledged and transferred under SSURA transactions of the Group:

	December 31, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at FVTPL (Note 10)				
Government securities	₱3,813,159	₱3,813,159	₱3,857,764	₱3,857,764
Financial assets at FVTOCI (Note 11)				
Treasury bonds	19,832,200	19,832,200	4,142,731	4,142,731
Investment securities at amortized cost (Note 12)				
Private bonds	31,093,477	30,551,895	19,888,110	18,708,912
	₱54,738,836	₱54,197,254	₱27,888,605	₱26,709,407



As of December 31, 2023 and 2022, the carrying amount of SSURA amounted to ₱46.5 billion and ₱23.4 billion, respectively.

Commitments and contingent liabilities

The following is a summary of the Group's and of the Parent Company's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2023	2022
Derivatives	₱370,310,050	₱193,973,621
Trust department accounts	108,624,757	95,116,738
Unutilized credit limit of credit cardholders	89,916,523	53,158,655
Unused commercial letters of credit	46,505,642	37,521,064
Spot Foreign Exchange Contracts	18,857,987	3,039,571
Committed loan line	18,784,025	32,470,332
Inward bills for collection	1,615,541	950,852
Outstanding guarantees	833,748	899,839
Late deposit/payment received	307,630	587,806
Financial guarantees with commitment	254,274	27,968
Outward bills for collection	232,364	422,970
Others	250,770	-

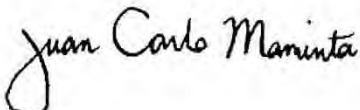


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Security Bank Corporation
Security Bank Centre
6776 Ayala Avenue
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Security Bank Corporation and Subsidiaries (the Group) as at December 31, 2023 and for each of the three years in the period ended December 31, 2023, included in the Form 17-A, and have issued our report thereon dated February 28, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta
Partner

CPA Certificate No. 115260

Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-132-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10079968, January 6, 2024, Makati City

February 28, 2024

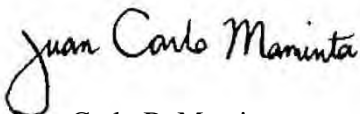


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Security Bank Corporation
Security Bank Centre
6776 Ayala Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Security Bank Corporation and Subsidiaries (the Group) as at December 31, 2023 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 28, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) 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 PFRSs. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2023 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

Tax Identification No. 210-320-399

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

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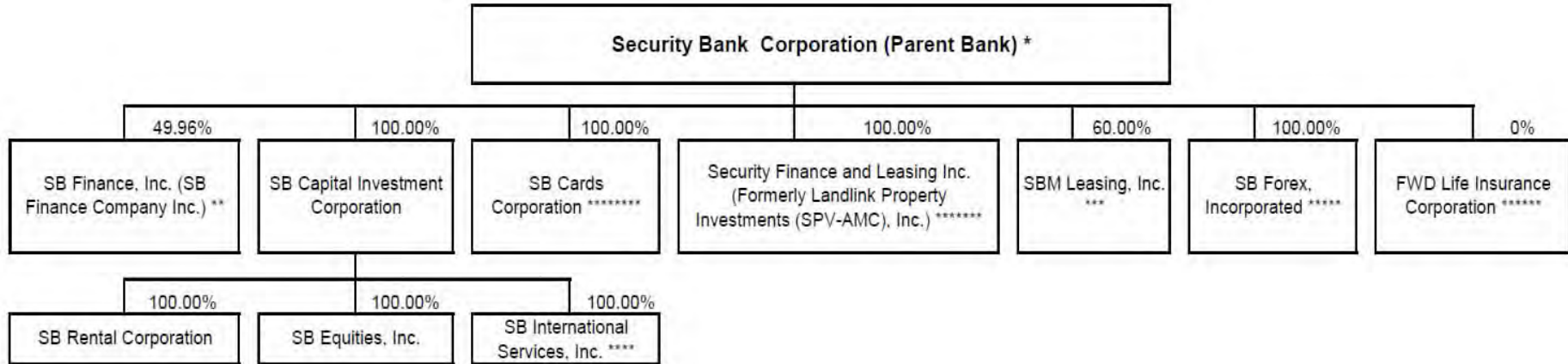
SECURITY BANK CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023

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SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
DECEMBER 31, 2023
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning of reporting period		₱72,386,649
Add: <u>Category A:</u> Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	1,020,174	
Others	50,112	1,070,286
Less: <u>Category B:</u> Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	2,264,876	
Retained Earnings appropriated during the reporting period	628,879	
Others	289,629	3,183,384
Unappropriated Retained Earnings, as adjusted		70,273,551
Add/Less: Net Income (Loss) for the current year		9,105,438
Less: <u>Category C.1:</u> Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	480,472	
Unrealized fair value gain of Investment Property	621,820	1,213,174
Adjusted Net Income/Loss		8,003,146
Add/ <u>Category E:</u> Other items that should be excluded from the determination of the amount available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	380,285	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set-up of right of use asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	(354,000)	26,285
Total Retained Earnings, end of the reporting period available for dividend		₱78,302,981

**SCHEDULE III
MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG PARENT
SUBSIDIARIES AND JOINT VENTURES**



* MUFG owns 20% of voting shares of SBC

Common Shares: Par value is P10.00; Total Outstanding Shares – 753,538,887

Preferred Shares: Par Value is P0.10; Total Outstanding Shares – 1,000,000,000

** Joint venture from a subsidiary (sold 50% in October 2020).

*** Joint venture

**** Non-operating. Corporate term ended December 31, 2021. Awaiting clearance from Bureau of Internal Revenue (BIR)

***** Non-operating. Corporate term ended February 28, 2022. Awaiting clearance from BIR

***** With irrevocable power of attorney/proxy to vote certain shares of FWD Life Insurance Corporation

***** With BOD approval in 2022 to shorten corporate life on December 31, 2023. Approval to shorten life was revoked by the BOD last December 12, 2023

***** With BOD approval to shorten corporate life on December 31, 2024

Security Bank Corporation and Subsidiaries
Schedule A – Financial Assets
December 31, 2023

(Amounts and Number of Shares in Thousands)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the balance sheet	Valued based on market quotation at balance sheet date	Income accrued
<u>Financial assets at fair value through profit or loss</u>				
Philippine government	9,524,067	₱9,674,411	₱9,674,411	₱157,942
Other government	6,811	7,467	7,467	26
Private corporations	255,755	282,117	282,117	1,749
Various derivative counterparties		922,356	922,356	788,000
		₱10,886,351	₱10,886,351	₱947,717
<u>Financial assets at fair value through other comprehensive income</u>				
Philippine government	129,491,416	₱126,401,360	₱126,401,360	₱1,519,286
Other government	11,306,056	11,415,253	11,415,253	148,290
Private corporations	1,612,319	1,523,151	1,523,151	11,479
Equity Securities	328	521,285	521,285	-
		₱139,861,049	₱139,861,049	₱1,679,055
<u>Investment securities at amortized cost</u>				
Philippine government	18,214,285	₱18,332,432	₱18,332,433	₱206,719
Private corporations	57,874,830	57,874,831	56,774,956	529,681
		₱76,207,263	₱75,107,389	₱736,400

Security Bank Corporation and Subsidiaries

**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (Other than Related Parties)
December 31, 2023**

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written- off	Current	Non- Current	Balance at end of period
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None to Report

Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders are subject to usual terms in the normal course of business.

Security Bank Corporation and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are eliminated
during the consolidation of financial statements
December 31, 2023

(Amounts in Thousands)

Name of Debtor	Balance at beginning of period	Additions	Deductions				Balance at end of period
			Amounts Collected	Effect of disposal group classified as held for sale	Current	Non-Current	
Philippine Peso							
SB Cards Corporation	₱113	₱948	₱995	₱-	₱66	₱-	₱66
SB Capital Investment Corporation	1,894	19,326	19,384	-	1,836	-	1,836
SB Equities, Inc.	2,335	26,613	26,585	-	2,363	-	2,363
SB Rental Corporation	1,308	22,613	22,598	-	1,323	-	1,323
	₱5,650	₱69,500	₱69,562	₱-	₱5,588	₱-	₱5,588

Security Bank Corporation and Subsidiaries

Schedule D - Long-Term Debt
December 31, 2023

(Amounts in Millions)

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion"	Amount shown under caption "Long-Term Debt"	Interest Rate %	Maturity Date
Long-term Negotiable Certificates of Deposit (LTNCD)					
Maturing on March 23, 2025	P6,060	P—	P6,060	4.00%	03/23/2025
Maturing on June 17, 2025	2,310	—	2,310	4.00%	06/17/2025
Maturing on August 05, 2025	2,070	—	2,070	4.00%	08/05/2025
	P10,440	P—	P10,440		
Bills Payable and Securities Sold Under Repurchased Agreements (SSURA)					
Bills Payable - DBP Funded	P17	P—	P17	8.00%	8/25/2031
Bills Payable - DBP Funded	18	—	18	8.00%	8/25/2031
Bills Payable - DBP Funded	9	—	9	8.00%	8/25/2031
Bills Payable - DBP Funded	22	—	22	8.00%	8/25/2031
Bills Payable - DBP Funded	24	—	24	8.00%	8/25/2031
Bills Payable - DBP Funded	28	—	28	8.00%	8/25/2031
Bills Payable – IBTL	1,107	1,107	—	5.15%	1/2/2024
Bills Payable – IBTL	554	554	—	5.15%	1/2/2024
Bills Payable – IBTL	2,769	2,769	—	5.61%	1/12/2024
Bills Payable - SSURA	2,196	—	2,196	4.73%	3/30/2026
Bills Payable	200	200	—	—	—
Bills Payable	10	10	—	4.25%	12/6/2024
Bills Payable	8	—	8	7.50%	3/1/2025
Bills Payable	48	48	—	7.10%	2/14/2024
	P7,010	P4,688	P2,322		

Notes and Bonds Payable

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion"	Amount shown under caption "Long-Term Debt"	Interest Rate %	Maturity Date
Fixed rate bond due January 2024	₱15,995	₱15,995	₱–	3.74%	1/20/2024
Fixed rate bonds due May 2024	14,572	14,572	–	5.30%	5/10/2024
Fixed Rate Bonds due January 2025	18,396	–	18,396	6.43%	1/13/2025
	₱48,963	₱30,567	₱ 18,396		

⁽ⁱ⁾ Include in this column each type of obligation authorized

Schedule F - Indebtedness to Related Parties
(included in the consolidated statements of financial position)
December 31, 2023

Name of Related Parties ⁽ⁱ⁾	Balance at beginning of period	Balance at end of period ⁽ⁱⁱ⁾
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None to Report

⁽ⁱ⁾ The related parties named shall be grouped as in Schedule D. The information called shall be stated for any persons whose investments shown separately in such related schedule.

⁽ⁱⁱ⁾ For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

Security Bank Corporation and Subsidiaries
Schedule G - 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 ⁽ⁱ⁾	Amount owned by person of which statement is filed	Nature of guarantee ⁽ⁱⁱ⁾
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None to Report

(i) Indicate in a note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.

(ii) There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", or "Guarantee of Dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

Security Bank Corporation and Subsidiaries

**Schedule H - Capital Stock
December 31, 2023**

(Absolute number of shares)

Title of Issue ⁽ⁱ⁾	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 ⁽ⁱⁱ⁾	Directors, officers and employees	Others ⁽ⁱⁱⁱ⁾
Common stock - ₱10 par value						
Authorized	1,000,000,000	—	—	—	—	—
Issued and outstanding	—	753,538,887	—	—	121,975,931	—
Preferred stock - ₱0.10 par value						
Authorized	1,000,000,000	—	—	—	—	—
Issued and outstanding	—	1,000,000,000	—	—	592,163,309	—

⁽ⁱ⁾ Include in this column each type of issue authorized

⁽ⁱⁱ⁾ Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.

⁽ⁱⁱⁱ⁾ Indicate in a note any significant changes since the date of the last balance sheet filed.

SECURITY BANK CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
a) Liquid to total assets	34.74	37.22
b) Loans (net) to deposit ratio	88.76	82.96
c) Debt-to-equity ratio	5.40	5.69
d) Asset-to-equity ratio	6.40	6.69
e) Interest rate coverage ratio	1.84	2.85
f) Return on assets	1.06	1.37
g) Return on equity	6.95	8.42
h) Net interest margin	4.49	4.23
i) Cost to income ratio	60.75	57.80

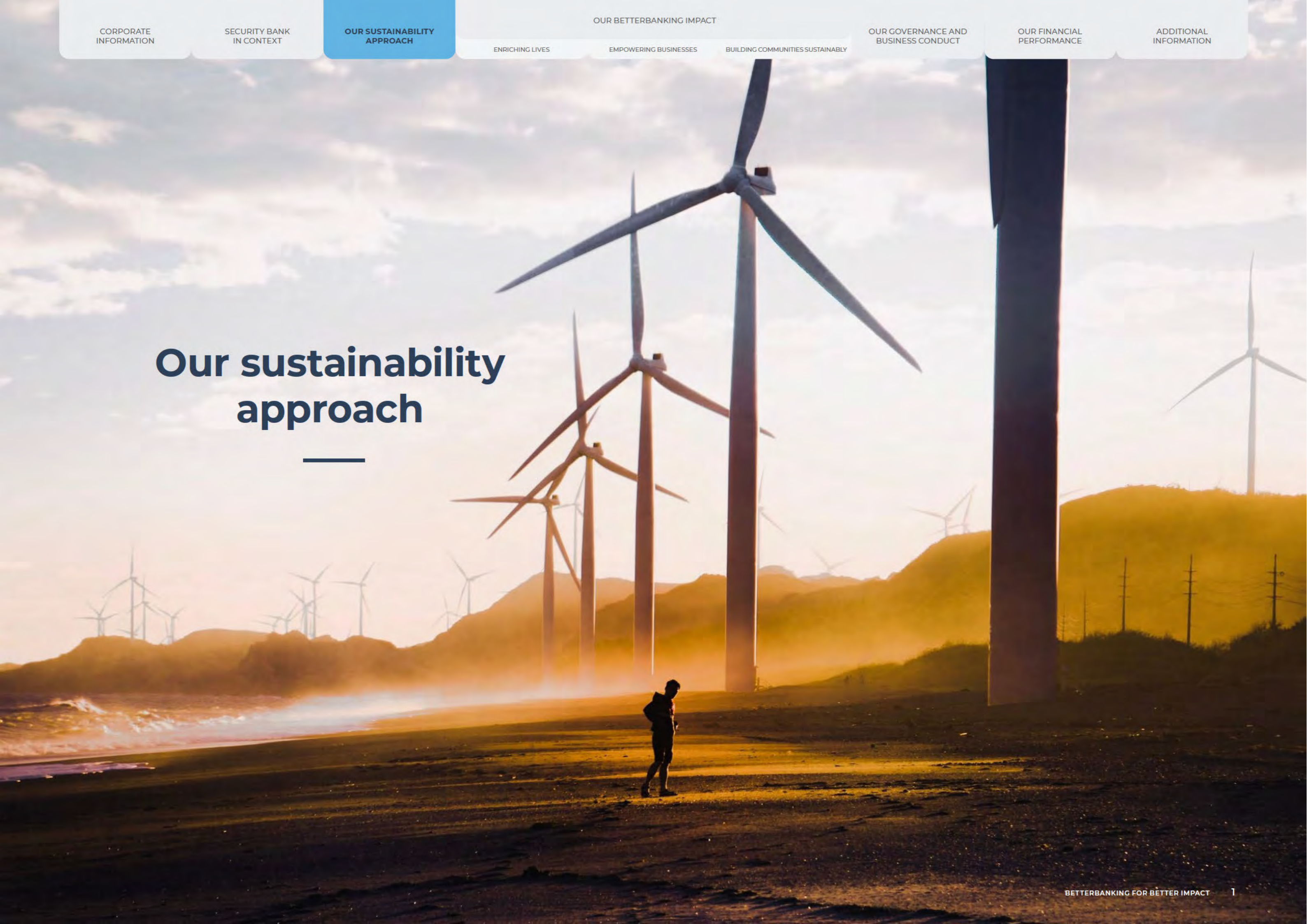


2023 Integrated Report

BetterBanking for better impact

20
23

Our sustainability approach



Our sustainability framework



In 2023, our focus on ESG programs intensified, building upon the groundwork laid in 2021 with the introduction of our Environmental and Social Risk Management System (ESRMS). In

February, the Board approved our Sustainable Finance Framework (SFF). This milestone underscores our commitment to sustainability and charts a clear path for deploying Sustainable Financing Instruments (SFIs) to fund eligible green, social and sustainable projects.

Our sustainability strategy is anchored on three pillars, aligned with topics material to our stakeholders, and our United Nation Sustainable Development Goal (UN SDG) focus areas.

ENRICHING LIVES



At Security Bank, we strive to create positive experiences and meaningful interactions for our customers, and employees. More than just providing financial solutions, we help customers achieve their goals and aspirations, empower employees to grow professionally and personally—investing in innovative products and services, data security and cybersecurity, customer and employee satisfaction.

Highlights:

- Best Retail Bank in the Philippines (Alpha Southeast Asia)
- Best for High-Net-Worth Clients (Asiamoney)
- Philippines' Best in Customer Service 2023
- Ranked #54 globally and #2 in the Philippines as one of the World's Best Employers (Forbes)
- Top 70 (Philippines' Best Employers 2024)

EMPOWERING BUSINESSES



Our commitment to excellence defines us. Our products and services, built on a foundation of robust governance, uniquely empower businesses and industries to make significant economic contributions and create jobs. We remain dedicated to serving Filipino entrepreneurs, local social enterprises, small and medium-sized enterprises, as well as commercial and large corporations. In 2023, our focus remained on fostering economic recovery and growth.

Highlights:

- PHP2 billion corporate notes issuance
- Best Corporate Bank in the Philippines (Asiamoney)
- Best Payment Solution in the Philippines for Billing Invoice Presentment and Payment System (Alpha Southeast Asia)
- Best Green Bond – SB Capital (The Asset)
- Renewable Energy Financing Programme- Philippines – SB Capital (ESGBusiness Awards)
- PHP91.6 billion in Sustainable Finance loans

BUILDING COMMUNITIES SUSTAINABLY



To deliver meaningful impact, we extend beyond traditional Corporate Social Responsibility (CSR). In alignment with our mission and sustainability objectives, we cultivate dynamic partnerships with diverse stakeholders—including national and local government agencies, academic institutions, and foundations. These collaborations are purposefully designed to drive progress in education, healthcare, enterprise development, arts and culture, disaster recovery, and women empowerment.

Highlights:

- Build a School, Build a Nation turned over 108 classrooms to 16 beneficiary schools across 12 cities
- 2,000 tree seedlings planted at La Mesa Watershed as part of our ongoing commitment to reforest and protect Metro Manila's main water supply
- Packed 6,048 meal kits to impoverished families across Visayas and Mindanao with International Care Ministries (ICM)
- 288% increase in employee volunteer hours
- 96% average satisfaction rate from CSR partner beneficiaries and volunteers

Security Bank's sustainability journey



Strong sustainability governance

GRI 2-13, 2-17

Our steadfast commitment to delivering positive impact is anchored on a robust governance foundation. Our commitment to sustainability is supported by these essential committees working cohesively to ensure the effectiveness of our initiatives.



On the management front, the **Sustainability Committee**, chaired by our Chief Financial Officer (CFO), is a dynamic assembly. Its members include the Chief Compliance Officer (CCO), Chief Administrative Officer (CAO), Chief Risk Officer (CRO), heads of various business segments, and representatives from Human Capital Management (HCM) and Corporate Communications, collaboratively work on developing our sustainability policies. They address issues, endorse measures related to environmental and social risks, manage external communications, and closely monitor our overall progress toward sustainability goals.



The **Corporate Governance Committee** oversees the full implementation of our Sustainability Framework. This committee plays a crucial role in driving implementation of our sustainability goals across our value chain, and ensuring alignment of our Transition Plan with regulatory and market developments.

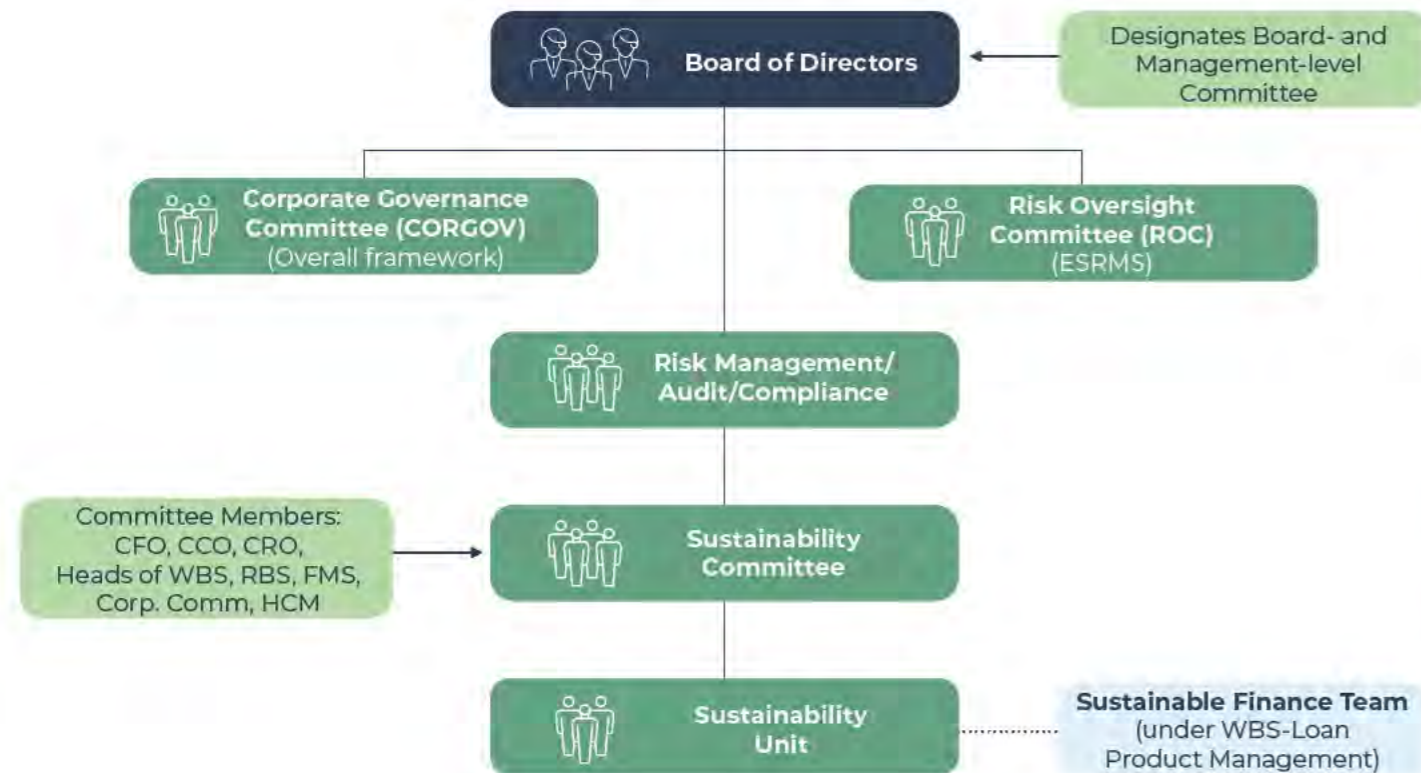


The **Risk Oversight Committee** operates at the Board level with the responsibility of approving and supervising our Environmental and Social Risk Management System (ESRMS). Their oversight ensures our adherence to the highest environmental and social standards in our operations.



The **Sustainability Unit**, led by a Sustainability Officer (SO), guides the different units and teams in executing the Bank's sustainability programs. Collaborating with other relevant Bank units, they implement the sustainability strategy and lead the development of key policies and processes for integrating sustainability principles across the organization. The unit also takes charge of regularly reviewing and updating the Sustainability Framework as needed.

TABLE OF ORGANIZATION



Environmental and Social Risk Management System

GRI 3-3, 201-2

We strive to proactively manage and mitigate environmental and social risks, recognizing their impact on our business, clients, and the communities we serve.

Since the Board's approval of our Sustainability Framework in 2020, we've embraced policies geared towards the responsible management of environmental and social issues. Our Environmental and Social Risk Management System is designed to identify, assess, and manage ESG risks associated with our banking operations and financing activities. The ESRMS encompasses the Bank's lending and financing activities, investment activities, operations, and supply chain.

The ESRMS is seamlessly integrated into our banking policies and procedures, aligning closely with our risk appetite or the risk threshold the Bank is willing to accept to achieve its objectives. Our employees, particularly our Relationship Managers (RMs), Enterprise Risk Managers (ERMs), and Credit Operations teams, undergo specialized training to identify and evaluate potential environmental and social risks associated with our business engagements.

ESG risk is embedded in the Bank's comprehensive Risk Management Framework. The Bank has a comprehensive Risk Management Framework in place

across all risk areas. ESG risk is embedded across these activities as a BAU. Our ESRMS document references specific frameworks, as applicable. For example, credit policies and procedures are found in the Credit Policy Manual, accordingly referenced. The Bank's Risk Management Framework is mature, regularly updated to consider best practices and regulatory requirements.

OUR COMMITMENT TO BETTERBANKING

In 2023, Security Bank continued its efforts to integrate environmental and social risk assessment into our loan processes, prioritizing an understanding of our clients' objectives and priorities. Recognizing the significant implications of failing to manage environmental and social issues appropriately, we committed to transacting only with clients engaged in responsible business practices.

To uphold this commitment, the Bank prohibits project fund expenditures and investments in several activities, including gambling, production, or trade in radioactive materials (with exceptions for medical and quality control equipment), businesses involved in child labor or forced labor, illegal activities, and production or trade in weapons and ammunition. In 2021, we committed to no longer finance the construction of new coal-fueled power plants, and completely exit coal financing by 2033; we continued to take the necessary steps forward to honor this commitment in 2023.

	<h3>Adoption of renewable energy in our operations</h3>	<p>We bolstered our commitment to sustainability by expanding adoption of renewable energy in our Head Office and three branches.</p>
	<h3>Enhanced sustainable finance portfolio</h3>	<p>Our dedication to sustainable finance was evident in our increased disbursement in green finance and social finance categories.</p>
	<h3>Sensitivity analysis</h3>	<p>A sensitivity analysis affirmed our commitment to exit from coal financing by 2033.</p>

CLIMATE CHANGE

We remain steadfast in our commitment to address the challenges posed by climate change while embracing the opportunities presented by the transition to a low-carbon economy. In doing so, we continuously strive to understand the multi-faceted impacts of climate change on our banking and administrative operations, diligently identifying and managing environmental and risk exposures along the way.

Our corporate lending and asset management policies are thoughtfully designed to actively support the responsible transition to a low-carbon economy, reflecting our dedication to sustainable practices. Moreover, we bolster the resilience of our business to climate risks and capitalize on opportunities by innovating climate- and sustainability-linked products, including green mortgage products and sustainable bonds. We extend our advocacy and support to our clients and employees, facilitating their transition to a low-carbon economy and fostering a culture of sustainability.

ENERGY

As we confront the imperative of addressing climate change and supporting our clients and communities in transitioning to low-carbon technologies and business models, we encounter both challenges and opportunities. Our commitment entails ensuring continued access to vital capital for our clients, enabling them to develop their businesses, investing in more efficient processes, and diminishing their carbon footprint. The Bank is committed to actively collaborating with clients in the Energy sector dedicated to sustainable development and the adoption of low-carbon energy sources and innovative technologies. We provide comprehensive support from both corporate lending and capital market perspectives to assist them in achieving their goals.

HEALTH AND SAFETY

GRI 403-1

In 2023, Security Bank remained dedicated to fostering a healthy and safe work environment for our customers, employees, suppliers, and visitors. As part of our ongoing commitment to creating better impact, we outlined key initiatives within our health and safety policy:

- Provision of adequate resources, including financial, human, and technological support, to ensure the well-being of all our employees.

- Implementation of a robust health and safety management system to effectively address potential risks and hazards.
- Delivery of comprehensive employee training programs focused on health and safety protocols to empower our workforce.
- Transparent communication with our external stakeholders regarding our efforts to maintain a healthy and safe work environment.
- Engagement with relevant external parties to solicit input and collaborate on enhancing health and safety arrangements, as necessary.
- Compliance with health and safety legal regulatory requirements to ensure adherence to industry standards.

SUPPLY CHAIN

GRI 3-3, 2-6, 204-1, 308-1, 308-2, 414-1, 414-2

Our commitment to high standards, outlined in our Supplier Standards and Sustainable Procurement Policy, is unwavering. We conduct thorough due diligence on all potential suppliers, ensuring alignment with these standards. Compliance monitoring is achieved through a tailored risk-based approach, reflecting the size of their business. Throughout this process, transparency is maintained, with open communication of findings and facilitation of necessary improvements to ensure alignment with our standards.

It's essential to recognize that our policies are dynamic documents, constantly reviewed and refined to address emerging environmental and social issues. Moreover, we value the insights and perspectives of our external stakeholders, engaging regularly with clients, financial peers, investors, policymakers, and NGOs to enhance our approach to identifying and managing environmental and social risks.

MOVING TOWARD CLIMATE RESILIENCE WITH ESRMS

GRI 2-24

With the passage of the Extended Producer Responsibility (EPR), which mandates product manufacturers to take responsibility for the entire lifecycle of their products, we're closely monitoring clients' compliance. This legislative shift may prompt plastic manufacturing entities to explore alternative

products or face additional funding requirements due to increased costs associated with additional actions, such as recovery, as mandated by the law.

Looking ahead, we're actively planning the implementation of changes in credit risk assessment to directly incorporate ESRMS knowledge. We are conducting further studies based on collected data to ensure alignment with regulatory expectations and industry best practices. Our aim is to mitigate any material financial, reputational, or regulatory risks arising from failure to minimize the negative impact of our operations on the environment or ensure healthy and safe premises for our stakeholders.

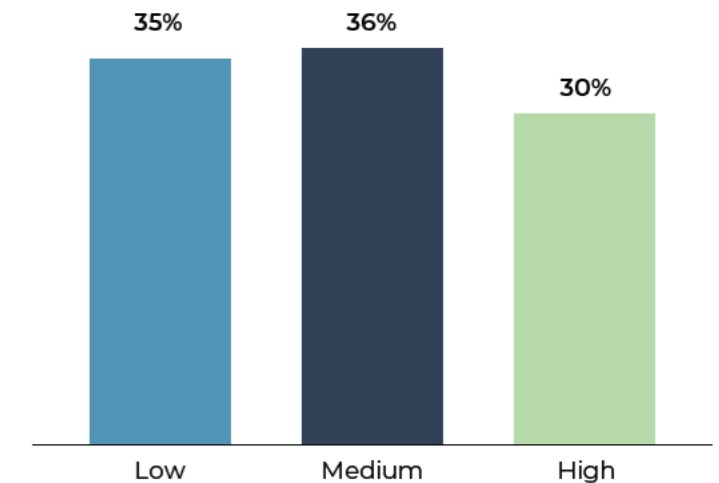
WHOLESALE BANKING SEGMENT ENVIRONMENT AND SOCIAL RISK EXPOSURE

In 2022, the Bank began to incorporate environmental and social factors into the lending process and customer dialogue.

As part of the screening process, projects are categorized according to their E&S risk levels: Low, Medium, and High. This ensures that applicable E&S due diligence work is performed to help mitigate the risks.

- **Low risk** - Accounts or projects with minimal or no adverse environmental or social risks and/or impacts.
- **Medium risk** - Projects with adverse environmental or social risks and/or impacts that are few in number, generally site-specific, and can be easily identified. A mitigation plan/measure can be developed to address these risks.
- **High risk** - Projects with significant adverse and/or long-term environmental or social risks and/or impacts that are diverse, irreversible and/or unprecedented. The Bank will ensure that mitigation plans/measures are developed and are effectively implemented.

WBS PORTFOLIO E&S RISK EXPOSURE



In 2023, the Bank's WBS portfolio (commercial and corporate banking), was predominantly composed of industries classified as Low and Medium-risk, representing 35% and 36% of the portfolio, respectively. These sectors primarily included Power (excluding coal), Agriculture and Food, Small and Medium Real Estate, Non-banking Financial Services, Telecommunications, and Construction, among others. Comprising almost a third of our portfolio (30%), key industries such as Large Real Estate, Electricity, and Food Manufacturing are subject to diligent monitoring by the Bank. We actively oversee these accounts to effectively mitigate environmental and social risks, while also fostering dialogue aimed at transitioning toward a sustainable, climate-resilient business.

Sustainable Finance Framework



Security Bank recognizes its crucial role as a bank in redirecting investments towards the transition to a low-carbon economy and sustainable development.

In 2023, we initiated our Sustainable Finance Framework (SFF) to uphold our sustainability goals and outline our approach to accessing Sustainable Financing Instruments (SFIs).




































SFIs include green, blue, social, and sustainability bonds, loans, and other debt financing instruments supporting the Sustainable Finance Portfolio under the SFF. These SFIs will finance Eligible Projects that align with globally recognized sustainable finance principles and standards:

- ICMA Principles: Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines 2021
- ACMF ASEAN Green Bond Standards, ASEAN Social Bond Standards 2018, ASEAN Sustainability Bond Standards
- LMA, APLMA, and LSTA Green Loan Principles 2021, Social Loan Principles 2021, and Sustainability Loan Principles 2021
- UNEP Sustainable Blue Economy Finance Principles (SBEFP)
- IFC Guidelines for Blue Finance for sustainable blue economy assets
- Philippine regulatory statutes and global standards, (e.g., LEED, IFC EDGE, and the Philippines' BERDE Certification)

These Eligible Projects include:

- Access to essential services (e.g., Pharmaceutical manufacturers distributors and traders, drugstores, etc.) that provide access to underserved (including through affordable/generic medicines)
- Socio-economic advancement and empowerment programs to support and provide social assistance for persons from disadvantaged socio-economic backgrounds, such as conditional and unconditional cash transfer (programs and social pension for elderly and persons with disabilities), loans to minority, underserved, and low-income individuals, and loans promoting entrepreneurship among females.

ELIGIBLE CATEGORIES

GREEN	SOCIAL	BLUE
Clean transportation 	Access to essential services  	Fisheries, aquaculture, and seafood value chain 
Climate change adaptation  	Affordable basic infrastructure  	Marine ecosystem restoration 
Energy efficiency 	Affordable housing  	Ocean-friendly and water-friendly products  
Environmentally sustainable management of living natural resources and land use   	Employment generation 	Ocean-friendly chemicals and plastic related sector 
Green buildings   	Food security 	Offshore renewable energy production  
Pollution prevention and control  	Socio-economic advancement and empowerment 	Sustainable shipping and port logistics sectors 
Renewable energy  		Sustainable tourism services 
Sustainable water and wastewater management 		Water sanitation 
		Water supply 

Material topics and ESG focus areas

GRI 3-1, 3-2

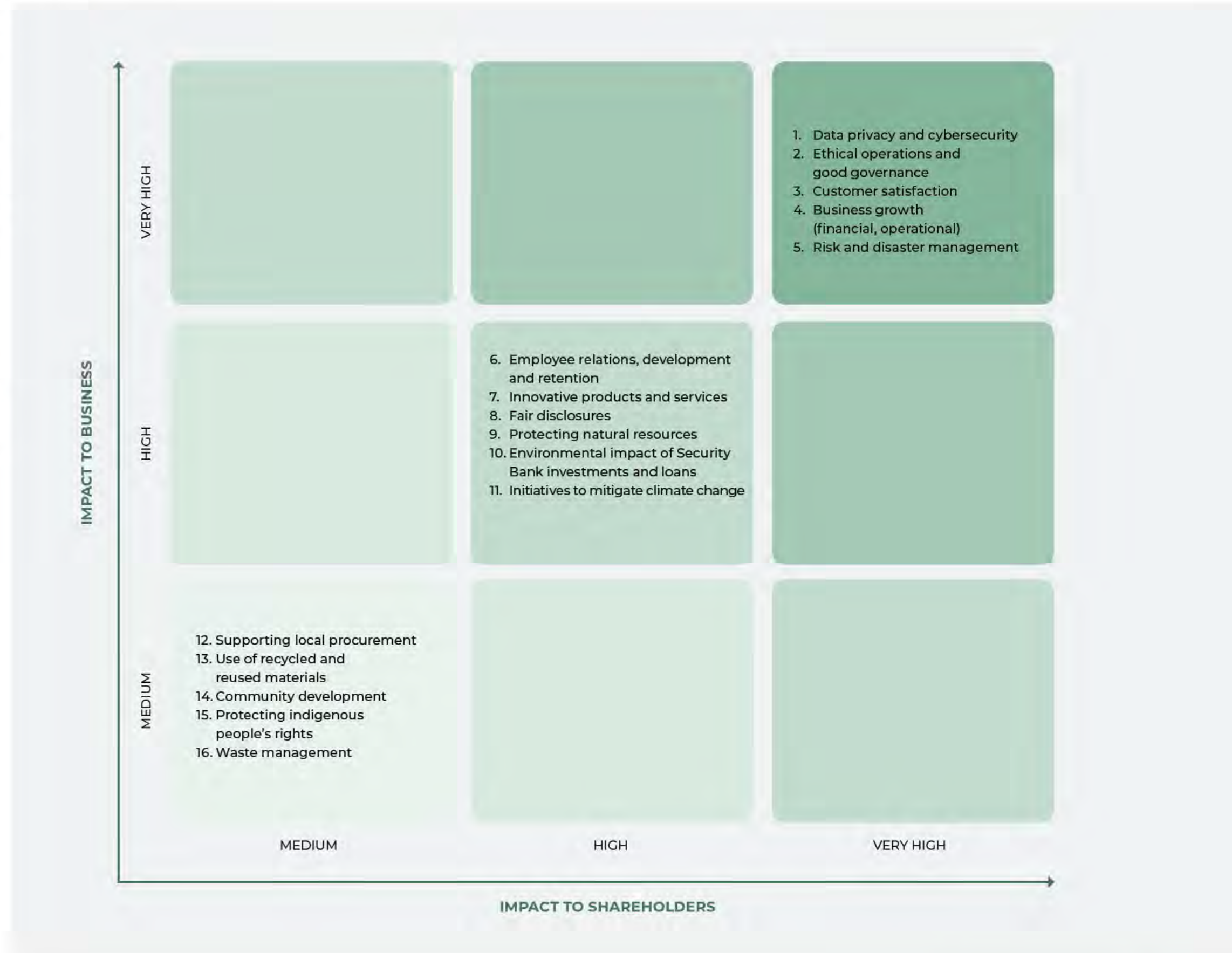


Our vision of BetterBanking is centered on aligning our actions with stakeholder expectations and focusing on building authentic relationships rooted in trust, transparency, and accountability.

In 2023, we conducted a Materiality Assessment Survey in accordance with GRI standards. Engaging with a diverse range of stakeholders—employees, customers, community partners, regulatory bodies, investors, and suppliers—provided us with a holistic understanding of their priorities and expectations. This approach enables us to create shared value and deliver meaningful impact to our stakeholders.

Prioritization of material topics

GRI material topics refer to the economic, environmental, social, and governance (ESG) issues that are most relevant to an organization and its stakeholders. Based on a consolidated view of the survey conducted, the following topics were ranked based on both their impact to the Bank and to stakeholders.



Stakeholder expectations

GRI 2-29



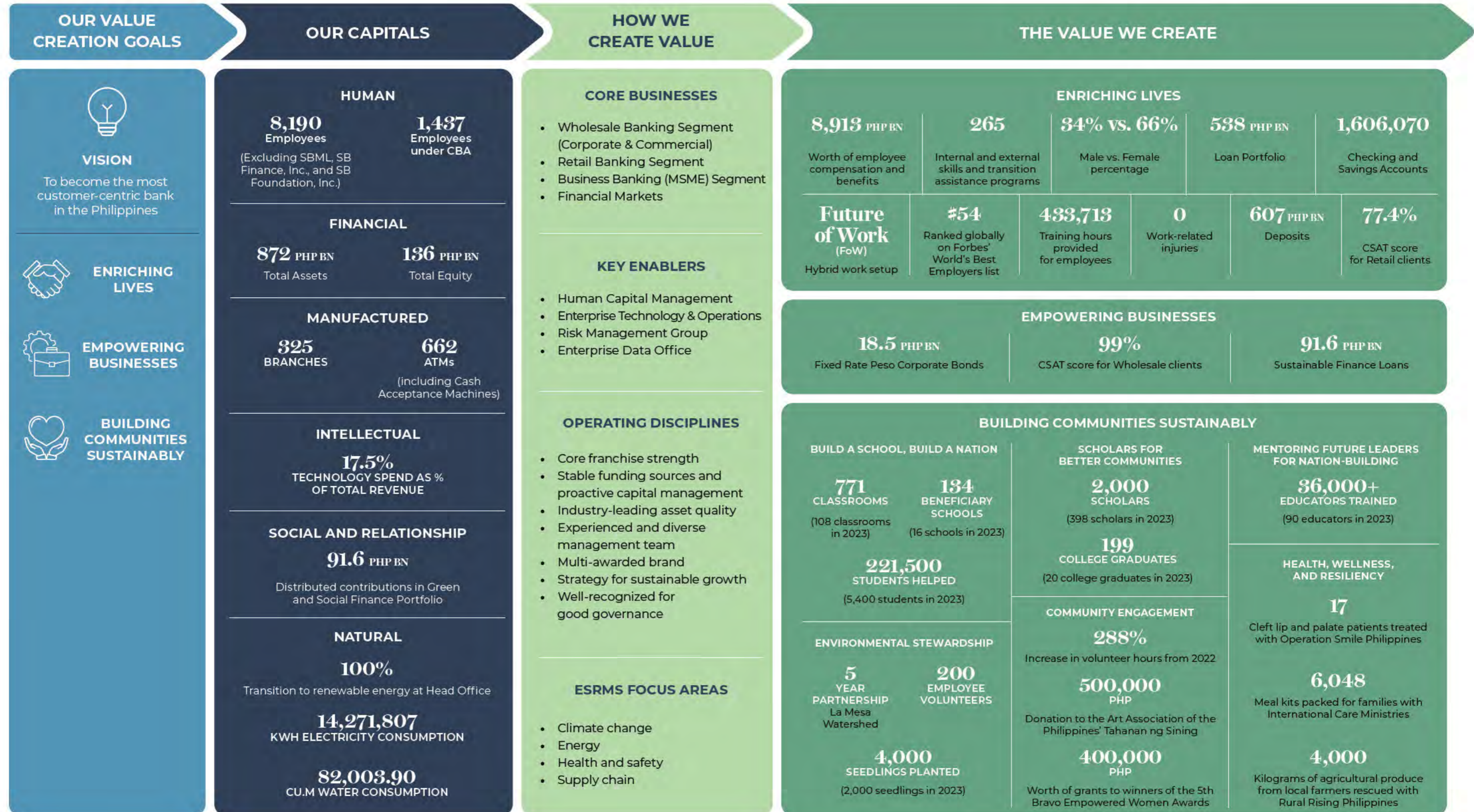
In 2023, guided by the insights gleaned from our Materiality Assessment Survey, we proactively addressed the diverse expectations of our stakeholders. Our responses have been tailored to align with the importance of each issue, as determined by each segment in the assessment.

Stakeholder	Concerns and/or expectations	Material topic	Our response	Mode of engagement	Frequency
Customers	<ul style="list-style-type: none"> Relevant products and services catering to diverse customer needs Higher customer satisfaction Security of investments through technology and cybersecurity practices Financial Inclusion 	<ul style="list-style-type: none"> Innovative products and services Customer satisfaction Technology, data privacy and cybersecurity 	<ul style="list-style-type: none"> Create products and services based on market needs Consistent focus on customer satisfaction Improved features for enhanced security and privacy Integration of new digital channel features for innovation 	<ul style="list-style-type: none"> In-person banking transactions (e.g., branches, chatbot, and contact center) Relationship teams Website, social media email, correspondences phone calls, SMS, and Instant Messaging (IM) 	<ul style="list-style-type: none"> On demand
Employees	<ul style="list-style-type: none"> Respectful and inclusive workplace Constant learning and growth Competitive compensation & benefits Workplace safety and wellness Improving operational efficiencies 	<ul style="list-style-type: none"> Employees relations, retention and development 	<p>YOU matter! anchored around:</p> <ul style="list-style-type: none"> Flexibility (hybrid work arrangements) Enablement (digital and personalized learning pathways) Care (health and wellness, assistance programs) Listening (employee feedback) Purpose (Corporate Social Responsibility and sustainability programs) Rewards and Recognition (career development progression) 	<ul style="list-style-type: none"> Meetings, town halls Email, correspondences Employee engagement activities Focus Group Discussions (FGDs) Virtual platforms Telephone calls, SMS, IM Employee Engagement surveys (via Glint) 	<ul style="list-style-type: none"> On demand Monthly Annual
Investors	<ul style="list-style-type: none"> Implementation of Governance Policies Environmental impact of Security Bank investments and loans Minimizing risks and any other crisis 	<ul style="list-style-type: none"> Ethical operations and good governance Business growth Environmental impact of Bank's loans and investments Risk and disaster management 	<ul style="list-style-type: none"> Stable dividends Regular, timely, and transparent disclosures Investment outlets Immediate response to investors' queries Transparent reporting of financial and environmental disclosures Strong sustainability framework 	<ul style="list-style-type: none"> Annual and quarterly meetings Investor briefings and communications Official disclosures (e.g., Integrated Report) 	<ul style="list-style-type: none"> Annual Monthly On demand As scheduled
Regulators	<ul style="list-style-type: none"> Compliance to mandated requirements (Socio-Environmental-Economic) Economic and sustainable growth 	<ul style="list-style-type: none"> Fair disclosures Initiatives to mitigate climate change Protecting natural resources Use of recycled & reused material 	<ul style="list-style-type: none"> On-time and precise report releases Adherence to regulatory requirements Prompt response to regulatory inquiries Transparency and accountability Economic contribution 	<ul style="list-style-type: none"> Virtual or face-to-face meetings Events sponsored by the regulator or banking industry Annual forums Audits and assessments Compliance meetings 	<ul style="list-style-type: none"> On demand
Suppliers	<ul style="list-style-type: none"> Transparency in accreditation Integrity of bids Timeliness of payments 	<ul style="list-style-type: none"> Supporting local procurement 	<ul style="list-style-type: none"> Practicing responsible procurement Clear and transparent accreditation 	<ul style="list-style-type: none"> Email, correspondences Meetings 	<ul style="list-style-type: none"> On demand
Local communities	<ul style="list-style-type: none"> Accessibility to banking services Socio-Economic growth Support health and wellness initiatives Education assistance 	<ul style="list-style-type: none"> Community development Protecting indigenous people's rights 	<ul style="list-style-type: none"> Rollout of diverse community engagement initiatives Ensuring accessibility of products and services for everyone Sustained educational and financial aid for students, educators, and schools Collaborative, multi-stakeholder program execution Evaluation of program effectiveness and influence Assistance for economic revival, offering livelihood chances to communities and marginalized sectors through equipment donation, startup capital, and business training. 	<ul style="list-style-type: none"> CSR programs (i.e., development, implementation, monitoring, and evaluation) Partnerships and agreements Email, correspondences Phone calls, interviews, and meetings Website, social media, print and online platforms Press releases 	<ul style="list-style-type: none"> On demand

Better impact at a glance



We have mapped out the value we've created—connecting it to our overall purpose, strategic initiatives, business resources, and impact. We've been intentional in aligning this value with our core business pillars and sustainability framework. This alignment demonstrates our commitment to sustainable practices and enhances the positive impact we aim to achieve in every aspect of our operations.



Our BetterBanking impact



ENRICHING LIVES

EMPOWERING BUSINESSES

BUILDING COMMUNITIES SUSTAINABLY

Enriching lives



Security Bank's mission to enrich lives means more than just providing financial solutions. It means helping our customers achieve their goals and aspirations, whether buying a home, saving for retirement, or starting a business. It also means empowering our employees to grow professionally and personally.

Innovative products and services

GRI 3-3

Our **Retail Banking Segment (RBS)** continued to bring quality products and services and thoughtful innovation to the Bank's retail customers. In 2023, RBS leveraged the Bank's cloud data platform to analyze customer data from multiple channels and systems. As a result, they enhanced their models and optimized acquisition channels, leading to an increase in their customer base. Best of all, they developed product and channel offerings based on customer behavior data, with analytical decisions/models executed by the Retail Strategy and Analytics Group (RSAG) and the Enterprise Data Office (EDO). A marked improvement in customer engagement and usage activity across different retail services was another outcome of this data-driven approach.

Innovative products and services - continued

Key initiatives demonstrating product and service innovation included:

- Harnessing data analytics to understand customer usage and behavior** - RBS improved product offerings for Existing-to-Bank (ETB) clients, achieving product penetration rate targets which translated to PPR growth from 1.63 (as of December 2022) to 1.69 (as of October 2023).
- Improved customer journeys** - RBS made more self-service channels available as a convenient alternative to service requests and other banking needs—with web forms, in-app chat, and two-way SMS or Viber. This resulted in a significant lift of 22% in the use of self-service channels from Q2 to Q4.
- eKYC digital onboarding** - Customers were given a seamless and effortless way to open a CASA account using a fast, secure, and fully digital solution. This initiative significantly increased and surpassed the projected account openings by the Bank. Key eKYC milestones delivered in 2023 included system enhancements, scoring and verification, auto-account creation, and the new product launch of USD CASA and credit cards (CASA + cards bundle). In Q3, RBS' online application platform eKYC surpassed its monthly target
- Payment Hub and Gateway (PHG)** - PHG is a cloud-based platform that enables customers to connect with multiple payment service providers (PSPs) and manage their payment transactions in a secure and efficient way. PHG acts as a single point of integration for customers, allowing them to access a variety of payment methods, currencies, and channels through a unified API. This program aligns with global payment trends, offering an enterprise-aligned payment rails platform built on cloud-native, microservices technology for domestic and international transactions. This addressed the need for advanced payment solutions, operational efficiency, and an enhanced omni-channel experience. The platform has received industry recognition, positioning Security Bank as a leader in payment innovations.
- Launch of alternative investments products** - These products allowed Gold Circle and Wealth customers to diversify and maximize the potential of their funds. This boosted the Bank's Wealth Management Division's revenue growth by 72%, with customer growth count rising by 47% from 2022.

for new account openings per month (20% more than the branch network's monthly average).



“

I want to personally thank you for an awesome experience with Security Bank Debit and Credit Card at Kathmandu, Nepal during my Mt. Everest Base Camp trek!”

JOHN PAUL NARISMA

BETTERBANKING AT 17,000 FEET

For mountaineering enthusiast **John Paul Narisma**, the trek to the Base Camp of Mt. Everest was equal parts thrill, adventure, and a dream come true. Despite being equipped with his climbing gear and the hunger to complete the trek, John's once-in-a-lifetime experience was almost derailed.

Needing Nepalese Rupees for groceries and supplies at Base Camp, John tried to withdraw from several ATMs in Kathmandu, but all his bank cards were rejected. Luckily,

John's Security Bank Debit and Credit Card enabled him to withdraw cash seamlessly and conveniently.

In an unexpected turn of events, John was hospitalized for altitude sickness. However, he was out of cash to cover the counter-pay medical insurance during discharge. Again, his other bank cards were rejected at the hospital—except for his Security Bank Debit and Credit Card, which the hospital accepted without issue.

WITH A PASSION FOR CUSTOMERS, WE WERE THRILLED TO BE RECOGNIZED BY PEERS AND NOTEWORTHY ORGANIZATIONS FOR OUR RETAIL BANKING SERVICES AND INNOVATIVE SOLUTIONS

Best Retail Bank in the Philippines

Alpha Southeast Asia



New Consumer Lending Product of the Year - Complete Cashback Platinum Mastercard*

Asian Banking and Finance



Outstanding Chatbot Customer Experience, and Best Customer Insights Initiative

Digital Banker



The Crystal Boomerang Powered by Google Ads for “Customer-centricity with AI: Using Google PMAX and Broad Match to Target the Right Customers”

Boomerang Awards

Innovative products and services - continued

RETAIL BANKING SEGMENT HIGHLIGHTS, POWERED BY THE BRANCH BANKING GROUP

IMPROVEMENT IN PROFITABILITY

27%
YoY growth
in Gross Revenues

18%
YoY growth
in Loan Book

ENHANCEMENTS FOR NEW AND EXISTING CUSTOMERS

45%
YoY increase in
NTB MA+ customers
(YTD Dec. 2022 vs. Dec. 2023)

1.63 to 1.69
Growth in ETB PPR
(Dec. 2022 to Dec. 2023)

6.06%
CSAT score improvement

Driven by more online self-service options for top transactions

IMPROVEMENT IN PRODUCT METRICS

Market share increase

5% Credit Cards **6%** Auto Loans **7%** Home Loans **4%** CASA Deposits

102%
YoY growth in
Auto Loan bookings
Dealer Channel Approval Rate
increase from 10% to 20%

45%
YoY growth in
Credit Card approvals
Data-driven analysis optimized
online and third-party channels

30%
YoY increase
Credit Cards in Force
outpaced most top banks

49%
increase
Credit Card spend outpaced
most top local banks

Our Trust and Asset Management Group (TAMG) partners with retail and corporate/institutional customers to achieve their financial goals. TAMG provides a complete product line and best-in-class investments through active funds management, as well as trust solutions through administration and servicing of other trust and fiduciary needs.

Given the higher interest rate environment that challenged traditional money market funds, TAMG focused on better access to fixed income alternatives that improved returns. These included primary corporate bond offerings and government securities through bond auctions. As a result, DIMA AUM grew by 44% year on year and made up 39% of total AUM vs. the previous year's 31% of total AUM.

As TAMG continued to innovate products, it gave equal attention to the growing need for investor education. From topics on how Fund Managers decide on investments, to specific opportunities in the bond market, the variety of social media content enabled better decision-making. Complemented by propensity models, customized Unit Investment Trust Fund (UITF) and DIMA content were generated for up to 10,000 new customers that will now see the value of investments and having trust accounts.

TAMG also promoted financial literacy and empowered the community with knowledge about investment practices and establishing trusts. This empowered individuals to make informed decisions, plan for their future, and build a more secure financial foundation.



TAMG was awarded Top Investment House (Rank 2) by The Asset Benchmark Research at the awarding ceremony in Singapore in November 2023.

Customer satisfaction

The Branch Banking Group (BBG), which provides distinct, personalized, face-to-face interactions, achieved significant milestones this year with strategic focus on new branches, relocation, and renovation, demonstrating its commitment to BetterBanking service delivery for its customers.

- BBG opened 10 new branches, expanding its footprint to new locations with high deposit volumes, high potential for business growth, and within the target market. The team also ended 2023 with 52 fully transformed branches. These branches' new signature look was complemented by speed, convenience, ease of access on digital, virtual, and automated channels.
- In 2023, one of the key achievements was the implementation of the Mosaic Voyager (MV) Telling & Lobby Management System. This system laid a robust foundation for the Bank's digital transformation and customer journey. Now, our customers can

digitally initiate service requests from anywhere and seamlessly continue them at any branch. The omni-channel MV system enhances customer-entered data with additional information such as customer segmentation and service priorities. Subsequently, it automatically populates this enriched data onto a unified web-based interface for our branch service staff. This streamlined process reduces the costs associated with data entry, minimizes potential operational errors, and diminishes our paper footprint. Moreover, it enhances the speed of service, ultimately delighting our customers.

Other key customer satisfaction initiatives included:

- **Migration of branch transactions to alternative channels**
Improved the queuing system in the branch lobby and experience of the customer (e.g., campaign to increase usage of ATMs with Cash Deposit machines to reduce over-the-counter transactions).

Customer satisfaction - continued

- **Implementation of the Lobby Management Standards (LMS) program** - Streamlined branches and ensured compliance with security and safety standards. This involved an LMS roadshow/townhall, DOLE training, Branch Safety Officer/First Aid Training Calibration, Standards Checklist, Lobby Quality Audit, etc.)
- **Simplification of branch policies and procedures and process improvements** This included addressing Customer Advisors' top pain points, enabling faster processing of client transactions, and improving sales (e.g., Migration of KYC Periodic Review, Account Opening for Corp Accounts, Online Account Opening, Bulk Payroll Handling, etc.). CAs were also trained on SSC filing to ensure correct and accurate filing of cases and decreasing CRM error rates—which improved handling of cases and customer complaints.
- **Adoption of Compliance, Audit, and Risk (CAR) best practices** - Implemented post-gap analysis on identified control lapses, and bridged gaps to ensure good governance.
- **Revolution of credit and debit card dispute solution** Turnaround time to an impressive 72 hours, a remarkable improvement from the standard 45-90 calendar days. This not only significantly reduced customer waiting time but also delivered reductions in operational costs.

- **Roll-out of the monthly UITF e-SOA** - Through the e-SOA, clients can now be updated with their UITF investment portfolio including historical transactions (i.e. subscriptions and redemptions, as applicable).

In 2023, the Risk Management Group (RMG) rolled out the Consumer Protection Risk Management Framework (CPRMF) which outlines the Bank's approach to the management of financial consumer risks. This framework describes the policies and mechanisms in place to champion consumer protection standards in the areas of transparency, fair treatment, data privacy, protection from fraud, and effective recourse and complaints management. This framework also specifies that Bank staff and authorized third party agents or representatives must treat customers with professional competence. As such, the Bank provides relevant employee training on consumer financial protection:

- Aligning recruitment and training policies around professional, fair, and responsible treatment of customers, compliance with financial consumer

protection (FCP) requirements, and mitigation of consumer risks.

- Providing adequate training suitable for the complexity of the products or services sold to ensure understanding of their key features, risks, terms, and costs, relevant FCP standards and requirements, including those pertaining to risks arising from cybersecurity and/or digital products and services.
- Providing training on debt collection practices and loan recovery procedures.

Security Bank also has debt collection policies with well-defined procedures in place. These policies aim to minimize credit losses, improve cash flow, and provide excellent customer experience while offering appropriate payment solutions. Policies involve: Collections Tools and Activities, Early Reminders, Past due Collections, Write-Off and Recoveries, Debt Collections Agencies, Vehicle Repossession, Foreclosure, Endorsement of past due accounts to Legal, and Payment Programs.



“
...Security Bank constantly provides better, faster, and safer digital access for clients for their portfolios and review services.”

Asiamoney

In 2023, the Bank's Wealth Management Division bagged Asiamoney's Best for High Net Net Work (HNW) clients in the Philippines for the third consecutive year.

BRANCH BANKING GROUP IN NUMBERS

94.46%
CSAT

105%
NIAT
Actual vs. Budget

130%
Cross-sold products:
HL, AL, Cards, BEL,
BML, and PL
Actual vs. Budget

**Good Governance
best practices**
Low Risk Audit Rating,
Auxiliary Governance



Customer satisfaction - continued

HOW WE HANDLE CUSTOMER COMPLAINTS

Our **Customer Care Department (CCD)** works to ensure client concerns are properly and promptly addressed. The team adheres to a Complaints Management Framework to process intake, verification, handling, escalation, fulfillment, and response to complaints received through the Bank's various frontline communications channels and regulatory bodies.

CCD monitored insights from CSAT surveys conducted by the Bank in 2023. Surveys were sent to customers with recent transactions via email and Viber. Additionally, QR codes were placed in branches to give customers another way to provide feedback. From the CSAT data, analytics showed that the key points of opportunity in the customer journey were:

- eCommerce-related fraud
- System downtime issues (i.e., Security Bank Online, EQ, etc.)
- Release of a different card type due to unavailability of card plastics
- Unavailability of balance convert

Customer satisfaction (CSAT)	2021	2022	2023
Retail Banking Segment (RBS)	72% 54.2% Very satisfied + 18.2% Somewhat satisfied	71.3% 61% Very satisfied + 10.8% Somewhat satisfied	77.4% 63.8% Very satisfied + 13.6% Somewhat satisfied
Wholesale Banking Segment (WBS)	98% 80.1% Very satisfied + 17.5% Somewhat satisfied	97% 79% Very satisfied + 18% Somewhat satisfied	99% 81.6% Very satisfied + 17.4% Somewhat satisfied

Handling of customer complaints			
Indicator	2021	2022	2023
Resolution rate	74% (vs. target of 85%)	88% (vs. target of 85%)	89% (vs. target of 85%)
Overdue bucket rate	14% (vs. target of 5%)	2% (vs. allowable OBR of 5%)	1% (vs. allowable OBR of 5%)
Problem incidence rate	4% (vs. target of 3%)	4% (vs. allowable PIR of 3%)	4% (vs. allowable PIR of 4%*)
Feedback rate	100% (vs. target of 90%)	100% (vs. target of 90%)	100% (vs. target of 90%)
Completion rate	82% (vs. target of 100%)	93% (vs. target of 100%)	97% (vs. target of 100%)
Error rate	1%	1%	1%

*PIR allowable rate changed from 3% to 4% in 2023.

GRI 418-1

Indicator	Total complaints received	Number of complaints addressed	Number of valid complaints
2021			
Customer privacy	70	65 (93%)	21 (30%)
Marketing and labeling	430	339 (79%)	46 (11%)
Customer health and safety	18	18 (100%)	6 (33%)
2022			
Customer privacy	44	44 (100%)	10 (23%)
Marketing and labeling	155	155 (100%)	21 (14%)
Customer health and safety	17	17 (100%)	4 (24%)
2023			
Customer privacy	41	41 (100%)	19 (46%)
Marketing and labeling	410	386 (94%)	87 (21%)
Customer health and safety	21	21 (100%)	1 (5%)

No breach reports were filed in 2023 with the National Privacy Commission (NPC). There were security incident reports filed internally but these did not merit reporting to the NPC. Any process gaps identified in relation to these incident reports were dealt with on a case-to-case basis.

Digitalization, data protection, and cybersecurity

The **Enterprise Technology & Operations (ETO) Segment** works in close partnership with business segments, to deliver the best and most secure experiences for our customers. In 2023, their key projects included:

- **Foundational technology stack refresh** - ETO strengthened the foundation of the Bank's technology stack to improve the performance, reliability, and stability of the online banking platforms, as well as to enable agility to drive the omni-channel strategy. ETO evolved the Bank's foundational layers, driving key programs like Enterprise API, event-based Data Fabric, and Data Mesh. It standardized and created golden sources of master data repositories, delivering flexibility, modularity, and open integration with the evolving technology and banking landscape.
- **Network modernization** - By enhancing overall network resiliency, modernizing legacy infrastructure, simplifying network layers, and fortifying overall security, ETO enabled a secure environment for customer data, reinforcing our cybersecurity framework.
- **Mosaic Voyager (MV)** - The successful implementation of the MV Telling System and MV Customer Interaction Management System (CIMS) laid a robust foundation for the Bank's digital transformation and customer journey. Now, our customers can digitally initiate service requests from anywhere and seamlessly continue them at any branch. The omni-channel MV system enhances customer-entered data with additional information such as customer segmentation and service priorities, subsequently, it automatically populates this enriched data onto a unified web-based interface for our branch service staff. This streamlined process reduces the costs associated with data entry, and minimizes potential operational errors. Moreover, it enhances the speed of service, ultimately delighting our customers.
- **Falcon integration with Security Bank Mobile** - The integration was designed to streamline and automate processes, reduce the need for manual intervention, and enable faster and more efficient servicing. For example, the integration with Pseudo 2-way SMS was an automation initiative that enabled the Bank to protect customers from phishing/vishing with real-time transaction monitoring technology

capable of detecting and declining high-risks transactions. It also provided customers with the convenience of simply replying to the SMS instead of phoning the contact center.

- **Enterprise Continuous Integration/Continuous Development (CI/CD) framework** - ETO implemented the DevSecOps and CI/CD framework to automate the process of building, testing, and deploying software. It was designed to provide uniformity and automation in application build and software deployment which can reduce manual errors, shorten release cycles, and improve overall project efficiency. This can result in faster delivery of new features and updates, improved software quality, and a better overall customer experience.
- **Designing the BetterBanking experience (BBX)** - ETO identified common business and technology enablers across all three customer pillars, maximizing synergies and investments via a combined Design phase to define next gen Retail, Corporate, and MSME digital channels, and deliver unique BetterBanking experiences.
- **Data protection** - ETO has implemented several data protection initiatives to ensure the security of customer data and reinforce the cybersecurity framework. These include the implementation of an Information Security Policy, Data Loss Prevention (DLP) measures for both endpoint devices and email facilities, and the use of encryption to secure communications, information, and data storage. These measures are designed to protect information assets from unauthorized access, use, disclosure, disruption, modification, or destruction, and to provide confidentiality, integrity, and availability.
- **Information security** - Our Information Security (InfoSec) Office developed and implemented the Bank's Information Security Systems Plan (ISSP) and Information Security Program (ISP) as prescribed under the BSP MORB 148, Appendix 75. This was based on a three-point strategy (Readiness, Resiliency, and Compliance - 2RC), which prioritized proactive and preventive measures, adopted the 'Assume the Breach Position' paradigm, strengthened defensive capabilities, and pursued certification and compliance to regulatory requirements and generally accepted security standards.



In June 2023, EVP and Enterprise Technology & Operations Segment Head, Lucose, Erailil, kicked off the BetterBanking experience project.

The Bank has an Information Security Policy that addresses the information security objectives of confidentiality, integrity, and availability. All information used by Security Bank and its subsidiaries is considered and shall be protected from damage, loss, misuse, or inappropriate disclosure.

According to the Information Security Policy, the Bank includes requirements for data retention and disposal into third-party agreements to enforce it during and upon termination of such services when a vendor or third-party stores the Bank's information on its behalf.

The Bank also has Implementing Guidelines for Data Erasure Management to properly execute and manage the implementation of a Data Erasure Management System across the corporation.

Internal Audit also conducts a review of the Information Security implementation of the Bank based on Circular 982, which covers the Information Security Policy and its implementation.

Information Security is part of the Information Systems' (IS) Audit universe. This means that this information is part of the annual Audit Plan that the Audit Committee approves. InfoSec is one of the Audit areas that is evaluated every year to see if it should be part of the current year's Audit Plan.

A key milestone achieved in our Information Security maturity was the strengthening of our information security standards with ISO/IEC27001:2022 certification by The British Standards Institution (BSI), making us the first local bank to attain this upgraded Information Security Management System (ISMS) certification.

External independent audits are conducted at least once every two years.

With opportunities powered by AI and digital, ETO uniquely positioned the Bank to ignite new growth and invigorate its profitability by:

- Redefining technology as an underpinning enabler—transforming from a support function to a central pillar of innovation and growth.
- Reinventing how business strategy leverages technology—shifting from traditional uses to pioneering technologies that drive forward-thinking solutions.
- Revolutionizing investment portfolios by embedding technology at the core of business-driven change—making bold and innovative operational transformations.

Employee relations, retention, and development

Our people are important to us at Security Bank. They enable us to achieve our vision and mission.

In 2023, **Human Capital Management (HCM)** launched the Bank's Employee Value Proposition (EVP)—**"YOU matter"** This core people mandate is anchored around six pillars: Care (health and wellness, assistance programs, occupational health and safety, mental health service); Enablement (digital learning through LinkedIn Learning, personalized learning pathways through mandatory and competency-based modules); Flexibility (hybrid work arrangements, eased dress code); Listening (employee feedback, learning caravans, town halls); Purpose (Corporate Social Responsibility and sustainability programs); and Rewards and Recognition (annual performance bonus and merit increase, annual promotion cycle, role-based salary structure, and career development progression).

These initiatives led to Security Bank's recognition on Forbes' World's Best Employers list and the Philippines' Best Employers list.

WORK-LIFE BALANCE

Under the **"We offer you flexibility"** pillar of the EVP, the Bank promoted a role-based hybrid work arrangement and provided access to collaboration tools such as Microsoft 365 (Teams, Yammer/Viva Engage, SharePoint, Outlook) for productive remote working. The Bank also launched SBC Hub—a web-based platform that provides employees with easy access to various online tools and resources and features announcements, events, and news updates from the Bank. Moreover, with the implementation of "Dress for your Day," employees could come in attire based on the nature of their workday (e.g., casual clothes at work if no important meetings).



BENEFITS

GRI 401-2

Benefits	% of women who availed	% of men who availed
SSS	28%	15%
Maternity	5.10%	0.00%
Sickness	4.06%	2.78%
SSS Loan	19.14%	13.07%
PhilHealth	7%	3%
Pag-IBIG	12%	8%
Parental leave	6%	4%
Vacation leave	86%	80%
Sick leave	78%	69%
Medical benefits (aside from PhilHealth)	68%	51%
Housing assistance (aside from Pag-IBIG)	0.04%	0.07%
Retirement fund (aside from SSS)	1.61%	1.67%
Further education support (scholarships)	0.19%	0%

PARENTAL LEAVE

GRI 401-3

Indicators	Male	Female	Total
Total number of employees that were entitled to parental leave	2,808	5,388	8,196
Total number of employees that took parental leave in 2023	112	344	456
Total number of employees that returned to work in 2023 after parental leave ended	112	344	456
Return to work rate	100%	100%	100%
Total number of employees who availed the parental leave in 2022 and returned to work in 2023	2	61	63
Total number of employees that took parental leave in 2022	56	290	346
Retention rate	3.60%	21%	18.20%

SOLO PARENTAL LEAVE

Indicators	Male	Female	Total
Total number of employees that were entitled to solo parental leave	3	48	51
Total number of employees that took solo parental leave in 2023	2	37	39
Total number of employees that returned to work in 2023 after solo parental leave ended	2	37	39
Return to work rate	100%	100%	100%
Total number of employees who availed the solo parental leave in 2022 and returned to work in 2023	0	0	0
Total number of employees that took solo parental leave in 2022	0	19	19
Retention rate	-	0%	0%

PERSONAL DEVELOPMENT

Security Bank provides employees with the opportunities, resources, and support to grow and reach their full potential.

In 2021, a five-year talent strategy was instituted at the Bank which outlined the vision and strategy for Talent Management. The strategy has four areas: Security Bank-Tailored Capability Framework, Efficient Skills Assessment Process, Data, Automation. We started with skills assessment the same year and established Leadership Capability Framework for all levels of People Managers in 2022 and started a Skills Gap Assessment. In 2023, we started the mapping of Job Descriptions (JDs) of critical roles into both the Leadership and Functional Capability Framework; and we started with automation of the Talent Management process.

In 2023, the following initiatives were also implemented under the “We enable you” EVP pillar.

- **Digital learning** - Through LinkedIn Learning and LearnSpace (a centralized digital learning platform to access training materials and onboarding courses), employees have access to learning and development anytime, anywhere, and at their own pace.
- **Coaching Circles for People Managers** - Also known as CoCi, this initiative aims to help people managers and leaders become better coaches through shared discussions and learnings in an open and guided forum. CoCi can be a valuable tool for personal and professional development and can help individuals improve their coaching skills and become more effective leaders.
- **360-degree feedback** - A performance evaluation tool aggregating feedback from multiple sources, including managers, peers, subordinates, and sometimes even customers, to provide a well-rounded view of an employee's performance and identify areas for improvement.
- **Individual Development Plans (IDP)** - Personalized plans created by employees, often in collaboration with their managers, to help them achieve their career goals. IDPs typically include a mix of training, mentoring, and on-the-job learning opportunities that are designed to help employees develop the skills and competencies they need to advance in their careers.
- **Leadership and functional competencies assessment** - A tool to evaluate an employee's skills and abilities in specific areas related to their

job. The goal is to identify strengths and areas for improvement, and to help employees develop the skills they need to be successful in their roles.

- **SBC-specific capability framework** - The Talent Management team of HCM subscribed to and tailored the globally benchmarked IBM Talent Framework to set up the SBC Capability Framework—starting with leadership competencies—to define and clearly articulate leadership skills that the organization needs today and in the future. This will guide the way we hire talent, how we develop them, and how we do succession planning.
- **Skills gap assessment** - The Talent Management team also ramped up the use of Glint's 360 Feedback module to support skills assessment. This paved the way for a more focused approach to learning and talent acquisition because the Bank is now able to identify skills gap more accurately. With this, SBC Academy was enabled to provide fit-for-purpose development solutions.
- **Educational partnerships** - In 2023, Security Bank Academy, in partnership with the Asian Institute of Management (AIM), launched the Bank Leadership Advancement and Skills Training (BLAST) program. This exclusive program was designed to develop the skills and abilities of leaders within the Bank.

The Bank also partnered with Ateneo de Manila University's Graduate School of Business for the Treasury Certification Programs, Ethics and Etiquette in the PH Financial Markets Training, and Certificate Course in Learning Design and Evaluation; De La Salle University for the Basic Certificate Course in Strategic Compliance for the Banking Industry (Batch 38); and University of Asia and the Pacific for Transforming Philippine Food and Agribusiness: Driving Productivity and Efficiency in the Sector and the 2023 Year-end Food and Agribusiness Conference.

GRI 404-1, 404-2, 404-3

Total training hours in 2023	
433,713	
Programs for upgrading employee skills and transition assistance	
Total number of trainings conducted (internal)	148
Total number of trainings conducted (external)	117



Meanwhile, the “We reward and recognize you” pillar promotes high engagement through a robust Rewards and Recognition program. The annual performance bonus and merit increase are determined based on the employee's performance. Recommendations for promotion are made during the annual performance appraisal for the calendar year. The Bank also has a role-based salary structure, which refers to the quartile distribution of ideal monthly gross salary per rank, as well as rank-based average and amount ranges. The Bank also prioritizes the career progression of its employees by considering various avenues for growth, such as projects, special assignments, and cross-functional collaborations, even in the absence of immediate open roles. The goal is to maximize the potential of individuals and provide opportunities for advancement within the organization.

This year, HCM also launched an automated reward and recognition tool called “Cheers!” where employees can give points to their colleagues for going the extra mile. The platform enabled managers and HCM to reward employees digitally and drive peer-to-peer appreciation through the platform. The redemption catalogue includes a wide network of brands like Lazada, Shopee, GrabFood, and Zalora to name a few. All our reward schemes will be centralized using this platform. This was launched in June of 2023 to coincide with our 72nd Anniversary.

Under the “We share the same purpose” pillar, we integrated sustainability into our culture by providing sustainability education and engagement programs including:

- **Basics of Sustainability** - A self-paced course to provide employees with the basic concepts of sustainability. In 2023, 8,469 employees completed the course.
- **Sustainable Finance Training** - To raise awareness on sustainability-linked finance products, our Sustainable Finance Validation Framework, and the roles and responsibilities of specific process owners: Sustainable Finance Team; Corporate Banking and Commercial Banking Group Team Heads; Relationship Managers; and Enterprise Risk Evaluation Division. In 2023, 357 employees completed this training.
- **Sustainability and Reporting** - This training was designed to help participants understand the impact of sustainability issues in the Bank's disclosures, reporting standards that the Bank follows, and how to effectively create a more transparent and cohesive Sustainability Annual Report. In 2023, 36 employees completed this course.
- **Climate Leadership Workshop Series** - Led by leading climate solutions developer South Pole, this workshop series helped the Bank's leaders better understand and create long-term plans for sustainable business practices and climate risk management. In 2023, 40 leaders participated in the workshop.
- **Learning Bites Earth Hour** - This elective learning session focused on knowing more about taking care of the planet in celebration of Earth Hour. In 2023, 110 participants took this course.

HEALTH AND WELLNESS

GRI 3-3, 403-1, 403-2, 403-3, 403-4, 404-5, 403-6, 403-7, 403-9, 403-10

Security Bank was recognized in the Excellence in Workplace Wellbeing category at the HR Excellence Awards Philippines 2023 for its commitment to the holistic physical and mental health of its employees.

Under the “We care for you” EVP pillar, the total well-being of employees is the primary focus. The Bank ensures that the following programs are continuously implemented:

- **Mental health program** - Since 2021, the Bank has provided its employees with access to a secure platform to book sessions with a licensed psychologist. Employees also have free access to monthly themed webinars with topics such as Sleep and Productivity, Being Gentle with Your Mind, and Balancing Work and Parenting. Employees also have the option to reach out to the Bank’s designated Mental Health Officer for guidance and support.
- **Online booking for doctor’s consultation** - Because of restrictions in hospitals and medical facilities, we introduced the in-house teleconsultation service with our company doctors in 2020. This service is still offered to all employees, Mondays to Fridays, and has

undergone digital enhancements to make it more accessible and convenient. Once the booking is confirmed, employees just need to show up during their scheduled appointment—in-person or virtually.

This is provided to our employees on top of the telemed services already part of their HMO coverage. Not only has this initiative addressed the hybrid work arrangement, but it has also expanded the reach of a service that was once accessible only to employees reporting to our Head Office.

- **Wellness advisories** - Bulletins were issued to spread awareness about common illnesses on major body organs and seasonal health risks brought about by the weather conditions in the country. In our efforts to add value to this ‘routine’ initiative and advocate well-being as not just about physical health, we added topics such as responsible pet ownership, decluttering after the holidays, and mindful eating habits in the line-up.
- **Wellness in the Workplace Series** - To further promote healthy practices, we continued this webinar series with topics such as: All about HMO; Healthy heart, happy heart; I am more than my body; Healthy holiday sleep.



The OSAM Awards, which stands for Outstanding Security Bankers, Achievements, and Milestones, is an institution-wide performance-based award given to individuals and teams who have contributed to the overall success of Security Bank for the year. The 2023 OSAM Awards were held in December 2023.

- **Online Booking for Annual Physical Exam (APE)** Employees were able to choose a schedule to fit their hybrid work arrangement.
- **Digital HMO ID** - As an alternative to the physical card, the Wellness team encouraged employees to register on our HMO partner’s app to get their digital HMO ID.

OPERATIONAL EFFICIENCIES

In 2023, the HCM team proudly launched HeRO, which stands for HCM Employee Resources Online, a platform powered by the Darwinbox platform that replaces current multiple HCM systems. It allows employees to access their Personal, Employment, Performance, Development, and Compensation & Benefits data from a single source.

Some features of HeRO include:

- **Recruitment and onboarding** - Streamlines the hiring process and helps new employees settle in and find their way successfully.
- **Talent Management** - Includes Succession Planning and enables managers and employees to set, cascade, and monitor goals and performance in one simple, and mobile platform.
- **Compensation planning** - Allows managers to plan and manage employee compensation and benefits.
- **Learning** - Provides diverse learning opportunities and allows employees to take charge of their learning path.
- **Total Rewards** - Where employees can discover updates and relevant Compensation and Total Rewards resources.
- **Mobile access** - Availability on mobile provides easy access to frequent transactions such as Attendance, Leaves, and HR Documents, and enabling approvals on the move, making hybrid management easier.

HeRO is part of Security Bank’s efforts to transform the organization through the digitization of several manual workstreams and HR functions, bringing innovation that enables integration, simplification, automation, and mobility.

Further, in 2023, our Risk Management Group implemented its Operational Risk Management Uplift initiative (ORM Uplift) to boost its operational risk management capabilities and introduce improvements across people, processes, and systems.

The Operational Risk Management Division (ORMD) was part of a pilot group that participated in HCM’s Capability Building program to reassess and address skills gaps within the team. KPMG was engaged to independently evaluate the Bank’s maturity levels against industry benchmarks in the areas of operational risk management, business continuity, and third-party risks. ORMD continues to progress towards the deployment of an automated solution to support its operational risk and business continuity management processes.

GRI 403-9, 403-10

Employees covered by our Occupational Health and Safety Management System

100%

Number of fatalities as a result of work-related ill-health

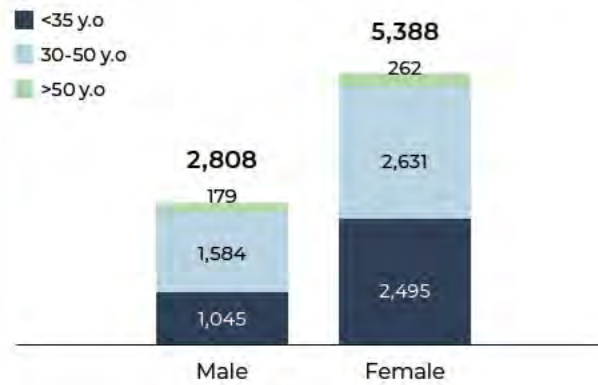
ZERO

The Bank’s budget process includes head count forecasts and training and development investments.

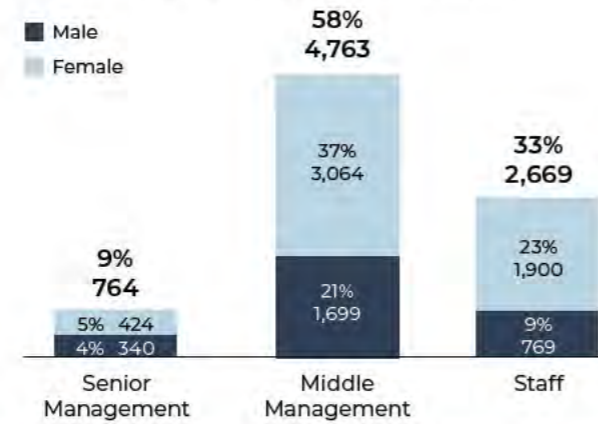
EMPLOYEE DEMOGRAPHICS*

GRI 2-7, 2-8, 405-1

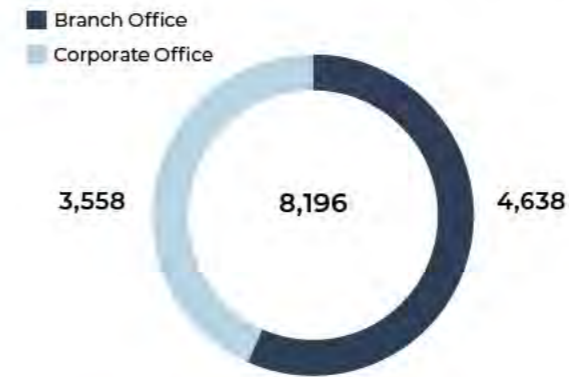
Employees by gender and age group



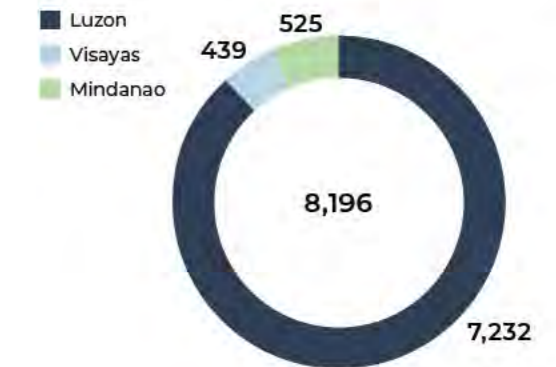
Employees by gender and rank



Employees by work assignment



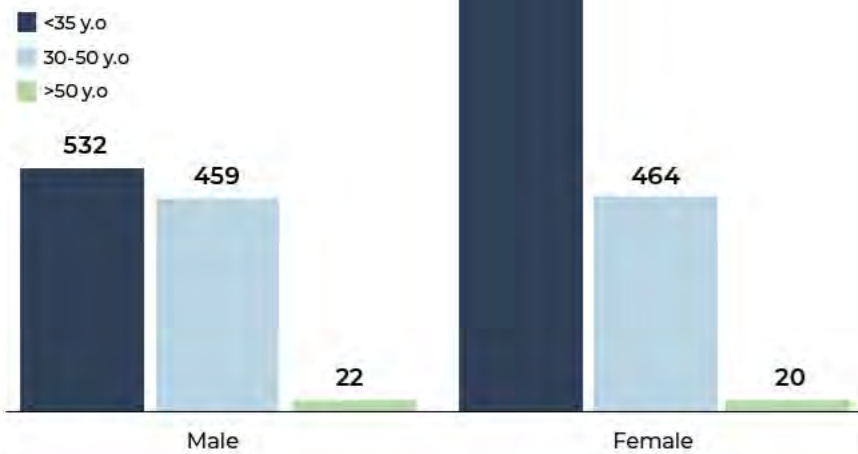
Employees by geographical distribution



*Excludes SB Finance, Inc. and SBML

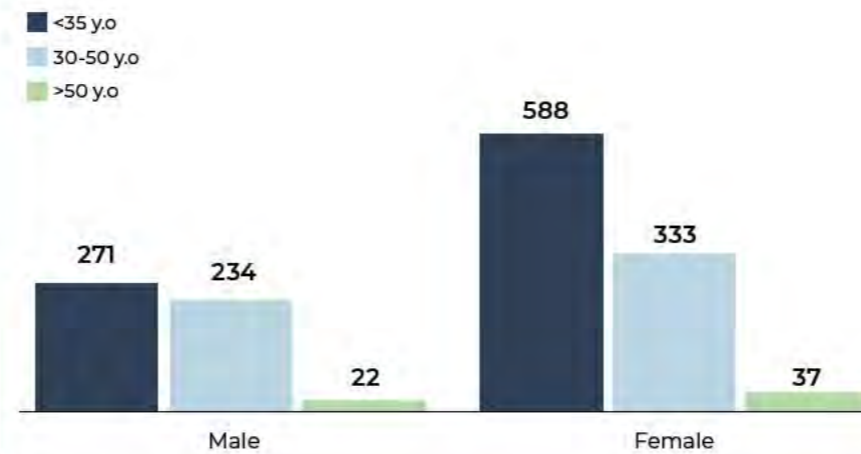
NEW HIRES

GRI 401-1



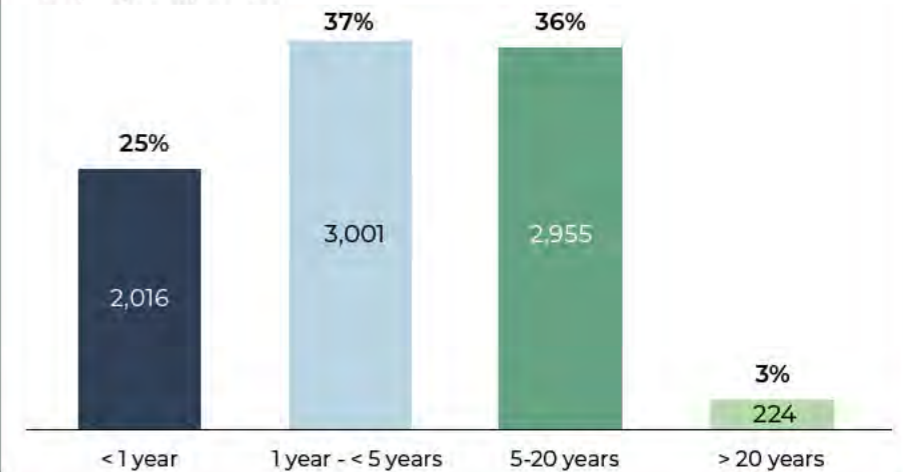
TURNOVER

GRI 401-1



TENURE

Employee by tenure



PERCENTAGE OF EMPLOYEES IN COLLECTIVE BARGAINING AGREEMENTS

GRI 2-30

No. of employees under CBA	1,437
% of employees under CBA	16%
No. of consultations conducted with employees concerning employee-related policies	1

RATIO OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE

GRI 202-1

Disclosure	Male	Female
Standard entry level wage	16,000.00	16,000.00
Local minimum wage	15,402.50	15,402.50
Ratio	1	1
Average hourly wage	71.21	71.21
% of in-store and distribution center employees earning min. wage	0	0

Empowering businesses



Sustainable growth and economic development drive Security Bank's mission to empower businesses. This is achieved, among other ways, by:

- Providing access to credit and financing solutions that suit the needs and goals of businesses across various sectors and sizes, from MSMEs to large corporations.
- Enabling the management of cash flows and transactions efficiently and securely—through a range of cash management solutions for collections, payments, liquidity management, and digital banking.
- Giving access to market insights, advisory services, and strategic partnerships to enhance their competitiveness and sustainability.

In 2023, through the combined efforts of the **Wholesale Banking Segment (WBS)**, **Alliance Segment**, and **Business Banking Segment (BBS)**, the Bank was able to create value for corporate, commercial, and MSME customers.

Innovative solutions

GRI 3-3, 416-1

WBS continued to build strong relationships with the Bank's corporate and commercial clients through a suite of innovative banking products and services. WBS' initiatives were driven by its Corporate Banking Group (CorBank), Commercial Banking Group (ComBank), Transaction Banking Group (TBG), and Channel Network Group (CNG). These teams were supported by the Bank's **Financial Markets Segment (FMS)** for treasury services, **SB Capital Investment Corporation** for investment banking transactions, **SB Rental Corporation** for operating lease requirements, **SBM Leasing Inc.** for financial lease solutions and the **Alliance Segment** for ESG best practices and business matching.

In 2023, key initiatives demonstrating product and service innovation included:

- **Supply Chain Finance (SCF)** - ComBank's SCF solutions helped clients from various industries such as FMCG, automotive, healthcare and medical equipment, oil and petroleum, and trading and agriculture to improve liquidity, operating ratios, and business resiliency. In one case, ComBank set up a two-tier Dealer Financing solution for an automotive

client and its eight related entities simultaneously, resulting in a mandate to further expand the solution to its non-related dealers carrying multiple brands. The client commended ComBank's ability to structure a financing solution comparable to its global partner banks. By the end of 2023, WBS recorded PHP1.74 billion in asset ADB with 42 active accounts—a direct result of deeper and more focused collaboration between Business, Sales, and Enabler partners.

- **Payments Hub and Gateway (PHG)** - In November 2023, WBS launched the first release of the Bank's PHG program to centralize all domestic and international payment rails by the end of 2025. PHG increased operational efficiency, scalability, and reliability of payments transactions processes with AWS Cloud implementation—a first in the Philippine banking industry. For corporate clients, PHG offered more detailed transaction narratives in DigiBanker.
- **Cash 360/Partner Channels** - Corporate Cash Acceptance Machines, or Cash 360, continued to be one of the segment's top-performing solutions because customers can deposit cash without going to a branch. Installed in their own secure premises, our Cash 360 machines accept cash 24/7 and credit the funds into the customer's account in real time. Due to its success, WBS expanded its cash 360 network to include thousands of new locations, providing access to customers even in far-flung areas.
- **SB Rental** - The Sales team of SB Rental offered alternative solutions to clients that resulted in unprecedented growth in total bookings. Industries that showed the most growth were construction, medical/hospital, and logistics. This operating lease model enabled clients to build up assets without strapping cashflow and improve profitability with the take-up on VAT, which was included in rental expenses. For 2023, total booking of operating lease registered at an all-time high of 83% growth to PHP1.37 billion. This was a result of increased collaboration between SB Rental, ComBank, and BBG branch teams.



“

Security Bank has been there since day one. They saw some potential in me, in my company, in what I was doing. Basically, they believed in me. Because of Security Bank, it opened a lot of doors and helped me fulfil my dream as a developer.”

CESAR L. WEE JR.

From first-time developer to leading property development company

When **Cesar L. Wee, Jr.** stepped away from his family's successful business to start his own property development company, he needed to find a bank that was willing to give him the funding to turn his real estate dreams into reality.

In 2008, the first-time developer launched Wee Community Developers Inc. (WeeComm) with the support of Security Bank, which enabled WeeComm to break ground on its first development. This first development led to over

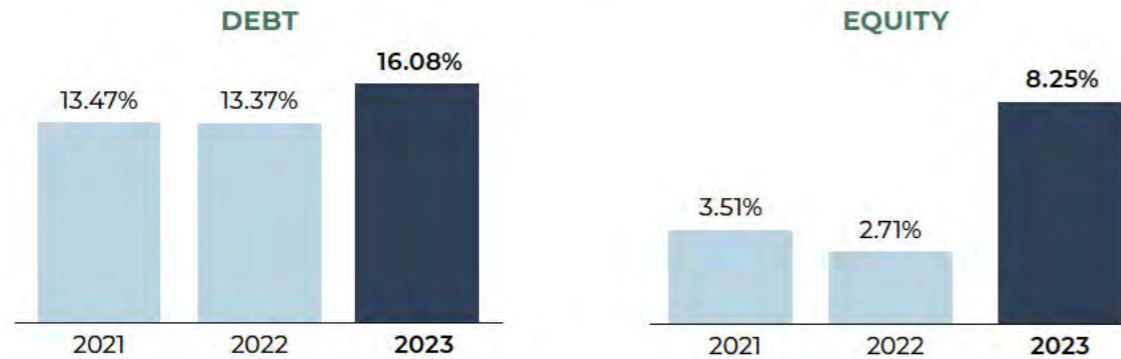
11,000 residential units across 27 completed and upcoming properties in Luzon, Visayas, and Mindanao. From a meager PHP31.6 million in 2008, WeeComm's sales soared to PHP9.5 billion in 2023.

To help manage its financial operations and transactions, WeeComm utilizes various Security Bank cash management solutions such as DigiBanker, Check Write Facility, and PDC Warehousing, to name a few.

In 2023, through the efforts of the Financial Markets Segment (FMS), Security Bank raised PHP18.5 billion worth of bonds—its largest issue size to date. The successful issuance and oversubscription were testament to investor confidence in the Bank and its commitment to provide BetterBanking service.

Innovative solutions - continued

In 2023, SB Capital demonstrated competitive performance with higher rankings in investment banking league tables. SB Capital's debt securities ranking jumped to number two with a market share of 16.08%. For equity, SB Capital ranked fourth in 2023 with a market share of 8.25%.



Further, thanks to the work of the Risk Management Group on improving recoveries from wholesale accounts, bad loans were managed better. The Bank received PHP4.3 billion from Remedial Accounts, which reduced Expected Credit Losses by PHP1.6 billion, or 15%.

AS A THOUGHT LEADER AND PREFERRED ADVISOR, WE WERE PROUD TO RECEIVE RECOGNITION FOR OUR CORPORATE AND TRANSACTION BANKING GROUPS

Best Corporate Bank in the Philippines

Asiamoney



Best Payment Solution for the Philippines for Billing Invoice Presentment and Payment System (BIPPS)

Alpha Southeast Asia



WHOLESALE BANKING SEGMENT AND TRANSACTION BANKING GROUP IN NUMBERS

91.6 PHP BN

in qualified Sustainable Finance loans

94.6%
GROWTH

in PESONet transactions and 108% growth in value

33%
GROWTH

in InstaPay transactions and 36% growth in value

5x
GROWTH

in Supply Chain Finance asset ADB

83%
GROWTH

in SB Rental booking

99%
CSAT



The Partnership Alliance Meeting (PAM) between members of Security Bank and MUFG was held in April 2023 to discuss the business initiatives, results, and prospects for the year.

The **Alliance Segment** continued to leverage the Bank's partnership with the MUFG Bank to expand our global network. In 2023, the segment brokered business opportunities between Security Bank, Japanese, and non-Japanese corporations, in collaboration with WBS.

Alliance's key highlights in 2023 included:

- Major growth in CASA ADB—one of the key targets since the start of Japan Desk in 2019. By December 2023, CASA grew by 7% compared to the same period in 2022.
- Corporate loan growth increased at a steady pace to 30%, despite being a challenging prospect for Japanese corporates.
- The creation of new workstreams between the Bank and MUFG for local and global corporates. These workstreams target Trade Finance, Risk Asset Sale, Financial Institutions (FIs), ESG and Syndications, CMS, and Employee Banking, reaching an achievement rating of 162% in the initial year.
- Notable deals were closed in 2023, including a Foreign Exchange Loan and Deposit deal with a Japanese trading firm—the Bank's largest lending deal with a Japanese client. Alliance also successfully matched a Japan-based real estate firm with a Philippine-based counterpart to spur investment in real estate projects in the country. Furthermore, Alliance helped issue bonds for the Metro Manila Subway Project with a Japanese construction company.
- In July 2023, a Memorandum of Understanding (MOU) was signed with the Philippine Bureau of Investments (BOI) to promote investments in the country, with designated working teams from Alliance and WBS-Japan Desk. Together, the three entities are tasked with securing customer referrals in the Philippines and Japan from industries and sectors outlined in the Philippines' Strategic Investment Priority Plan.
- The segment conducted its 4th Business Matching Fair in September—a virtual event that matched potential clients to new business opportunities in the Philippines while showcasing the connective capabilities of the Bank and MUFG. Over 30 Philippine companies were scouted and a total of 148 matches were made from clients across Southeast Asia and Japan.

Innovative solutions - continued

As one of the fastest-growing segments of the Bank, our **Business Banking Segment (BBS)** provided much-needed support to Micro, Small, and Medium Enterprises (MSMEs) through its data-driven, holistic proposition and multi-channel approach. Since its inception in 2022, BBS successfully rolled out its new operating model and will continue to invest in platforms, processes and product enhancements to prepare the business for its next phase of growth.

BBS' key initiatives of the year included:

- **Enhanced client engagement** - BBS broadened its market outreach to by growing its customer-facing team by 70% and running comprehensive branch and media outreach programs. The Sales team conducted 224 sessions with MSME owners or key officers at the branches and participated in over 50 trade shows and event partnerships across the country. This led to customer growth of 16% and a loan booking growth of 99%.

- **Increased digital transactions** - In partnership with TBG, BBS empowered clients with free fund transfers and unlimited check pads for the full year under the Bank's Fully Loaded Promo. New BusinessPlus Deposit Accounts for MSMEs grew by 23% and Cash Management penetration improved from 48% in 2022 to 52% in 2023.
- **Improved asset quality** - BBS rolled out new risk policies, credit scorecards, and ECL models to optimize its risk and reward balance. Non-performing loan continues to decline YoY as portfolio shape moves towards desired secured and unsecured mix.

Looking ahead, BBS plans to build up its MSME proposition with the launch of new lending and non-lending products, upgraded digital channels, and a customer loyalty program while improving operational efficiency.



In April 2023, we hosted a press conference at Security Bank Centre in Makati City to formally launch the Business Banking Segment. Pictured, from left to right: John David Yap, SVP and Segment Head, Business Banking Segment; Marjorie Esplana, FVP and Sales Head, Business Banking Segment; and Jonathan Diokno, SVP and Cash Management Head, Wholesale Banking Segment.

BUSINESS BANKING SEGMENT ACHIEVEMENTS

99%

YoY growth in loan bookings

77%

YoY growth in loan portfolio

16%

Increase in customers



“

It was [with] Security Bank that I felt I would be taken care of. On top of being hands on, there are readily available Loan Officers whom I can call anytime, whenever I have concerns and questions about the process and documents. I was apprised of what was happening every step of the way. I feel like I was treated like a VIP. All thanks to Security Bank—their promise of championing MSMEs is truly more than lip service; they really do deliver, they really champion MSMEs.”

LUISA NAVAREZ

Making an entrepreneur's dream come true

Luisa Navarez, proprietor of FlowerzByL, stands as a testament to Security Bank's commitment to meet the needs of MSMEs. FlowerzByL, a curated gift shop studio that markets bespoke gift boxes for product launches, corporate giveaways, or special events, leveraged BBS' Business Mortgage Loan (BML) for its business growth.

Environmental and social impact of investments and loans

GRI 3-3

In 2023, the Bank expanded its capacity to tap into growing green and social business opportunities in the country. Both Alliance and WBS conducted internal and external workshops and learning sessions to raise awareness on how to identify pipelines in these areas—a major step forward.

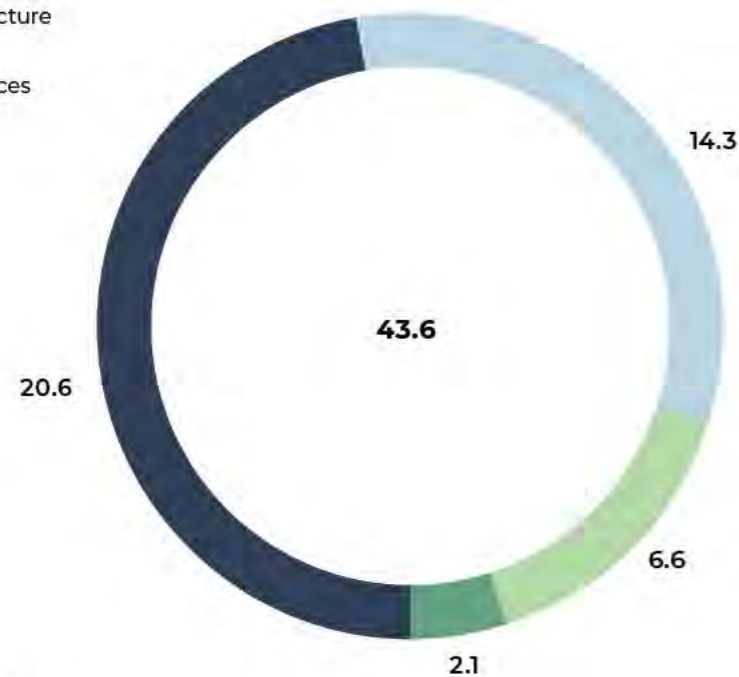
This spurred growth in the Bank’s sustainable finance portfolio. As of December 2023, WBS disbursed a total of PHP43.6 billion in qualified Green and Social loans. This substantial investment underscores the Bank’s dedication to sustainability and responsible business practices.

At The Asset Triple A Country Awards for Sustainable Finance, SB Capital was awarded Best Green Bond 2023 for its role as sole manager, lead underwriter, and bookrunner for Citicore Energy REIT Corporation’s PHP4.5 billion fixed rate ASEAN Green bonds. Further, SB Capital was also recognized at the ESGBusiness Awards with the Renewable Energy Programme-Philippines award for its involvement in ACEN Corporation’s PHP10 billion ASEAN Fixed Rate Green bonds due 2027 as a joint lead underwriter and joint bookrunner.

SUSTAINABLE FINANCE PORTFOLIO

(disbursed amount as of December 2023)

- Renewable Energy
- Access to Basic Infrastructure
- Green Building
- Access to Essential Services



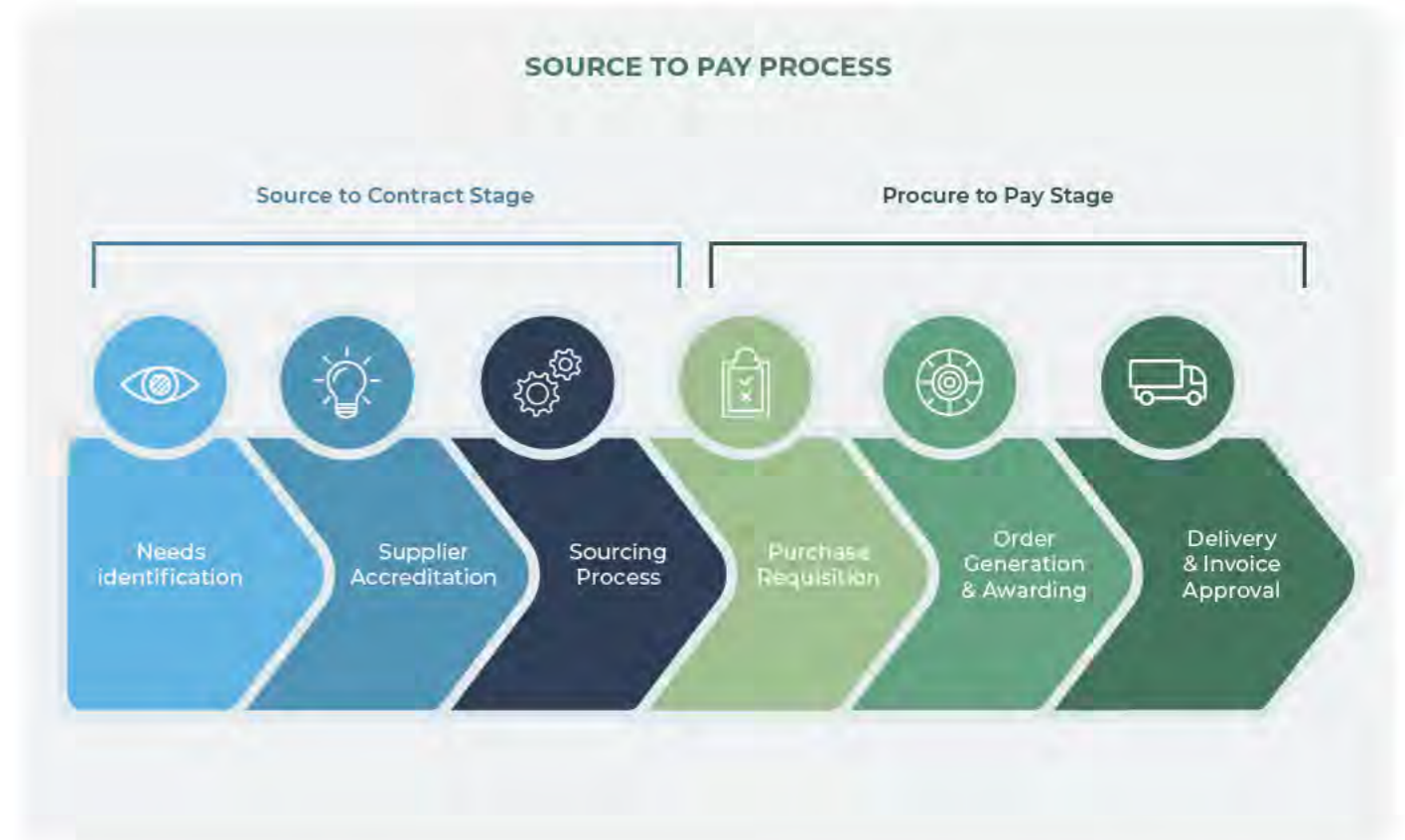
- Numbers are in PHP billions
- Sustainable Finance loans were tagged in accordance with Philippine Sustainable Finance Guiding Principles and may change as the Bank aligns with the Philippine Sustainable Finance Taxonomy Guidelines released in February 2024

Practicing responsible procurement

Suppliers are pivotal to the Bank’s sustainability agenda, shaping our impact through a robust supplier policy. The Bank prioritizes sustainable and ethical procurement practices, infusing our supply chain with principles that uphold human rights and other core values. Anchored on our ESRMS framework, we champion responsible operations among suppliers, fostering a culture of sustainability throughout the network. Our commitment extends beyond transactional relationships—it’s about fostering enduring partnerships built on effective management and fair treatment. Guided by our Supplier Standards and Sustainable Procurement Policy, we continually evolve to address emerging environmental and social issues, ensuring our practices align with our values.

To empower stakeholders and fortify our supply chain, we provide comprehensive ESG training to employees. Additionally, we actively engage with external stakeholders to refine our strategies for identifying and managing E&S risks. These efforts underscore our long-term commitment to fostering shared and sustainable growth, within our organization and with our external stakeholders

Implementing this policy, guided by our general Source to Pay (S2P) Process, guarantees that the organization engages solely with reputable suppliers who have undergone thorough vetting, ensuring their full compliance with our corporate code of conduct, governance, and regulatory standards.



In selecting suppliers, we go beyond traditional metrics of quality and price. We consider the supplier’s commitment to environmental stewardship, including the transition to paperless and environmentally friendly materials.

For critical supplies, we undertake stocking operations to ensure operational continuity.

ACHIEVEMENTS IN SUSTAINABLE FINANCE

Best Green Bond 2023
(SB Capital)

The Asset Triple A Country Awards

Renewable Energy Financing Programme-Philippines
(SB Capital)

ESGBusiness Awards

Building communities sustainably

GRI 3-3 203-1, 203-2, 413-1, 413-2



Our promise of BetterBanking extends to the communities where we operate. Together with our Corporate Social Responsibility (CSR) arm, **Security Bank Foundation, Inc. (SBFI)**, we take a holistic approach to giving by assessing the needs of people and communities to identify strategic beneficiary partners to deliver sustainable impact. In 2023, we focused on areas that our communities cared about: educational services, health and wellness, community engagement, and environmental stewardship.

Educational services



SBFI and MUFG representatives with students and teachers from Pusok Elementary School in Lapu-Lapu City, Cebu during the turnover of a two-story, six-classroom school building donation to commemorate the 70th anniversary of MUFG Bank - Manila Branch.



Thirty principals from public schools nationwide, many from SBFI beneficiary schools, received their international Certificate in Educational Studies in Leadership (CESL) from The HEAD Foundation in Singapore and the University of Nottingham in the United Kingdom at Security Bank Centre.



SBFI college and master's scholar graduates with SBFI trustees, advisers, and Bank officers at a commencement ceremony at Security Bank Centre.

BUILDING SCHOOLS

In 2023, our flagship Build a School, Build a Nation program donated 108 classrooms (17 school buildings) to 16 beneficiary schools, reaching 5,400 students across 12 cities/municipalities. Since its launch in 2011, the program has benefited 221,500 students from the kindergarten, elementary, junior and senior high school levels, with 771 classrooms in 79 cities/municipalities across the country. Twenty of these are central elementary schools, 18 are central national high schools, and four are special education schools, while another is for the indigenous B'laan and Taga-Kaolo tribes.

In celebration of MUFG Bank - Manila Branch's 70th anniversary, we constructed a two-story, six-classroom school building at Pusok Elementary School in Lapu-Lapu City, Cebu.

Moreover, SBFI celebrated its 30th anniversary in 2023 with official recognition by DepEd as one of its biggest donors for its Adopt a School program, with over PHP1 billion in investments since 2011.

TRAINING EDUCATORS

In 2023, we enhanced our training program for principals and teachers from our beneficiary schools with a three-year curriculum in partnership with the Department of Education (DepEd) to help these educators transform themselves, their schools, and their communities. The goal of the program is to turn participants into mentors to stimulate academic performance and improve the overall school environment.

The program utilized the four-month international Certificate in Educational Studies in Leadership (CESL) program from The HEAD Foundation in Singapore and the University of Nottingham in the United Kingdom, as well as modules on instructional leadership, contextual problem solving, and stakeholder engagement from Ateneo de Manila University. As of 2023, 30 principals and 60 teachers completed their first year of training. Since its launch in 2014, the program has trained 36,374 teachers and 124 principals.

ASSISTING SCHOLARS

Providing educational assistance to underprivileged but high potential students was another key initiative. In 2023, the Scholars for Better Communities program supported 398 students in the school year 2023-2024. In 2023, 104 scholars graduated across all levels with 12 graduating from college with Latin Honors. The program was open to Bank employees, agency personnel, and their children, and college students from eight partner universities across Metro Manila. On top of financial support, scholars also received professional and personality development training, internship opportunities at Security Bank, and were considered for hiring at Security Bank upon graduation when positions became available.

“

Our vision is for education to become a transformative journey towards a future where opportunities are abundant and accessible to all; one that is brighter for the succeeding generations of Filipinos.”

RAFAEL F. SIMPAO, JR.
SBFI Chairman

Health, wellness, and resiliency

The Bank partnered with organizations that have a deep understanding of their communities' needs. This included Operation Smile Philippines (OSP)—a medical mission that provides surgical and comprehensive care for cleft patients at the Narra Municipal Hospital in Palawan City. The mission, led by OSP and in partnership with the Bank, Rio Tuba, and Colgate-Palmolive Philippines, sent 48 specialist cleft care volunteers, including surgeons, pediatricians, anesthesiologists, orthodontists, nurses, and speech pathologists to treat 63 cleft lip and palate patients, with 17 sponsored by the Bank.

We supported resilient communities through disaster relief/recovery initiatives. In partnership with the International Care Ministries (ICM), we organized a gamified food packing activity where employee volunteers and SBFI scholars packed 6,048 meal kits to be delivered to thousands of families across Visayas and Mindanao, where both the Bank and ICM operate. Since then, over 2,100 meal packs were distributed to communities in Sarangani Province and Kalibo affected by earthquakes and flooding. Throughout the year, SBFI repaired 148 previously donated classrooms that were damaged by typhoons, earthquakes, and general wear and tear—including three schools in Cebu, Lanao del Norte, and Nueva Ecija where 180 Security Bank employees volunteered a total of 1,440 hours to repaint these facilities.

The Bank also ran its Rural Rising Philippines (RuRi) Box-All-You-Can program to support local farmers. To participate in this interactive game, employees contributed a nominal fee to “shop” from the harvests of local farmers within a 10-minute period to give to their families or messengers, janitors, drivers, and security guards. The activity successfully rescued 4,000 kilograms of agricultural produce that would have otherwise gone to waste, provided essential assistance to 29 farmers to help them get back on their feet, and nourished families in low-income areas.

In May, the Bank lent its expertise to contestants of ICM's Pitch for Hope program, where participating saving groups competed for grants of up to PHP100,000 to be used as working capital to fund projects and grow their investments. Members of these groups fell under the ultra-poor category, living on less than PHP25 per day. This year, an overwhelming 588 business pitches were received from 30 ICM branches across the country. Members of the Bank served as both judges and mentors during the contest, and we extended additional financial grants of PHP50,000 per group to support their business growth, generating further employment and business opportunities in their local communities.



Security Bank employees and SBFI scholars packed 6,048 meal kits for thousands of families across Visayas and Mindanao during its gamified food packing activity with the International Care Ministries (ICM).

Community engagement

The Bank continued its support of arts, culture, and heritage through various initiatives in 2023. For the arts, we supported the construction of the Art Association of the Philippines' (AAP) Tahanan ng Sining—an office, gallery, and educational center in Tagaytay City that will serve its 12,000-listed Filipino member artists. Our initial monetary contribution of PHP500,000 will be sustained in 2024 to facilitate engagement activities for our stakeholders including regional art workshops, art competitions, and public artwork along Paseo de Roxas in Makati City.

In August 2023, we joined forces with long-time community partner, ArteFino, for the ArteFino Festival and its popular Maker's Lab: Totally Upcycled Design Challenge, which required designers to repurpose “everyday” items into “extraordinary” objects using at least 80% of upcycled material. The theme “Heritage meets Innovation” aligned with the Bank's commitment to support the call for Filipino craftsmanship and sustainability. Additionally, the Bank sponsored the 10th FilipinaZ Fair organized by the Zonta Club of Makati and Environs (ZCME). The FilipinaZ annual fundraiser raises money for charity through sustainable commerce and community-building.



The three-day Youth Forum on Heritage at Silay, Negros Occidental was organized in partnership with the Local Government Unit (LGU) and partner organizations to recognize the important role of the youth as the country's cultural heritage bearers.

The Bank continued to promote cultural heritage by supporting National Heritage Month—the annual celebration of our rich Filipino heritage with the theme “Heritage: Change and Continuity.” The month-long event included a series of activities, exhibits, and forums focused on the promotion of Filipino cultural heritage in partnership with the Filipino Heritage Festival.

“

We are [also] grateful to our longstanding collaboration with Security Bank, an ally that continues to look for new ways to deliver their mission and make a positive impact.”

ARMITA RUFINO
Artefino founding member



Security Bank and its long-time partner ZCME recognized the valuable contributions of trailblazing Filipinas at the 5th Bravo Empowered Women Awards ceremony at Security Bank Centre on July 27, 2023.

We partnered with ZCME for the 5th Bravo Empowered Women Awards. Occurring every two years, Bravo honors female game changers who have achieved success in their careers and personal advocacies and demonstrated meaningful impact on their communities. Following a lengthy nomination process, 27 nominees were short-listed, with 55% of the nominees referred by Security Bank. The board of judges selected eight outstanding women based on stringent criteria including a high level of social impact and no previous awards or recognition.

The awardees' contributions to society included rescuing women from the sex trade, empowering underprivileged girls through sports, advocating for just labor, gender awareness in education, safe technology for children, driving innovation for textiles, providing livelihood and faith opportunities for women, promoting Filipino cuisine globally, and research in science and technology. As a testament of our support, the Bank extended a total of PHP400,000 in grants to the winners' advocacies to advance women empowerment in the country.

Environmental stewardship

GRI 3-3, 306-1

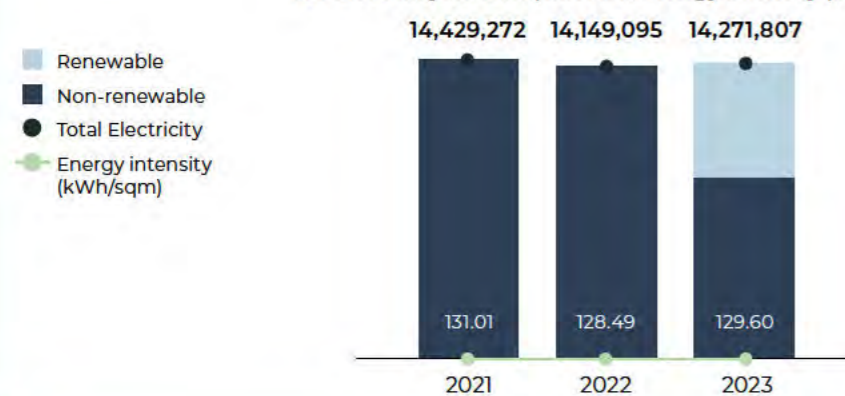
Being conscientious stewards of our planet is embedded into the culture of our organization. At Security Bank, we aim to deliver meaningful impact as a responsible corporate citizen and advocate for action and accountability around climate-related risks among our internal and external stakeholders.

The Bank set the groundwork for integrating sustainability throughout its value chain with key policies such as our ESRMS and Sustainable Finance Framework. This principle also applies to our operations. In 2023, we switched our two main office buildings in Makati City to 100% renewable energy power, with certification by ACEN—a leading renewables platform in Southeast Asia. As of December 2023, solar panels have been installed in three branches and seven more branches are expected to have them in 2024. We remain consistent in tracking our own consumption of resources such as fuel, electricity, and water over the years.

ENERGY CONSUMPTION IN KWH

GRI 302-1, 302-3

YoY Electricity consumption and energy intensity (in kWh)



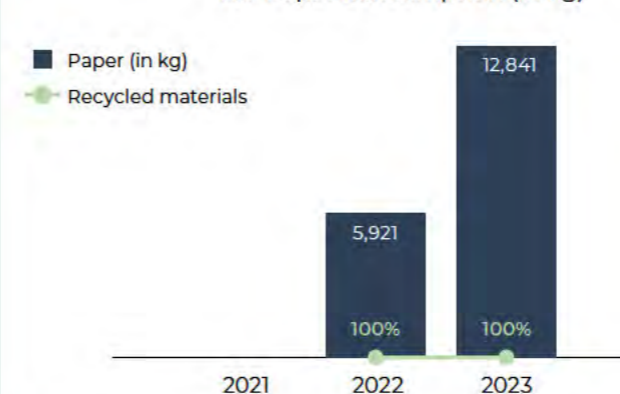
	2021	2022	2023
Renewable	0	0	5,533,759.64
Non-renewable	14,429,272	14,149,095	8,738,047.05
Total Electricity	14,429,272	14,149,095	14,271,807
Energy intensity (kWh/sqm)	131.01	128.49	129.60

- Figures are denoted in kilowatt-hours (kWh).
- Despite a slight increase in our electricity consumption in 2023 vs. 2022, we have made significant strides in sourcing almost half of our electricity from renewable sources.

RECYCLED INPUT MATERIALS USED

GRI 301-2

YoY Paper consumption (in kg)

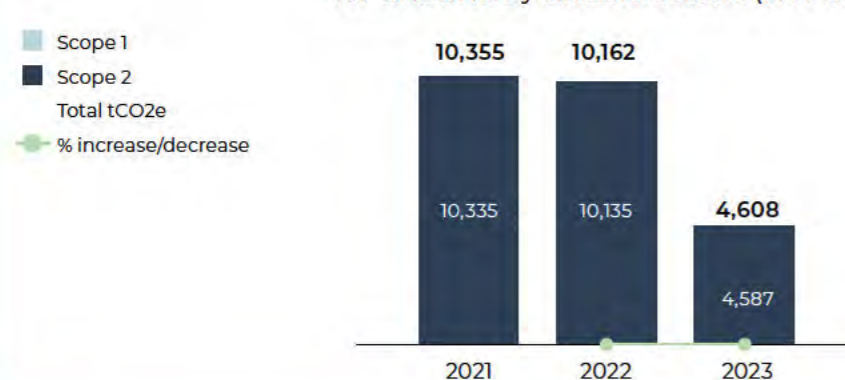


- Numbers are denoted in kilograms (kg).
- Despite a doubling in paper consumption to meet operational demands, the Bank has taken steps to ensure that all paper used is sourced from recycled materials, with an additional focus on recycling paper waste for internal Bank use.

SCOPES 1 AND 2 (DIRECT AND INDIRECT EMISSIONS)*

GRI 305-2, GRI 305-2

YoY emissions by emission sources (in tCO2e)



	2021	2022	2023
Scope 2	10,335	10,135	4,587
Scope 1	20.4	27	20.83
Total tCO2e	10,355	10,162	4,608
% increase/decrease		2%	55%

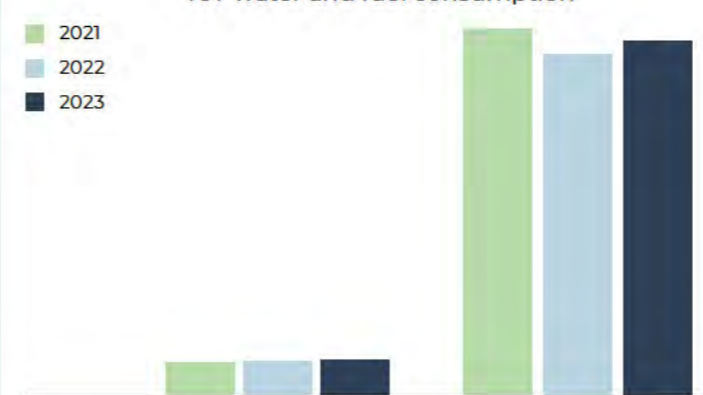
- Numbers are denoted in tons of carbon dioxide equivalents (tCO2e).
- Scope 1 includes fuel consumption for company-owned vehicles and backup generators; Scope 2 comprises electricity consumption.
- In 2023, there was a notable 55% reduction in total absolute emissions, attributed to the shift towards renewable energy in both our headquarters and select branches.

*Calculated by GCSS, the Bank's sustainability reporting partner.

WATER (IN CU.M) AND FUEL (IN LITERS) CONSUMPTION (OVERALL)

GRI 305-2

YoY water and fuel consumption



	Fuel (l)	Water (m3)
2021	7,595	85,001
2022	8,086	79,091
2023	8,292	82,004

We continued to promote our Future of Work (FoW) hybrid arrangement to attract top-notch talent from across the country—and keep them engaged and happy with less time and money spent on commutes. In line with our digital transformation initiatives, many of our processes shifted to paperless to help us reduce waste.



Two hundred volunteers including Security Bank employees and SBFI scholars planted 2,000 tree seedlings to restore the ecosystem of La Mesa Watershed during the second year of its five-year partnership with ABS-CBN Foundation's Bantay Kalikasan program.

SBFI has committed to planting a total of 10,000 trees in La Mesa Watershed, Metro Manila's primary reservoir for clean water, in collaboration with ABS-CBN Foundation's Bantay Kalikasan program. For 2023, it has planted a total of 2,000 seedlings, doubling our contribution since the start of the partnership. Notably, the tree planting resulted in a remarkable 94% survival rate which exceeded DENR's baseline of 85%.



Our Head Office is powered by 100% renewable energy.

Future plans



Security Bank set its vision to be the most customer-centric Bank in the Philippines in 2021. In 2022 and 2023, the Bank laid the foundation for people and technology change. In 2024 and beyond, we are excited to carry out key plans to reach our bold targets including:

RETAIL CUSTOMERS

- An all-new BetterBanking app designed to make online banking experience faster, easier, and more secure. With a sleek and user-friendly interface, it will enable effortless registration, enhanced reliability, better security, and transaction capabilities with fewer taps.
- Improved and optimized distribution of products across channels, leveraging analytics to improve the product penetration rate of Existing-to-Bank customers. RBS plans to further evolve and expand studies and customer insights to deliver more intuitive services and offers.
- Use of Artificial Intelligence to drive significant growth in online acquisition through digital marketing.
- Deepened customer-product relationships, higher balances and volumes, more usage, and stronger customer loyalty through marketing automation.

- A new wealth management system to transform the end-to-end customer journey for investments, simplify and streamline processes, and equip frontliners with the information needed to address clients' financial needs.
- Additional Wealth Managers to cater to new clients, support the branch teams, and deepen client penetration.

CORPORATE CUSTOMERS

- New Security Bank corporate platform to build on the award-winning success of DigiBanker.
- An FX platform to enable clients to trade FX spot transactions in real time.
- An enhanced Core Trade & Supply Chain system with an enhanced user experience, streamlined processes, seamlessly automated workflows, and optimized operational controls. This game-changing platform will swiftly address customer needs and fortify the Bank's standing as a trusted partner facilitating core trade and supply chain transactions in the market.
- Finalized ESG framework with pipeline projects identified for 2024.

MSME CUSTOMERS

- New lending and non-lending product launches in 2024, as per holistic product roadmap.
- Development of Business Banking online channel to improve customer experience.
- Rollout of customer loyalty program.

EMPLOYEES

- Integrated reward and recognition approach to increase talent retention and attraction.
- A high engagement score through frequent pulse surveys.
- Strengthened EVP communication with focused initiatives across key EVP pillars.
- Talent Value Proposition for high potential talents, outlining career/professional development opportunities/expectations.
- Leadership Capability Framework for individual contributors and use of HeRO functions to support the automation of other elements of Talent Management.

COMMUNITIES

- Over 1,000 classrooms donated by 2026, as well as a pool of trained teachers and principals who will become mentors in school transformation and innovative teaching pedagogy.
- Continued arts, culture, and heritage championship through partnerships with the Art Association of the Philippines, National Heritage Month, Community Crafts Association of the Philippines' Lokalakalan Fair, ArteFino Festival 2024 and Upcycling Challenge, and the FilipinaZ Fair.
- Community-building initiatives with Synergeia Foundation.
- Rehab (painting) and donation of the Paseo Underpass Mural, in celebration of MUFG's 70th anniversary.
- Transition to renewable energy across all offices.
- Transition to eco or paper bags instead of plastic.
- ESG initiatives that focus on developing the sustainability framework of the Bank and its implementation.

BRANCH BANKING GROUP

- Optimized CA utilization, enabling better sales and improved processing time for customer requests.
- Optimized Teller utilization to accommodate more transactions.
- Optimized BCM utilization through activities related to lobby management standards, improving the look and feel of branches and ensuring compliance with safety and security protocols.
- Migration of selected branch transactions to digital channels.

ALLIANCE SEGMENT

- Continued support of initiatives for Japanese and local corporates, working together with MUFG and the established workstreams to achieve targets.

- Business matching activities in key industry sectors to increase business opportunities and increase inbound investments to the Philippines.
- Enhanced Risk and Compliance framework of the Bank to further safeguard the Bank from evolving external and internal environments.

TRUST AND ASSET MANAGEMENT GROUP

- To continue to be recognized as Active Asset Managers in the market that will translate to growth of our own managed UITFs and our corporate and institutional accounts.
- To grow the OFS business (Project Facilities and Escrows) and be known to clients as providing smart, thoughtful, customer-centric servicing of their trust needs.

- To continue to be top-ranked among Trust Entities/Asset Managers in terms of returns on investments for clients' segregated accounts with multiple Fund/Asset Managers.
- Continuation of TRIO Program (where Sales Officers are Trust Relationship Investment Officers) to expand our relationship with Existing-to-Trust customers and grow our corporate client base. We have also identified TRIO centers/branches in key areas where new corporate relationships are initiated.

ENTERPRISE TECHNOLOGY AND OPERATIONS

- Build of holistic capabilities across technology and operations, integrating innovative solutions to enhance capability, operational efficiency, and drive organizational agility.
- Balanced innovation with financial sustainability, carefully evaluating the ROI of new investments,

adopting a phased approach to implementation, and ensuring strategic investments yield maximum value and competitive edge for the Bank.

- Strengthened position as a digital reference point within the Philippine banking industry to attract and retain top-tier talent, essential for our ongoing digital transformation journey.

RISK MANAGEMENT GROUP

- Asset quality improvement resulting in reduced NPL and provisions; proactively remediate impaired accounts with business via Special Accounts Monitoring.
- Continued ORM uplift to better manage pervasive risk of fraud, information security, and business continuity.
- Policy and process enhancements to support all business initiatives and improve efficiency.

GRI Content Index



For the Content Index - Essentials Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards, and that the information in the index is clearly presented and accessible to the stakeholders.



CONTENT INDEX
ESSENTIALS SERVICE

2024

Statement of use	Security Bank Corporation has reported in accordance with the GRI Standards for the period January 1, 2023 to December 31, 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector	Not applicable

GRI Standard	Disclosure	Page number(s) and/or direct answers	Reason for omission
General Disclosures			
GRI 2: General Disclosures 2021	The organization and its reporting practices		
	2-1 Organizational details	2, 55, 160, 161	
	2-2 Entities included in the organization's sustainability reporting	All entities in the consolidated financial statements are included in the sustainability report	
	2-3 Reporting period, frequency and contact point	168	
	2-4 Restatements of information	No restatements	
	2-5 External assurance	The report has not undergone external assurance	
	Activities and workers		
	2-6 Activities, value chain and other business relationships	5, 13	
	2-7 Employees	27	
	2-8 Workers who are not employees	27	
	Governance		
	2-9 Governance structure and composition	37, 49, 52, 56	
	2-10 Nomination and selection of the highest governance body	50	
	2-11 Chair of the highest governance body	50	
	2-12 Role of the highest governance body in overseeing the management of impacts	50	
	2-13 Delegation of responsibility for managing impacts	12	
	2-14 Role of the highest governance body in sustainability reporting	49	
	2-15 Conflicts of interest	64, 66	
	2-16 Communication of critical concerns	Critical sustainability and E&S concerns are escalated to the Sustainability Committee (Management) and reported to the BoD through CorGov	
	2-17 Collective knowledge of the highest governance body	12	
	2-18 Evaluation of the performance of the highest governance body	50	
	2-19 Remuneration policies	51	
	2-20 Process to determine remuneration	51	
	2-21 Annual total compensation ratio	51	

GRI Standard	Disclosure	Page number(s) and/or direct answers	Reason for omission
General Disclosures			
GRI 2: General Disclosures 2021	Strategy, policies and practices		
	2-22	Statement on sustainable development strategy	3, 4
	2-23	Policy commitments	2, 57
	2-24	Embedding policy commitments	13
	2-25	Processes to remediate negative impacts	66
	2-26	Mechanisms for seeking advice and raising concerns	66
	2-27	Compliance with laws and regulations	63, 66
	2-28	Membership associations	160
	Stakeholder engagement		
	2-29	Approach to stakeholder engagement	16
2-30	Collective bargaining agreements	27	
Material Topics			
GRI 3: Material Topics 2021	3-1	Process to determine material topics	15
	3-2	List of material topics	15
Topic-specific Disclosure			
Business Growth (Financial/Operational)			
GRI 3: Material Topics 2021	3-3	Management of material topics	5
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	5, 8
	201-2	Financial implications and other risks and opportunities due to climate change	12
	201-3	Defined benefit plan obligations and other retirement plans	51
	201-4	Financial assistance received from government	No financial assistance received from the government
Fair Disclosure			
GRI 3: Material Topics 2021	3-3	Management of material topics	49
GRI 207: Tax 2019	207-1	Approach to tax	49
	207-2	Tax governance, control, and risk management	58
	207-3	Stakeholder engagement and management of concerns related to tax	49
	207-4	Country-by-country reporting	Only for Philippines
Supporting Local Procurement			
GRI 3: Material Topics 2021	3-3	Management of material topics	13
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	13
GRI 3: Material Topics 2021	3-3	Management of material topics	13
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	13
	308-2	Negative environmental impacts in the supply chain and actions taken	13
GRI 3: Material Topics 2021	3-3	Management of material topics	13
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	13
	414-2	Negative social impacts in the supply chain and actions taken	13

GRI Standard	Disclosure	Page number(s) and/or direct answers	Reason for omission		
			Requirement(s) omitted	Reason	Explanation
Customer Satisfaction, Data Privacy, and Cybersecurity					
Health and Safety					
GRI 3: Material Topics 2021	3-3	Management of material topics	28		
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service	28		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There were zero non-compliance concerning the health and safety impacts of products and services		
Marketing and Promotion					
GRI 3: Material Topics 2021	3-3	Management of material topics	63		
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	63		
	417-2	Incidents of non-compliance concerning product and service information and labeling	There were no non-compliance concerning products and service information and labeling		
	417-3	Incident of non-compliance concerning marketing communications	There were no non-compliance concerning marketing communications		
Data Protection and Cyber Security					
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	22		
Employee Relations, Development, and Retention					
GRI 3: Material Topics 2021	3-3	Management of material topics	27		
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	27, 49		
	405-2	Ratio of basic salary and remuneration of women to men	Remuneration policy is based on position and not gender		
GRI 3: Material Topics 2021	3-3	Management of material topics	27		
GRI 401: Employment 2016	401-1	New employees hires and employee turnover	27		
Local Employment					
GRI 3: Material Topics 2021	3-3	Management of material topics	27		
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	27		
	202-2	Proportion of senior management hired from the local community	49		
Employee Relations, Development, and Retention					
GRI 3: Material Topics 2021	3-3	Management of material topics	25		
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	25		
	404-2	Programs for upgrading employee skills and transition assistance	25		
	404-3	Percentage of employees receiving regular performance and career	100% for all employees		
Employee Relations, Development, and Retention					
Benefits					
GRI 3: Material Topics 2021	3-3	Management of material topics	24		
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	24		
	401-3	Parental leave	24		

GRI Standard	Disclosure	Page number(s) and/or direct answers	Reason for omission		
			Requirement(s) omitted	Reason	Explanation
Human Rights					
GRI 3: Material Topics 2021	3-3	Management of material topics	27		
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational charges	1 week at least		
GRI 3: Material topics 2021	3-3	Management of material topics	27		
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	27		
Occupational Health and Safety					
GRI 3: Material Topics 2021	3-3	Management of material topics	26		
GRI 403: Occupational Health & Safety 2018	403-1	Occupational health and safety management system	13, 26		
	403-2	Hazard identification, risk assessment, and incident investigation	26		
	402-3	Occupational health services	26		
	403-4	Worker participation, consultation, and communication on occupational health and safety	26		
	403-5	Worker training on occupational health and safety	26		
	403-6	Promotion of worker health	26		
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	26		
	403-8	Workers covered by an occupational health and safety management system	Both employees and workers are covered by an OHS Management System based on legal requirements		
	403-9	Work-related injuries	26		
	403-10	Worker-related ill health	26		
Community Development, Protecting Indigenous People's Rights					
GRI 3: Material Topics 2021	3-3	Management of material topics	32		
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	8, 32		
	203-2	Significant indirect economic impacts	32		
GRI 3: Material Topics 2021	3-3	Management of material topics	32		
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	32		
	413-2	Operations with significant actual and potential negative impacts on local communities	32		
Protecting Natural Resources					
GRI 3: Material Topics 2021	3-3	Management of material topics	34		
GRI 302: Energy 2016	302-1	Energy consumption within the organization	34		
	302-2	Energy consumption outside of the organization	34		
	302-3	Energy intensity	34		
	302-4	Reduction of energy consumption	0.9% increased compared last year		
	302-5	Reductions in energy requirements of products and services	Ommitted	Not Applicable	We do not offer such product and services
GRI 3: Material Topics 2021	3-3	Management of material topics	34		

GRI Standard	Disclosure		Page number(s) and/or direct answers	Reason for omission		
				Requirement(s) omitted	Reason	Explanation
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	34			
	305-2	Energy indirect (Scope 2) GHG emissions	34			
	305-3	Other indirect (Scope 3) GHG emissions		Omitted	Information unavailable	We are not measuring Scope 3 emission yet
	305-4	GHG emissions intensity	34			
	305-5	Reduction of GHG emissions	55% Decrease			
	305-6	Emissions of ozone-depleting substances (ODS)		Omitted	Not Applicable	We do not emit ODS
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Omitted	Information unavailable	We do not monitor other air emission
Protecting Natural Resources						
GRI 3: Material Topics 2021	3-3	Management of material topics	34			
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Municipal Water for Domestic Use			
	303-2	Management of water discharge-related impacts	The wastewater is discharged to local sewer lines which are managed by the local government units and designated water utility companies			
	303-3	Water withdrawal	We do not extract groundwater			
	303-4	Water discharge	We do not measure the water discharge since the consumption is only for domestic use			
	303-5	Water consumption	34			
Waste Management						
GRI 3: Material Topics 2021	3-3	Management of material topics	34			
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	34			
	306-2	Management of significant waste-related impacts	We are dependent on the Local Government Unit waste disposal			
	306-3	Waste generated		Omitted	Information unavailable	We are updating our process for monitoring of waste generation and disposal
	306-4	Waste diverted from disposal		Omitted	Information unavailable	
	306-5	Waste directed to disposal		Omitted	Information unavailable	
Use of Recycled and Reused Materials						
GRI 3: Material Topics 2021	3-3	Management of material topics	Transition to eco or paper bags instead of plastic bags			
GRI 301: Materials 2016	301-1	Materials used by weight or volume	34			
	301-2	Recycled input materials used	34			
	301-3	Reclaimed products and their packaging materials	We did not use reclaimed products			

GRI Standard	Disclosure	Page number(s) and/or direct answers	Reason for omission		
			Requirement(s) omitted	Reason	Explanation
Protecting Natural Resources					
GRI 3: Material Topics 2021	3-3	Management of material topics	SBFI has committed to longer term protection of a considerable area of La Mesa Watershed		
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Omitted	Not Applicable	We have no operations in such locations
	304-2	Significant impacts of activities, products, and services on biodiversity	Omitted	Not Applicable	We have no operations in such locations
	304-3	Habitats protected and restored	Omitted	Not Applicable	There are no habitats protected and restored
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Omitted	Not Applicable	We have no impact in such locations
Ethical Operations and Good Governance					
GRI 3: Material Topics 2021	3-3	Management of material topics	63		
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	63		
	205-2	Communication and training about anti-corruption policies and procedures	63, 66		
	205-3	Confirmed incidents of corruption and actions taken	Zero incidents of corruption for 2023		
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions		
GRI 3: Material Topics 2021	3-3	Management of material topics	66		
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	66		
GRI 3: Material Topics 2021	3-3	Management of material topics	66		
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	There are no operations at significant risk of child labor		
GRI 3: Material Topics 2021	3-3	Management of material topics	66		
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	66		
Environmental Impact of Security Bank's Investment and loans					
GRI 3: Material Topics 2021	3-3	Management of material topics	31		
Innovative Products and Services					
GRI 3: Material Topics 2021	3-3	Management of material topics	18		
Risk and Disaster Management					
GRI 3: Material Topics 2021	3-3	Management of material topics	63		
Initiatives to Mitigate Climate Change					
GRI 3: Material Topics 2021	3-3	Management of material topics	12		

SECURITY BANK CENTRE

6776 Ayala Avenue, Makati City, 0719 Philippines
Tel. Nos. (632) 8876-6788 | (632) 8888-7800 | (632) 8887-9188

www.securitybank.com



May 15, 2024

MS. MARIGEL M. BANIQUED – GARCIA

Head, Issuer Regulation Division

Philippine Stock Exchange, Inc.

6/F PSE Tower

5th Avenue corner 28th Street

Bonifacio Global City, Taguig City

ATTY. SUZY CLAIRE R. SELLEZA

Head - Issuer Compliance and Disclosure Department

Philippine Dealing & Exchange Corp.

29F BDO Equitable Tower

8751 Paseo de Roxas, Makati City

ATTY. OLIVER O. LEONARDO

Director, Markets and Securities Regulation Department

Securities and Exchange Commission

12/F, SEC Headquarters

7907 Makati Avenue, Salcedo Village,

Brgy. Bel-Air, Makati City 1209

Mesdames / Gentlemen:

We are pleased to furnish you a copy of SEC Form 17-Q report of Security Bank Corporation as of and for the period ended March 31, 2024.

We hope we have complied with your requirements.

Very truly yours,


EDUARDO M. OLBES

Chief Financial Officer


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 March 31, 2024
2. Commission identification number 6030 3. BIR Tax Identification No. 000-498-020
4. Exact name of issuer as specified in its charter - SECURITY BANK CORPORATION
5. Province, country or other jurisdiction of incorporation or organization - Philippines
6. Industry Classification Code: (SEC Use Only)
7. Security Bank Centre, 6776 Ayala Avenue, Makati City 0719
Address of issuer's principal office Postal Code
8. (632) 8867-6788
Issuer's telephone number, including area code
9. Not applicable
Former name, former address and former fiscal year, if changed since last report
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 Shares (PhP 10 par) Total: 753,538,887 shares
Preferred Shares (PhP 0.10 par) (Unregistered) Total: 1,000,000,000 shares

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

Yes [x] No []

Preferred Shares are not listed

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

Philippine Stock Exchange Common Stock

12. Check whether the 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 []

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Attached are the following:

Unaudited Interim Statements of Financial Position	- Annex "1"
Unaudited Interim Statements of Income	- Annex "2"
Unaudited Interim Statements of Comprehensive Income	- Annex "3"
Unaudited Interim Statements of Changes in Equity	- Annex "4"
Unaudited Interim Statements of Cash Flows	- Annex "5"
Notes to Unaudited Interim Condensed Financial Statements	- Annex "6"
Aging of Loans and Receivables	- Annex "7"
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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

- Annex "9"

PART II – OTHER INFORMATION

There are no material disclosures that have not been reported under SEC Form 17C during the period covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.


EDUARDO M. OLBES
Chief Financial Officer

Date: May 15, 2024

SECURITY BANK CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	March 31, 2024	December 31, 2023
	(Amounts in Thousands)	
ASSETS		
Cash and Other Cash Items	P11,711,406	P13,947,069
Due from Bangko Sentral ng Pilipinas	38,701,083	45,821,155
Due from Other Banks	13,855,082	12,022,007
Interbank Loans Receivable and Securities Purchased Under Resale Agreements with the Bangko Sentral ng Pilipinas (Note 18)	2,570,998	4,080,999
Financial Assets at Fair Value through Profit or Loss (Note 7)	18,708,890	10,886,351
Derivative Assets Designated as Hedges (Note 8)	208,148	–
Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	140,001,967	139,861,049
Investment Securities at Amortized Cost (Note 10)	84,422,722	76,156,084
Loans and Receivables	545,293,562	538,329,399
Investment in Joint Ventures	2,665,987	2,625,071
Property, Equipment and Right-of-Use-Assets	6,500,779	6,429,496
Investment Properties	4,795,128	4,790,602
Deferred Tax Assets	5,754,963	5,703,100
Goodwill (Note 3)	841,602	841,602
Intangible Assets	5,372,357	4,969,055
Other Assets	5,771,901	5,046,416
TOTAL ASSETS	P887,176,575	P871,509,455
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	P240,627,355	P245,268,222
Savings	113,885,729	118,280,754
Time	273,464,140	232,566,397
Long-term Negotiable Certificates of Deposit (Note 11)	10,420,315	10,416,014
	638,397,539	606,531,387
Financial Liabilities at Fair Value through Profit or Loss (Note 7)	2,998,698	2,968,706
Derivative Liabilities Designated as Hedges (Note 8)	47,343	–
Bills Payable and Securities Sold Under Repurchase Agreements (Note 12)	44,651,164	51,339,105
Acceptances Payable	1,877,730	2,782,734
Margin Deposits and Cash Letters of Credit	84,500	57,568
Manager's and Certified Checks Outstanding	6,122,959	5,208,887
Income Tax Payable	837,393	802,086
Notes and Bonds Payable (Note 13)	33,011,978	48,963,521
Accrued Interest, Taxes and Other Expenses	5,441,837	4,844,732
Other Liabilities	17,132,154	11,880,389
TOTAL LIABILITIES	750,603,295	735,379,115
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Capital stock (Note 14)	7,635,389	7,635,389
Additional paid-in capital (Note 14)	38,524,323	38,524,323
Surplus	97,049,588	95,555,339
Net unrealized loss on financial assets at fair value through other comprehensive income	(6,453,841)	(5,534,401)
Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income	27,651	20,632
Cumulative foreign currency translation	(76,505)	(70,942)
Cost of hedging reserve (Note 8)	(133,325)	–
TOTAL EQUITY	136,573,280	136,130,340
TOTAL LIABILITIES AND EQUITY	P887,176,575	P871,509,455

See accompanying Notes to Interim Condensed Financial Statements.

SECURITY BANK CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED STATEMENTS OF INCOME

	Quarter Ended March 31	
	2024	2023
	(Amounts in Thousands)	
INTEREST INCOME ON		
Loans and receivables	₱10,728,630	₱8,675,245
Financial assets at fair value through other comprehensive income and investment securities at amortized cost	2,599,593	1,910,131
Financial assets at fair value through profit or loss	343,626	308,476
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	211,610	221,597
Deposits with banks and others	35,711	27,750
	13,919,170	11,143,199
INTEREST EXPENSE ON		
Deposit liabilities (Note 11)	1,686,850	2,387,501
Notes and bonds payable, bills payable and securities sold under repurchase agreements and other borrowings (Notes 12 and 13)	1,427,538	1,093,702
Derivative instruments	7,361	189,144
Lease liabilities	23,890	19,068
Derivatives designated as hedges (Note 8)	45,412	–
	3,191,051	3,689,415
NET INTEREST INCOME	10,728,119	7,453,784
Service charges, fees and commissions	3,099,235	1,312,028
Rent	207,238	157,703
Profit from assets sold/exchanged	81,636	160,685
Share in net income of joint ventures	40,856	22,450
Trading and securities gain (loss) - net	(84,010)	34,514
Foreign exchange gain (loss) - net	(2,058,338)	205,695
Miscellaneous	466,931	453,477
TOTAL OPERATING INCOME	12,481,667	9,800,336
OPERATING EXPENSES		
Compensation and fringe benefits	2,577,599	2,051,065
Provision for credit losses	1,526,614	615,686
Taxes and licenses	1,022,730	874,496
Depreciation and amortization	614,607	513,463
Amortization of software costs	189,614	166,532
Occupancy costs	116,391	102,937
Recovery of impairment losses	–	(9,892)
Miscellaneous	3,060,527	2,421,832
TOTAL OPERATING EXPENSES	9,108,082	6,736,119
INCOME BEFORE INCOME TAX	3,373,585	3,064,217
PROVISION FOR INCOME TAX	744,768	704,504
NET INCOME	₱2,628,817	₱2,359,713
Weighted average number of outstanding common shares*	753,538,887	753,538,887
Basic/Diluted Earnings Per Share* (Note 17)	₱3.48	₱3.13

*In absolute amounts

See accompanying Notes to Interim Condensed Financial Statements.

SECURITY BANK CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Quarter Ended March 31	
	2024	2023
	(Amounts in Thousands)	
NET INCOME FOR THE PERIOD	₱2,628,817	₱2,359,713
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items to be Reclassified to Profit or Loss in Subsequent Periods:</i>		
Cumulative translation adjustments	(5,563)	66,751
Changes in cost of hedging reserve		
Fair value loss for the year	(178,737)	–
Amortization of cost of hedging	45,412	–
Changes in cash flow hedge reserve		
Fair value gain for the year	230,379	–
Amount recycled to profit or loss	(230,379)	–
Change in net unrealized gain (loss) on debt instruments at fair value through other comprehensive income	(937,801)	1,589,703
	(1,076,689)	1,656,454
<i>Items not to be Reclassified to Profit or Loss in Subsequent Periods:</i>		
Revaluation gains on equity instruments at fair value through other comprehensive income	25,380	12,066
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(1,051,309)	1,668,520
TOTAL COMPREHENSIVE INCOME	₱1,577,508	₱4,028,233
ATTRIBUTABLE TO:		
Equity holders of the Parent Company	₱1,577,508	₱4,028,233
Non-controlling interest	–	–
	₱1,577,508	₱4,028,233

See accompanying Notes to Interim Condensed Financial Statements.

SECURITY BANK CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 14)	Additional Paid-In Capital (Note 14)	Surplus	Net Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income (Loss)	Net Unrealized Gain on a Subsidiaries' Financial Assets at Fair Value through Other Comprehensive Income	Cumulative Foreign Currency Translation	Cost of Hedging Reserve (Note 8)	Total Equity
				(Amounts in Thousands)				
Balance at January 1, 2024	₱7,635,389	₱38,524,323	₱95,555,339	(₱5,534,401)	₱20,632	(₱70,942)	₱-	₱136,130,340
Total comprehensive income for the period	-	-	2,628,817	(919,440)	7,019	(5,563)	(133,325)	1,577,508
Declaration of cash dividends	-	-	(1,134,568)	-	-	-	-	(1,134,568)
Balance at March 31, 2024	₱7,635,389	₱38,524,323	₱97,049,588	(₱6,453,841)	₱27,651	(₱76,505)	(₱133,325)	₱136,573,280
Balance at January 1, 2023	₱7,635,389	₱38,524,323	₱89,004,617	(₱9,238,853)	₱16,619	(₱94,014)	-	₱125,848,081
Total comprehensive income for the period	-	-	2,359,713	1,597,004	4,765	66,751	-	4,028,233
Declaration of cash dividends	-	-	(1,134,568)	-	-	-	-	(1,134,568)
Balance at March 31, 2023	₱7,635,389	₱38,524,323	₱90,229,762	(₱7,641,849)	₱21,384	(₱27,263)	-	₱128,741,746

SECURITY BANK CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	2024	2023
	(Amounts in Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱3,373,585	₱3,064,217
Adjustments for:		
Provision for credit losses	1,526,614	615,686
Depreciation and amortization	614,607	513,463
Amortization of software costs	189,614	166,532
Amortization of transaction costs on LTNCD and notes and bonds payable (Notes 11 and 13)	52,758	55,928
Amortization of premium on financial assets at fair value through other comprehensive income and investment securities at amortized cost	119,045	66,081
Recovery of impairment losses		(9,892)
Share in net income of joint ventures	(40,856)	(22,450)
Profit from assets sold/exchanged	(81,636)	(160,685)
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Due from other banks (Note 18)	6	338
Interbank loans receivable (Note 18)	–	(1,235)
Loans and receivables	(8,588,212)	13,414,436
Financial assets at Fair Value through Profit or Loss	(7,822,539)	(4,287,038)
Other assets	(699,624)	(88,891)
Increase (decrease) in the amounts of:		
Deposit liabilities	31,861,851	(81,023,731)
Financial Liabilities at Fair Value through Profit or Loss	29,992	(271,866)
Manager's and certified checks outstanding	914,072	993,469
Accrued interest, taxes and other expenses	597,105	775,166
Margin deposits and cash letters of credit	26,932	(15,142)
Acceptances payable	(905,004)	822,759
Other liabilities	4,081,298	863,977
Net cash provided by (used in) operations	25,249,608	(64,528,878)
Income taxes paid	(757,368)	(671,011)
Net cash provided by (used in) operating activities	24,492,240	(65,199,889)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of/Additions to:		
Financial assets at FVTOCI	(8,301,215)	(4,789,840)
Investment securities at amortized cost	(10,484,124)	(2,366,617)
Property and equipment	(554,114)	(821,877)
Intangible assets	(592,916)	(163,775)
Proceeds from:		
Disposals, redemptions or maturities of financial assets at FVTOCI	7,469,801	2,761,053
Disposals, redemptions or maturities of investment securities at amortized cost	2,847,785	1,359,952
Disposal of investment properties and other properties acquired	243,854	164,367
Disposal of property and equipment	5,218	15,742
Net cash used in investing activities	(9,365,711)	(3,840,995)

(Forward)

	Three Months Ended March 31	
	2024	2023
	(Amounts in Thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bills payable and securities sold under repurchase agreements	₱103,700,407	₱179,685,105
Settlements of bills payable and securities sold under repurchase agreements	(110,518,796)	(153,775,834)
Payment of notes payable	(16,000,000)	–
Payments of lease liabilities	(186,527)	(188,156)
Cash dividends paid	(1,909)	(1,909)
Net cash provided by (used in) financing activities	(23,006,825)	25,719,206
Effect of change in foreign exchange rates	(1,152,365)	617,351
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,032,661)	(42,704,327)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	13,947,069	13,180,172
Due from Bangko Sentral ng Pilipinas	45,821,155	63,011,416
Due from other banks	12,022,007	20,097,291
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	2,080,999	23,518,740
	73,871,230	119,807,619
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	11,711,406	9,522,288
Due from BSP	38,701,083	54,587,711
Due from other banks	13,855,082	8,737,573
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	570,998	4,255,720
	₱64,838,569	₱77,103,292
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest received	₱13,730,696	₱11,220,086
Interest paid	3,016,458	3,451,638
Dividends received	1,382	1,612

See accompanying Notes to Interim Condensed Financial Statements.

SECURITY BANK CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

1. Corporate Information

Security Bank Corporation (the Parent Company) is a domestic corporation registered with the Securities and Exchange Commission (SEC) in 1951 and was listed in the Philippine Stock Exchange (PSE) in 1995. The Parent Company's head office is located at Security Bank Centre, 6776 Ayala Avenue, Makati City.

The Parent Company was incorporated on May 8, 1951 and started its operations as a commercial bank on June 18, 1951. On May 30, 2000, the Board of Directors (BOD) of the Parent Company approved its Amended Articles of Incorporation to extend the corporate term of the Parent Company, which expired on May 8, 2001, for another 50 years. On February 19, 2001, the SEC approved such amendment.

Republic Act No. 1132, otherwise known as the "Revised Corporate Code of the Philippines" or "RCC", took effect on February 23, 2019. The corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation. As of February 23, 2019, the Bank is deemed to have selected a perpetual term.

In 1994, it was approved by the Bangko Sentral ng Pilipinas (BSP) to operate as a universal bank, allowing it to expand its financial services and revenue sources.

The Parent Company provides expanded commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services. In addition, the Parent Company is licensed to engage in financial derivatives to service the requirements of its customers and as a means of reducing and managing the Parent Company's foreign exchange and interest rate exposures.

The Parent Company and its subsidiaries and joint ventures (collectively referred to as the "Group"), which are all incorporated in the Philippines, are engaged in the following businesses:

Subsidiaries and Joint Ventures	Principal place of business	Line of Business	Effective Percentage of Ownership	
			March 31, 2024	December 31, 2023
SB Capital Investment Corporation (SBCIC)*****	18 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Investment house	100.00	100.00
SB Equities, Inc. (SBEI)		Stock brokerage	100.00	100.00
SB International Services, Inc. (SISI)****	17 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Marketing services	100.00	100.00
SB Rental Corporation (SBRC)	5 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Rental / leasing	100.00	100.00
SB Cards Corporation (SBCC)*****	Diners Club Center, 114 Valero St. Salcedo Village, Makati City	Credit card operations	100.00	100.00
Security Finance and Leasing Inc. (formerly Landlink Property Investments (SPV-AMC), Inc. (LPII))**	Security Bank Centre, 6776 Ayala Avenue, Makati City	Financing	100.00	100.00
SB Forex, Incorporated ***	Security Bank Centre, 6776 Ayala Avenue, Makati City	Foreign exchange services	100.00	100.00
SBM Leasing, Inc. (SBML)*	5 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Financing	60.00	60.00
SB Finance, Inc. (SBFI) (formerly SB Finance Company, Inc.)*	Keyland Arnaiz Building, 849 Antonio Arnaiz Avenue, Legaspi Village, Makati City 1229	Financing	49.96	49.96

* Joint Ventures.

** With BOD approval in 2022 to shorten corporate life on December 31, 2023. Approval to shorten life was revoked by the BOD last December 12, 2023.

*** Corporate term ended February 28, 2022, awaiting clearance from Bureau of Internal Revenue

**** Corporate term ended December 31, 2021, awaiting clearance from Bureau of Internal Revenue

***** With BOD approval to shorten corporate life on December 31, 2024

***** With BOD approval dated May 6, 2024 to change corporate name to Security Bank Capital Investment Corporation

The Parent Company is the ultimate parent company of the Group.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying interim condensed financial statements include the financial statements of the Parent Company and its subsidiaries.

The accompanying interim condensed financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL), derivative contracts designated as hedges and financial assets at fair value through other comprehensive income (FVTOCI) and that have been measured at fair value. The financial statements are presented in Philippine peso and all values are rounded to the nearest thousand peso (₱000) except when otherwise indicated.

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

The interim condensed financial statements provide comparative information in respect of the previous period.

Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency. The functional currency of each of the Parent Company's subsidiaries is the Philippine peso.

Explanatory Comments about the Seasonality or Cyclicity of Interim Operations

Seasonality or cyclicity of interim operations is not applicable to the Group's type of business.

Statement of Compliance

The accompanying interim condensed financial statements as of and for the three months ended March 31, 2024 have been prepared in compliance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the interim condensed financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of and for the year ended December 31, 2023.

Basis of Consolidation

The consolidated financial statements of the Group are prepared for the same reporting period as the subsidiaries, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used in line with those used by the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components' gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling Interest

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that do not result in a loss of control are accounted for as equity transactions, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognized as an equity transaction and attributed to the owners of the Parent Company.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2023, except for the adoption of amended standards effective as of January 1, 2024.

The adoption of the following amendments did not have a significant impact on the interim condensed financial statements of the Group:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

3. Goodwill

Impairment Testing of Goodwill

In 2012, goodwill acquired through business combination has been allocated to Security Bank Savings (SBS) as the cash-generating unit (CGU). In 2015, the entire goodwill was reallocated to the branch banking group (BBG) as a result of the integration of SBS to the Parent Company. As of March 31, 2024 and December 31, 2023, the carrying amount of goodwill amounted to ₱841.6 million and there was no impairment loss recognized for the three months ended March 31, 2024 and 2023. The last impairment test was carried out as of December 31, 2023.

The recoverable amount of the CGU has been determined based on a value in use (VIU) calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows. Future cash flows and growth rates were based on experiences and strategies developed and prospects. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to a comparable entity. In 2023, the pre-tax discount rate applied to cash flow projections is 13.01% while the growth rate used to extrapolate cash flows beyond the three-year period is 9.33%.

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

4. Significant Accounting Judgments and Estimates

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

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

5. Financial Risk Management

Compared with the December 31, 2023 financial statements, there have been no changes in the financial risk exposures that materially affect the financial statements of the Group as of March 31, 2024. The Group has exposures to the following risks from its use of financial instruments: (a) credit; (b) liquidity; (c) market; (d) operational; and (e) sustainability. Related discussions follow below, which should be read in conjunction with Note 5, *Financial Risk Management Objectives and Policies*, of the Group's 2023 financial statements.

Introduction

Integral to the Parent Company's value creation process is risk management. It therefore operates an integrated risk management system to address the risks it faces in its banking activities, including credit, market, liquidity, operational and sustainability risks. Exposures across these risk areas are regularly identified, measured, controlled, monitored and reported to Senior Management, Risk Oversight Committee (ROC) and the BOD.

Risk Management Structure

Board of Directors

The BOD directs the Parent Company's over-all risk management strategy. The risk management processes of the subsidiaries are the separate responsibilities of their respective BOD. The BOD performs an oversight function on the Parent Company's implementation of its risk policies through various committees that it has created as follows:

Executive Committee

The Executive Committee may act on specific matters within the competence of the Board of Directors and as delegated to it by the Board of Directors from time to time.

Risk Oversight Committee

The ROC reviews, approves, and ensures effective implementation of the risk management framework. It approves risk-related policies, oversees limits to discretionary authority that the BOD delegates to management, and evaluates the magnitude, distribution and direction of risks in the Parent Company.

Corporate Governance Committee

The Corporate Governance Committee oversees the compliance function and assists the BOD in fulfilling its corporate governance responsibilities across a broad range of areas including sustainability. It is responsible for ensuring the BOD's effectiveness and, due observance of corporate governance principles and guidelines.

Audit Committee

The Audit Committee through the Internal Audit Division provides the independent assessment of the overall effectiveness of, and compliance with the Parent Company's governance, internal controls, risk management functions.

Senior Credit Committee

The Senior Credit Committee is the highest credit decision-making body in the Bank and works closely with the ROC in managing the overall credit risk of the Bank. The committee reviews and approves proposals and facilities related to credit, except for Directors, Officers, Stockholders and Related Interests (DOSRI) and material related party transactions (RPT) accounts.

Restructuring Committee

The Restructuring Committee approves remedial and/or recovery strategies of the Bank for identified problem loan accounts.

Related Party Transaction Committee

The Related Party Transaction Committee ensures that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders.

Nominations and Remunerations Committee

The Nominations and Remunerations Committee has oversight over Board nominees and other appointments requiring Board approval, as well as their remuneration commensurate with corporate and individual performance.

Trust Committee

The Trust Committee ensures that funds and properties held in trust or in any fiduciary capacity shall be administered with the skill, care, prudence and diligence necessary under the circumstances then prevailing that a prudent person, acting in like capacity and familiar matters, would exercise in the conduct of an enterprise of like character and with similar aims.

Transformation and Technology Committee

The Transformation and Technology Committee shall oversee the development and implementation of strategy, transformation, innovation and information technology initiatives of the Bank and its subsidiaries and affiliates, in support of the Group's vision, mission and strategic objectives.

The Parent Company's organizational structure includes the Risk Management Group (RMG), which is responsible for driving the following risk management processes of the Group:

- Independent assessment, measurement, monitoring and reporting of the Group's risk-taking activities; and
- Formulation, review and recommendation of risk-related policies and control structures.

Nevertheless, the Group's risk management framework adopts the basic tenet that risks are owned by the respective business and process owners. Everyone in the organization is therefore expected to proactively manage the risks inherent to their respective area by complying with the Group's risk management framework, policies and standards.

The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries have their own risk management procedures but are structured similar to that of the Parent Company. To a certain extent, the respective risk management programs and objectives are the same across the Group.

Risk Measurement and Reporting

The Parent Company's risks are measured using various methods compliant with Basel III standards. The Parent Company also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Expected credit loss models are developed and maintained by the Risk Management Group. These models are used as a tool for the Parent Company's risk management process and management reporting systems. The applicable results of the calculations are used as the basis for the assessment of expected credit losses.

Monitoring and controlling risks are primarily performed based on limits established by the Parent Company. These limits reflect the business strategy and market environment of the Parent Company as well as the level of risk that the Parent Company is willing to take. In addition, the Parent Company monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

For all levels throughout the Parent Company, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information. These reports include aggregate credit exposure, credit metric forecasts, limit exceptions, Value-at-Risk (VaR), liquidity ratios and risk profile changes.

Credit Risk Management prepares detailed reporting of risks per credit classification, payment status, industry, loan tenor, and other measures of portfolio quality. Senior management assesses the appropriateness of allowance for credit losses on a yearly basis or as the need arises. The ROC and the heads of the concerned business units receive a comprehensive portfolio quality review monthly which

is designed to provide all the necessary information to assess and conclude on the credit risks of the Parent Company.

In the case of market risk, a monthly report is presented to the ROC on the utilization of market limits and liquidity, plus any other risk developments.

Information compiled from businesses is examined and processed in order to analyze, control and identify risks early. This information is assessed and deliberated by the heads of each business unit, the ROC and the BOD.

Risk Mitigation

The Parent Company uses various risk mitigation practices to manage different types of risks, such as credit risk, market risk, operational risk, and liquidity risk. Generally, these include establishing and reviewing risk limits and policies by considering the risk appetite, strategy and objectives of the Bank, as well as the regulatory requirements and industry best practices; implementing and enforcing these limits by using effective monitoring and reporting systems, and by escalating and resolving any limit breaches or policy violations; and conducting regular and ad hoc stress testing.

Excessive Risk Concentration

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

The Parent Company manages concentration risks by setting exposure limits to borrowing groups, industries, countries, and where appropriate, on products and facilities. These limits are reviewed as the need arises but at least annually.

To avoid excessive concentration of risk, the Parent Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of risks are controlled and managed accordingly.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to perform its obligations during the life of the transaction. This includes risk of non-payment by borrowers or issuers, failed settlement of transactions and default on contracts.

The Parent Company drives credit risk management fundamentally via its Credit Policy Manual (CPM), the provisions of which are regularly reviewed and updated to reflect changing regulations and risk conditions. The CPM defines the principles and parameters governing credit activities, ensuring that each account's creditworthiness is thoroughly understood and regularly reviewed. Lending units assume overall responsibility for the management of credit exposures while middle and back office functions are clearly defined to provide independent checks and balance to credit risk-taking activities. A system of approving and signing limits ensures adequate senior management involvement for bigger and more complex transactions. Large exposures of the Group are kept under rigorous review as these are subjected to stress testing and scenario analysis to assess the impact of changes in market conditions or key risk factors (examples are economic cycles, interest rate, liquidity conditions or other market movements) on its profile and earnings.

The risk management structure of policies, accountabilities and responsibilities, controls and senior management involvement is similarly in place for non-performing assets.

Liquidity Risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. Liquidity risk is monitored and managed mainly using liquidity gap and Maximum Cumulative Outflows (MCO) limits, stress testing, and compliance to Basel III liquidity ratios. A Contingency Funding Plan is likewise in place to ensure readiness for identified liquidity crisis situation.

The Parent Company's Asset and Liability Committee (ALCO) is directly responsible for market and liquidity risk exposures. ALCO regularly monitors the Parent Company's positions and sets the appropriate transfer pricing rate to effectively manage movements of funds across business activities.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages those portfolios separately.

The Group manages its market risk exposures through various established structures, processes and measurement tools.

- Treasury Group, the unit in charge of managing customer flows, liquidity and interest rate risk in the banking book (IRRBB), and that which handles most of the proprietary trading of the Group, is assigned with risk limits by the ROC.
- The Risk Management Group performs daily monitoring of compliance with policies, procedures and risk limits and accordingly makes recommendations, where appropriate.
- The ALCO is the senior decision making body for the management of all market risks related to asset and liability management, and the trading and ac and crucial books.
- VaR is the statistical model used by the Group to measure the market risk of its trading portfolio, with the confidence level set at 99%.

The market risk measurement models are subjected to periodic back testing to ensure validity of market assumptions used.

Other risk management tools utilized by the Parent Company are as follows:

- Loss limits
- Position and duration limits, where appropriate
- Mark-to-market valuation
- VaR limits
- Stress testing

Additional risk monitoring tools were likewise adopted to manage under fluid market environment. The tools include sensitivity analyses to pinpoint vulnerabilities in terms of profit or loss and capital erosion.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Bank defines Interest Rate Risk in the Banking Book as the risk of deterioration in the net interest income or capital of bank arising from the timing and rate mismatch of its assets and liabilities combined with unfavorable movements in interest rates.

The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Management of IRRBB entails identifications of risks in the banking book, modelling of balance sheet account behavior,

measurement of interest rate gap, estimation of Earnings-at-Risk, interest rate stress-testing, calculation of change in Economic Value of Equity (EVE), reporting to ALCO, Risk Oversight Committee and the Board of Directors, model validation and maintenance, and regular audit.

Interest rate risk exposures are reported via the monthly repricing gap schedule. The repricing gap report highlights mismatches in the repricing tenors of assets and liabilities. Repricing gaps are calculated by distributing the statements of financial position accounts into time buckets based on the next repricing dates of individual items. For non-maturing deposits, distinction is made between the stable (i.e. core) and non-stable portions, where the former is spread in time buckets aligned with Basel's IRRBB document while the latter is bucketed in short-term tenors. For time deposits and loans, model assumptions were developed based on historical experience of the Bank to capture early redemption risk and prepayment risk. These are adjusted using scaling factors under different interest rate shocks and stress scenarios when measuring the impact of IRRBB in economic value. After slotting the balance sheet items into time buckets, the resulting difference between the amount of the assets and the amount of the liabilities that will reprice within a particular time bucket constitutes a repricing gap.

The Group employs gap analysis to measure the sensitivity of its assets and liabilities to fluctuations in market interest rates for any given period. A positive gap occurs when the amount of interest rate-sensitive assets exceeds the amount of interest rate-sensitive liabilities during a period of rising interest rates since it is in a better position to invest in higher yielding assets more quickly than it would need to refinance its interest-bearing liabilities. Conversely, during a period of falling interest rates, a positively gapped position could result in restrained growth or declining net interest income.

The Delta EVE is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. This measure is defined as a bank's value sensitivity to changes in market rates. Delta EVE will complement earnings-at-risk (EaR) and value-at-risk (VaR) as the Group's measure of interest rate risk. As of December 31, 2023, the Parent Company's Delta EVE is at 8.86%, arising from parallel down interest rate shock scenario.

Market Risk in the Trading Book

The Parent Company measures VaR in order to estimate if the market value of an asset or of a portfolio of assets is likely to change over a certain time period as market factors change.

VaR computation is a two-step process which involves calculation of the changes in the relevant risk factors then computing for the corresponding impact on the exposure's value. A risk factor is defined as a variable that causes a change in the value of a financial instruments or a portfolio of financial instruments.

VaR Methodology

The Parent Company uses a Historical Model approach to calculate VaR for all products.

Unlike parametric methods, the historical approach does not put specific assumptions on the distribution (ex. normality assumption) of the historical returns. Instead, the Historical Model estimates VaR using historical changes in market factors to construct an empirical distribution of potential profits and losses, and then reading off the loss that is exceeded at a specified confidence level and period. The Parent Company employs Historical model using a Taylor expansion composed of "Greek" sensitivities (Delta and Gamma) characterizing market behavior.

VaR Parameters

The Group uses one-year historical observations consisting of 365 data points with a 99% confidence level and a 1-day holding period. This implies there is 99% confidence that the portfolio will not lose more than the calculated VaR over the next day.

The VaR figures are backtested against actual and hypothetical profit and loss to validate the robustness of the VaR model. Likewise, to complement the VaR measure, the Parent Company performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence

interval of the VaR model.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits are set annually for all financial trading activities based on its risk appetite level. Exposures are then monitored daily against the established VaR limits.

Market Risk in the Non-Trading Book

The accrual book pertains to the assets and liabilities that make up the Parent Company's balance sheet. Such accrual positions are sensitive to changes in interest rates. The Parent Company monitors the exposure of non-trading assets and liabilities to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income.

EaR is the bank's key measure of IRRBB. EaR is the sensitivity of the statement of income given assumed changes in interest rates on the net interest income for one year, based on the floating rate, non-trading financial assets and financial liabilities held at each statements of financial position date. This approach focuses on the impact in profit or loss of holding on to the gaps over a one-year time frame. The Bank calculates EaR on monthly basis.

The take-off point for the EaR calculation is the bank's repricing gap model which takes into account behavior. To control the interest rate repricing risk in the banking books, the Parent Company sets a limit on the EaR measure.

The Parent Company recognizes, that this metric assumes a "business-as-usual" scenario and, therefore, do not show potential losses under a "stress" scenario. To address this limitation, the Parent Company performs regular stress testing to test its ability to cope with adverse changes in interest rates under different stress scenarios. This process involves applying interest rate shocks of different magnitudes to the current repricing gap positions in the balance sheet. Stress-testing involves yield curve shifts based on economic forecasts and regulatory guidelines. Also, the bank uses hedging products such as interest rate swaps to hedge its banking book.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency-denominated deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDO. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

Operational Risk

Operational risk is the probability of loss arising from fraud, unauthorized activities, errors, omissions, system failures, cyber incidents or from external events. This is the broadest risk type encompassing product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.

Operational Risk Management is considered a critical element in the Bank's commitment to sound management and corporate governance. Under the Bank's operational risk management framework, business units are provided extensive guidance on the comprehensive identification and effective assessment of their operational risks and the corresponding controls to promote a forward-looking culture of risk management. This is complemented by continuous focus on issue management to address identified weaknesses, as well as by enhanced incident response capability to ensure preparedness in the event of significant risk occurrences.

Group policies and frameworks have been developed and implemented covering key areas such as technology risks, business continuity, fraud, and information security, as well as new risk areas like social media, environmental, social, and governance (ESG), and reputational risk. Guidelines and tools have also been enhanced for key operational risk activities such as Issue Management, Incident and Loss

Reporting and Key Risk Indicators to improve reporting and oversight of the Bank's operational risk environment. The Risk and Control Self-Assessment process has also been updated to ensure effective identification, assessment, mitigation and monitoring of operational risks by the risk owners in the first line of defense.

There remains increased focus on operational resilience, with ongoing reviews of business continuity plans and crisis management playbooks, and planned upgrades to critical systems as part of IT disaster recovery efforts.

Increased digitalization in response to customer needs has been accompanied by enhanced alignment of the Bank's risk assessment and technology project management processes. Security controls were strengthened to mitigate cybersecurity and external fraud risks, particularly within the online banking services. Security awareness programs for both customers and staff have likewise been enhanced. Finally, third-party experts are contracted to assess and guide further improvements to both cybersecurity maturity and incident response capability. These measures are intended to address information security, fraud, resiliency, and other operational risks.

Sustainability Risk

Environmental & Social Risk Management (ESRM) is the identification, measurement, assessment, monitoring and reporting of environmental and social risks associated with the Bank's lending and investment activities, and its operations. The Bank has incorporated environmental and social factors into the lending process and customer dialogue to align with its policies. The Bank understands the consequences of failing to appropriately manage ESG issues can directly impact its reputation, its operations, and the communities where the Bank and its clients operate.

6. Fair Value Measurement

The following show the fair values of the assets and liabilities of the Group:

	March 31, 2024				
	Carrying Value	Fair Value			
		Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	P16,931,516	P16,931,516	P11,267,937	P5,663,579	P-
Private bonds	924,825	924,825	900,601	24,224	-
Equity securities	25	25	-	25	-
Total HFT investments	17,856,366	17,856,366	12,168,538	5,687,828	-
Derivative assets:					
Currency forwards	683,065	683,065	-	683,065	-
Cross-currency swaps	17,429	17,429	-	17,429	-
Interest rate swaps	152,030	152,030	-	152,030	-
Total derivative assets	852,524	852,524	-	852,524	-
Total financial assets at FVTPL	18,708,890	18,708,890	12,168,538	6,540,352	-
Derivative assets designated as hedges	208,148	208,148	-	208,148	-
Financial assets at FVTOCI					
Treasury notes and bills	94,928,175	94,928,175	58,807,888	36,120,287	-
Treasury bonds	42,962,555	42,962,555	40,666,697	2,295,858	-
Private bonds	1,560,319	1,560,319	464,675	1,095,644	-
Equity securities	550,918	550,918	-	550,918	-
	140,001,967	140,001,967	99,939,260	40,062,707	-
	P158,919,005	P158,919,005	P112,107,798	P46,811,207	P-
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost:					
Private bonds	P58,158,485	P57,265,558	P28,714,225	P28,551,333	P-
Treasury bonds	13,346,365	13,496,825	-	13,496,825	-

March 31, 2024					
	Carrying Value	Total	Fair Value		
			Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Treasury notes and bills	12,917,872	12,956,755	6,537,162	6,419,593	–
Total investment securities at amortized cost	84,422,722	83,719,138	35,251,387	48,467,751	–
Loans and receivables – net	545,293,562	544,037,079	–	–	544,037,079
Other assets	567,962	522,799	–	–	522,799
Total financial assets at amortized cost	630,284,246	628,279,016	35,251,387	48,467,751	544,559,878
Non-financial Assets					
Investment properties	4,795,128	6,581,692	–	–	6,581,692
	P635,079,374	P634,860,708	P35,251,387	P48,467,751	P551,141,570

Liabilities Measured at Fair Value

Financial liabilities at FVTPL:

Derivative liabilities:					
Currency forwards	P2,982,867	P2,982,867	P–	P2,982,867	P–
Interest rate swaps	11,550	11,550	–	11,550	–
Interest rate future	4,281	4,281	–	4,281	–
Total financial liabilities at FVTPL	2,998,698	2,998,698	–	P2,998,698	–
Derivative liabilities designated as hedges	47,343	47,343	–	P47,343	–
	P3,046,041	P3,046,041	P–	P3,046,041	P–

Liabilities for which Fair Values are Disclosed

Deposit liabilities excluding LTNCD	P627,977,224	P629,360,702	P–	P–	P629,360,702
Notes payable	33,011,978	33,196,072	–	–	33,196,072
LTNCD	10,420,315	10,342,201	–	–	10,342,201
Bills payable and SSURA	44,651,164	44,966,646	44,966,646	–	–
	P716,060,681	P717,865,621	P44,966,646	P–	P672,898,975

December 31, 2023					
	Carrying Value	Total	Fair Value		
			Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	P9,681,878	P9,681,878	P2,913,828	P6,768,050	P–
Private bonds	282,092	282,092	174,580	107,512	–
Equity securities	25	25	–	25	–
Total HFT investments	9,963,995	9,963,995	3,088,408	6,875,587	–
Derivative assets:					
Currency forwards	629,854	629,854	–	629,854	–
Interest rate swaps	239,882	239,882	–	239,882	–
Interest rate future	40,776	40,776	–	40,776	–
Cross-currency swaps	11,828	11,828	–	11,828	–
Bond forwards and options	16	16	–	16	–
Total derivative assets	922,356	922,356	–	922,356	–
Total financial assets at FVTPL	10,886,351	10,886,351	3,088,408	7,797,943	–
Financial assets at FVTOCI:					
Treasury notes and bills	82,365,379	82,365,379	45,017,540	37,347,839	–
Treasury bonds	55,451,234	55,451,234	46,369,066	9,082,168	–
Private bonds	1,523,151	1,523,151	–	1,523,151	–
Equity securities	521,285	521,285	–	521,285	–
	139,861,049	139,861,049	91,386,606	48,474,443	–
	P150,747,400	P150,747,400	P94,475,014	P56,272,386	P–

Assets for which Fair Values are Disclosed

Financial Assets

Financial assets at amortized cost:

Investment securities at amortized cost:					
Private bonds	P57,825,124	P56,774,956	P22,295,281	P34,479,675	P–
Treasury bonds	14,958,498	14,988,687	–	14,988,687	–
Treasury notes and bills	3,372,462	3,447,353	815,028	2,632,325	–
Total investment securities at amortized cost	76,156,084	75,210,996	23,110,309	52,100,687	–
Loans and receivables – net	538,329,399	531,217,961	–	–	531,217,961
Other assets	708,515	663,894	–	–	663,894
Total financial assets at amortized cost	615,193,998	607,092,851	23,110,309	52,100,687	531,881,855

Non-financial Assets

	December 31, 2023				
	Carrying Value	Fair Value			
		Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	4,790,602	6,504,188	–	–	6,504,188
	P619,984,600	P613,597,039	P23,110,309	P52,100,687	P538,386,043
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Currency forwards	P2,940,101	P2,940,101	P–	P2,940,101	P–
Interest rate swaps	28,592	28,592	–	28,592	–
Bonds forward	13	13	–	13	–
Total financial liabilities at FVTPL	P2,968,706	P2,968,706	P–	P2,968,706	P–
Liabilities for which Fair Values are Disclosed					
Deposit liabilities excluding LTNCD	P596,115,373	P597,217,974	P–	P–	P597,217,974
Notes Payable	48,963,521	49,121,866	–	–	49,121,866
LTNCD	10,416,014	10,358,450	–	–	10,358,450
Bills payable and SSURA	51,339,105	51,663,319	–	–	51,663,319
	P706,834,013	P708,361,609	P–	P–	P708,361,609

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any adjustments for transaction costs, the instruments are included within Level 1 of the hierarchy.

For other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models, the instruments are included in Level 2. Instruments included in Level 3 include those for which there is currently no active market.

During the periods ended March 31, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The methods and assumptions used by the Group in estimating the fair value of its financial instruments are:

Checks and Other Cash Items (COCI), due from BSP and other banks and interbank loans receivable and securities purchased under resale agreements (SPURA) with the BSP

The carrying amounts approximate fair values considering that these accounts consist mostly of overnight deposits and floating rate placements.

Debt securities

Fair values are generally based upon quoted market prices, if available. If the market prices are 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 the discounted cash flow methodology.

Equity securities

Fair values of quoted equity securities are based on quoted market prices. Fair values of unquoted equity securities are derived based on the adjusted net asset value method.

Receivable from customers and sales contracts receivable (included under 'Other receivables')

Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

Other receivables – Accounts receivable and accrued interest receivable

Carrying amounts approximate fair values given their short-term nature.

Investment properties

Fair value of investment properties are determined by independent or in-house appraisers using the market data approach. Valuations were 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 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 located along a main road are superior to properties located along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the 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 data is superior to historic data.
Discount	Generally, asking prices in advertisements 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.

Other financial assets

The carrying amounts approximate fair values due to their short-term nature.

Derivative instruments

Derivative products are valued using valuation techniques using market observable inputs including foreign exchange rates and interest rate curves prevailing at the statements of financial position date. For interest rate swaps, cross-currency swaps and foreign exchange contracts, discounted cash flow model is applied. This valuation model discounts each cash flow of the derivatives at a rate that is dependent on the tenor of the cash flow.

Deposit liabilities (demand and savings deposits excluding long-term savings deposits)

The carrying amounts approximate fair values considering that these are due and demandable.

Long-term negotiable certificates of deposit (LTNCD) and subordinated note

Fair values of LTNCD and subordinated note are estimated using adjusted quoted market prices of comparable investments. The adjustments on market quoted prices are unobservable inputs.

Other financial liabilities

For accrued interest and other expenses and other financial liabilities, the carrying amounts approximate fair values due to their short-term nature.

The significant unobservable input used in the fair value measurement of the Group's financial assets and financial liabilities is credit-adjusted rates for similar types of financial instruments. Significant increases (decreases) in the credit-adjusted rates would result in a significantly lower (higher) fair value measurement.

7. Financial Assets and Liabilities at Fair Value through Profit or Loss

As of March 31, 2024 and December 31, 2023, financial assets at FVTPL include net unrealized loss of ₱12.4 million and ₱39.7 million, respectively.

Fair value gains or losses on financial assets at FVTPL (other than currency forwards) is included in 'Trading and securities gain (loss) - net' in the statements of income. Fair value gains or losses on currency forwards are included in 'Foreign exchange gain (loss) - net' in the statements of income.

As of March 31, 2024 and December 31, 2023, certain government securities were pledged with foreign and local banks as collateral for Securities Sold under Repurchase Agreements (SSURA) (see Note 12).

8. Derivatives Designated as Hedges

In March 2024, Parent Company entered into hedging transactions, particularly cash flow hedges, to hedge its exposure to variability in future cash flows arising from foreign currency risk associated with its inter-book liabilities in RBU books. The following table shows the summary of the hedging transactions of the Parent Company designated as cash flow hedges and the related balances as of March 31, 2024:

Hedged Item	Hedging Instrument	Notional Amount	Derivative Asset	Derivative Liability	Cash Flow Hedge Reserve	Cost of Hedging Reserve	Total Hedge Reserve
Cash short position in the RBU books	Spot element of FX forward contract	\$529,196	₱208,148	₱47,343	₱-	(₱133,325)	(₱133,325)

As of March 31, 2024, the Parent Company assessed the hedges to be effective.

The cost of hedging pertaining to the amortization of the forward element presented under 'Interest expense on derivatives designated as hedges' in the statements of income amounted to ₱45.4 million for the month ended March 31, 2024. Fair value gains of ₱230.4 million initially deferred in cash flow hedge reserve were recycled to profit or loss at the same time the revaluation of the inter-book liabilities in RBU books was recognized in profit or loss.

9. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	March 31, 2024	December 31, 2023
Debt instruments		
Treasury notes and bills	₱94,928,175	₱82,365,379
Treasury bonds	42,962,555	55,451,234
Private bonds	1,560,319	1,523,151
	₱139,451,049	139,339,764
Equity instruments		
Golf and club shares	498,475	476,875
PSE shares	52,443	44,410
	550,918	521,285
	₱140,001,967	₱139,861,049

As of March 31, 2024 and December 31, 2023, debt instruments at FVTOCI were carried at Stage 1 and there were no transfers into and out of Stage 1.

As of March 31, 2024 and December 31, 2023, peso-denominated debt financial assets at FVTOCI amounted to ₱121.7 billion and ₱114.6 billion, respectively.

As of March 31, 2024 and December 31, 2023, dollar-denominated debt financial assets at FVTOCI amounted to ₱17.8 billion and ₱24.7 billion, respectively.

As of March 31, 2024 and December 31, 2023, certain treasury bond certificates were pledged with foreign and local banks as collateral for SSURA (see Note 12).

As of March 31, 2024 and December 31, 2023, government securities included under ‘Financial Assets at Fair Value through Other Comprehensive Income’ with a total face value of ₱1.2 billion and were deposited with the BSP in compliance with the requirements of the General Banking Law relative to the Parent Company’s trust functions.

PSE shares were obtained by SBEI in 2001 as a result of the demutualization of its membership shares in the stock exchange. These investments were for long-term strategic purpose. SBEI designated these equity securities as financial assets at FVTOCI as management believes that this provides a more meaningful presentation for medium or long-term strategic investments, rather than reflecting changes in fair value immediately in the statements of income. The Group also adopted the same classification for its investments in golf and club shares.

10. Investment Securities at Amortized Cost

This account consists of investments in:

	March 31, 2024	December 31, 2023
Private bonds	₱58,221,025	₱57,874,831
Treasury bonds	13,348,799	14,959,970
Treasury notes and bills	12,917,872	3,372,462
	84,487,696	76,207,263
Allowance for credit losses	64,974	51,179
	₱84,422,722	₱76,156,084

As of March 31, 2024 and December 31, 2023, investment securities at amortized cost were carried at stage 1 and there were no transfers into and out of stage 1.

As of March 31, 2024 and December 31, 2023, HTC dollar-denominated securities amounted to ₱37.9 billion and ₱38.0 billion, respectively.

As of March 31, 2024 and December 31, 2023, HTC peso-denominated securities amounted to ₱46.5 billion and ₱38.2 billion, respectively.

As of March 31, 2024 and December 31, 2023, certain private bonds were pledged with foreign and local banks as collateral for SSURA (see Note 12).

11. Deposit Liabilities

On June 23, 2023, the BSP through BSP Circular 1175, approved the 250 basis point reduction from 12.0% to 9.5% in the reserve requirement ratios of selected reservable liabilities of the Bank effective June 30, 2023. As of March 31, 2024, the Group was in compliance with such regulation.

As of March 31, 2024 and December 31, 2023, the Group has set aside ‘Due from BSP’ as reserves amounting to ₱34.8 billion and ₱40.3 billion, respectively.

As of March 31, 2024 and December 31, 2023, the total outstanding LTNCDs of the Group amounted to ₱10.4 billion. Significant terms of these LTNCDs have been disclosed in the 2023 audited financial statements.

The movement of unamortized debt issue costs on LTNCD follows:

	March 31, 2024	December 31, 2023
Beginning balance	₱23,986	₱54,214
Amortization	(4,301)	(30,228)
Balance at end of year	₱19,685	₱23,986

Interest expense on deposit liabilities consists of:

	Three months ended March 31	
	2024	2023
Time	₱1,437,639	₱2,001,435
LTNCD	109,861	262,427
Demand	97,166	95,517
Savings	42,184	28,122
	₱1,686,850	₱2,387,501

12. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	March 31, 2024	December 31, 2023
SSURA	₱44,085,381	₱46,525,809
Local banks	451,624	4,695,331
Local government banks with relending facilities	114,159	117,965
	₱44,651,164	₱51,339,105

The following are the carrying values of the investment securities pledged and transferred under SSURA transactions of the Group:

	March 31, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at FVTPL				
Government securities (Note 7)	₱2,734,668	₱2,734,668	₱3,813,159	₱3,813,159
Financial assets at FVTOCI				
Treasury bonds (Note 9)	13,213,547	13,213,547	19,832,200	19,832,200
Investment securities at amortized cost				
Private bonds (Note 10)	35,408,394	35,047,475	31,093,477	30,551,895
	₱51,356,609	₱50,995,690	₱54,738,836	₱54,197,254

Interest expense on bills payable and SSURA amounted to ₱845.9 million and ₱528.2 million for the three months ended March 31, 2024 and 2023, respectively.

13. Notes and Bonds Payable

The account consists of the following:

	March 31, 2024	December 31, 2023
Fixed rate bonds due January 2025	₱18,420,737	18,396,413
Fixed rate bonds due May 2024	14,591,241	14,571,659
Fixed rate bonds due January 2024	–	15,995,449
	₱33,011,978	₱48,963,521

On January 22, 2024, the Parent Company paid the ₱16.0 billion 3.7407% fixed rate bonds.

The movements in unamortized discount and debt issue costs follow:

	March 31, 2024	December 31, 2023
Beginning balance	₱136,479	₱214,807
Additions	–	147,646
Amortization	(48,457)	(251,205)
Translation adjustment	–	25,231
Balance at end of year	₱88,022	₱136,479

Interest expense on notes and bonds payable amounted to ₱574.5 million and ₱574.2 million for the three months ended March 31, 2024 and 2023, respectively.

14. Equity

As of March 31, 2024 and December 31, 2023, the Parent Company's capital stock consists of:

	Shares*	Amount
Common stock – ₱10 par value		
Authorized	1,000,000,000	₱10,000,000
Issued and outstanding		
Balance at the beginning and end of the period	753,538,887	7,535,389
Preferred stock- ₱0.10 par value		
Authorized	1,000,000,000	100,000
Issued and outstanding		
Balance at the beginning and end of the period	1,000,000,000	100,000
	1,753,538,887	₱7,635,389

*Absolute number of shares

Surplus reserves of the Group consist of:

	March 31, 2024	December 31, 2023
Reserve for regulatory requirements	₱3,452,266	₱3,546,865
Reserve for self-insurance	1,015,500	1,015,500
Reserve for trust business	412,811	412,811
Reserve for redemption of preferred stock	100,000	100,000
	₱4,980,577	₱5,075,176

In compliance with existing BSP regulations, 10.0% of the net profits realized by the Parent Company from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the

surplus reserve for trust business equals 20.0% of the Parent Company’s regulatory capital.

To comply with Securities Regulation Code Rule 49.1 (B), *Reserve Fund*, requiring broker dealers to annually appropriate a certain minimum percentage of its audited profit after tax as reserve fund, a portion of the Group’s surplus corresponding to the net earnings of SBEI amounting to ₱39.6 million as of March 31, 2024 and December 31, 2023, respectively, has been appropriated in the consolidated financial statements and is not available for dividend declaration.

Details of the Parent Company’s cash dividend distribution for the three months ended March 31, 2024 and December 31, 2023 follow:

Shares	Date of declaration	Dividend		Record date	Payment date
		Per share	Total amounts in thousands		
Common	March 26, 2024	₱1.50	₱1,130,308	April 15, 2024	April 29, 2024
Preferred	February 27, 2024	0.0039	2,351	June 26, 2024	July 20, 2024
Preferred	February 27, 2024	0.0048	1,908	March 14, 2024	April 1, 2024
Common	October 24, 2023	1.50	1,130,308	November 10, 2023	November 24, 2023
Common	March 28, 2023	1.50	1,130,308	April 14, 2023	April 28, 2023
Preferred	February 28, 2023	0.0039	2,351	June 26, 2023	July 10, 2023
Preferred	February 28, 2023	0.0048	1,908	March 20, 2023	April 3, 2023

Capital Management

The Group considers the equity attributable to the equity holders of the Parent Company as the capital base of the Group. The primary objectives of the Group’s capital management are to ensure that it complies with capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities and assessment of prospective business requirements or directions. In order to maintain or adjust the capital structure, the Group may adjust the amount and mode of dividend payment to shareholders, issue capital securities or undertake a share buy-back. No material changes were made in the objectives, policies and processes from the previous year.

BSP Reporting

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the “unimpaired capital” (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

The Group complied with BSP Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi banks, in accordance with the Basel III standards:

Common Equity Tier 1 (CET1) ratio	6.00%
Tier 1 capital ratio	7.50%
Total Capital Adequacy Ratio (CAR)	10.00%
Capital Conservation Buffer *	2.50%

*composed of CET1 capital on top of the minimum CET1 requirement

BSP Circular No. 856 covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased in starting January 1, 2017,

with full compliance on January 1, 2019.

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, additional paid-in capital, retained earnings including current year profit, retained earnings reserves, OCI and non-controlling interest less required regulatory deductions. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debts and general loan loss provision. RWA consist of total assets excluding cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. Operational RWA are computed using the Basic Indicator Approach.

The CAR of the Group as reported to the BSP follow:

	March 31, 2024	December 31, 2023
Tier 1 capital	₱131,046,148	₱130,488,792
Less Required deductions	21,239,667	21,235,215
	109,806,481	109,253,577
Excess from Tier 2 deducted to Tier 1 Capital*	-	-
Net Tier 1 Capital	109,806,481	109,253,577
Tier 2 capital	6,602,854	6,327,332
Less: Required deductions	-	-
	6,602,854	6,327,332
Excess of Tier 2 deducted to Tier 1 Capital*	-	-
Net Tier 2 Capital	6,602,854	6,327,332
Total Qualifying Capital	₱116,409,335	₱115,580,909
Credit Risk-Weighted Assets	₱659,763,866	₱632,168,889
Market Risk-Weighted Assets	34,945,552	16,489,117
Operational Risk-Weighted Assets	68,800,686	65,420,128
Total Risk Weighted Assets	₱763,510,104	₱714,078,134
Tier 1 CAR	14.38%	15.30%
Total CAR	15.25%	16.19%

*Deductions to Tier 2 Capital are capped at its total gross amount and any excess shall be deducted from Tier 1 Capital.

The Group and its individually regulated operations have complied with all regulatory capital requirements throughout the year.

The Bank Viability Assessment Process supplements the BSP's risk-based capital adequacy framework. In compliance with this, the Group has adopted and developed its Internal Capital and Liquidity Assessment frameworks to ensure that appropriate level and quality of capital and liquidity are maintained by the Group. Under these frameworks, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget as well as regulatory edicts.

Basel III Leverage Ratio (BLR)

BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk based capital requirements and shall not be less than 5.00%.

The details of the BLR as reported to the BSP follow:

	March 31, 2024	December 31, 2023
Tier 1 Capital	₱109,806,481	₱109,253,577
Exposure Measure	1,116,110,298	1,033,488,172
BLR	9.84%	10.57%

Under the framework, BLR is defined as the capital measure divided by the exposure measure. Capital measure is Tier 1 capital. Exposure measure is the sum of on balance sheet exposures, derivative exposures, securities financing exposures and off-balance sheet items.

Liquidity Coverage Ratio

BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is aimed to promote short-term resilience against liquidity risk by requiring banks to maintain an adequate stock of unencumbered high-quality liquid assets (HQLAs) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. Bank shall maintain an LCR not be lower than 100.00%. As of March 31, 2024 and December 31, 2023, the LCR in single currency as reported to the BSP was at 183.72% and 157.98%, respectively, for the Group.

Net Stable Funding Ratio

On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards NSFR. The NSFR is aimed to promote long term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100.00% at all times. As of March 31, 2024 and December 31, 2023, the NSFR as reported to the BSP, was at 130.75% and 131.05%, respectively, for the Group.

15. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group'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,
- Subsidiaries, joint ventures and associates and their respective subsidiaries, and
- Post-employment benefit plans for the benefit of the Group's employees.

The Group 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, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

In the ordinary course of business, the Parent Company has loan transactions with subsidiaries and with certain DOSRI. Under the Parent Company's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

BSP Circular No. 560 was issued providing the rules and regulations that shall govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under

the said circular, the total outstanding loans, credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of the bank's net worth, the unsecured portion shall not exceed 5.00% of such net worth. Further, the total outstanding exposures shall not exceed 20.00% of the net worth of the lending bank.

BSP Circular No. 423, dated March 15, 2004 amended the definition of DOSRI accounts. Further, BSP issued Circular No. 464 dated January 4, 2005 clarifying the definition of DOSRI accounts.

Other related party transactions conducted in the normal course of business includes the following, as detailed in the Memorandum of Agreement (MOA) between the Parent Company and its subsidiaries (except for SBCC):

- Human resource-related services
- Finance/accounting functions including audit
- Collection services (for legal action)
- Preparation of reports
- Processing of credit application (for property appraisal and credit information)
- General services
- Legal documentation
- Information technology related service

The Parent Company has lease agreements with some of its subsidiaries for periods ranging from 1 to 5 years. The lease agreements include the share of the subsidiaries in the maintenance of the building. Transactions of the Parent Company with its subsidiaries were eliminated in the consolidated financial statements of the Group.

For the three months ended March 31, 2024 and 2023, SBML sold various loans and lease receivables to the Parent Company with carrying amount of ₱2.8 million and ₱248.3 million, respectively. The Parent Company's proportionate share in the gain on sale of loans and lease receivables was eliminated in the consolidated financial statements of the Group.

The Group has transactions with its key management personnel or those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers senior officers to constitute key management personnel.

Under PFRS, certain post-employment benefit plans are considered as related parties. The Group has business relationships with a number of its retirement plans pursuant to which it provides trust and management services to these plans. The Group's retirement funds may hold or trade the Parent Company's shares or securities. Significant transactions of the retirement fund, particularly with related parties, are approved by the Parent Company's Employees Retirement Plan Board of Trustees. Voting rights over the Parent Company's shares are exercised by an authorized trust officer.

16. Commitments and Contingent Liabilities

In the normal course of operations of the Group, there are outstanding commitments and contingent liabilities and bank guarantees that are not reflected in the financial statements. The Group does not anticipate losses that will materially affect its financial position and financial performance as a result of these transactions.

There are several suits and claims that remain unsettled. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such cases and claims will not have a material effect on the Group's financial position and financial performance.

Regulatory Reporting

The following is a summary of the Group's commitments and contingent liabilities at their equivalent peso contractual amounts:

	March 31, 2024	December 31, 2023
Derivatives	₱578,917,158	₱370,310,050
Trust department accounts	108,856,961	108,624,757
Unutilized credit limit of credit cardholders	98,337,111	89,916,523
Unused commercial letters of credit	64,298,848	46,505,642
Committed loan line	26,755,569	18,784,025
Spot foreign exchange contracts	5,448,217	18,857,987
Inward bills for collection	1,705,394	1,615,541
Late deposit/payment received	243,098	307,630
Financial guarantees with commitment	229,666	254,274
Outward bills for collection	196,543	232,364
Outstanding guarantees	–	833,748
Others	51,598	250,862

17. Earnings Per Share

Basic earnings per share amounts were computed as follows:

	Quarter Ended March 31	
	2024	2023
a. Net income attributable to the equity holders of the Parent Company	₱2,628,817	₱2,359,713
b. Dividends declared to Preferred Shares	4,259	4,259
c. Weighted average number of outstanding common shares*	753,538,887	753,538,887
d. Earnings per share [(a-b)/c]	₱3.48	₱3.13

**in absolute amounts*

As of March 31, 2024 and 2023, the Parent Company has no potentially dilutive common shares.

18. Notes to the Statement of Cash Flows

The amounts of interbank loans receivables and securities purchased under agreements to resell considered as cash and cash equivalents follow:

	March 31, 2024	March 31, 2023
Interbank loans receivable and SPURA		
Interbank loans receivable	₱570,998	₱4,255,720
Interbank loans receivable and SPURA not considered as cash and cash equivalents		
Interbank loans receivable	2,000,000	3,997,377
	₱2,570,998	₱8,253,097

The movements in allowance for credit losses from ‘Due from other banks’ and ‘Interbank loans receivable and securities purchased under resale agreements’ as follows:

	March 31, 2024	March 31, 2023
Due from other banks	(P6)	(P338)
Interbank loans receivable and SPURA	–	1,235
	(P6)	P897

Significant non-cash transactions of the Group include foreclosures of investment properties and chattels.

Reconciliation of liabilities arising from financing activities follows:

	Cashflows			Non-cash charges		Ending balance
	Beginning Balance	Proceeds/ Availments	Payments/ Maturities	Foreign exchange movement	Amortization of transaction costs	
March 31, 2024						
Bills payable and SSURA	P51,339,105	P103,700,407	P110,518,796	P130,448	P–	P44,651,164
Notes and bonds payable	48,963,521	–	16,000,000	–	48,457	33,011,978
LTNCD	10,416,014	–	–	–	4,301	10,420,315
	P110,718,640	P103,700,407	P126,518,796	P130,448	P52,758	P88,083,457

	Cashflows			Non-cash charges		Ending balance
	Beginning Balance	Proceeds/ Availments	Payments/ Maturities	Foreign exchange movement	Amortization of transaction costs	
March 31, 2023						
Bills payable and SSURA	P40,920,403	P179,685,105	P153,775,834	(P276,462)	P–	P66,553,212
Notes and bonds payable	47,111,693	–	–	(418,004)	46,251	46,739,940
LTNCD	24,766,786	–	–	–	9,677	24,776,463
	P112,798,882	P179,685,105	P153,775,834	(P694,466)	P55,928	P138,069,615

19. Segment Information

The Group’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.

The Group derives revenues from the following main operating business segments:

Wholesale Banking Segment - this segment addresses corporates, institutional, and public sector markets and commercial clients. Services include relationship management, loans, trade, cash management, deposits and investments. It also provides structured financing and advisory services, debt and equity capital raising, project financing, and mergers and acquisitions advisory offered by SB Capital. Operating leases from SBRC and share in net income from SBML are also part of the segment.

Retail Banking Segment - this segment serves individual clients. It covers deposits, consumer loans, credit cards, bancassurance and investments. Share in net income from SBF is also part of the segment.

Business Banking Segment - this segment serves the micro, small and medium enterprises (MSMEs) with holistic propositions covering deposits, loans, cash management, third-party insurance and investments.

Financial Markets Segment - this segment focuses on providing money market, foreign exchange, financial derivatives, debt and equity securities brokerage, asset management, trust and fiduciary services, as well as the management of the funding operations for the Group. The Group’s equity

brokerage operations are also part of this segment.

Eliminations and Others - This segment includes the Bank's non-reportable segments such as support services and eliminations in accordance with the Bank's group internal reporting. For the three months ended March 31, 2024, eliminations include net interest income from third party and intersegment amounting to ₱1.5 billion and ₱2.0 billion, respectively; non-interest income and non-interest expense amounting to ₱2.5 billion and ₱4.8 billion, respectively; and total assets and total liabilities amounting to ₱2.9 billion and ₱208.2 billion, respectively. For the three months ended March 31, 2023, eliminations include net interest income from third party and intersegment amounting to ₱2.3 billion and ₱2.9 billion, respectively; non-interest income and non-interest expense amounting to ₱0.7 billion and ₱3.8 billion, respectively; and total assets and total liabilities amounting to ₱4.4 billion and ₱183.2 billion, respectively.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location), therefore, geographical segment information is no longer presented.

The Group has no significant customers which contribute 10.0% or more of the consolidated revenue, net of interest expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Segment information follows (amounts in millions):

	Three Months Ended March 31, 2024					
	Wholesale Banking	Retail Banking	Business Banking	Financial Markets	Elimination and Others	Total
Statement of Income						
Net interest income:						
Third party	₱6,002	₱3,088	₱460	(₱366)	₱1,544	₱10,728
Intersegment	(3,220)	1,022	625	2,150	(577)	-
	2,782	4,110	1,085	1,784	967	10,728
Noninterest income	697	3,524	162	(1,985)	(644)	1,754
Revenue – net of interest expense	3,479	7,634	1,247	(201)	323	12,482
Noninterest expense	2,277	5,426	646	1,174	(415)	9,108
Income before income tax	1,202	2,208	601	(1,375)	738	3,374
Provision for (benefit from) income tax	301	508	150	-	(214)	745
Net income for the period attributable to the Parent Company	₱901	₱1,700	₱451	(₱1,375)	₱952	₱2,629
Other Segment Information						
Capital expenditures	₱253	₱282	₱9	₱4	₱604	₱1,152
Depreciation and amortization	₱177	₱197	₱6	₱3	₱421	₱804
Provision for credit and impairment losses	₱184	₱1,317	(₱65)	₱-	₱91	₱1,527

Three Months Ended March 31, 2023

	Wholesale Banking	Retail Banking	Business Banking	Financial Markets	Elimination and Others	Total
Statement of Income						
Net interest income:						
Third party	₱4,917	₱1,874	₱256	(₱1,831)	₱2,238	₱7,454
Intersegment	(1,880)	1,504	525	1,767	(1,916)	–
	3,037	3,378	781	(64)	322	7,454
Noninterest income	631	1,666	147	490	(587)	2,347
Revenue – net of interest expense	3,668	5,044	928	426	(265)	9,801
Noninterest expense	1,373	4,160	779	1,082	(658)	6,736
Income before income tax	2,295	884	149	(656)	393	3,065
Provision for (benefit from) income tax	527	203	34	–	(59)	705
Net income for the period attributable to the Parent Company	₱1,768	₱681	₱115	(₱656)	₱452	₱2,360
Other Segment Information						
Capital expenditures	₱197	₱202	₱4	₱4	₱415	₱822
Depreciation and amortization	₱163	₱167	₱3	₱3	₱344	₱680
Provision for credit and impairment losses	(₱388)	₱937	₱124	₱1	(₱68)	₱606

Statement of Financial Position as of March 31, 2024

	Wholesale Banking	Retail Banking	Business Banking	Financial Markets	Elimination and Others	Total
Total assets	₱369,195	₱129,682	₱11,198	₱355,463	₱21,639	₱887,177
Total liabilities	₱187,596	₱274,326	₱52,197	₱435,870	(₱199,386)	₱750,603

Statement of Financial Position as of March 31, 2023

	Wholesale Banking	Retail Banking	Business Banking	Financial Markets	Elimination and Others	Total
Total assets	₱401,369	₱111,216	₱6,853	₱257,853	₱16,506	₱793,797
Total liabilities	₱235,203	₱214,554	₱46,831	₱339,692	(₱171,225)	₱665,055

20. Events After the Reporting Period

On April 8, 2024, the Parent Company and Mitsubishi Motors Corporation (Mitsubishi Motors) have agreed to sign a joint venture agreement to establish Mitsubishi Motors Finance Philippines Inc. and offer financing services to Mitsubishi Motors’ customers in the Philippines. The new company is expected to start operations in 2025 with Mitsubishi Motors holding 51 percent ownership stake in the new company and Security Bank holding 49 percent. The completion of this transaction is subject to regulatory approval.

On May 9, 2024, the Parent Company has issued USD 400 million of 5.50% Senior Unsecured Fixed Rate Notes (“Notes”) due May 14, 2029 as a drawdown of its USD 1 billion Medium Term Note Programme as approved by the Board on March 26, 2024.

SECURITY BANK CORPORATION AND SUBSIDIARIES
AGING OF LOANS AND RECEIVABLES
AS OF MARCH 31, 2024
(In thousands)

No. of Days Outstanding	Amount
Current	₱536,947,386
90 days or less	6,461,195
91 to 180 days	2,917,152
181 days to 1 year	2,491,757
More than 1 year	12,158,581
Loans and Receivables – Gross	560,976,071
Less: Allowance for Credit Losses	15,682,509
Loans and Receivables – Net	₱545,293,562

SECURITY BANK CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

	March 31, 2024	December 31, 2023
Liquid to Total Assets (%)	34.96	34.74
Loans (net) to Deposit Ratio (%)	85.42	88.76
Debt-to-equity ratio	5.50	5.40
Asset-to-equity ratio	6.50	6.40
	March 31, 2024	March 31, 2023
Return on average assets (%)	1.20	1.15
Return on average equity (%)	7.71	7.42
Net interest margin (%)	5.32	4.06
Cost to income ratio (%)	60.74	62.55
Interest rate coverage ratio	2.06	1.83

**Calculated based on BSP Circulars 941 and 1011.*

Item 2. Management's Discussion and Detailed Analysis of Financial Condition and Results of Operations

Key Performance Indicators

The Bank monitors its performance and benchmarks itself with the other players in the banking industry in terms of the following indicators:

Key Performance Indicators:	March 31, 2024	December 31, 2023
<u>Capital Adequacy</u>		
Capital to Risk Assets Ratio	15.25%	16.19%
<u>Asset Quality</u>		
Non-performing Loan (NPL) Ratio -Net	1.46	1.37
Non-performing Loan (NPL) Cover	81.05	82.13
<u>Liquidity</u>		
Liquid Assets to Total Assets	34.96	34.74
For the three months ended March 31		
	2024	2023
<u>Profitability</u>		
Return on Average Equity	7.71	7.42
Net Interest Margin	5.32	4.06

The manner by which the Bank calculates the above indicators is as follows:

Key Performance Indicator	BSP Prescribed Formula
Capital to Risk Assets Ratio	$\frac{\text{Total Qualifying Capital}}{\text{Market, Credit and Operational Risk Weighted Exposures}}$
Non-performing Loan (NPL) Ratio (Based on Circulars 941 and 1011)	$\frac{\text{Non-performing Loans (net of specific allowance)}}{\text{Gross Loans}}$
Non-performing Loan (NPL) Cover (Based on Circulars 941 and 1011)	$\frac{\text{Allowance for Probable Losses Loans}}{\text{Non-performing Loans (gross of specific allowance)}}$
Liquid Assets to Total Assets	$\frac{\text{Total Liquid Assets}}{\text{Total Assets}}$
Return on Average Equity	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Capital Accounts}}$
Return on Average Assets	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Assets}}$
Net Interest Margin	$\frac{\text{Net Interest Income} \times 100}{\text{Average Interest Earning Assets}}$

Analysis of Consolidated Statements of Financial Position as of March 31, 2024 and December 31, 2023

Total Assets increased by ₱15.7 billion to ₱887.2 billion on account of increases in Due from Other Banks, Financial Assets at Fair Value through Profit or Loss, Derivative Assets Designated as Hedges, Financial Assets at Fair Value through Other Comprehensive Income, Investment Securities at Amortized Cost, Loans and Receivables, Investment in Joint Ventures, Property, Equipment and Right-of-use Assets, Investment Properties, Deferred Tax Assets, Intangible Assets, and Other Assets, tempered by decreases in Cash and Other Cash Items, Due from Bangko Sentral ng Pilipinas, Interbank Loans Receivables and Securities Purchased Under Resale Agreements (SPURA) with the Bangko Sentral ng Pilipinas (BSP).

Decrease in **Cash and Other Cash Items** by ₱2.2 billion can be attributed to the Bank's daily operations while decrease in **Due from BSP** by ₱7.1 billion is due to asset-liability management. **Due from Other Banks** increased by ₱1.8 billion due to increased level of working balances with counterparty banks. **Interbank Loans Receivable and SPURA with the BSP** decreased by ₱1.5 billion due to decreased level of placements.

Financial Assets at Fair Value Through Profit or Loss increased by ₱7.8 billion to ₱18.7 billion due to trading-related activities of the Bank. **Derivative Assets Designated as Hedges** amounted to ₱208.1 million. **Financial Assets at Fair Value through Other Comprehensive Income** increased by ₱0.1 billion to ₱140.0 billion mainly due to purchases during the period. **Investment Securities at Amortized Cost** increased by ₱8.3 billion to ₱84.4 billion mainly due to purchases of corporate bonds and government securities during the period.

Loans and Receivables increased to ₱545.3 billion from ₱538.3 billion in 2023 primarily attributable to increase in retail loans during the period.

Property, Equipment and Right-of-use Assets increased by ₱71.3 million to ₱6.5 billion due to additions during the period. **Investment Properties** increased to ₱4.8 billion mainly due to additional foreclosures tempered by disposals and depreciation during the period.

Deferred Tax Assets decreased by ₱51.9 million from ₱5.7 billion as of year-end 2023 due to lower allowance for credit losses pertaining to write-offs and foreclosures during period. **Intangible Assets** increased by ₱403.3 million to ₱5.4 billion in 2024.

Other Assets increased to ₱5.8 billion from ₱5.0 billion due to increase in prepaid expenses and cash collateral deposits.

Total Liabilities increased by ₱15.2 billion to ₱750.6 billion on account of increases in Deposit Liabilities, Financial Liabilities at Fair Value through Profit or Loss, Derivative Liabilities Designated as Hedges, Margin Deposits and Cash Letters of Credit, Manager's and Certified Checks Outstanding, Income Tax Payable, Accrued Interest, Taxes, and Other Expenses, and Other Liabilities tempered by decreases in Bills Payable and Securities Sold Under Repurchase Agreements (SSURA), Acceptances Payable, and Notes and Bonds Payable.

Deposit Liabilities went up from ₱606.5 billion as of year-end 2023 to ₱638.4 billion mainly due to increase in time deposits.

Financial Liabilities at Fair Value through Profit or Loss increased by 1.0% to ₱3.0 billion. **Derivative Liabilities Designated as Hedges** amounted to ₱47.3 million. **Bills Payable and SSURA** decreased by ₱6.7 billion to ₱44.7 billion due to decrease in the Bank's borrowings from SSURA, local government banks with relending facilities and local banks during the period.

Acceptances Payable decreased to ₱1.9 billion from ₱2.8 billion. **Margin Deposits and Cash Letters of Credit** decreased to ₱84.5 million. **Manager's and Certified Checks Outstanding** increased to ₱6.1 billion from ₱5.2 billion.

Income Tax Payable increased to ₱837.4 million from year-end 2023's ₱802.1 million due to higher tax liability for the first quarter of 2024 versus the last quarter of 2023. **Notes and Bonds Payable** decreased by ₱16.0 billion mainly due to settlement of fixed rate bond due January 2024. **Accrued Interest, Taxes and Other Expenses** increased to ₱5.4 billion from ₱4.8 billion. **Other Liabilities** went to ₱17.1 billion from ₱11.9 billion due to increase in accounts payable, payable to brokers and dividends payable.

Total Equity increased to ₱136.6 billion on account of movement in net income during the period. **Surplus** was up due to the net income for the period. **Net Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income of the Parent** increased mainly due to decrease in market valuation of outstanding debt securities. **Cumulative Foreign Currency Translation** loss increased to ₱76.5 million as compared to loss of ₱70.9 million as at December 31, 2023.

The **Capital Adequacy Ratio (CAR)** is 15.3% in March 2024. This is well above BSP minimum requirement of 10%, indicative of the sufficiency of the Bank's capital to support the current level of its risk assets.

Analysis of Consolidated Statements of Income for the Three Months Ended March 31, 2024 and 2023

Net income attributable to the Bank's equity holders amounted to ₱2.6 billion for the three months ended March 31, 2024 increased by ₱0.2 billion from a year ago level of ₱2.4 billion. This translates to earnings per share of ₱3.5 from ₱3.1 for the three months ended March 31, 2024 and 2023, respectively.

Interest Income amounted to ₱13.9 billion from ₱11.1 billion for the three months ended March 31, 2024 and 2023, respectively. **Interest Income on Loans and Receivables** amounted to ₱10.7 billion from ₱8.7 billion of the same period last year due to higher volume of loans and receivables on a period-on-period basis. **Interest Income on Financial Assets at Fair Value Through Other Comprehensive Income and Investment Securities at Amortized Cost** grew by ₱0.7 billion on account of higher securities portfolio while **Interest Income on Financial Assets at Fair Value Through Profit or Loss** increased by ₱35.2 million due to higher interest rates and volume in 2024. Decrease in **Interest Income on Interbank Loans Receivables and SPURA with the BSP** by ₱10.0 million was due to the decrease in volume of placements during the period. **Interest Income on Deposits with Banks and Others** increased by ₱8.0 million due to increase in volume of margin deposits during the period.

Interest Expense decreased by ₱0.5 billion from prior period. **Interest Expense on Deposit Liabilities** decreased by ₱0.7 billion due to decrease in interest rate on a period-on-period basis. **Interest Expense on Notes and Bonds Payable, Bills Payable and SSURA and Other Borrowings** went up by ₱333.8 million due to higher borrowing transactions. **Interest Expense on Derivative Instruments** went down to ₱7.4 million. **Interest Expense on Lease Liabilities** increased to ₱23.9 million compared to 2023 on a period-on-period basis. **Interest expense on Derivatives designated as hedges** amounted to ₱45.4 million.

Net Interest Income registered an increase of ₱3.3 billion to ₱10.7 billion on March 31, 2024 from ₱7.5 billion of the same period last year.

Other Income decreased to ₱1.8 billion from ₱2.3 billion mainly due to decrease in **Foreign Exchange Gain -Net** by ₱2.3 billion which represents funding cost in using the swaps market. **Profit from Assets Sold/Exchanged** decreased by ₱79.0 million from ₱160.7 million during the period on account of lower gains on acquisition and sale of foreclosed properties. **Trading and Securities Gain (Loss) - Net** decreased by ₱118.5 million from ₱34.5 million in 2023. **Service Charges, Fees, and Commissions** increased by ₱1.8 billion due to higher transaction volumes and bancassurance milestone fee of ₱1.4 billion. **Rent Income** increased by ₱49.5 million due to rental of Bank properties. **Share in Net Income of Joint Ventures** increased by ₱18.4 million to ₱40.9 million from ₱22.5 million of the same period last year. **Miscellaneous Income** increased by ₱13.5 million.

Operating expenses were higher by ₱2.4 billion. **Provision for Credit Losses** increased by ₱910.9 million as a result of the Bank's proactive stance towards the current economic environment. **Compensation and**

Fringe Benefits, Taxes and Licenses, Depreciation and Amortization, Amortization of Software Costs, Occupancy Costs, Provision for (recovery of) impairment losses and Miscellaneous Expenses increased by ₱526.5 million, ₱148.2 million, ₱101.1 million, ₱23.1 million, ₱13.5 million, ₱9.9 million and ₱638.7 million, respectively.

Provision for Income Tax is higher by ₱40.3 million on a period-on-period basis mainly due to higher provision for final tax and lower benefit from deferred income tax, tempered by lower provision for current income tax.

Total Comprehensive Income for the three months ended March 31, 2024 amounted to ₱1.6 billion as compared to ₱4.0 billion in 2023 on a period-on-period basis on account of higher net unrealized loss on financial assets at fair value through other comprehensive income.

Liquidity

The Group's liquidity is more than adequate with liquid assets to total assets ratio of 35.0% as of March 31, 2024. The Group does not anticipate any cash flow or liquidity problems within the next twelve (12) months and is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. All payables have been paid by the Group within the stated terms. There are no known trends, demands, commitments, events or uncertainties may result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

Commitments and Contingent Liabilities

The Group has outstanding commitments, contingent liabilities, bank guarantees and tax assessments that arise from the normal course of operations. The Group does not anticipate losses that will materially affect its financial position and results of operations as a result of these transactions.

Material Commitments for Capital Expenditures

The Bank's commitments for capital expenditures will be funded out of cash flows from operations. This covers investments in electronic systems to comply with regulatory requirements (e.g. electronic anti-money laundering monitoring system), investments in technology infrastructure and security (e.g. cybersecurity), upgrades of existing systems (e.g. telecommunications system), expansion of the Bank's electronic banking channels, ATM installations, renovation or relocation or branch premises, and investments for new branches.

Material Impact on Income from Continuing Operations

In the normal course of operations, the Bank's activities are affected by changes in interest rates, foreign currency exchange rates and other market changes. The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates and foreign currency exchange rates are kept within acceptable limits and within regulatory guidelines.

Significant Elements of Income or Loss that did not arise from Continuing Operations

There are no significant elements of income or loss that did not arise from continuing operations of the Group.

Seasonal aspects that have a material effect on the financial condition or results of operations.

The Group's financial position or results of operations are not affected by seasonal aspects.

Significant events and uncertainties during the period

There are no significant events and uncertainties during the period.