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Confirmation of your representation: You have accessed the attached document on the basis that you have confirmed to Security Bank Corporation (the “**Bank**”) and Philippine Commercial Capital, Inc. (“**PCCI**”) and SB Capital and Investment Corporation (“**SB Capital**”) (PCCI and SB Capital collectively the “**Joint Lead Arrangers**” and, to the extent allowed under Philippine law, the Bank together with the Joint Lead Arrangers, the “**Selling Agents**” and each a “**Selling Agent**”) that (1) you are not a resident in a country where delivery of this document by electronic transmission may not be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, AND (2) that you consent to delivery of this document by electronic transmission.

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You understand that: The information in the offering circular has been provided by the Bank for its ₱100,000,000,000 Peso Bonds and Commercial Papers Program (the “**Program**”). The Joint Lead Arrangers and Selling Agents have not independently verified all the information contained in the offering circular. The Joint Lead Arrangers and Selling Agents (1) accept no liability or responsibility for (a) the contents of this offering circular or for any other statement, made or purported to be made by the Joint Lead Arrangers or a Selling Agent or on its behalf in connection with the Bank, (b) the accuracy or completeness of the information contained in the offering circular or on which the offering circular is based, or (c) the issue and offering of the Peso bonds and/or commercial papers (each a “**Security**” and collectively the “**Securities**”), (2) nor make any representation or warranty, express or implied, with respect to the information contained in the offering circular or on which the offering circular is based. The Joint Lead Arrangers and each Selling Agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement.

This offering circular should not be considered as a recommendation by the Joint Lead Arrangers and Selling Agents or any of their affiliates to any recipient of the offering circular in relation to the Program. Each person to whom the offering circular is made available by the Joint Lead Arrangers and Selling Agents must make its own independent assessment of the transaction after making such investigation as it deems necessary.

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FINAL OFFERING CIRCULAR dated 7 July 2023



(a banking corporation organized and existing under Philippine laws)

**₱100,000,000,000
Peso Bond and Commercial Papers Program**

Under this ₱100,000,000,000 Peso Bond and Commercial Papers Program (the “**Program**”), Security Bank Corporation (the “**Issuer**” or the “**Bank**”), subject to compliance with all relevant laws, regulations, and directives, may from time to time issue commercial paper and bonds denominated in Philippine Pesos (each a “**Security**” and collectively the “**Securities**”), in one or more series of tranches, with each issuance constituting a tranche (“**Tranche**”), pursuant to BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), Section 246 of the Manual of Regulations for Banks, and any other circulars and regulations as may be relevant for the transaction, as amended from time to time.

The maximum aggregate principal amount of all the Securities from time to time outstanding under the Program will not exceed ₱100,000,000,000.

The Securities may be issued by the Issuer on a continuing basis through one or more of the Joint Lead Arrangers and Selling Agents specified under “**Terms and Conditions of the Securities**” and any new or additional arranger (each an “**Arranger**” and together the “**Arrangers**”) or Selling Agent (each a “**Selling Agent**” and together the “**Selling Agents**”) appointed under the Program from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the relevant Arranger or the relevant Selling Agent shall, in the case of an issue of the Securities being (or intended to be) issued through more than one Arranger and/or Selling Agent, be to all Arrangers and/or Selling Agents agreeing to subscribe to such Securities.

The Securities will constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank. The Securities shall, at all times, rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, save for any obligation enjoying a statutory preference or priority established under Philippine laws. See “**Terms and Conditions of the Securities**”.

See “**Investment Considerations**” for a discussion of certain factors to be considered in connection with an investment in the Securities.

Each Tranche of the Securities will be issued in scripless form, and will be registered and lodged with the Philippine Depository & Trust Corp. (the “**Registrar**”) through the electronic registry book of the Registrar (the “**Registry**”) in the name of the Holders. The Securities will be represented by a Master Certificate of Indebtedness which will be deposited with the Trustee. The Registry shall serve as the best evidence of ownership with respect to the Securities. However, a written advice will be issued by the Registrar to the Holders to confirm the registration of the Securities in their name in the Registry including the amount and summary terms and conditions of the Securities (the “**Registry Confirmations**”).

Each Tranche of the Securities will be listed by the Bank in the Philippine Dealing and Exchange Corp. (“**PDEX**”) for secondary market trading pursuant to the rules of the Bangko Sentral ng Pilipinas (“**BSP**”). Once registered and lodged, the Securities will be eligible for transfer through the trading participants of the PDEX upon listing of the Securities in PDEX by electronic book-entry transfers in the Registry, and issuance of Registry Confirmations in favour of transferee Holders.

The Securities will not be rated. However, the Bank has a “Baa2” rating for its long-term local and foreign currency deposits rating and its long-term local and foreign currency issuer rating, with a stable outlook by Moody’s Investors Service (“**Moody’s**”). The Bank also has a foreign currency long-term issuer rating of A- from Japan Credit Rating Agency, Ltd. A rating is not a recommendation to buy, sell, or hold securities or any instrument, and may be subject to revision, suspension or withdrawal at any time by the rating agency concerned.

Sole Bookrunner



Joint Lead Arrangers



Selling Agents



THE SECURITIES 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).

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS	vi
DOCUMENTS INCORPORATED BY REFERENCE	vii
CERTAIN DEFINED TERMS AND CONVENTIONS	viii
INDUSTRY AND MARKET DATA	ix
TERMS AND CONDITIONS OF THE SECURITIES	10
FORM OF PRICING SUPPLEMENT	42
USE OF PROCEEDS.....	46
INVESTMENT CONSIDERATIONS.....	48
CAPITALIZATION AND INDEBTEDNESS.....	75
SELECTED CONSOLIDATED FINANCIAL INFORMATION	76
DESCRIPTION OF THE BANK	80
RISK MANAGEMENT.....	96
DESCRIPTION OF THE BANK’S ASSETS AND LIABILITIES	104
MANAGEMENT	118
PRINCIPAL SHAREHOLDERS.....	137
RELATED PARTY TRANSACTIONS.....	139
PHILIPPINE BANKING INDUSTRY	141
BANKING REGULATION AND SUPERVISION.....	149
PHILIPPINE TAXATION	185
DISTRIBUTION AND SALE	190
INDEX TO FINANCIAL STATEMENTS.....	196

The Securities will be issued pursuant to the General Banking Law of 2000 (Republic Act No. 8791), all necessary rules and guidelines for the issuance of the Securities including, where applicable, the BSP Manual of Regulations for Banks (“**MORB**”), BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), BSP Memorandum No. 001 (Series 2020) and other related circulars and issuances, as these may be amended from time to time (the “**BSP Rules**”). The issuance of the Securities is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) of the said law.

No offer or invitation or solicitation shall be made or received, and no agreement shall be made, on the basis of this document, to purchase or subscribe for any of the Securities.

Unless the context indicates otherwise, any reference to “the **Bank**” refers to Security Bank Corporation. The information contained in this Offering Circular relating to the Bank, its operations and those of its subsidiaries (collectively, the “**Group**”) has been supplied by the Bank, unless otherwise stated herein.

This Offering Circular has been prepared by the Bank solely for the information of persons to whom it is transmitted. This Offering Circular shall not be reproduced in any form, in whole or in part, for any purpose whatsoever nor shall it be transmitted to any other person.

The Bank confirms to the best of its knowledge, having made due and careful enquiries, that this Offering Circular contains all information relating to the Group and the Securities which is material in the context of the issue and offering of the Securities, that the information contained herein is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts, the omission of which in the context of the issue and offering of the Securities would make any statement in this Offering Circular misleading in any material respect and that all reasonable enquiries have been made by the Bank to verify the accuracy of such information. The Bank hereby accepts full and sole responsibility accordingly.

The Joint Lead Arrangers have not independently verified the information contained or incorporated by reference herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Arrangers as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Bank in connection with the offering of the Securities. To the fullest extent permitted by law, the Joint Lead Arrangers assume no liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Bank or any statement made or purported to be made by the Joint Lead Arrangers or any of their respective affiliates or advisors, in connection with the offering of the Securities.

No person is or has been authorized by the Bank or the Joint Lead Arrangers to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Securities and, if given or made, such information or representation must not be relied upon as having been authorized by the Bank or the Joint Lead Arrangers. Neither this Offering Circular nor any other information supplied in connection with the offering of the Securities (a) is intended to provide the basis of any credit or other evaluations or (b) should be considered as a recommendation by the Bank or the Joint Lead Arrangers that any recipient of this Offering Circular should purchase any of the Securities.

Each investor contemplating to purchase any of the Securities should rely on its own examination of the Bank and the terms of the offering of the Securities, including the merits and risks involved. By receiving this Offering Circular, the prospective Holder acknowledges that (i) it has not relied on the Bank and the Joint Lead Arrangers or any person affiliated with them in connection with its investigation of the accuracy of any information in this Offering Circular or its investment decision, and (ii) no person has been authorized to give any information or to make any representation concerning the Bank, the Group or the Securities other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Bank or the Joint Lead Arrangers.

Neither the Bank nor the Joint Lead Arrangers or any of their respective affiliates or representatives is making any representation to any Holder regarding the legality of an investment by such Holder under applicable laws. In addition, the Holder should not construe the contents of this Offering Circular as legal, business, or tax advice. The Holder should be aware that it may be required to bear the financial risks of an investment in the Securities for an indefinite period. The Holder should consult with its own advisors as to the legal, tax, business, financial, and related aspects of a purchase of the Securities.

Neither the delivery of this Offering Circular nor the offering, sale, or delivery of any of the Securities shall in any circumstance imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Securities is correct as at any time subsequent to the date indicated in the document containing the same. The Joint Lead Arrangers expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Securities or to advise any investor of the Securities of any information coming to their attention.

This Offering Circular does not constitute an offer to sell, or an invitation by or on behalf of the Bank, the Joint Lead Arrangers and the Selling Agents or any of their respective affiliates or representatives to purchase any of the Securities, and may not be used for the purpose of an offer to, or a solicitation by, anyone, in each case, in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful. Recipients of this Offering Circular are required to inform themselves about and observe any applicable restrictions.

Each Holder must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers, or sells such Securities or possesses or distributes this Offering Circular and must obtain any consent, approval, or permission required by it for the purchase, offer, or sale by it of such Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, or sales and the Bank or the Joint Lead Arrangers shall have no responsibility thereof.

The Bank's audited financial statements as of and for the years ended 31 December 2020, 2021, and 2022 and the unaudited interim consolidated financial statements for the three months ended 31 March 2023 which will be considered an integral part hereof, have been prepared in compliance with Philippine Financial Reporting Standards ("**PFRS**"). The Bank's financial statements as of and for the years ended 31 December 2020, 2021, and 2022 were audited by SyCip Gorres Velayo & Co. ("**SGV**"). The Bank's unaudited interim condensed financial statements as of 31 March 2023 and for the three months ended 31 March 2022 and 2023 have not been audited nor reviewed by SGV and should not be relied on by investors to supply the quality of information on the Bank associated with an audit or review.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular constitute “forward-looking statements”, including statements regarding the Bank’s expectations and projections for future operating performance and business prospects. The words “believe”, “expect”, “anticipate”, “estimate”, “project”, “will”, “aim”, “will likely result”, “will continue”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “should”, “will pursue” and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Bank’s financial position and results, business strategy, plans, and objectives of management for future operations, including development plans and objectives relating to the Bank’s products and services, are forward-looking statements.

Such forward-looking statements and any other projections contained in this Offering Circular (whether made by the Bank or any third party) involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates, and projections regarding the Bank’s present and future business strategies and the environment in which the Bank will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Bank’s actual results, performance, or achievements to differ materially from those in the forward-looking statements include, among other things, the Bank’s ability to successfully implement its business strategy, the condition of and changes in the Philippine, Asian or global economies, future levels of non-performing loans, the Bank’s growth and expansion, changes in interest rates and changes in government regulation and licensing of its businesses in the Philippines and in other jurisdictions where the Bank may operate, and competition in the banking and financial services industry. Additional factors that could cause the Bank’s actual results, performance, or achievements to differ materially include, but are not limited to, those discussed under “Investment Considerations”.

Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Each of the Bank, the Joint Lead Arrangers, and the Selling Agents expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions or to confirm these statements to actual results, subject to compliance with all applicable laws in relation to any forward-looking statement contained herein to reflect any change in the Bank’s expectations with regard thereto or any change in events, conditions, assumptions, or circumstances on which any such statement was based.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (i) all amendments and/or supplements to this Offering Circular prepared from time to time by the Bank; and
- (ii) the most recently published audited non-consolidated and (if produced) consolidated annual financial statements and, if published later, the most recently published unaudited interim non-consolidated and (if produced) consolidated financial results of the Bank, in each case together with any audit or review reports prepared in connection therewith (where relevant);

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

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

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

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

For the avoidance of doubt, this Offering Circular supersedes the offering circular dated 24 July 2020 (“**2020 Offering Circular**”).

CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “Philippines” are references to the Republic of the Philippines. All references to the “Government” herein are references to the Government of the Philippines. All references to “United States” and “U.S.” herein are to the United States of America. Unless otherwise specified or the context otherwise requires, references herein to “U.S. dollars” and “U.S.\$” are to the lawful currency of the United States of America and references herein to “Pesos” and “₱” are to the lawful currency of the Republic of the Philippines. Certain monetary amounts and currency translations included in this document have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

For convenience only, certain U.S. dollar amounts in this Offering Circular have been translated into peso amounts, based on the exchange rate on 29 December 2022 of U.S.\$1.00 = P55.755 and on 31 December 2021 of U.S.\$1.00 = P50.999, being the closing rate for that date for the purchase of U.S. dollars with Pesos published in the Reference Exchange Rate Bulletin by the BSP (the “BSP Rate”). Other U.S. dollar amounts in this Offering Circular, where translated into Peso amounts, have been converted at the applicable rates specified. No representation is made that the Peso or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Peso, as the case may be, at any particular rate, or at all.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, all industry and market data with respect to the Philippine banking and financial services industries were derived from information compiled and made available by the BSP or other public sources. None of the Bank or the Joint Lead Arrangers or the Selling Agents have verified such information with independent sources nor make any representation as to the accuracy or completeness of such information. Industry publications, surveys, and forecasts generally state that the information contained therein has been obtained from sources believed by the compiler of such information to be reliable. While reasonable actions have been taken by the Bank to ensure that such information has been extracted accurately and in its proper context, the Bank has not independently verified any of the data from third-party sources or ascertained the underlying economic assumptions relied upon therein. Thus, the Bank cannot assure prospective purchasers of the Securities that such information is accurate or complete.

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, shall be applicable to the relevant Securities. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on the Master Certificates of Indebtedness relating to such Securities. All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in the applicable Pricing Supplement. Those definitions will be endorsed on the Securities, as the case may be.

The issue of up to ₱50,000,000,000.00 worth of peso bonds and commercial papers under the peso bond and commercial papers program (the “Original Program”) of Security Bank Corporation (the “Bank”) was authorized by resolutions adopted by the board of directors of the Bank on 14 December 2018.

On 27 August 2019, the board of directors of the Bank subsequently increased the size of the Original Program from ₱50,000,000,000.00 to ₱100,000,000,000.00 worth of peso bonds and commercial papers (the “2019 Peso Bond and Commercial Papers Program”). The 2019 Peso Bond and Commercial Papers Program will be restated, and each Tranche (as defined below) or Series (as defined below) of the peso bonds and/or commercial papers (other than the 2019 Bonds) to be issued pursuant thereto (collectively, the “Securities”) will be issued, in accordance with the Terms and Conditions (as defined below), Program Agreement dated 22 June 2020 (the “Program Agreement”), the relevant Trust Agreement (the “Trust Agreement”), and Master Registry and Paying Agency Agreement dated 22 June 2020 (the “RPAA”), as supplemented by the relevant pricing supplement applicable to a relevant Tranche or Series (the “Pricing Supplement”), the relevant RPAA supplement applicable to the relevant Tranche or Series (the “RPAA Supplement”), the relevant Issue Management and Placement Agreement and the relevant certificate of indebtedness for each Tranche (the “Master Certificate of Indebtedness”; together with the Terms and Conditions, Program Agreement, Trust Agreement, RPAA, relevant RPAA Supplement, relevant Pricing Supplement, relevant Issue Management and Placement Agreement, and Master Certificate of Indebtedness, the “Transaction Agreements”).

The Pricing Supplement for the Securities (or the relevant provisions thereof) is attached to or endorsed on the relevant Master Certificate of Indebtedness evidencing such Securities and supplements the Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of the Securities.

The Trustee acts for the benefit of the holders of the Securities or the persons in whose name the Securities are registered in accordance with the provisions of the Trust Agreement.

Copies of the Transaction Agreements are available for inspection during normal business hours at the registered office of the Trustee and the relevant Registrar and Paying Agent. Copies of the applicable Pricing Supplement may be obtained during normal business hours at the specified office of Trustee.

The Holders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Terms and Conditions, Transaction Agreements, and the Pricing Supplement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the relevant Trust Agreement and the RPAA and the relevant RPAA Supplement.

1.0 Definitions and Interpretation

- (a) All terms defined in these Terms and Conditions shall have their defined meanings when used herein, and in any certificate, report, or other document or instrument made or delivered pursuant hereto. All annexes or attachments shall be considered integral parts of these Terms and Conditions. Titles of provisions in these Terms and Conditions are used for convenience of reference only, and do not limit or affect the interpretation of the provisions hereof. Other than to a third party, references to “party”, “parties” or “parties hereto”, or similar references and references to “Condition” or “Conditions” are to be construed as references to a party or the parties to these Terms and Conditions, to a Condition or Conditions in these Terms and Conditions. Any reference to “law” includes any law, regulation, rule, ordinance, circular, order or judgment, with the force and effect of law issued by any government, quasi-government, inter-governmental, supranational, administrative, regulatory, or supervisory body or authority or court or

tribunal with jurisdiction over the relevant party or parties or their respective properties. No representation, undertaking, or promise shall be taken to have been given or be implied from anything said or written by the Bank prior to the execution of these Terms and Conditions, except as set out herein.

- (b) When used in these Terms and Conditions:

Accelerated Amounts has the meaning given to that term in Condition 12(b);

Adverse Effect means any material and adverse effect on the Bank's: (a) operations, activities, business, property, liabilities, or financial condition; (b) implementation of the issuance of any of the Securities; or (c) its ability to duly perform and observe its obligations and duties relating to the Securities or the relevant Transaction Agreements;

Affiliate means, at any particular time, an entity where at least 20%, but not exceeding 50%, of its outstanding voting stock is owned by the Bank.

Agreement Date means, in respect of each Tranche or Series, the date on which an agreement is reached for the issue of such relevant Security as contemplated in the Program Agreement which, for the avoidance of doubt, will be the date of the relevant Issue Management and Placement Agreement entered into for such Tranche or Series;

AMLA means the Anti-Money Laundering Act of the Republic of the Philippines (Republic Act No. 9160), its implementing rules and regulations, and BSP regulations on anti-money laundering, in each case, as may be amended from time to time;

Application to Purchase means the application form to be completed by the prospective purchasers of the Securities and submitted to the Selling Agents, in such form attached as **Schedule 2** of the RPAA;

Arranger means, as applicable, PCCI and SB Capital, for purposes of the issuance of the Securities, or any other entity named as such in the relevant Pricing Supplement as may be appointed by the Bank for any particular Tranche or Series of the Securities to be issued out of the 2019 Peso Bond and Commercial Papers Program;

Auditors mean SyCip Gorres Velayo & Co.;

Bank means Security Bank Corporation, a corporation duly organized and existing under the laws of the Republic of the Philippines, and duly authorized to operate as a universal bank;

Banking Day means any day other than Saturday or Sunday on which commercial banks in Makati City, Philippines, the BSP's Philippine Payment and Settlement System (PhilPaSS) and the Philippine Clearing House Corporation (PCHC) are open for business;

BIR means the Bureau of Internal Revenue of the Philippines;

Bona Fide Holder has the meaning given to that term in Condition 18(b);

BSP means the *Bangko Sentral ng Pilipinas*;

BSP Rules means the General Banking Law of 2000 (Republic Act No. 8791), all the necessary rules and guidelines for the issuance of the Securities including, where applicable, the BSP Manual of Regulations for Banks, BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), BSP Memorandum No. 001 (Series 2020) and other related circulars and issuances, as these may be amended from time to time;

Cash Settlement Account means an account designated by a Holder with a Cash Settlement Bank to which all interest, principal, and other payments on the Securities shall be credited;

Cash Settlement Bank means a bank licensed and authorized under the laws of the Republic of the Philippines and designated by the Holder as the bank with which the Holder's Cash Settlement Account is maintained, such designation to be made in accordance with the procedures of the Paying Agent;

Change in Law has the meaning given to that term in Condition 5(b)(iii);

Closed Period means the periods during which the Registrar shall not register any transfer or assignment of the Securities, 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 Securities; or (b) the period when any of the relevant Securities have been previously called for redemption;

Early Redemption Amount means the relevant Face Value, plus accrued and unpaid interest up to, but excluding, the relevant Early Redemption Date;

Early Redemption Date means, with respect to a Tranche, the date before the Maturity Date when the Early Redemption Option of such Tranche is exercised by the Bank pursuant to Condition 5(b) and subject to the provisions of the BSP Rules;

Early Redemption Notice has the meaning given to that term in Condition 5(b)(iv);

Early Redemption Option means the option of the Bank, under Conditions 5(b)(i), 5(b)(ii), 5(b)(iii) and 5(b)(iv), to pre-terminate and redeem the relevant Tranche in whole, but not in part, at the Early Redemption Amount on any Early Redemption Date, subject to the provisions of the BSP Rules;

Eligible Holder means prospective purchasers of the Securities other than those specified as Prohibited Holders;

Event of Default means an event specified as such in Condition 11;

Face Value means the face value of the Securities, as indicated in the relevant Master Certificate of Indebtedness;

FATCA means the Foreign Account Tax Compliance Act, a law in the United States of America, as may be amended from time to time;

Group means the Bank and its Subsidiaries and Affiliates;

Holder means a Person who, at any relevant time, appears in the Registry as the registered owner of issued and outstanding Securities;

Holdover Period has the meaning given to that term in Condition 18(f);

Interest Payment Date means the last day of a particular Interest Period when interest on the Securities is due and payable to the Holders, or the subsequent Banking Day, without adjustment to the amount of interest paid, if the relevant Interest Payment Date is not a Banking Day, except that the last Interest Payment Date shall be on the relevant Maturity Date or the relevant Early Redemption Date (as the case may be). The Interest Payment Dates for each Tranche shall be specified in the relevant Pricing Supplement and relevant Master Certificate of Indebtedness;

Interest Period means, in respect of each Tranche, the period from and including the relevant Issue Date to, but excluding, the first Interest Payment Date, as may be specified in the relevant Pricing Supplement. In the case of the last Interest Period, it will be the period from and including the immediately preceding Interest Payment Date up to, but excluding, the relevant Maturity Date or the relevant Early Redemption Date (as the case may be);

Interest Rate means, in respect of each Tranche or Series, the interest rate per annum as specified in the relevant Pricing Supplement and the relevant Master Certificate of Indebtedness as the interest rate corresponding to such Tranche or Series;

Issue Date means in respect of each Tranche, the date of issue of such Tranche, as indicated in the applicable Pricing Supplement;

Issue Management and Placement Agreement means an agreement supplemental to the Program Agreement to be executed by the Bank, the Arrangers and/or Selling Agents appointed for the issuance of a particular Tranche or Series of the Securities, substantially in the form attached as Annex C of the Program Agreement.

Issue Price means 100% of the principal amount of the Securities or such other price as may be indicated in the relevant Pricing Supplement of a Tranche;

Majority Holders means, (a) in respect of matters affecting all the Securities, the holder or holders of the Securities at any time, who hold, represent or account for more than fifty percent (50%) of the aggregate outstanding principal amount of all outstanding Securities; and (b) in respect of matters affecting only a relevant Tranche or Series, the holder or holders of the Securities of such Tranche or Series at any time who hold, represent or account for more than fifty percent (50%) of the aggregate outstanding principal amount of the outstanding Securities of such Tranche or Series;

Master Certificate of Indebtedness means the form representing the Securities issued under a Tranche or Series, setting forth the terms and conditions of the Securities, substantially in the form attached as **Schedule 1** of the RPAA;

Material Subsidiary means at any time a Subsidiary of the Bank whose net income (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose Total Assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Bank and its Subsidiaries relate, are equal to) not less than 15% of the consolidated net income of the Bank and its Subsidiaries taken as a whole, or, as the case may be, 15% of the consolidated Total Assets, of the Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Bank and its Subsidiaries, provided that (A) in the case of a Subsidiary of the Bank acquired after the end of the financial period to which the then latest audited consolidated accounts of the Bank and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Bank and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Bank and (B) if the then latest audited consolidated accounts of the Bank and its Subsidiaries show a net loss for the relevant financial period then there shall be substituted for the words "net income" the words "gross revenues" for the purpose of this definition.

Maturity Date means the fixed date specified in the Master Certificate of Indebtedness and the relevant Pricing Supplement on which a relevant Series or Tranche will be redeemed by the Bank in full; *provided*, that, if such date is declared to be a non-Banking Day, the Maturity Date shall be the next succeeding Banking Day, without adjustment to the amount of principal or interest to be paid;

Maturity Value means the Face Value plus unpaid and accrued applicable interests up to but excluding the relevant Maturity Date;

Non-Trade Related Transactions means transactions relating to the Securities under the following instances:

- a. Nomination or change of nominated custodian by the beneficial owner of the Securities;
- b. Succession, provided that the heirs and successors-in-interest present a court order of partition or deed of extrajudicial settlement and the proper documentation evidencing the payment of applicable taxes and a certificate from the BIR authorizing the transfer of the Securities;
- c. Donation, provided that the donor presents a valid deed of donation and documents to evidence the payment of applicable taxes and a certificate from the BIR authorizing the transfer of the Securities;

- d. Request for recording or annotation of interests or liens on the Securities of any party arising from transactions such as, but not limited to, pledge or escrow, provided that the pledgor or the beneficiary of the escrow shall present a proper contract of pledge or escrow agreement; and
- e. Such other transactions that may be deemed valid and “free of payment” transactions by PDTC, provided that such transfer is not in violation of any law or regulation or made in circumvention thereof; *provided*, the burden of proving the validity of a “free of payment” transaction rests with the transferor of the Securities.

Offer means an offer or sale of the Securities in accordance with the relevant Pricing Supplement;

Offering Circulars means (i) the final offering circular issued in connection with the restatement of the 2019 Peso Bond and Commercial Papers Program, and (ii) the applicable Pricing Supplement, in each case, as may be revised, supplemented and/or amended from time to time by the Bank in accordance with the Program Agreement, including any documents which are from time to time incorporated in the Offering Circulars by reference;

Paying Agent means PDTC as appointed by the Bank under the RPAA to perform the role of a paying agent required under the BSP Rules and includes its successor entity, or any replacement Paying Agent appointed from time to time under the RPAA or any agreement supplemental to it;

Payment Account means, in respect of each Tranche or Series, the account to be opened and maintained by the Paying Agent with such Payment Bank designated by the Bank and solely managed by the Paying Agent, which account is held in trust and for the irrevocable benefit of the Holders, into which the Bank shall deposit the amount of the interest and/or principal payments due on such Tranche or Series on the Payment Date and exclusively used for such purpose, the beneficial ownership of which shall always remain with the Holders;

Payment Bank means a duly-licensed bank designated by the Bank, where the Payment Account will be opened, maintained, and managed by the Paying Agent for and on behalf of the Bank, into which the Bank shall deposit, in good cleared funds, the amount of the relevant interest and principal payments due each Holder on the relevant Payment Date;

Payment Date means an Interest Payment Date, the Maturity Date, the Early Redemption Date, and any other date on which payment for interest and/or principal in respect of the Securities are due and payable to the Holders; *provided*, that if such Payment Date would otherwise fall on a day which is not a Banking Day, then that particular Payment Date shall be the next succeeding Banking Day; *provided*, further, that if such succeeding Banking Day falls into the next calendar month, that Payment Date shall be the immediately preceding Banking Day, in either case, without adjustment to the amount of interest to be paid;

PDEx means the Philippine Dealing & Exchange Corp., a domestic corporation duly registered with the SEC to operate an exchange and trading market for fixed income securities;

PDEx Rules mean the PDEx Rules for the Fixed Income Securities Market, as amended, and as the same may be revised from time to time, the Guidelines for Listing or Enrollment of Bank-Issued Bonds and Commercial Paper, as well as other related rules, guidelines, and procedures that may be issued by PDEx;

PDEx Trading Participant means a trading participant of PDEx, as defined under the PDEx Rules;

PDTC means the Philippine Depository & Trust Corp.;

Person means an individual or an entity such as a corporation, partnership, joint venture, trust, unincorporated organization, political subdivision, agency, or instrumentality (whether or not having separate legal personality), and its permitted successor and assigns;

Philippine Pesos or the symbol **₱** means the lawful currency of the Republic of the Philippines;

Pricing Supplement means the relevant pricing supplement issued in relation to each Series or Tranche of the Securities, giving details of that Series or Tranche and providing the additional terms and conditions,

such as the amount of the Tranche or Series, the tenor, the applicable Interest Rate, Interest Payment Dates and Maturity Date and such other similar terms specific to a Tranche or Series, in relation to any particular Series or Tranche of the Securities;

Program Agreement means the Program Agreement dated 22 June 2020 among the Bank, the Arranger/s and/or Selling Agents, as may be amended or supplemented by the relevant Issue Management and Placement Agreement applicable to a relevant Tranche or Series;

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 identified in Section 131(n) of the BSP Manual of Regulations for Banks including:
 - (1) 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 family members, as well as corresponding persons in affiliated companies; and
 - (2) such other person or entity whose interests may pose potential conflict with the interest of the Bank, or who are identified as a “related party” pursuant to Section 131 of the MORB in relation with BSP Circular No. 1062;
 - (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;
 - (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;
 - (vi) a passive non-financial foreign entity with U.S. controlling persons; or
 - (vii) 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 of the BSP Manual of Regulations for Banks, as the same may be amended from time to time.

PFRS means Philippine Financial Reporting Standards;

PSE means the Philippine Stock Exchange;

Record Date as used with respect to any Payment Date, means the second Banking Day immediately preceding such Payment Date, which shall be the cut-off date in determining the existing Holders entitled to receive interest, principal and other payments due, or such other date duly notified by the Bank;

Registrar means PDTC as appointed by the Bank under the RPAA to perform the role of a registrar required under the BSP Rules, and includes its successor entity, or any replacement Registrar as appointed from time to time under the RPAA or an agreement supplemental to it;

Registry means the electronic registry book of the Registrar containing the official and best evidence of information of the names and other details of the Holders and the amount of Securities held by each Holder, including records of all transfers, assignments and transactions in respect of the Securities, or any liens or encumbrances thereon;

Registry Confirmation means the written advice to be sent by the Registrar to the Holders, confirming the registration in the name of such Holder in the Registry of the specified amount of Securities issued to or purchased by a Holder, and setting forth the details and declarations required by the BSP;

Resignation Effective Date has the meaning given to that term in Condition 18(f);

RPAA means the Master Registry and Paying Agency Agreement dated 22 June 2020 between the Bank and the Registrar and Paying Agent, as may be amended and/or supplemented, stipulating the rights and obligations of the Registrar and Paying Agent with respect to the Securities;

SEC means Securities and Exchange Commission of the Philippines and its successor agency/ies;

Securities means the peso bonds and/or commercial papers to be issued by the Bank under the 2019 Peso Bond and Commercial Papers Program, in one or more Tranches or Series pursuant to the applicable Transaction Agreements;

Selling Agent means the entities identified as such in the relevant Pricing Supplement as may be appointed by the Bank under the Program Agreement or the relevant Issue Management and Placement Agreement for the relevant Offer to perform the role of selling agents required under the BSP Rules, and includes their relevant successor entities, or any replacement or additional Selling Agents;

Series means a Tranche of Securities together with any further Tranche or Tranches of Securities which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Payment Dates and/or Issue Prices;

Subsidiary means at any particular time, a company which is then directly controlled, or more than 50% of whose issued voting stock (or equivalent) is then beneficially owned by the Bank;

Tax Code means Republic Act No. 8424 or the National Internal Revenue Code of 1997, as may be amended from time to time including by Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Law;

Tax Exempt Documents means the documents required for entitlement to tax exemption or preferential tax rate specified under Condition 2(b)(3);

Terms and Conditions means, in relation to each Tranche, the terms and conditions endorsed or incorporated by reference into the Master Certificate of Indebtedness issued in relation to such Tranche, which are either: (a) set forth herein, or (b) such terms and conditions as may be agreed between the Bank, the relevant Arrangers and Selling Agents (if any), in each case, as may be amended from time to time;

Total Assets means, with respect to any specified Person for any period, the aggregate total current assets and total non-current assets for such period, on a consolidated basis, determined in conformity with PFRS;

Trade-Related Transactions means transactions on the Securities other than Non-Trade Related Transactions executed through PDEX;

Tranche means the Securities which are identical in all respects (including as to listing and admission to trading);

Transaction Agreements means the Terms and Conditions, the Program Agreement, the Trust Agreement, the RPAA, the relevant Pricing Supplement, the relevant Issue Management and Placement Agreement, and the Master Certificates of Indebtedness;

Trustee means the relevant trustee or any other successor trustee as may be engaged by the Bank for each Tranche or Series of the Securities under the 2019 Peso Bonds and Commercial Papers Program; and

Trust Agreement means the relevant trust agreement between the Bank and the Trustee, stipulating the rights and obligations of the Trustee with respect to each Tranche or Series of the Securities under the 2019 Peso Bonds and Commercial Papers Program.

2.0 Eligible Holders; Form, Denomination, Listing and Title

(a) Form and Denomination; Listing

- (i) The Securities will be issued and traded in minimum denominations as may be provided in the relevant Pricing Supplement and Master Certificate of Indebtedness for each Tranche or Series, or such other minimum denomination as may be prescribed or approved by the BSP.
- (ii) The Securities shall be issued in scripless form and will be maintained in electronic form with the Registrar, through the Registry, subject to the payment by the Holder of applicable fees to the Registrar, and in compliance with the provisions of Republic Act No. 8792, otherwise known as the Electronic Commerce Act. Each Holder shall receive a Registry Confirmation from the Registrar after the Issue Date or the date of transfer in case of transfers in the secondary market, which shall represent the Securities from the relevant Tranche or Series held by the same Holder. Registry Confirmations containing a unique transaction reference number will be registered in the name of the Holder issued in accordance with the BSP Rules and the RPAA.
- (iii) In accordance with BSP Rules, the Bank shall list the relevant Tranche or Series for trading through the facilities of PDEX. Secondary market trading in PDEX shall follow the PDEX Rules, conventions, and guidelines governing trading and settlement between Holders of different tax status. The Holder agrees to comply with any conditions and provide information and documents that may be required by the BIR in relation to and as a consequence of the listing of the Securities.

(b) Eligible Holders

- (i) All Eligible Holders may invest in the Securities.
- (ii) Documentary Requirements

In addition to a duly executed Application to Purchase, each Eligible Holder shall submit the following documents to the Selling Agents; *provided*, that the Bank may waive the submission to the Registrar of any of the documentary requirements below for its existing clients where the Bank has previously conducted the necessary know-your-client (“KYC”) process and has updated the said KYC documents, subject to submission to PDTC of a certification to such effect:

1. Documents to be provided by individuals:

- 1.1 a clear copy of any one of the following valid identification cards (“ID”): passport, driver’s license, company ID, Social Security System Card, Government Service Insurance System e-Card, or Senior Citizen’s Card, and company IDs issued by private entities or institutions

registered with or supervised or regulated either by the BSP, SEC, or Insurance Commission, or such other ID and documents as may be required by or acceptable to the relevant Selling Agent;

- 1.2 two (2) fully-executed PDTC specimen signature cards in the form attached to the Application to Purchase;
 - 1.3 duly accomplished client suitability assessment forms;
 - 1.4 for aliens residing in the Philippines or non-residents engaged in trade or business in the Philippines, consularized or apostilled proof of tax domicile issued by the relevant tax authority of the Eligible Holder; and
 - 1.5 such other documentary requirements as may be reasonably required by the Selling Agents or the Registrar in implementation of its internal policies regarding “knowing your customer” and anti-money laundering.
2. Documents to be provided by corporate and institutional Eligible Holders:
- 2.1 one (1) copy, certified by the SEC (or equivalent regulatory body) or Corporate Secretary of the applicant of the SEC Certificate of Registration, Articles of Incorporation and By-Laws or equivalent charter or constitutive documents of the applicant, as amended to date;
 - 2.2 one (1) copy, certified by the Corporate Secretary or other appropriate officer of the applicant of the resolutions adopted by the applicant’s Board of Directors or equivalent body authorizing the applicant to purchase the relevant Securities and certifying the names and specimen signatures of the applicant’s duly authorized signatories for that purpose;
 - 2.3 two (2) fully executed PDTC signature cards of the authorized signatories duly authenticated by the Corporate Secretary in the form attached to the Application to Purchase, together with a copy of at least one (1) valid ID of the authorized signatories;
 - 2.4 a list, certified by the Corporate Secretary of the applicant, of the natural persons who are the ultimate beneficial owners of the applicant; and
 - 2.5 such other documentary requirements as may be reasonably required by the Selling Agents or the Registrar in the implementation of its internal policies regarding “knowing your customer” and anti-money laundering.
3. Additional documents to be provided by tax-exempt Eligible Holders
- 3.1 a current and valid certified true copy of the tax exemption certificate, ruling, or opinion issued by the BIR, confirming the Eligible Holder’s exemption from taxation of interest on fixed income securities;
 - 3.2 Original of the duly notarized declaration executed by (1) the corporate secretary or any authorized representative of such Eligible Holder, who has personal knowledge of the exemption based on his official functions, if the Eligible Holder purchases the Securities for its account, or (2) the trust officer, if the Eligible Holder is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Securities pursuant to its management of tax-exempt entities, warranting its tax-exempt status, undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of its tax exemption, and agreeing to indemnify and hold the Bank and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding, substantially in the form attached as Schedule 11 or 11-A to the Registry and Paying Agency Agreement; and
 - 3.3 such other documentary requirements as may be reasonably required under the relevant Pricing Supplement, the RPAA or by the Registrar, the Bank and the Selling Agents as proof

of the Eligible Holder's tax-exempt status or as may be required under the applicable regulations of the relevant taxing or other authorities.

In addition, the Arranger, the Selling Agents or PDEX Trading Participants may each request such other documents from a proposed Holder in order to establish that he/she/it is an Eligible Holder and is not a Prohibited Holder and his/her/its exemption from taxation of interest income from fixed income securities, or to comply with applicable requirements of the AMLA or the BSP Rules.

(iii) The Securities may only be issued and transferred to investors who are not Prohibited Holders.

(c) Title

Title to the Securities shall be shown in the Registry to be kept and maintained by the Registrar at its office in accordance with the RPAA. The Registry shall contain the names and addresses of the Holders, the particulars of the relevant Tranche or Series held by them, as well as all records of transfers of the relevant Securities. The Registry shall be the best evidence of ownership and all other information regarding ownership and transactions with respect to the relevant Securities up to the level of the Holder. The amount of Securities issued to each Holder for the relevant Tranche or Series will be shown on and recorded in the Registry maintained by the Registrar. The Registrar shall issue a Registry Confirmation in respect of the relevant Securities to each registered Holder as recorded in the relevant Registry. Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any of the Securities shall be deemed to be and shall be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Registry Confirmation representing it or the theft or loss of such Registry Confirmation and no person shall be liable for so treating the Holder.

Upon any assignment, title to the Securities shall pass by recording of the transfer from the transferor to the transferee in the relevant electronic Registry maintained by the Registrar. Settlement in respect of such transfer or change of title to the relevant Securities, including the settlement of any costs arising from such transfers, such as, but not limited to, documentary stamp taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Holder, unless such is otherwise assumed by the transferee in writing under the terms of the relevant transfer agreement executed between the transferring Holder and its transferee.

(d) SEC Registration

The Securities have not been and will not be registered with the SEC. Since the Securities qualify as exempt securities under Section 9.1(e) of the Philippine Securities Regulation Code, the Securities may be sold and offered for sale or distribution in the Philippines without registration.

(e) Listing

The Bank shall list each Tranche or Series on PDEX.

(f) Rating

The Bank's rating issued by a credit rating agency for the period applicable to a Tranche or Series of the Securities will be reflected in the relevant Pricing Supplement.

A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization. The rating is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as the Securities are outstanding.

3.0 Status and Ranking

The Securities to be issued pursuant to a relevant Offer constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank, enforceable in accordance with the applicable Terms and Conditions, and shall at all times rank *pari passu* and ratably, without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and

unsubordinated obligations of the Bank, save for any such obligation enjoying a statutory preference or priority established under Philippine laws.

4.0 Interest

(a) Interest Basis

Interest on each Series or Tranche of the Securities may be fixed and/or floating, as may be provided under the applicable Pricing Supplement. The rate of interest payable from time to time in respect of floating rate Securities shall be determined in the manner specified in the applicable Pricing Supplement.

(b) Interest Accrual

The Securities shall bear interest on its principal amount at the applicable Interest Rate from and including the Issue Date, up to but excluding, the Early Redemption Date or the Maturity Date (as the case may be). In respect of commercial papers, interest may not be accrued but may be a discount to Face Value at a discount rate to be determined for each Series or Tranche in accordance with the relevant Pricing Supplement. In any event, the Securities shall continue to bear interest in accordance with the applicable Terms and Conditions until all sums in respect of such Securities are received by or on behalf of the relevant Holder, except in the case of commercial papers issued at a discount to Face Value wherein default interest shall only accrue if all sums in respect of such commercial papers are not received by or on behalf of the relevant Holder on the relevant Maturity Date.

(c) Interest Payment Dates

Interest shall be payable on each Interest Payment Date to the Holders recorded in the relevant Registry as of the Record Date.

(d) Determination of Interest

The amount of interest payable in respect of the Securities for each Interest Period shall be calculated and determined by the Registrar (in consultation with the Bank) by applying the Interest Rate to the principal amount of the Securities, and multiplying the product by the actual number of days in the Interest Period concerned divided by 360, calculating the result on a 30/360-day basis, and rounding the resultant figure to the nearest centavo (half a centavo being rounded upwards); provided that for commercial papers, the discount rate, shall, for each Series or Tranche, be set by the Bank in consultation with the Arrangers and such discount rate will be calculated on a true-discount basis.

5.0 Redemption, Early Redemption and Purchase

(a) Redemption at Maturity Date

Unless previously pre-terminated or earlier redeemed and cancelled in accordance with the relevant Terms and Conditions, each Series or Tranche shall be redeemed by the Bank at the Maturity Value on the Maturity Date as indicated in the applicable Pricing Supplement.

(b) Early Redemption

- (i) *Early Redemption Option for Taxation Reasons.* If any payment of principal or interest due under the relevant Tranche or Series of the Securities becomes subject to additional or increased taxes other than the taxes and rates of such taxes prevailing as of the relevant 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 relevant 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 relevant Tranche or Series on the relevant Early Redemption Date at the Early Redemption Amount.

- (ii) *Early Redemption for Increased Reserves.* If the relevant Tranche or Series of the Securities 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 relevant 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 relevant Tranche or Series of the Securities 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 Securities to which such Transaction Agreements pertain to.

In the event that the Bank shall invoke the foregoing as a Change in Law, the Bank shall provide the Trustee an opinion of legal counsel confirming the foregoing, such legal counsel being reasonably acceptable to the Trustee. Thereupon, the Trustee, upon notice to the Bank, shall declare the principal amount of the Securities to which the applicable Transaction Agreements pertain to, including all accrued interest and other chargers thereon, if any, to be immediately due and payable, and upon such declaration, the same shall be immediately due and payable without and pre-payment penalty, notwithstanding anything in the applicable Transaction Agreements to the contrary.

- (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, a Tranche on the relevant Early Redemption Date at the Early Redemption Amount on any other ground in addition to Condition 5(b)(i), Condition 5(b)(ii), and Condition 5(b)(iii) above, as may be approved by the BSP.
- (v) *Manner of Exercising the Early Redemption Option.* In exercising the Early Redemption Option for a relevant Tranche or Series, the Bank shall give to the relevant Holders, PDEX, and the appropriate supervision and examination department of the BSP (with a copy to the Registrar and Paying Agent) not more than sixty (60) days' nor less than thirty (30) days' prior written notice before the relevant Early Redemption Date (the "Early Redemption Notice"), stating therein the ground relied upon for the exercise of the Early Redemption Option, which ground must be one of the grounds specified in Condition 5(b)(i), 5(b)(ii), 5(b)(iii) or 5(b)(iv) above, and the Early Redemption Amount. The notice referred to in this Condition 5(b)(v) shall be published in at least two (2) newspapers of general circulation in the Philippines in accordance with SEC Memorandum Circular No. 1 (2008) for two (2) consecutive days. Once issued, said notice shall be irrevocable, and shall be binding on the Bank and each relevant Holder.
- (vi) *Payments; Taxes; Reserves.* After the issuance of the Early Redemption Notice, the Bank shall be obliged to repay all of the Holders of the Securities of the relevant Tranche or Series of the Securities at the Early Redemption Amount on the relevant Early Redemption Date. On the relevant Early Redemption Date and following payment of the Early Redemption Amount, the Registrar shall transfer all of the interests of the Holders of the Securities of the relevant Tranche or Series to the Bank. All such Securities pre-terminated pursuant to this Condition 5(b) shall then be deemed fully redeemed and cancelled.

As a consequence of the exercise of the Early Redemption Option, any incremental tax that may be due on the interest income already earned under the pre-terminated Securities prior to or as a result of the exercise by the Bank of its Early Redemption Option shall be for the account of the Bank. In addition, the Bank shall recompute its reserve positions retroactively based on the applicable reserve rate(s) for the Securities during the period between the relevant Issue Date and the relevant Early Redemption Date.

- (vii) *No Pre-termination by Holders.* Except as otherwise contemplated under Condition 12(a) on account of the occurrence of an event described under Condition 11 (“*Events of Default*”) in these Terms and Conditions, none of the Holders shall have the right to require the Bank to redeem and repay any or all of the Securities before the relevant Maturity Date. The Securities cannot be terminated by the Holders before the relevant Maturity Date. The Holders, may, however, assign or transfer their Securities to another holder who is not a Prohibited Holder, and such transfer or assignment shall not constitute pre-termination, but will be subject to: (1) the pertinent provisions of the Tax Code; (2) applicable BSP Rules; and (3) the applicable Transaction Agreements.

6.0 Payments

- (a) Any payment of principal or interest under the Securities shall be made through the Paying Agent based on the Registry.
- (b) On or before each Payment Date, the Bank shall deposit into the Payment Account the amounts then payable on the Securities. All payments on the Securities shall be drawn from the Payment Account and shall be made in Philippine Pesos.
- (c) In their respective Applications to Purchase, Holders must specify the Cash Settlement Accounts to which the Paying Agent shall remit payments of principal and interest on the Securities.
- (d) If the Registrar is unable to credit or is prevented from causing the crediting of the account of any Holder due to a reason attributable to such Holder (such as but not limited to a situation where the details of the payment option information indicated in the Application to Purchase are incomplete or erroneous), the Registrar shall, within five (5) Banking Days upon the Registrar and Paying Agent’s receipt of advice from the Cash Settlement Bank on the relevant Payment Date, through email or such other manner practical and convenient for the Registrar, inform the affected Holder (through such Holder’s Selling Agent or the relevant PDEX Trading Participant, as applicable) of such failure of payment. Thereafter, such Holder (through its Selling Agent or the relevant PDEX Trading Participant, as applicable) must correct or update the details of its mode of receiving payments with the Registrar.
- (e) None of the Bank, Registrar and Paying Agent or any of the Selling Agents or PDEX Trading Participants shall be liable to any Holder for any failure or delay in effecting any payment due under the Securities, where such failure or delay in payment arises from or in connection with any failure or delay by such Holder in correcting or updating the details of its mode of receiving payments as contemplated by Condition 6(d).
- (f) No amounts due to but not claimed by a Holder on a Payment Date shall bear any interest.

7.0 Taxation

- (a) (i) Interest income on the Securities is subject to a final withholding tax at the rate of 20%, or such other rates as may be required by law or regulations, subject to exemption. Except for such final withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Bank; provided however that, the Bank shall not be liable for the following:
- (1) income tax on any gain by a Holder realized from the sale, exchange or retirement of the Securities;
- (2) any applicable final withholding tax on interest earned on the Securities prescribed under the Tax Code and applicable tax rules and regulations, except as may be provided under the BSP Rules. An investor who is exempt from the aforesaid withholding tax shall be required to submit the requirements set forth in Condition 2(b)(ii)(3) to the Registrar, subject to acceptance by the Bank as being sufficient in form and substance;

- (3) gross receipts tax under Section 121 of the Tax Code;
- (4) taxes on the overall income of any Holder, whether or not subject to withholding; and
- (5) Value Added Tax (“VAT”) under Sections 106 to 108 of the Tax Code;

provided, further, that all sums payable by the Bank to tax-exempt persons shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the relevant Holder claiming the exemption of such documentation as may be required by the Bank to ascertain their tax-exempt status; and *provided, finally*, that documentary stamp taxes on the primary issue of the Securities and the documentation, if any, shall be for the Bank’s account.

- (ii) In case the Bank pre-terminates the Securities as a result of which a final tax is imposed on the interest already earned by a Holder who, save for such pre-termination, would have otherwise been exempt from such final tax pursuant to the relevant tax laws and appropriate revenue regulations, any such final tax imposed on the interest already earned by the Holder shall be for the account of the Bank.
- (b) Holders subsequently claiming exemption from any applicable tax shall be required to submit the documents set out under Condition 2(b)(ii)(3) as proof of its tax-exempt status to the Registrar (who shall forthwith provide copies to the Bank) upon submission of the account opening documents with the Selling Agent or the PDEX Trading Participant as relevant.

Unless properly provided with satisfactory proof of the tax-exempt status of a Holder, the Registrar and Paying Agent may assume that such Holder is taxable and proceed to apply the tax due on the Securities. Notwithstanding the submission by the Holder, or the receipt by the Bank or any of its agents, of documentary proof of the tax-exempt status of a Holder, the Bank may, in its sole discretion, determine that such Holder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Securities. Any question on such determination shall be referred to and be decided upon by the Bank.

- (c) In the event that (i) the proposed Comprehensive Tax Reform Package 4 or the Passive Income and Financial Intermediary Taxation Act (“**PIFITA Bill**”) or (ii) any new tax law or amendment to existing tax laws, which amends or modifies the applicable final withholding tax on interest earned on the Securities prescribed under the Tax Code and applicable tax rules and regulations, is enacted and passed into law while the Securities are outstanding, the amount of taxes due, in view of any increase or decrease in the final withholding tax rate, shall remain the liability of the Holders, as provided in Condition 7(a)(i)(2) above.

8.0 Transfers of Securities

(a) Transfers

- (i) Holders may transfer or assign their Securities to another Holder who is not a Prohibited Holder and such transfer or assignment shall not be considered a pre-termination.
- (ii) All secondary transfers of the Securities arising from Trade-Related Transactions shall be coursed through or effected using the trading facilities of the PDEX, subject to compliance with PDEX Rules and the payment by the Holder of applicable fees to PDEX and the Registrar and Paying Agent. All transfers of Securities shall only be effective upon the receipt by the Registrar of a duly accomplished Trade-Related Transfer Form or Non-Trade Related Transfer Form (as applicable) in the forms attached to the Registry and Paying Agency Agreement from the relevant PDEX Trading Participant and other required documentation and the registration and recording by the Registrar of such assignment or transfer in the Registry Book; *provided*, that no such registration and recording shall be allowed during the Closed Period.
- (iii) No partial transfers of title, interest and rights of the Holder in or to any Securities shall be allowed unless as a result thereof: (1) the transferor shall either retain Securities, registered in its name, with an aggregate principal amount of at least the minimum specified in the relevant Pricing Supplement and Master Certificate of Indebtedness for each Tranche or Series or cease to be a registered Holder of the Securities altogether; and (2) the transferee shall have Securities, registered in its name, with

an aggregate principal amount of at least the minimum specified in the relevant Pricing Supplement and Master Certificate of Indebtedness for each Tranche or Series.

- (iv) Upon any transfer of the Securities, title to the Securities shall pass by registration of the Securities in the name of the transferee-Holder in the relevant Registry. Subject to compliance with applicable conditions for transfers of the Securities set out in the two (2) succeeding paragraphs below for Trade-Related Transactions and Non-Trade Related Transactions (as the case may be), transfers shall be recorded in the relevant Registry, and new Registry Confirmations will be issued in favor of the purchasers of the Securities.
- (v) In case of Trade-Related Transactions, the following documents shall be submitted to the Registrar through the relevant PDEX Trading Participants in order to effect the transfer of the Securities:
 - (1) Tax Exempt Documents, if applicable, in accordance with Condition 2(b)(3) of the Terms and Conditions;
 - (2) the relevant Trade-Related Transfer Form, duly accomplished by the transferor Holder and endorsed by the relevant PDEX Trading Participant, substantially in the form agreed upon between the Bank and the Registrar;
 - (3) the Investor Registration Form duly accomplished by the transferee Holder and endorsed by the relevant PDEX Trading Participant, in the form agreed upon between the Bank and the Registrar;
 - (4) written consent of the transferee Holder to be bound by the terms of the Securities and the Registry Rules, in the form agreed upon between the Bank and the Registrar; and
 - (5) such documents as may be reasonably required by the Registrar to be submitted by the transferee Holder in support of the transfer or assignment of the Securities in its favour.
- (vi) In case of Non-Trade Related Transactions, the Non-Trade Related Transfer Form substantially in the form of **Schedule 5** of the RPAA must be submitted, and, in addition, the following documents shall also be submitted to the Registrar through the relevant PDEX Trading Participant in order to effect the transfer of the Securities:
 - (1) in the case of succession, a court order of partition or deed of extrajudicial settlement, together with the proper documentation evidencing the payment of applicable taxes and a certificate from the BIR authorizing the transfer of the Securities;
 - (2) in case of donations, a valid deed of donation presented by the donor, together with documents to evidence the payment of applicable taxes and a certificate from the BIR authorizing the transfer of the Securities;
 - (3) in the case of requests for recording or annotation of interests or liens on the Securities, a proper contract of pledge or escrow agreement presented by the pledgor or the beneficiary of the escrow agreement, respectively; and
 - (4) such other documents that may be required by the Registrar and Paying Agent for transfers arising from “free-of-payment” transactions.
- (vii) Any costs, settlement fees and charges associated that may be imposed by, among others, PDEX or relevant PDEX Trading Participant (as applicable) and the Registrar and Paying Agent in respect of any transfer or change of beneficial title to the Securities, including the settlement of taxes (such as documentary stamp taxes), if any, arising from subsequent transfers, shall be for the account of the transferring Holder, unless such cost is otherwise assumed by the transferee in writing under the terms of the relevant transfer agreement executed between the transferring Holder and its transferee.

(b) Closed Period

No Holder may require the transfer of any of the Securities to be registered by the Registrar in the relevant Registry during any Closed Period. The Registrar shall prevent any transfer of the Securities to be recorded in the relevant Registry during any Closed Period. The Registrar shall recognize and treat only those Holders registered as such in the relevant Registry on Record Date as the owners of the corresponding Securities for any relevant payment or allocation purpose.

(c) Change in Status

Holders may transfer their Securities at any time, regardless of tax status of the transferor vis-à-vis the transferee. Should a transfer between Holders of different tax status occur on a day which is not an Interest Payment Date, tax-exempt entities trading with non-tax-exempt entities shall be treated as non-tax-exempt entities for the interest period within which such transfer occurred. Transfers taking place in the Registry of Holders after the Securities are listed on PDEX shall be allowed between non-tax-exempt and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC. A Holder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Registrar and Paying Agent, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified herein, within three (3) days of such transfer.

Notwithstanding the submission by the Holder, or the receipt by the Bank and/or the Registrar and Paying Agent of documentary proof of tax-exempt status of a Holder, the Bank may, in its sole and reasonable discretion, determine that such Holder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Securities. Any question on such determination shall be referred to the Bank.

The Holders shall be responsible for monitoring and accurately reflecting their tax status in the relevant Registry of Holders. The payment report to be prepared by the Registrar and submitted to the Bank in accordance with the RPAA, which shall be the basis of payments on the Securities on any Interest Payment Date, shall reflect the tax status of the Holders as indicated in their accounts as of the Record Date.

In the case of a transfer by a taxable or non-tax-exempt Holder in favor of any transferee (whether taxable or not taxable), the final withholding tax on the interest income earned or deemed to be earned by the transferor-Holder on the Securities during the Interest Period in which the transfer is made, based on the period that such Securities were actually held by the transferor-Holder, shall be deducted from the purchase price due to it.

(d) Taxes

Documentary stamp taxes as well as other taxes due on the transfer of Securities from the Securities, if any, shall be for the account of the relevant Holders and/or their counterparties, and shall not be for the account of the Bank. The Bank shall, directly or through the PDEX Trading Participant make the necessary withholding or deduction of the applicable tax due on the interest from the total proceeds of the transfer for the account of the transferor-Holder concerned; *provided*, however, that all sums payable by the Bank to tax-exempt persons, if applicable, shall be paid in full without deductions for such taxes, subject to the submission by the relevant Holder claiming the exemption of such documentation as may be required under the applicable Terms and Conditions.

(e) Void Transfers

Transfers or assignments of the Securities made in violation of the restrictions on transfer under the applicable Terms and Conditions shall be null and void and shall not be registered by the Registrar.

(f) Determination of Qualifications

- (i) Each Selling Agent (in the case of initial issuance of the Securities) and the relevant PDEX Trading Participant (in the case of secondary trading of the Securities) shall, in accordance with the AMLA and its own internal policies and arrangements and pursuant to the information provided by the prospective investor, verify the identity and other relevant details of each prospective investor and ascertain that the proposed Holder or transferee of any Securities is not a Prohibited Holder. The Registrar shall also monitor compliance with the prohibition against Prohibited Holders owning any Securities, as required by the BSP Rules.

- (ii) Each PDEX Trading Participant shall verify the respective aggregate amounts of the Securities held by the transferor and the transferee to determine compliance with Condition 8(a)(iii) through the Registry Confirmations to be provided by each of the transferor and the transferee.
- (iii) Prospective investors in the Securities shall immediately submit any and all information reasonably required by the Selling Agents or PDEX Trading Participants (as applicable) and Registrar in order to determine that such prospective investor is not a Prohibited Holder.

9.0 Representations and Warranties

With regard to each Offer of Securities, the Bank hereby makes the following representations and warranties in favor of the Holders of such Securities:

- (a) Each of the Bank and its Material Subsidiaries is a corporation duly organized, validly existing, and in good standing under and by virtue of the laws of the Republic of the Philippines, is registered or qualified to do business in every jurisdiction where registration or qualification is necessary, and has the corporate power and authority to conduct its business as presently being conducted and to own its properties and assets now owned by it as well as those to be hereafter acquired by it for the purpose of its business;
- (b) All corporate authorizations, approvals, and other acts legally necessary for the execution and delivery by the Bank of the applicable Transaction Agreements, the offer and issuance of the relevant Tranche or Series, for the circulation of the Offering Circulars to be issued in connection with the relevant Offer, and the Bank's compliance with its obligations under the Securities issued pursuant to such Offer and the applicable Transaction Agreements, have been obtained or effected and remain valid and are in full force and effect;
- (c) All government authorizations, approvals, rulings, registrations (if there are any), and other acts legally necessary for the execution and delivery by the Bank of the applicable Transaction Agreements, the offer, issuance, and payment by the Bank of the Securities, and the Bank's compliance with its obligations under the Securities and the Transaction Agreements, have been obtained and remain valid;
- (d) All conditions imposed or required under the BSP Rules, as well as regulations of the BIR and other relevant agencies, in respect of the execution and delivery by the Bank of the applicable Transaction Agreements and the offer, issuance, and payment of the Securities issued pursuant to such Offer, have been complied with by the Bank as of the date and/or time that they are required to be complied with;
- (e) The obligations of the Bank under the applicable Transaction Agreements and the Securities to be issued pursuant to the relevant Offer, when issued, constitute its valid and legally binding obligations, enforceable in accordance with their terms, and the execution and delivery of the applicable Transaction Agreements, the issuance of the Securities pursuant to such Offer, and the compliance by the Bank with its obligations under the applicable Transaction Agreements and the Securities pursuant to such Offer do not and will not conflict with, nor constitute a breach or default of: (i) the articles of incorporation, by-laws, or any resolution of the board of directors or any committee constituted by the board of directors of the Bank, or any rights of the stockholders of the Bank, or (ii) any contract or other instrument by which the Bank is bound, or (iii) any law or regulation of the Republic of the Philippines, or judgment or order of any office, agency, or instrumentality applicable to the Bank, except in each case where such conflict, breach or default will not have an Adverse Effect;
- (f) The Securities to be issued pursuant to the relevant Offer constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank, enforceable according to the terms and conditions in the applicable Terms and Conditions, and shall at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, except for any obligations enjoying a statutory preference or priority established under Philippine laws;
- (g) No order suspending the issuance of the relevant Tranche has been issued, and to the best of the Bank's knowledge, after due inquiry, no proceeding for that purpose has been instituted by the BSP. The Bank

complies with all the applicable requirements of PDEX in connection with the relevant Tranche, as of the date and/or time that they are required to be complied with;

- (h) The Bank has all authorizations, approvals, permits, licenses, and privileges from all governmental and regulatory bodies in all material aspects necessary to carry on its banking business and operations as well as those of its Subsidiaries and Affiliates as currently conducted, has not breached any of the terms and conditions of such authorizations, approvals, permits, and licenses and has free and continued use and exercise thereof (save to the extent that the failure to possess or obtain such authorizations, approvals, permits, licenses, and privileges, or any breach of the terms thereof, or any restriction on the free and continued use and exercise thereof is not reasonably expected to have an Adverse Effect);
- (i) The Bank has, to the best of its knowledge, explained, satisfactorily complied with, corrected, and successfully and effectively implemented, to the satisfaction of the BSP, all findings and recommendations of the BSP resulting from all past audits and examinations conducted by the BSP on the Bank (save to the extent that its failure to explain, satisfactorily comply with, correct or successfully and effectively implement such findings and recommendations of the BSP is not reasonably expected to have an Adverse Effect);
- (j) Except as disclosed in the Offering Circulars, as of the Issue Date of the relevant Tranche, there are no legal, administrative, or arbitration actions, suits, or proceedings pending or, to the best of its knowledge after due and careful inquiry, threatened against or affecting the Bank which, if adversely determined, would have an Adverse Effect, or which would enjoin or otherwise materially and adversely affect the execution, delivery, or performance of the relevant Tranche, or the relevant Offer or issuance of the Securities pursuant to such Offer;
- (k) The audited consolidated financial statements of the Bank and the unaudited interim consolidated financial statements of the Bank appended to the Offering Circulars are in accordance with the books and records of the Bank, are complete and correct in all material respects, have been prepared in accordance with PFRS, and fairly represent a true, fair and accurate view of the Bank's financial condition and results of operations. Except as otherwise disclosed in the Offering Circulars, since the date of the latest unaudited interim consolidated financial statements of the Bank appended to the relevant Offering Circulars, there has been no material change in the financial condition or results of operations of the Bank or that which would have an Adverse Effect;
- (l) The Bank has, as of the date hereof, no liabilities or obligations of any nature, whether accrued, absolute, contingent, or otherwise, including but not limited to tax liabilities due or to become due, and whether incurred in respect of or measured by any income for any period prior to such date or arising out of transactions entered into or any state of facts existing prior thereto, which in the aggregate, would materially and adversely affect the Bank's ability to discharge its obligations under the Securities to be issued pursuant to the relevant Offer;
- (m) No event has occurred and is continuing which constitutes a default by the Bank under or in respect of any agreement binding upon the Bank, and no event has occurred which, with the giving of notice, lapse of time, or other condition, would constitute a default by the Bank under or in respect of such agreement, which default shall in any of the foregoing cases materially affect the Bank's ability to comply with the terms of the Securities to be issued pursuant to the relevant Offer and pay the principal and interest that may be due on such Securities;
- (n) Except in respect of such properties that are designated in its books and records as having liens, encumbrances, restrictions, pledges, mortgages, security interest, or charges due to their being classified as Real and Other Properties Acquired (ROPA), it has good and marketable title to all its other properties, free and clear of liens, encumbrances, restrictions, pledges, mortgages, security interest, or charges;
- (o) The Bank is conducting its business and operations in compliance with all applicable laws and regulations, has filed true, complete, and timely tax returns, and has paid all taxes due in respect of the ownership of its properties and assets or the conduct of its operations, except to the extent that the payment of such taxes is being contested in good faith and by appropriate proceedings or to extent that any failure to be in compliance with any of such laws and regulations would not result in an Adverse Effect;

- (p) The Bank maintains insurance with responsible and reputable insurance companies in such amounts adequate, covering such risks, and under such terms and conditions, as are prudent, customary and appropriate and necessary as are usually carried by companies engaged in similar business and owning similar properties in the same geographical areas as those in which the Bank operates;
- (q) The Bank maintains the services of a responsible and reputable external auditor; and
- (r) As of the date of the relevant Offering Circulars, (i) the Offering Circulars contain all information with respect to the Bank and to the relevant Tranche or Series which is material in the context of the issue and offering of the relevant Tranche or Series (including, without limitation, all information required by the applicable laws and regulations of the Republic of the Philippines and the information which, according to the particular nature of the Bank and of the Securities comprising such Tranche or Series, is necessary to enable the Holders and their advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Bank and of the rights attaching to such Securities); (ii) the statements contained in the Offering Circulars relating to the Bank and to the Group are in every material respect correct, true, accurate, and not misleading; (iii) the opinions and intentions expressed in the Offering Circulars with regard to the Bank and to the Group are honestly held, have been reached after considering all relevant circumstances known to the Bank, and are based on reasonable assumptions; (iv) there are no other material facts or information in relation to the Bank, the Group, or the Securities comprising the relevant Tranche or Series, the omission of which would, in the context of the issue and offering of the Securities comprising such Tranche or Series, make any statement in the Offering Circulars misleading in any material respect; (v) all reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements; (vi) all statistical, operational data and market related data included in the Offering Circulars that come from the Bank have been derived from the records of the Bank using systems and procedures which incorporate adequate safeguards to ensure that such data are complete, true and accurate in all material respects and are not misleading in any material respect; and (vii) all statistical and market related data included in the Offering Circulars that come from the Bank are based on or derived from sources which the Bank reasonably believes in good faith to be reliable and accurate and present fairly such sources, and the Bank has obtained the written consent to the use of such data from such sources to the extent required.

With regard to each Offer of Securities, these representations and warranties shall be true and correct as of the relevant Issue Date of such Securities and shall remain true and correct as long as such Securities or any portion thereof remain outstanding, by reference to the facts and circumstances then existing.

10.0 Covenants

With regard to each Offer of Securities, the Bank hereby covenants and agrees with the Holders of such Securities that, for as long as any such Securities remain outstanding:

- (a) The Bank shall pay all amounts due under the Securities and the applicable Transaction Agreements at the times and in the manner specified in, and perform all its obligations, undertakings, and covenants under the Securities and the applicable Transaction Agreements.
- (b) The Bank shall pay and discharge all taxes, assessments, and government charges or levies imposed upon it or upon its income or profits or upon any properties belonging to it prior to the date on which penalties are assessed; pay and discharge when due all lawful claims which, if unpaid, might become a lien or charge upon any of its properties; and take such reasonable steps as may be necessary in order to prevent its properties from being subjected to loss, forfeiture, or sale; *provided*, that it shall not be required to pay any such tax, assessment, charge, levy, or claim which is being contested by it in good faith and by proper proceedings or those the non-payment of which could not reasonably be expected to have an Adverse Effect.
- (c) The Bank shall preserve and maintain its corporate existence, all its rights, privileges, and concessions, licenses, franchises, and permits, which are necessary for it to conduct its business as presently conducted, or, in the case of a merger, consolidation, reorganization, reconstruction or amalgamation, ensure that the surviving corporation or the corporation formed thereby effectively assumes without qualification or condition, the entire obligations of the Bank under the Securities and for such corporation to preserve and maintain its corporate existence.

- (d) The Bank shall maintain adequate financial records and prepare all financial statements in accordance with PFRS and in compliance with the regulations of the government body having jurisdiction over it, and, subject to receipt of a written request within a reasonable period before the proposed date of inspection, permit the Holders or their duly designated representatives to inspect the books of accounts and records pertinent to the compliance by the Bank of its obligations under the Securities.
- (e) The Bank shall comply with all the requirements, terms, covenants, conditions, and provisions of all laws, rules, regulations, orders, writs, judgments, indentures, mortgages, deeds of trust, agreements, and other instruments, arrangements, obligations, and duties to which it, its business, or its assets are legally bound, where non-compliance would have an Adverse Effect.
- (f) The Bank shall satisfactorily comply with all BSP directives, orders, issuances, findings, and letters, including those regarding its capital, licenses, risk management, and operations, where non-compliance would have an Adverse Effect, and promptly and satisfactorily take all corrective measures that may be required under BSP audit reports on its operations, where non-compliance would have an Adverse Effect.
- (g) The Bank shall use the net proceeds from each Tranche or Series in accordance with the purpose of the issuance provided in the applicable Pricing Supplement.
- (h) The Bank shall satisfactorily pay all indebtedness and other liabilities and perform all contractual obligations pursuant to all agreements to which it is a party or by which it or any of its properties may be bound, except those being contested in good faith and by proper proceedings, or where a default, breach or non-compliance would not have an Adverse Effect.
- (i) The Bank shall, within ten (10) Banking Days from receipt of a written request from a Holder, furnish to such requesting Holder, the audited financial statements, consisting of the balance sheet of the Bank as of the end of its latest fiscal year and statements of income and retained earnings and of the source and application of funds of the Bank for such fiscal year, such audited financial statements being prepared in accordance with PFRS and being certified by an independent certified public accountant of recognized standing in the Philippines.
- (j) The Bank shall ensure that any documents related to the relevant outstanding Securities will, at all times, comply in all material respects with applicable laws, rules, regulations, and circulars, and, if necessary, make the appropriate revisions, supplements, and amendments to make them comply with such laws, rules, regulations, and circulars.
- (k) The Bank shall, upon written request of a Holder, execute and deliver to such Holder the reports, documents, and other information available to the public respecting the business, properties, condition, or operations, financial or otherwise, of the Bank as a Holder may from time to time reasonably require.
- (l) The Bank shall, as soon as possible and in any event within fifteen (15) days after the occurrence of any event that would constitute a default in any of the payment obligations of the Bank, wherein the amount involved is in excess of One Billion Pesos (₱1,000,000,000.00), or would trigger a cross default under any other obligation of the Bank, or other event which, with the giving of any notice and/or with the lapse of time, would constitute a default under any of the payment obligations of the Bank with any party, wherein the amount involved is in excess of One Billion Pesos (₱1,000,000,000.00), or would trigger a cross default under any other obligation of the Bank with any party, including, without limitation the applicable Transaction Agreements, serve a written notice to the Holders, through the Trustee, of the occurrence of any such default, specifying the details and the steps which the Bank is taking or proposes to take for the purpose of curing such default, including the Bank's estimate of the length of time to correct the same.
- (m) The Bank will duly and punctually comply with all reporting, filing, and similar requirements imposed by the BSP, the SEC, and the PSE or in accordance with any applicable Philippine law and regulations from time to time relating to the Securities and the applicable Transaction Agreements where non-compliance with the foregoing would have an Adverse Effect.
- (n) The Bank shall ensure that there shall at all times be a Registrar and Paying Agent, and Trustee for the purposes of the Securities, as provided in the RPAA and the Trust Agreement.

- (o) The Bank shall, when so requested in writing, provide any and all material and relevant information reasonably needed by the Arranger, the Trustee, the Paying Agent and/or Registrar, as the case may be, to enable them to respectively comply with their respective responsibilities and duties under the BSP Rules and the applicable Transaction Agreements; *provided*, that, in the event that the Bank cannot, for any reason, provide the required information, the Bank shall immediately advise the party requesting and shall perform such acts as may be necessary to provide for alternative information gathering.
- (p) The Bank shall promptly notify the Holders, through the Trustee of (i) any request by any government agency for any information related to Securities in connection with an investigation or proceeding conducted by such government agency, or (ii) the issuance by any governmental agency of any cease-and-desist order suspending the distribution or sale of the Securities or the initiation of any proceedings for any such purpose and shall use its best efforts to obtain at its sole expense the withdrawal of any order suspending the transactions with respect to the Securities at the earliest time possible.
- (q) The Bank shall execute and deliver such documents and perform such further acts as a relevant party to the applicable Transaction Agreements may reasonably require in relation to the BSP Rules or any of the applicable Transaction Agreements in order for such party to perform its functions and obligations under the BSP Rules or the relevant Transaction Agreements.

With respect to each Offer of Securities, these covenants of the Bank shall survive the issuance of such Securities, and shall be complied with and performed fully and faithfully by the Bank at all times while such Securities or any portion thereof remains outstanding.

11.0 Events of Default

A Holder shall have the right to declare the Bank in default (insofar as the relevant Securities registered under such Holder's name are concerned) in accordance with Condition 12, in case any of the following events shall occur and is continuing:

- (a) **Non-payment:** The Bank defaults in the repayment of any principal on the due date for payment thereof or default is made in the payment of any amount of interest due on the Securities on the due date for payment thereof; *provided*, that such non-payment shall not constitute an Event of Default if (i) it is solely due to an administrative or technical reason not attributable to the fault or negligence of the Bank and payment is received within five (5) Banking Days from the due date thereof; or (ii) if a grace period is granted by applicable law, rules or regulations, and payment is made by the Bank within the period for payment prescribed under such law, rules or regulations.
- (b) **Covenant Default:** The Bank fails to perform or violates its covenants (other than Condition 11(a)) under these Terms and Conditions, and such failure or violation is not remediable or, if remediable, continues to be unremedied for a period of thirty (30) days from receipt of written notice by the Bank of such failure or violation.
- (c) **Representation/Warranty Default:** Any of the Bank's representations and warranties under Condition 9 or any certificate issued by it in connection with the issuance of the Securities is untrue, incorrect, or misleading, in each case, in any material respect.
- (d) **Judgment Default:** Any final and executory judgment, decree, or arbitral award for the sum of money, damages, fine, or penalty of at least One Billion Pesos (₱1,000,000,000.00) or its equivalent in any other currency is entered against the Bank and the enforcement of which is not stayed, or is not paid, discharged, or duly bonded within thirty (30) days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement.
- (e) **Cross-default:** The Bank or a Material Subsidiary: (i) defaults in the repayment of any amount of principal and premium (if any) or interest, in respect of any contract (other than the Securities) executed by the Bank or a Material Subsidiary with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default, or with the giving of notice or the passage of time would constitute an event of default, under said contract; or (ii) violates any other term or condition of a contract, which is irremediable or, if remediable, (x) is not remedied by the Bank or a Material Subsidiary within 15 days from notice sent to the Bank or a Material Subsidiary (as the case may

be) in accordance with Condition 15 or is otherwise not contested by the Bank or a Material Subsidiary (as the case may be), and (y) results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; *provided*, that in any of the foregoing cases, the aggregate amount involved exceeds One Billion Pesos (₱1,000,000,000.00), or its equivalent in any other currency.

- (f) **Writ and Similar Process Default:** Any final and executory judgment, writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Bank's assets and such final and executory judgment, writ, warrant, or similar process shall not be released, vacated, or fully bonded within thirty (30) days after its issue or levy.
- (g) **Suspension of Operation by Government Action:** The government or any competent authority takes any action to suspend the whole or the substantial portion of the operations of the Bank, or condemns, seizes, or expropriates all or substantially all of the properties of the Bank.
- (h) **Voluntary Suspension of Operations:** The Bank voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days, except in the case of strikes or lockouts when necessary to prevent business losses, or when due to fortuitous events or *force majeure*, or when there is no material adverse effect on the business operations or financial condition of the Bank.
- (i) **Insolvency Default:** The Bank becomes insolvent or is unable to pay its debts when due, or commits or permits any act of bankruptcy, including (i) filing, in accordance with applicable laws and regulations, of a voluntary or involuntary petition by or against the Bank, as the case may be in any bankruptcy, reorganization, winding-up, suspension of payment, liquidation, or other analogous proceeding; (ii) the appointment of a trustee or receiver over all or a substantial portion of its assets, and such appointment is not lifted, discharged, or dismissed within thirty (30) days from the Bank's receipt of notice of such appointment (except in any such case for the purposes of a merger, consolidation, reorganization, reconstruction or amalgamation upon which the continuing corporation or the corporation formed thereby effectively assumes the entire obligations of the Bank under the Securities or the appointment of a receiver, administrator, administrative receiver, registrar or similar officer of it or of any or all of its revenues and assets); (iii) the making of an assignment for the benefit of its creditors over all or substantially all of its assets; (iv) admission in writing of its inability to pay its debts; or (v) entry of any final and executory order or judgment of any court, tribunal, or administrative agency or body confirming the insolvency of the Bank, or approving any reorganization, winding-up or liquidation, of the Bank or a substantial portion of its assets.
- (j) **License Default:** Any governmental consent, license, approval, authorization, or declaration, which is granted or required in connection with the Securities expires or is terminated or revoked and the result thereof is to make the Bank unable to discharge its obligations hereunder or thereunder.

12.0 Effects of Default Events

(a) Notice of Default

Subject to the terms of the Trust Agreement, the Trustee shall, within ten (10) Banking Days after receiving notice, or having knowledge of, the occurrence of any Event of Default, give to the Holders written notice of such default known to it unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default under Condition 11(a) above, the Trustee shall immediately notify the Holders upon the occurrence of such payment default; provided, further, that in case such notice of default is received by the Trustee from a Holder, the Trustee, prior to notifying the remaining Holders, shall first advise the Bank of such notice and provide the Bank with an opportunity to refute such claim to the satisfaction of the party alleging the Event of Default within three (3) Banking Days from its receipt of the advice from the Trustee, failing which the Trustee shall notify the remaining Holders in accordance herewith.

The written notice required to be given to the Holders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Holders or their duly authorized representatives may obtain any information relating to such

occurrence of an Event of Default at the principal office of the Trustee upon presentation of sufficient and acceptable identification.

(b) Declaration of Default

If any one or more of the Events of Default shall have occurred and be continuing without the same being cured within the periods provided in the Trust Agreement and in these Terms and Conditions, the Trustee may on its own, or, upon the written direction of the Majority Holders, by notice in writing delivered to the Bank, with a copy furnished the Paying Agent and Registrar, declare the principal amount of the relevant Tranche or Series of the Securities, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable (the “*Accelerated Amounts*”).

All the unpaid obligations under the relevant Tranche or Series of the Securities, including accrued interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Bank.

(c) Default Interest

In case of an Event of Default under Condition 11(a), the Bank shall, in addition to the payment of unpaid amount of principal and accrued interest, pay default interest at the rate of one percent (1%) per month thereon, which shall accrue from the date the amounts payable under the applicable Terms and Conditions became due until the same is fully paid.

(d) Application of Payments

Subject to the RPAA, any money delivered to the Paying Agent upon the occurrence of an Event of Default under Condition 11 shall be applied by the Paying Agent in the order of preference as follows:

- (i) *first*, to the pro-rata payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Registrar and Paying Agent, the Trustee, PDEx, Arrangers, Selling Agents, and their respective agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them without gross negligence or bad faith;
- (ii) *second*, to the payment of all outstanding interest owing to such Holder, including any Default Interest as specified in Condition 12(c) above, in the order of maturity of such interest;
- (iii) *third*, to the payment of the whole amount then due and unpaid on the Securities for principal owing to such Holders; and
- (iv) *fourth*, the remainder, if any, shall be paid to the Bank, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

13.0 Remedies; Waiver; Ability to File Suit; Limitations

- (a) All remedies conferred by the relevant Terms and Conditions and the applicable Transaction Agreements to the Holders shall be cumulative and not exclusive, and shall not be so construed as to deprive the Holders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce such direct rights under the relevant Terms and Conditions and/or the applicable Transaction Agreements, subject to Condition 13 (d).
- (b) No delay or omission by the Holders, or any one of them, to exercise any right or power arising from or on account of any Event of Default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default or an acquiescence thereto; and every power and remedy given by the relevant Terms and Conditions to the Holders may be exercised from time to time and as often as may be necessary or expedient.

- (c) Nothing herein shall be deemed to create a partnership or collective venture between the Holders. Each Holder shall be entitled, at its option, to take independent measures with respect to its obligations and rights and privileges under these Terms and Conditions with respect to the particular Securities registered under its name as appearing in the Registry, and it shall not be necessary for the other Holders to be joined as a party in any judicial or other proceeding for such purpose.
- (d) No Holder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Bank hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (i) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Holders to take up matters related to their rights and interests under the Securities; (ii) the Majority Holders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Holders pursuant to Condition 13.0(e), it being understood and intended, and being expressly covenanted by every Holder with every other Holder and the Trustee, that no one or more Holders shall have any right in any manner whatsoever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Securities or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all the Holders.
- (e) The Majority Holders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Holders may decide for and on behalf of the Holders to waive any past default except the Events of Default specified in Condition 11.0(a) and (i). In case of any such waiver, the Trustee and the Holders shall be restored to their former positions and rights hereunder; *provided* however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Holders shall be conclusive and binding upon all Holders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Securities.
- (f) Notwithstanding any other provisions in these Terms and Conditions, in no instance shall any of the parties be liable for special, indirect, consequential, nominal, exemplary, or punitive damages (including, without limitation, any loss of profits, business or anticipated savings).

14.0 Replacement Registry Confirmations

In case any Registry Confirmation shall be mutilated, defaced, destroyed, lost, or stolen, the Registrar, upon receipt of a written request in the form specified by the Registrar, shall cause the reprinting of the Registry Confirmation, subject to applicable fees.

15.0 Notices

(a) To the Bank

Except for a notice to declare an Event of Default which must be personally delivered or sent by registered mail with postage prepaid, all notices, instructions, statements, and requests to the Bank shall be in writing and shall be sent by personal delivery, courier, registered mail with postage prepaid, confirmed facsimile to the Bank at its address, facsimile number, and secured electronic mail address, and for the attention of the specified representative as set forth below:

To the Bank:	SECURITY BANK CORPORATION Security Bank Centre, 6776 Ayala Avenue, Makati City
Attention:	Orencio Andre P. Ibarra III Senior Vice President, Treasurer

Telephone: (63) 2 8888.7033
Email: OIbarraIII@securitybank.com.ph

(b) To the Trustee

Except for a notice to declare an Event of Default which must be personally delivered, all notices, instructions, and requests to the Trustee shall be in writing and shall be sent by personal delivery, courier, or registered mail with postage prepaid, confirmed facsimile to the Trustee at its address, facsimile number, and secured electronic email address, and for the attention of the specified representative, as set forth in the relevant Trust Agreement.

(c) To the Registrar and Paying Agent

Except for a notice to declare an Event of Default which must be personally delivered, all notices, instructions, and requests to the Registrar and Paying Agent shall be in writing and shall be sent by personal delivery, courier, or registered mail with postage prepaid, confirmed facsimile to the Registrar and Paying Agent at its address, facsimile number, and secured electronic email address, and for the attention of the specified representative, as set forth below:

To the Registrar: PHILIPPINE DEPOSITORY & TRUST CORP.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas
Makati City

Attention: Ms. Josephine F. dela Cruz
Director, Securities Services
Telephone: (63) 2 8884.4425
E-Mail : josephine.delacruz@pds.com.ph

(d) To the Holders

Except as otherwise provided in these Terms and Conditions, all notices to the Holders shall be in writing and shall be (i) sent by mail with postage prepaid to the name and last recorded address of the Holders as appearing in the Registry or (ii) by publication, at the Bank's expense, for two (2) consecutive days in two (2) newspapers of general circulation in Manila in a manner that complies with SEC Memorandum Circular No. 1 (2008) and with the rules and regulations of PDEX on which the Securities are for the time being listed.

(e) Effect of Notice

All notices, instructions, statements, and requests, where applicable, shall take effect:

- (i) in the case of a letter, when delivered;
- (ii) in the case of fax; on the transmission date with a transmission report confirming receipt (or if such date is not a Banking Day, then on the next Banking Day);
- (iii) if sent by email, on the day of sending, with the receipt thereof confirmed by the receiving Parties;
or
- (iv) if by publication, on the date of publication or, if published more than once or on different dates, on the first date on which such publication is made.

The parties shall maintain any electronic data, message, communication, or mail received pursuant to the Electronic Commerce Act (Republic Act No. 8792) and these Terms and Conditions.

(f) Recording

For security and quality of service purposes, all telephone and other communications between the parties and the Holders may be recorded in any manner, and the Holders shall be deemed to have consented to

such recording and to the production of such recordings as evidence in any proceedings brought in connection with the Securities.

16.0 Amendment

The Bank and the Trustee may, without prior notice to or the consent of the Holders or other parties, amend or waive any provisions of the applicable Terms and Conditions if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency provided in all cases that such amendment or waiver does not adversely affect the interests of the Holders and provided further that all Holders are notified of such amendment or waiver.

The Bank and the Trustee may amend the Terms and Conditions of a relevant Tranche without notice to every Holder but with the written consent of the Majority Holders of such Tranche (including consents obtained in connection with a tender offer or exchange offer for the Securities held by such Holders). However, without the consent of each Holder of such Tranche affected thereby, an amendment may not:

- (a) reduce the percentage amount of the Securities outstanding for such Tranche that must consent to an amendment or waiver;
- (b) reduce the rate of or extend the time for payment of interest on any of the relevant Securities;
- (c) reduce the principal of or extend the relevant Maturity Date of any of the relevant Securities;
- (d) impair the right of the relevant Holder to receive payment of principal of and interest on such Holder's Securities on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Holder;
- (e) reduce the amount payable upon the redemption or repurchase of any of the relevant Securities under the applicable Terms and Conditions or change the time at which such Securities may be redeemed;
- (f) make any of the relevant Securities payable in money other than that stated in the applicable Transaction Agreements;
- (g) subordinate the relevant Securities to any other obligation of the Bank;
- (h) release any security interest that may have been granted in favor of the Holders; and
- (i) make any change or waiver of this Condition.

For the avoidance of doubt, the consent of the Holders shall not be required for the execution, issuance, amendment, or modification of a Pricing Supplement for a relevant Tranche or Series or any amendment or modification of the Terms and Conditions applicable to other Tranches.

It shall not be necessary for the consent of the Holders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Bank shall send a notice briefly describing such amendment to the Holders in the manner provided under the applicable Terms and Conditions.

With the consent of the Majority Holders, the Bank, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement.

It shall not be necessary to obtain the consent of the Holders under this Condition for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Promptly after the execution by the Bank and the Trustee of any supplemental agreement pursuant to the provisions of this Condition, the Bank shall send a notice to the Holders setting forth in general terms the substance

of such supplemental agreement. Any failure of the Bank to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

Any consent given pursuant to this Condition shall be conclusive and binding upon all Holders of the outstanding Securities or all Holders of a relevant Tranche, as the case may be, and upon all future holders and owners thereof or of any of the Securities issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the instrument representing the Securities.

17.0 Duties and Responsibilities of the Trustee

- (a) The Trustee shall act as trustee for and in behalf of the Holders and, as such shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Bank with all its representations and warranties, and the Bank's observance of all its covenants and performance of all its obligations, under and pursuant to this Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under this Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Holders, and to whom the Holders shall communicate with in respect to any matters to be taken up with the Bank.
- (b) The Trustee shall: (i) have custody of and hold in its name, for and in behalf of the Holders, the relevant Master Certificate of Indebtedness for each relevant Tranche (ii) safekeep the Master Certificate of Indebtedness, the reports to Holders referred to in Section 3.14(a) of the Trust Agreement, the documents referred to in Section 3.14(c) of the Trust Agreement, and such other documents as may have been received by the Trustee in the performance of its functions under the Trust Agreement.
- (c) The Trustee may, from time to time, request (i) the Bank to submit a certification relating to the Bank's ability to comply with its obligations under the outstanding Securities and the Trust Agreement and (ii) to the extent permitted by law, examine the relevant records of the Bank as may be related to the Bank's obligations under the outstanding Securities and the Trust Agreement; provided, that any such request shall not be made more than once every quarter.
- (d) Upon written request by the Bank, on the succeeding Banking Day following the date the Trustee receives such request, the Trustee shall send notice of any matter to the Holders as may be requested by the Bank, other than those matters for which notice is specifically required to be given to the Holders by another party under the Transaction Agreements.
- (e) The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Holders issued or reached in accordance with Section 10 of the Trust Agreement.
- (f) The Trustee, in the performance of its duties, shall exercise such rights and powers vested in it by the Trust Agreement, and use such diligence, judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters, exercise in the management of their own affairs.
- (g) The Trustee shall inform the Holders of any event which has an Adverse Effect on the ability of the Bank to comply with its obligations to the Holders, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns of such events, subject to Section 10.2 of the Trust Agreement.
- (h) The Trustee shall perform such other powers and functions as provided for elsewhere under the Trust Agreement.
- (i) Except as may be necessary to perform its duties of the Trust Agreement and as required by law, the Trustee (i) shall permanently keep privileged and confidential, separate and distinct, any information, data, documents, files, properties, funds, or any other matter which it may acquire pursuant to of the Trust Agreement or obtained in the course of the performance of its duties and functions as a Trustee, (ii) shall refrain from disclosing any such information or item in any manner, whether written, verbal, telegraphic, coded, or encrypted, whether in physical, electronic, or any other form or media, and (iii) hereby undertakes not to use any such information or item for its own benefit or for the benefit of any of its clients regardless

of whether or not such use can be shown to cause disadvantage, injury, or damage to the Bank; *provided*, that where any disclosure of the foregoing information is required by law, the Trustee shall properly apprise the Bank of such disclosure and give reasonable opportunity to the Bank to consider the same. This shall survive the termination of the Trust Agreement.

- (j) Other than: (i) fees paid to the Trustee pursuant to Section 3.4(a) of the Trust Agreement, and (ii) amounts received by the Trustee as reimbursement for reasonable, actual, and documented fees and expenses incurred or made by the Trustee in the performance of its duties and functions under this Condition 17, all moneys and funds received by the Trustee in connection with the Trust Agreement, if any, shall not be utilized in transactions involving any of the Trustee's directors, officers, stockholders or related interest as contemplated under Section 413 of the BSP Manual of Regulations for Banks on Transactions Requiring Prior Authority.

18.0 Change of Trustee

- (a) The Trustee may at any time resign by giving sixty (60) days' prior written notice to the Bank and to the Holders of such resignation.
- (b) Upon receiving such notice of resignation of the Trustee, the Bank shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Holder who has been a *bona fide* holder for at least six months (the "Bona Fide Holder") may, for and on behalf of the Holders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee.

However, in cases where an Event of Default shall have occurred and be continuing, the Majority Holders, not the Bank, shall appoint the successor trustee.

- (c) A successor trustee should possess all the qualifications required under pertinent laws, otherwise, the incumbent trustee shall continue to act as such.
- (d) In the event that any of the following shall occur:
 - (i) the Trustee shall fail to comply with the provisions of Section 3.8(a) of the Trust Agreement after written request therefor by the Bank or by the Majority Holders, or
 - (ii) the Trustee shall cease to be eligible in accordance with the provisions of Section 3.3(a) of the Trust Agreement and shall fail to resign after written request therefor by the Bank or by any Bona Fide Holder, or
 - (iii) the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation,

then the Bank may, within thirty (30) days therefrom remove the Trustee and appoint a successor Trustee, by written instrument in duplicate, executed by the Bank's duly authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor Trustee. If the Bank fails to remove the Trustee and appoint a successor Trustee, any Bona Fide Holder may, on behalf of himself and all other Holders, petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor Trustee.

- (e) The Majority Holders may at any time remove the Trustee for cause and appoint a successor Trustee by the delivery to the Trustee so removed, to the successor Trustee and to the Bank of the required evidence provided for in Section 11.9 of the Trust Agreement of the action in that regard taken by the Majority

Holders. This is without prejudice to whatever remedies may be available to the Majority Holders under applicable laws or in equity.

- (f) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of Section 3.9 of the Trust Agreement shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in Section 3.10 the Trust Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement (the “Resignation Effective Date”), provided, however, that after the Resignation Effective Date and, as relevant, until such successor Trustee is qualified and appointed (the “Holdover Period”), the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Bank.
- (g) Within thirty (30) days from the effectivity of the resignation or removal of the Trustee and the appointment of the successor Trustee, the Trustee shall transfer and turn over to the successor Trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the Trustee pursuant to the Trust Agreement, if any.

19.0 Successor Trustee

- (a) Any successor Trustee appointed as provided in Section 3.9 of the Trust Agreement shall execute, acknowledge and deliver to the Bank and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Bank or of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trust herein expressed, all the rights, powers and duties of the Trustee so ceasing to act. Upon request of any such successor Trustee, the Bank shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor Trustee all such rights, powers and duties. Except as provided herein, upon effectivity of the removal or resignation of the Trustee as provided above, the Trustee’s liabilities and obligations shall immediately cease.
- (b) No successor Trustee shall accept appointment as provided in Section 3.10 of the Trust Agreement unless at the time of acceptance such successor Trustee shall be qualified and eligible under the provisions of Section 3.3(a) of the Trust Agreement and is not subject to any conflicting interests under Section 3.8(c) of the Trust Agreement.
- (c) Upon acceptance of appointment by a successor Trustee as provided in Section 3.10 of the Trust Agreement, the Bank shall notify the Holders in writing of the succession of such Trustee to the trust herein provided. If the Bank fails to notify the Holders within ten (10) days after acceptance of appointment by the successor Trustee, the latter shall cause the Holders to be so notified at the expense of the Bank.

20.0 Reports to the Holders

- (a) The Trustee shall submit to the Holders on or before February 28 of each year from the Issue Date until full payment of the Securities (which may be through electronic mail) a brief report dated as of December 31 of the immediately preceding year with respect to:
 - (i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Holders on the date of such report (which shall be based on the report to be given by the Paying Agent to the Trustee upon request of the Bank); and
 - (ii) any action taken by the Trustee in the performance of its duties under this Agreement which it has not previously reported and which in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 10.1 of the Trust Agreement.
- (b) The Trustee shall submit to the Holders (which may be through electronic mail) a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or

charge which is prior to that of the Holders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10%) of the aggregate outstanding principal amount of the Securities at such time.

- (c) The following pertinent documents may be inspected by the Holders during regular business hours on any Banking Day at the principal office of the Trustee:
 - (i) the Program Agreement;
 - (ii) the Trust Agreement;
 - (iii) the RPAA; and
 - (iv) the Articles of Incorporation and By-Laws of the Bank.

21.0 Meetings of the Holders

A meeting of Holders of a relevant Tranche or Series may be called at any time and from time to time pursuant to the provisions of this Condition and Section 11 of the Trust Agreement for the purpose of taking any action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the relevant Securities under the provisions of the Trust Agreement or under applicable law and such other matters related to the rights and interests of the Holders under the Securities.

(a) *Notice of Meetings*

The Trustee may at any time call a meeting of the Holders of a relevant Tranche or Series, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of such Securities pertaining to a Tranche or Series may direct in writing the Trustee to call a meeting of such Holders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Bank and to each of the registered Holders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. Each of such notices shall be published in a newspaper of general circulation as provided in the Trust Agreement. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting shall be reimbursed by the Bank within ten (10) days from receipt of the duly supported billing statement.

(b) *Failure of the Trustee to Call a Meeting*

In case at any time the Bank or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of such Securities pertaining to a Tranche or Series shall have requested the Trustee to call a meeting of the Holders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with Section 11.2 of the Trust Agreement, the notice of such meeting, then the Bank or the Holders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof as provided in Section 11.2 of the Trust Agreement.

(c) *Quorum*

The Trustee shall determine and record the presence of the Majority Holders personally or by proxy. The presence of the Majority Holders shall be necessary to constitute a quorum to do business at any meeting of the Holders.

(d) *Procedure for Meetings*

The Trustee shall preside at all the meetings of the Holders unless the meeting shall have been called by the Bank or by the Holders as provided in Section 11.3 of the Trust Agreement, in which case the Bank or the Holders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

Any meeting of the Holders duly called pursuant to the provisions of Section 11.5 of the Trust Agreement may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held upon written agreement by the Bank and the Holders on another date without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Securities represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) *Voting Rights*

To be entitled to vote at any meeting of the Holders, a Person shall be a registered holder of one (1) or more Securities or a Person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Holders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000) interest. The only Persons who shall be entitled to be present or to speak at any meeting of the Holders shall be the Persons entitled to vote at such meeting and any representative of the Bank and its legal counsel.

(f) *Voting Requirement*

All matters presented for resolution by the Holders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Holders present or represented in a meeting at which there is a quorum, except as otherwise provided in this Agreement.

Any resolution of the Holders which has been duly approved with the required number of votes of the Holders as herein provided shall be binding upon the Bank and all the Holders of the relevant Tranche or Series as if the votes were unanimous.

(g) *Role of the Trustee in Meetings of the Holders*

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Holders, in regard to proof of ownership of the Securities, the appointment of proxies by registered holders of the Securities, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

22.0 Venue

The proper courts of Makati City, Philippines are to have exclusive jurisdiction to settle any disputes and any legal action or proceedings arising out of or in connection with the applicable Terms and Conditions, the Securities, and the relevant Transaction Agreements which may be brought in such courts.

23.0 Prescription

Claims against the Bank for payment in respect of the Securities shall prescribe and become void unless made within ten (10) years (in case of principal and other sums) or five (5) years (in case of interest) from the time the date on which the payment becomes due.

Claims against the Bank for any action upon the Securities shall prescribe and become void unless made within ten (10) years from the time the right of action accrues.

24.0 Severability

If any provision hereunder becomes invalid, illegal, or unenforceable under any law, the validity, legality, and enforceability of the remaining provisions of the Terms and Conditions shall not be affected or impaired. The Bank shall use all reasonable efforts, by way of a supplemental terms and conditions, to amend and restate any

invalid provision with a valid provision which most closely approximates the intent and economic effect of the illegal, invalid, or unenforceable provision.

25.0 Governing Law

These Terms and Conditions, the Securities and the Transaction Agreements shall be governed by and construed in accordance with the laws of the Republic of the Philippines.

26.0 Evidence Supporting the Action of the Holders

Wherever in the Trust Agreement it is provided that the Holders of a specified percentage of the aggregate outstanding principal amount of such Securities pertaining to a Tranche or Series may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Holders in person or by the agent or proxy appointed in writing or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Holders duly called and held in accordance herewith or (iii) a combination of such instrument and any such record of meeting of the Holders.

27.0 Non-Reliance

Each Holder also represents and warrants to the Trustee that it has independently and, without reliance on such Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Bank on the basis of such documents and information as it has deemed appropriate and that he has subscribed to the Securities on the basis of such independent appraisal, and each Holder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Holders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature with respect to its obligations under the Trust Agreement, except for its gross negligence or wilful misconduct.

28.0 Waiver of Preference

The obligations created under the applicable Transaction Agreements and the Securities shall not enjoy any priority of preference or special privileges whatsoever over any other unsecured and unsubordinated obligations of the Bank. Accordingly, whatever priorities or preferences that the applicable Transaction Agreements or the Securities may have or any person deriving a right hereunder may have under Article 2244, paragraph 14(a) of the Civil Code of the Philippine are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14(a) of the Civil Code of the Philippines shall be revoked if it be shown that an indebtedness of the Bank for borrowed money has a priority or preference under the said provision.

FORM OF PRICING SUPPLEMENT

[PRELIMINARY/FINAL] PRICING SUPPLEMENT [●] AS OF [Month] [●], [YEAR]



Offer of ₱[●] [Type of Security (Fixed/Floating)] Bonds / Commercial Papers [●] due [●]

under its 2019 Peso Bonds and Commercial Papers Program

[With Oversubscription Option]

Offer Price of: [100%] of Face Value

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

Arrangers
[Logos]

Selling Agent/s
[Logos]

*This document constitutes the Pricing Supplement relating to [Series/Tranche] [●] [denomination (e.g. peso denominated)] [type of security (fixed/floating)] [Bonds / Commercial Papers][●] due [Year] (the “**Bonds/Notes**”) 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 [●] and the Offering Circular dated [●] 2023 (the “Offering Circular”). This Pricing Supplement contains the final terms of this Offer and the [Series/Tranche] [●] [Bonds / Commercial Papers] 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.*

Issuer	Security Bank Corporation (the “Issuer” or the “Bank”)
Issue	[Bonds/Commercial Papers] [Type of Security (Fixed/Floating)] constituting the direct, unconditional, unsecured and unsubordinated obligations of the Bank
Specified Currency or Currencies	Philippine Peso
Offer Size	Minimum of [₱●] [with an oversubscription option]
Manner of Distribution	Public Offer
Use of Proceeds	[●]
Issue Price	At par (or 100% of face value)

Form and Denomination of the Securities	The [Series/Tranche] [●] [Bonds / Commercial Papers] shall be issued in scripless form in minimum denominations of [P●] each, and in multiples of [P●] thereafter, and traded in minimum denominations of [P●] each, and in multiples of [P●] thereafter in the secondary market.
Offer Period	The offer of the [Bonds / Commercial Papers] shall commence at [●a.m.] on [●] and end at [●p.m.] on [●]
Issue Date	[●]
Tenor	[●]
Interest	[●]
(a) For Fixed Rate:	
Reference Rate	[●]
Interest Commencement Date	[●]
Interest Payment Date (s)	[●], [●], [●] and [●] of each year
Interest Rate	[●]% per annum
(b) For Floating Rate	
Specified Period(s) / Interest Payment Dates	[●]
Manner in which the Interest Rate and Interest Amount is to be determined	[●]
Party Responsible for calculating the Interest Rate and Interest Amount	[●]
Reference Rate	[●]
Margin	[●]
Interest Determination Date	[●]
Day Count Fraction	30/360 day count basis
Business Convention	[●]
Maturity Date	[●] days/years from Issue Date or [●]
Rating	Unrated
Ranking	The [Series/Tranche] [●] Bonds/Commercial Papers 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 [Tranche/Series] [●] [Bond/Commercial Papers] Holders due [●]
Listing	The Tranche [●] [Bonds / Commercial Papers] are intended to be listed on the Philippine Dealing & Exchange Corp. or such other securities exchange licensed as such by the Securities and Exchange Commission
Governing Law	Philippine Law

PROVISIONS RELATING TO REDEMPTION

Notice Period	Minimum period: [●] Maximum period: [●]
Issuer Redemption Option	[●]
Final Redemption Amount	[●]
Early Redemption Date	[●]
Early Redemption Amount	[●]
Restricted Transfers	[●]
Prohibited Holders	[●]
Closed Period	[●]
Application to Purchase	[●]

PARTIES/DISTRIBUTION

Trustee	[●]
Registrar & Paying Agent	Philippine Depository & Trust Corp.
Joint Lead Arrangers	[●]
Sole Bookrunner	[●]
Selling Agent(s)	[●]
Market Maker	[●]
Listing Agent	[●]

ADDITIONAL INFORMATION
Amendment or Supplement to the Offering Circular
[Changes or updates to the Offering Circular]

USE OF PROCEEDS

The intended use of proceeds for each of the Tranche or Series of the Securities being offered shall be set out in the relevant Pricing Supplement under “*Use of Proceeds*”.

RESPONSIBILITY

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

SECURITY BANK CORPORATION

By:

By:

INVESTMENT CONSIDERATIONS

Prior to making any investment decision, prospective investors should carefully consider, among other things, the risks described below, as well as the other information contained in this Offering Circular. Any of the following risks could materially adversely affect the business, financial condition, or results of operations of the Bank. The market price of the Securities could decline due to any one of these risks and as a result, investors could lose all or part of their investment.

The following discussion is not intended to be a comprehensive description of the risks and other factors and is not in any way meant to be exhaustive as the risks below are not the only risks the Bank faces. Additional risks and uncertainties not currently known to the Bank, or that it currently deems to be immaterial may also materially adversely affect the business, financial condition, or results of operations of the Bank. Prospective investors are encouraged to make their own independent legal, tax, financial, and business examination of the Bank, the Securities, and the market. Neither the Bank nor the Joint Lead Arrangers make any warranty or representation on the marketability or price on any investment in the Securities. In making an investment decision, each investor must rely on its own examination of the Bank and the terms of the offering of the Securities.

Risks Relating to the Philippines

The Bank's business and results of operations have been and could continuously be adversely affected by public health epidemics or outbreaks of diseases such as the the COVID-19 pandemic.

The COVID-19 disease is suspected to have originated in Wuhan, China, with individual human infections of the new virus reported as early as 31 December 2019. The World Health Organization (“WHO”) declared COVID-19 disease a global pandemic on 11 March 2020.

The COVID-19 pandemic has engendered profound and wide-ranging ramifications for the global economy. It has precipitated the indefinite closure of key economic sectors, widespread insolvencies, a surge in unemployment rates, the imposition of travel restrictions, disruptions in supply chains, and considerable strains on government finances. To contain the spread of the virus, unprecedented measures have been implemented by national authorities, including travel restrictions, bans on large gatherings, shutdowns of non-essential services, enforced business closures, and comprehensive quarantine orders affecting entire populations. Although these “social distancing” measures are essential for public health, they have triggered simultaneous shocks to both supply and demand, resulting in heightened turbulence in global financial markets.

While the Bank believes that it is well capitalized, there is no assurance that its business operations and financial condition will not be materially and adversely affected in case there is another extended and prolonged implementation by the government of restrictive measures (such as stringent quarantine measures) to prevent the spread of the COVID-19 disease. It also recognizes that the outbreak of an infectious disease in the Philippines, Asia, or elsewhere, together with any resulting restriction on travel and/or imposition of quarantines such as the Enhanced Community Quarantine (“ECQ”) or other quarantine measures, could have an adverse effect on the Philippine economy.

Since substantially all of the Bank's business operations and assets are based in the Philippines, its income, results of operations and the quality and growth of its assets depend, to a large extent, on the performance of the Philippine economy. Any deterioration of the Philippine economy as a result of the measures that have been or may be undertaken to contain public health epidemics or outbreaks of diseases could thus materially and adversely affect the Bank's financial position and results of operations, including the Bank's ability to grow its asset portfolio, the quality of the Bank's assets, and its ability to implement the Bank's business strategy.

On 30 June 2022, House Bill 271 otherwise known as the “National Economic Stimulus and Recovery Act of 2022” was filed in the 19th Congress. It is a ₱1.5 trillion economic stimulus program that will support sustained high infrastructure spending with focus on Health, Education, Agriculture, Livelihood, Information Technology, and Tourism (HEAL IT) sectors. This bill is proposing a special three-year recovery fund set to release ₱500 billion per year and is seen as the successor of the Bayanihan 2 Act and the Bayanihan Act. The bill has been pending with Committee on Economic Affairs since 26 July 2022.

The measures implemented by the Philippine government under the Bayanihan Act and the Bayanihan 2 Act, as well as other regulations intended to mitigate the negative impact of COVID-19 in the Philippine economy, have caused disruption to businesses and economic activities, and their impact on businesses continue to evolve.

There can also be no assurance that the policies and controls for outbreak prevention and disease recurrence, will be successful in preventing disease outbreaks or recurrences or that any actual or suspected outbreak of bird flu, COVID-19 or any other contagious disease affecting the Philippines or elsewhere will not occur. There can also be no assurance that any current or future outbreak of contagious diseases will not have a material adverse effect on the Bank's business, financial condition, and results of operations. If the outbreak of the COVID-19 or any public health epidemic or pandemic becomes or continues to be widespread in the Philippines or increases in severity, it could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Group's business, financial condition, and results of operations.

On 5 May 2023, the WHO declared the end of COVID-19 as global health emergency. Notwithstanding such declaration by the WHO that COVID-19 is no longer a global health emergency, the Philippine Department of Health issued a warning to the public on 9 May 2023 that the pandemic is not yet over.

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

The Philippine economy has experienced volatility in the value of the Peso as well as limitations to the availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso declined from approximately ₱29.00 to U.S.\$1.00 in July 1997 to ₱56.18 to U.S.\$1.00 by December 2004.

While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies. As of 21 June 2023, according to BSP data, the Peso was at ₱55.73 per U.S.\$1.00.

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

Substantially all of the Bank's business operations and assets are based in the Philippines. As a result, the Bank's income, results of operations and the quality and growth of its assets depend, to a large extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine currency and the imposition of exchange controls.

Factors that may adversely affect the Philippine economy include:

- Decreases in business, industrial, manufacturing, or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- exchange rate fluctuations and foreign exchange controls;
- rising inflation or increases in interest rates;
- levels of employment, consumer confidence, and income;
- changes in the Philippine government's fiscal and regulatory policies;
- Philippine government budget deficits;
- adverse trends in the current accounts and balance of payments of the Philippine economy;
- public health epidemics or outbreaks of diseases, such as the COVID-19 pandemic and the re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-CoV), SARS, avian influenza (commonly known as bird flu), or H1N1, or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods, and similar events;

- political instability, terrorism, or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, social, political, or economic developments in or affecting the Philippines.

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

Political instability may have a negative effect on the business, financial position, or results of operations of the Bank.

The Philippines has from time to time experienced political and military instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business. In the last few years, there were instances of political instability, including impeachment proceedings against two former presidents, a Chief Justice of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by a previous administration.

In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

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

The Philippine general elections for national, provincial, and local officials took place on May 9, 2022. Ferdinand "Bongbong" Marcos, Jr., and his vice presidential running mate, Sara Duterte, won convincingly. A number of his senatorial slate also took the available senate seats. The top losing presidential candidates have conceded. While this bodes well for political stability, there is no assurance that the political environment in the Philippines will be stable or that the current or any future government will adopt economic policies that are conducive to sustained economic growth or which do not materially and adversely impact the current regulatory environment. An unstable political or social environment in the Philippines could negatively affect the general economic conditions and business environment in the Philippines which, in turn, could have a material and adverse impact on the Bank's business, prospects, financial position, and financial performance.

President Ferdinand "Bongbong" Romualdez Marcos Jr. assumed the presidency advocating for measures to stimulate growth, attract investments, and create job opportunities for Filipinos. President Marcos emphasizes the importance of infrastructure development, particularly in underserved regions, as a catalyst for economic progress. He also promotes policies that support entrepreneurship, innovation, and the growth of key industries, recognizing their potential to drive the country's prosperity.

There can be no assurance that the current administration will continue to implement social and economic policies favoured by the previous administrations. Major deviation from the policies of the previous administrations or fundamental changes of direction, may lead to an increase in political or social uncertainty and instability. The controversy surrounding the President's family may also raise risks of social and political unrest. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Bank's businesses, prospects, financial condition, and results of operations.

Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on the Bank's business, financial position, and results of operations.

The Philippines has also been subject to a number of terrorist attacks since 2000, and the Armed Forces of the Philippines ("AFP") has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. Additionally, there have been clashes with various separatist groups. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in September 2013, a faction of the Moro National Liberation Front ("MNLF") allegedly

led by Nur Misuari, a former governor of the Autonomous Region of Muslim Mindanao, staged an armed uprising in Zamboanga City. The incident resulted in, among others, hostage situations, and renewed tension between the Philippine Armed Forces and the MNLF in the southern part of the country. In an operation to capture wanted international terrorist Zulkifli Bin Hir alias Marwan on 25 January 2015, 44 police commandos were killed in a 12-hour fire fight with two Muslim rebel groups: MILF and BIFF in the Southern Philippines.

On 03 July 2020, Republic Act No. 11479, otherwise known as the Anti-Terrorism Act of 2020, was signed into law to replace Republic Act No. 9372, otherwise known as the Human Security Act of 2007. The law is currently being challenged in the Supreme Court by multiple groups.

The potential escalation in the frequency, severity, or geographic extent of terrorist acts, violent crimes, bombings, and related incidents bears significant implications for investment and confidence in the Philippine economy. These destabilizing factors possess the capacity to disrupt specific areas of the company's operations, thereby exerting material adverse effects on its financial position, operational performance, and future prospects. Moreover, the protracted conflicts between the government and separatist groups introduce the risk of civilian and AFP casualties, potentially engendering further instability within the country and adversely impacting its overall economic landscape. The Bank cannot guarantee the absence of future acts of terrorism or violent crimes, which, if materialized, could have substantial adverse consequences on its business activities, financial condition, and operational outcomes.

Likewise, similar attacks or conflicts involving the government and armed or terrorist factions possess the capacity to result in civilian and law enforcement or military personnel casualties, thereby inducing destabilization in select regions of the country and exerting negative ramifications on its economic fabric. The heightened frequency, severity, or geographic reach of terrorist acts can exert detrimental repercussions on the country's economic stability. Consequently, such destabilization may introduce disruptions to specific areas of the bank's operations, yielding material adverse effects on its financial position, operational performance, and future prospects. Notably, an elevation in the incidence of terrorist acts, irrespective of the dimension of their frequency, severity, or geographic extent, represents a substantial threat to the country's economic environment.

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

Domestic interest rates have remained low since 2009, with the monetary policy directed towards stimulating the economy. In 2018, however, domestic interest rates started to rise following the BSP's staggered 175 basis point hike in policy rates to subdue inflationary pressures from higher taxes under the TRAIN Law, rising global oil prices, an acute rice shortage, and a weaker peso. In 2019, the BSP has cumulatively cut its rates by 75 basis points to help bolster economic growth back to the government's target and with inflation on a downtrend.

At the Monetary Board meeting on 11 May 2018, the BSP increased its key policy rates for the first time since September 2014 by 25 basis points to 3.25% for overnight borrowing and 3.75% for overnight lending rates. The BSP further increased key policy rates by 25 basis points at the Monetary Board meeting on 20 June 2018 to 3.50% for overnight borrowing and 4.00% for overnight lending rates. On 9 August 2018 the BSP delivered its largest rate hike in a decade, raising rates by 50 basis points to 4.00% for overnight borrowing and 4.50% for overnight lending rates. The BSP further raised overnight borrowing and lending rates by 25 basis points to 4.25% and 4.75%, respectively, on 15 November 2018. Effective 10 May 2019, the Monetary Board decided to reduce the interest rate on the BSP's overnight borrowing to 4.5%; on 8 August 2019, to 4.25%; on 26 September 2019, to 4.00%; and on 6 February 2020, to 3.75%. In 2020, at the onset of the pandemic, the BSP pivoted towards an accommodative policy stance.

On 20 March 2020, the Monetary Board further reduced the BSP's overnight reverse repurchase facility by 50 basis points to 3.25%. The interest rates on the overnight lending and deposit facilities were reduced as well to 3.25% and 2.25%, respectively. For the rest of 2020, the BSP adopted a number of measures to support the economy during the COVID-19 pandemic. It decreased its benchmark interest rate to 2.00% as of 31 December 2020 and interest rates on overnight deposit and lending facilities to 1.50% and 2.50%, respectively. The Monetary Board maintained the foregoing interest rates through the end of 2021. On 24 March 2022, the Monetary Board decided to maintain the interest rate on the BSP's overnight reverse repurchase facility at 2.00%. The interest rates on the overnight deposit and lending facilities were likewise kept at 1.50% and 2.50%, respectively. On 18 August 2022, the Monetary Board increased the interest rate on RRP to 3.75%, overnight deposit to 3.25%, and lending rates to 4.25%, effective 19 August 2022.

On 22 September 2022, the Monetary Board decided to raise the interest rate on the BSP's overnight reverse repurchase facility by 50 basis points to 4.25%, effective on 23 September 2022. Accordingly, the interest rates on the overnight deposit and lending facilities were raised to 3.75% and 4.75%, respectively. The Monetary Board on 17 November 2022 again raised interest rates on the BSP's overnight reverse repurchase facility by 75 basis points to 5.0%, effective 18 November 2022. Accordingly, the interest rates on the overnight deposit and lending facilities will be set to 4.5% and 5.5%, respectively. On December 2022, the Monetary Board set another increase on interest rates to combat inflation.

On 16 February 2023, the interest rate of the BSP's overnight reverse repurchase facility was raised by 50 basis points to 6.0%, effective 17 February 2023. Thus, interest rates on the overnight deposit and lending facilities were set to 5.5% and 6.5%, respectively. Recently, on 23 March 2023, the Monetary Board decided to further raise the interest rate of the BSP's overnight reverse repurchase facility by 25 basis points to 6.25%, effective 24 March 2023. Accordingly, the interest rates on the overnight deposit and lending facilities will be set to 5.75% and 6.75%, respectively.

There is no assurance that interest rates in the Philippines will not further increase in the future, including in response to inflationary pressures resulting from higher food, energy, and other commodity prices, economic growth, tax reforms, and global developments.

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

An increase in interest rates could lead to a decline in the value of securities in the Bank's portfolio and the Bank's ability to earn excess trading gains as revenue. A sustained increase in interest rates will also raise the Bank's funding costs without a proportionate increase in loan demand (if at all). Rising interest rates will therefore require the Bank to re-balance its assets and liabilities in order to minimize the risk of potential mismatches and maintain its profitability. In addition, rising interest rate levels may adversely affect the economy in the Philippines and the financial position and repayment ability of its corporate and retail borrowers, including holders of credit cards, which in turn may lead to a deterioration of the Bank's credit portfolio in addition to lower levels of liquidity in the system which may lead to an increase in the cost of funding.

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

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. As a result, Holders may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Bank complies with the requirements of the BSP and the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions.

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

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

The sovereign credit ratings of the Philippines directly affect companies that are resident and domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. In 2013, the Philippines earned investment grade status from all three major credit ratings agencies Fitch (BBB-), Standard and Poor's (BBB-) and Moody's (Baa3). In 2014, S&P and Moody's upgraded their ratings to "BBB" and "Baa2" in May and December, respectively, with both agencies affirming these ratings in 2017. Fitch also upgraded the Philippines' long-term foreign currency issuer default rating from "BBB-" to "BBB" in December 2017. In December 2018, Fitch upgraded the Philippines' credit rating from "BBB-" to "BBB", and affirmed the rating in May 2019. In addition, S&P upgraded the country's rating by a notch from "BBB" to "BBB+" in April 2019 owing to the country's solid economic fundamentals. All ratings are above investment grade and the highest that the country has received so far from any credit ratings agency.

On 11 February 2020, Fitch affirmed the country's credit rating of "BBB" and revised its outlook to "positive." On 07 May 2020, the "BBB" rating was affirmed but outlook was revised to "stable". The rating and outlook were maintained by the agency on 10 January 2021.

On 2 September 2020, Moody's maintained its sovereign credit rating of "Baa2" with a "stable" outlook for the Philippines, unchanged from its rating and outlook for the country on 16 July 2020. On 12 July 2021, the agency reaffirmed the country's credit rating to "BBB" but revised its outlook from "stable" to "negative," stating the prolonged impact of the pandemic in the country. A "negative outlook" means that the rating could be downgraded in the next 12 to 18 months.

In November 2021, S&P affirmed the investment-grade BBB+ rating with a stable outlook it gave to the Philippines in May of the same year, citing its assumption that a "healthy" economic recovery will contribute to improvement in the country's fiscal standing which was weakened by the pandemic. Meanwhile, Moody's maintained the Government of the Philippines a "Baa2" rating with a "stable" outlook on 26 August 2021.

On 17 February 2022, Fitch kept the sovereign rating of "BBB" with a "negative" outlook, citing that the rating agency remained wary of the country's post-pandemic economic recovery due to the May 2022 election uncertainties, risk of new COVID-19 variant spreading within the country, and the fiscal cost of the government's pandemic response. The rating and outlook were maintained by the agency on 27 October 2022.

On 15 September 2022, Moody's affirmed the country's long-term local and foreign currency issuer and senior unsecured ratings at "Baa2" with a "stable" outlook, citing the following factors: (i) recovery resilient to external pressures although it may take time to address the economic impact of the pandemic; (ii) policy continuity attributable to the results of the national elections supports post-pandemic fiscal recovery; and (iii) ESG considerations.

On 20 November 2022, S&P affirmed the Philippine's investment-grade long-term credit rating of "BBB+" short-term rating of "A-2" with a "stable" outlook. The agency mentioned that the sovereign ratings reflected the country's "above-average economic growth potential" and that the domestic economy has sustained recovery driven by strong domestic demand as it lifts mobility restrictions and fully reopens.

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

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

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Bank's operations. These factors, which are not within the Bank's control, could potentially have significant effects on the Bank's branches and operations. While the Bank carries insurance for certain catastrophic events, of types, in amounts and with deductibles that the Bank believes are in line with general industry practices in the Philippines, there are losses for which the Bank cannot obtain insurance at a reasonable cost or at all. The Bank also does not carry any business interruption insurance caused by natural

or other catastrophes. Should an uninsured loss or a loss in excess of insured limits occur, the Bank could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Bank's business, financial condition, and results of operations.

On 12 January 2020, the Taal volcano erupted, spewing ash across Calabarzon, Metro Manila, and some parts of Central Luzon and the Ilocos Region. This resulted in the suspension of classes, work schedules, and flights in the affected areas, as well as evacuation of nearby areas. The Bank's branches that were affected by this explosion were the Security Bank Tagaytay and Lipa branches.

In November 2020, two typhoons, Super Typhoon Rolly/Goni and Typhoon Ulysses/Vamco, and in December 2021 and September 2022, Super Typhoon Odette/Rai and Super Typhoon Karding/Noru, respectively, brought strong winds and rain to the Philippines. Natural catastrophes, such as any renewed eruption of the Taal Volcano or strong typhoons, may cause damage to the terminals and materially disrupt and adversely affect the business, prospects, operations, and financial condition of the Bank.

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

The Philippines, China, and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("UNCLOS"). The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused each other of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal later that year. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under UNCLOS. China has rejected and returned the notice sent by the Philippines to initial arbitral proceedings.

On 9 May 2013, a Philippine Coast Guard ship opened fire on a Taiwanese fisherman's vessel in a disputed exclusive economic zone between Taiwan and the Philippines, killing a 65-year old Taiwanese fisherman. Although the Philippine government maintained that the loss of life was unintended, Taiwan imposed economic sanctions on the Philippines in the aftermath of the incident. Taiwan eventually lifted the sanctions in August 2013 after a formal apology was issued by the Government of the Philippines.

In September 2013, the Permanent Court of Arbitration in The Hague, Netherlands issued rules of procedure and initial timetable for the arbitration in which it will act as a registry of the proceedings. Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the operations of the Bank could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. On 12 July 2016, the five-member Arbitral Tribunal at the Permanent Court of Arbitration in The Hague, Netherlands, unanimously ruled in favour of the Philippines on the maritime dispute over the West Philippine Sea. The Tribunal's landmark decision contained several rulings, foremost of which invalidated China's "nine-dash line", or China's alleged historical boundary covering about 85% of the South China Sea, including 80% of the Philippines Exclusive Economic Zone in the West Philippine Sea. China rejected the ruling, saying that it did not participate in the proceedings for the reason that the court had no jurisdiction over the case. On 9 June 2019, a fishing boat manned by Filipino fishermen was rammed by a Chinese vessel at Recto Bank, an underwater reef formation being claimed by both the Philippines and China in the portion of the South China Sea portion that Manila calls the West Philippine Sea. The Filipino fishermen were abandoned in open sea and were eventually rescued by a Vietnamese vessel. This

incident increased tensions between China and the Philippines. The owners of the Chinese vessel have since apologized to the Filipino fishermen and remuneration is being arranged for the fishermen.

In March 2021, more than 180 Chinese military vessels were spotted on Julian Felipe Reef in the West Philippine Sea. The presence of the vessels defied a diplomatic protest and a demand for the vessels to leave the area issued by Philippine Defense Secretary Delfin Lorenzana. United States President Joe Biden has manifested that the United States would not be easing up its military operations in the West Philippine Sea. South Asian nations and claimants involved in the West Philippine Sea dispute also continue to enforce their sovereign rights against China as well as other South Asian nations. On 14 February 2023, the President of the Philippines summoned the Chinese Ambassador to the Philippines to discuss the reported harassment made by a Chinese Coast Guard ship toward a Philippine Coast Guard vessel in the Ayungin Shoal in the West Philippine Sea on 6 February 2023.

Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Bank's business, financial position and financial performance.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Bank's operations could be adversely affected as a result. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or overseas Filipinos permits. Any impact from these disputes in countries in which the Bank has operations could materially and adversely affect the Bank's business, financial condition and results of operations.

Risks Relating to the Banking Industry in the Philippines

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

The Bank is subject to significant levels of competition from other Philippine banks and branches of international banks, including competitors which in some instances have greater financial and other capital resources, bigger market share, and stronger brand name recognition than the Bank. The Philippine banking industry has, in recent years, been subject to consolidation and liberalization, including liberalization of foreign ownership regulations. As of latest available data dated 13 June 2023, there are currently 45 domestic and foreign universal/commercial banks operating in the Philippines.

The recent mergers and consolidations in the banking industry, as well as the liberalization of foreign ownership regulations in banks, have allowed the emergence of foreign and bigger local banks in the market. This is expected to increase the level of competition both from Philippine banks and branches of international banks. This may impact the Philippine banks' operating margins, but this would also enhance the industry's overall efficiency, business opportunities, and service delivery.

Going forward, the Bank may face increased competition from local and foreign banks in terms of the range of commercial banking services and products, wider distribution network, or greater financial resources. There can be no assurance that the Bank will be able to compete effectively in the face of such increased competition. Increased competition may make it difficult for the Bank to increase the size of its loan portfolios and deposit bases and may cause increased pricing competition, which could have a material adverse effect on its growth plans, margins, ability to pass on increased costs of funding, results of operations, and financial position.

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

On 1 July 2007, BSP Circular No. 538, which was issued by the BSP on 4 August 2006, took effect. This circular contains the implementing guidelines of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

On 15 January 2009, the BSP issued Circular No. 639 covering the Internal Capital Adequacy Assessment Process ("ICAAP") which supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. The BSP requires banks to have in place an ICAAP that (i) takes into account not just the credit, market, and operational risks but also all other material risks to which a bank is exposed (such as interest rate risk in the banking book, liquidity risk, compliance risk, strategic/business risk and reputation risk); (ii) covers more precise assessments and quantification of certain risks (i.e. credit concentration risk); and (iii) evaluates the quality of capital.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the Basel Committee on Banking Supervision (“**Basel Committee**” or “**BCBS**”) containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers, and short and medium-term quantitative liquidity ratios.

On 10 January 2011, the BSP issued BSP Circular No. 709, which aligns with the Basel Committee on Banking Supervision on the eligibility criteria on Additional Group Concern capital and Tier 2 capital to determine eligibility of capital instruments to be issued by Philippine banks/quasi-banks as Hybrid Tier 1 capital and Lower Tier 2 capital. Moreover, on 25 March 2011, the BSP issued Circular No. 716, which amends the definition of qualifying capital instruments under the risk-based capital adequacy framework for Philippine banks/quasi-banks. Under BSP Circular No. 716, among the conditions to be eligible to be qualified as a Lower Tier 2 capital is the submission of a written external legal opinion that the requirements enumerated for Lower Tier 2 capital, including subordination features, have been met. Further, in January 2013, the BSP issued Circular No. 781 as the Basel III Implementing Guidelines on Minimum Capital Requirements, which took effect in January 2014. The guidelines include the following highlights:

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

On 29 October 2014, the BSP issued Circular No. 856, or the “Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks (“**D-SIBs**”) under Basel III” to address systemic risk and interconnectedness by identifying banks which are deemed systemically important within the domestic banking industry. Banks that will be identified as D-SIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and CCB. Identified D-SIBs will need to put up an additional 1.5 to 3.5% CET1 depending on their classification. Compliance with this requirement was phased-in starting 1 January 2017, with full compliance required by 1 January 2019.

On 10 March 2016, the BSP issued Circular No. 905, or the “Implementation of Basel III Framework on Liquidity Standards — Liquidity Coverage Ratio (“**LCR**”) and Disclosure Standards”. Furthermore, banks face new liquidity requirements under Basel III’s new liquidity framework, namely, the LCR and the net stable funding ratio (“**NSFR**”). The LCR requires banks to hold sufficient level of high-quality liquid assets to enable them to withstand a 30 day-liquidity stress scenario. Beginning on 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100% beginning on 1 January 2019. During the observation period prior to 1 January 2018, banks are required to submit quarterly LCR reports for monitoring purposes.

On 26 January 2017, the BSP issued Circular No. 943 which approved a one-year extension of the Basel III Leverage Ratio monitoring period from 31 December 2016 to 31 December 2017 and set new deadlines for the

submission of the reporting and disclosure requirements. During the monitoring period, the BSP will continue to assess the calibration and treatment of the components of the leverage ratio. Final guidelines will be issued in view of the changes to the framework as well as migration from monitoring of the leverage ratio to a Pillar 1 requirement starting 1 January 2018.

Meanwhile, the NSFR requires banks' assets and activities to be structurally funded with long-term and more stable funding sources. On 4 June 2018, the BSP announced the Monetary Board's approval of the adoption of the NSFR for universal and commercial banks. Beginning 1 January 2019, covered institutions are required to maintain an NSFR of 100.0% on both solo and consolidated bases. Although these measures are aimed at strengthening the ability of banks to withstand liquidity stress and promote resilience of the banking sector, compliance with these ratios may also further increase competition among banks for deposits as well as high quality liquid assets.

As of 31 December 2022, the Bank's single currency LCR was 144.23% on a consolidated basis and NSFR was 121.80% on a consolidated basis.

These may result in an increase in the capital adequacy requirement of the Bank. Unless the Bank is able to access the necessary amount of additional capital, any incremental increase in the capital requirement due to the implementation of ICAAP and Basel III, may impact the Bank's ability to grow its business, which could materially and adversely affect the Bank's business, financial condition and results of operations. There can be no assurance that the Bank will be able to raise adequate additional capital in the future on terms favorable to it or at all and comply with the requirements of Basel III as implemented by the BSP.

Whenever the capital accounts of a bank are deficient with respect to the prescribed risk-based CAR of 10%, the Monetary Board, may impose monetary and non-monetary sanctions. The Monetary Board will also prohibit the opening of new branches whenever a bank's CAR falls below 12% on a non-consolidated and consolidated basis. Furthermore, the Monetary Board will also prohibit the distribution of dividends whenever a bank's CET1 ratio and CAR falls below 8.5% and 10%, respectively. Such limitations or restrictions imposed by the BSP's implementation of Basel III could materially and adversely affect the Bank's business, financial condition and results of operations.

On 4 May 2020, BSP issued Memorandum No. M-2020-039 which provides for the utilization of Basel III capital and liquidity buffers in light of the COVID-19 situation. A covered bank or quasi-bank ("QB") which has built up its CCB and LCR buffer is allowed to utilize the same during the state of COVID-19 health emergency, but is expected to integrate regulatory flexibilities into its internal policies and processes to ensure that these buffers are efficiently utilized. First, in relation to the CCB, the covered bank/QB which draws down 2.5% minimum CCB will not be considered in breach of the Basel III risk-based capital adequacy framework. When the CCB is utilized, the covered bank/QB is restricted from making distributions in the form of dividends, profit remittance in the case of a foreign bank branch, share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff. Second, for the LCR, the covered bank/QB may draw on its stock of liquid assets to meet liquidity demands even if this may cause the bank to maintain an LCR below the 100% minimum requirement. However, a bank which has recorded a shortfall in the stock of its High-Quality Liquid Assets for three banking days within any two-week rolling calendar period, thereby causing the LCR to fall below 100%, must notify the BSP of such breach on the banking day immediately following the occurrence of the third liquidity shortfall. After the COVID-19 crisis, covered banks/QB are to be given a reasonable time period to restore their Basel III CCB and LCR. The Memorandum also provides that the non-compliance by a covered bank/QB with the minimum risk-based capital adequacy ratios and the minimum 100% Net Stable Funding Ratio as a result of the COVID-19 situation will be handled on a case-by-case basis by the BSP.

As of 31 December 2022, the Bank's consolidated Tier 1 capital adequacy ratio/CET1 ratio and total consolidated capital adequacy ratio were 16.11% and 16.60%, respectively.

On 29 October 2014, the BSP issued BSP Circular No. 855 regarding guidelines on sound credit risk management practices, including the amendment on loan loss provisions on loans secured by real estate mortgages. Under this regulation, loans may be considered secured by collateral to the extent the estimated value of net proceeds at disposition of such collateral can be used without legal impediment to settle the principal and accrued interest of such loan, provided that such collateral has an established market and a sound valuation methodology. Under the new rules, the maximum collateral value for real estate collateral shall be 60% of the value of such collateral, as

appraised by an appraiser acceptable to the BSP. While this maintains existing regulations already applicable to universal and commercial banks, the collateral value cap will be particularly relevant in securing directors, officers, stockholders and related interests (“**DOSRI**”) transactions and in potentially accelerating the setting up of allowable loan for losses in case a loan account gets distressed.

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

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

On 28 April 2020, the BSP issued BSP Memorandum No. M-2020-034 which provides for the temporary relaxation in the assigned credit risk weight for loans to micro-, small- and Medium Enterprises (“**MSMEs**”) for the purpose of computing compliance with the BSP’s Risk-Based Capital Adequacy Frameworks. MSME exposures that meet the criteria of a qualified MSME portfolio and current MSME exposures that do not qualify as a highly diversified MSME portfolio shall be assigned a credit risk weight of 50%. Nonetheless, the provisions on the use of credit risk mitigation in the MORB and the Manual of Regulations for Non-Bank Financial Institutions (“**MORNBFI**”) as well as provisions on claims with eligible collateral or guarantees in the MORB will continue to apply. The relaxation of the credit risk weight for loans to MSMEs is effective until 31 December 2021.

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

The Philippine banking industry faces higher credit risks and greater market volatility than banks in more developed countries.

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

- the greater uncertainty associated with the Philippine regulatory, political, legal, and economic environment;
- the dependence of the Philippine economy in general on the export and agricultural sectors and OFW remittances for economic growth;
- the high levels of debt of the Government and certain industry sectors, relative to the gross domestic product of the Philippines; and
- the volatility of interest rates and Peso/U.S. dollar exchange rates.

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Philippine banks, including the Bank, to more potential losses and higher risk than banks in more developed countries. In addition, higher credit risk generally increases the cost of capital for Philippine banks compared to their international counterparts. Such losses and higher capital costs arising from this higher credit risk may have a material adverse effect on the Bank’s liquidity, business, financial position, and results of operations. According to latest available data from the BSP, the average gross non-performing loan (“**NPL**”) ratios net of interbank loans in the Philippine universal and commercial banking group were 3.20%, 3.68%, 2.94%, 3.12% as of the years ended 31 December 2020, 2021, 2022 and the period ended 31 March 2023, respectively..

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

In the past, the Philippine banking sector has generally recovered from global economic crises. According to data published by the BSP as of March 2023, past due ratios in the Philippine universal and commercial banking system was at 3.62%. Further, the NPL coverage ratio in the Philippine universal and commercial banking group reached 111.51% as of March 2023, according to the BSP. However, the Philippine banking industry may face significant financial and operating challenges. These challenges may include, among others, a sharp increase in the level of NPLs, variations of asset and credit quality, significant compression in bank net interest margins, low loan growth and potential or actual under-capitalization of the banking system. Fresh disruptions in the Philippine financial sector, or general economic conditions in the Philippines, may cause the Philippine banking sector in general to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges.

Any future changes in PFRS and accounting standards may affect the financial reporting of the Bank's business

The Philippines Financial Reporting Standards Council ("PFRSC"), or other regulatory bodies, periodically introduce modifications to financial accounting and reporting standards under which the Bank prepares its consolidated financial statements. There can be no assurance as to the implementation of new accounting standards in the Philippines and the significance of the impact it may have on the Bank's financial statements in the future.

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 significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- 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.

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.

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.

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

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

On 24 February 2022, a comprehensive invasion of Ukraine by Russia commenced, resulting in extensive humanitarian casualties and the widespread destruction of infrastructure and properties in Ukrainian cities, including the Crimea region, which has been under Russian annexation since 2014. The initiation of this full-blown war prompted numerous European nations, the United States, Australia, and certain Asian countries to swiftly impose substantial economic and financial sanctions against Russia. The primary objective of these sanctions was to disrupt the inflow of funds to Russia and hinder further financing of the ongoing conflict. However, unintended consequences have arisen in the form of trade and supply chain disruptions, leading to political and economic tensions among member nations of the European Union, the United States, and selected Asian and African countries.

The heavy reliance of several European countries on Russia as a major oil and gas exporter has now exposed them to potential economic consequences if trade in gas and oil is partially or completely halted. Consequently, global oil and gas prices have experienced a discernible increase as a direct consequence of the ongoing conflict. Moreover, Ukraine's significant role as an exporter of wheat and sunflower oil has resulted in food shortages and famine in certain African and Middle Eastern nations due to disruptions in global trade involving Ukraine, exacerbating concerns surrounding inflationary pressures.

Furthermore, the exclusion of specific Russian banks from the Society for Worldwide Interbank Financial Telecommunication (**SWIFT**) system in March 2022 has had adverse ramifications for international companies that are owed money by Russian entities. These companies have been forced to seek alternative and potentially costlier channels to receive payments. Additionally, a multitude of multinational corporations, including industry giants such as McDonald's, PepsiCo, prominent audit firms, H&M, Ikea, global banks, and Starbucks, have decided to withdraw from Russia's domestic economy, incurring substantial financial losses. As of November 2022, more than 1,000 companies have permanently ceased their operations in Russia, terminated imports from or exports to the country, or discontinued providing or availing services from Russian entities.

The long-term effects of the ongoing conflict on the global economy remain uncertain. The prevailing uncertainties and potential future events related to this protracted conflict have the capacity to adversely impact the political and monetary policies of major economies, subsequently casting a negative shadow on the Philippine market. In October 2022, headline inflation in the Philippines reached its highest rate since December 2008, with disruptions in supply chains, particularly in global crude oil, emerging as a significant contributing factor. These circumstances, coupled with the occurrence of weather disturbances, prompted the BSP to raise key interest rates in November 2022. The BSP's assessment indicates that the global and domestic inflation outlook leans towards an upward trajectory, particularly in 2023, owing to potential trade restrictions, heightened international food prices, elevated oil prices, and a weaker-than-anticipated global output recovery, which has been further complicated by China's rigorous "Zero-Covid" policy and extended lockdown measures until the final quarter of 2022.

The COVID-19 pandemic is having and will continue to have significant effects on the global economy, including indefinite closure of significant economic sectors in many countries, widespread insolvencies, mass unemployment, closure of national borders, mandatory quarantines for international travelers, disruption of supply chains and global trade, severe strains on government finances and global economic recession. National authorities

have also taken unprecedented measures to contain this pandemic, such as inbound and outbound travel restrictions, bans on large social gatherings, shutdowns of non-essential services, enforced business closures and most restrictively, blanket quarantine orders on all segments of the population. While these “social distancing” measures are crucial for public health, they have triggered concurrent supply and demand shocks. This in turn has led to heightened turbulence in global financial markets.

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

The Bank’s non-compliance with FATCA may cause material and adverse impact on the Bank’s business, financial conditions, and results of operations.

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

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

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

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

FATCA requires certain U.S. taxpayers holding foreign financial assets with an aggregate value exceeding \$50,000 to report certain information on a new form (Form 8938 — Statement of Specified Foreign Financial Assets) that must be attached to the taxpayer’s annual return.

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

Specific to the Bank’s compliance with FATCA, the Bank and its subsidiaries registered on 7 April 2014 as an Expanded Affiliated Group i.e. Security Bank Corporation (lead financial institution) and subsidiaries. The Bank subsequently updated its FATCA status to Registered Deemed Compliant Foreign Financial Institution under a Model 1 Intergovernmental Agreement (“IGA”). The Bank’s FATCA ID and Global Intermediary Identification Number is VF107Z.00000.LE.608.

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

Philippine banks also face the threat of being assessed for documentary stamp tax upon their issue of passbooks for higher interest rate deposits. The Court of Tax Appeals has, in several cases against other Philippine banks, affirmed the BIR's position that passbooks for higher interest rate deposits having the essential features of a certificate of deposit are subject to the documentary stamp tax imposed on certificates of deposit. It has been ruled by the Supreme Court that a passbook representing an interest earning deposit account issued by a bank qualifies as a certificate of deposit drawing interest. The Supreme Court also held that to claim that that time deposits evidenced by passbooks should not be subject to documentary stamp tax is a clear evasion of the rule on equality and uniformity in taxation that requires the imposition of documentary stamp tax on documents evidencing transactions of the same kind *i.e.*, on all certificates of deposits drawing interest. These Supreme Court rulings could result in the Bank's taxation charge being increased.

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

The Bank may have to comply with strict regulations and guidelines issued by regulatory authorities in the Philippines, including the BSP and the BIR and international bodies, including the FATF.

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

The Bank is regulated and supervised principally by and has reporting obligations to the BSP. The Bank is also subject to the banking, corporate, taxation and other laws in effect in the Philippines, administered by agencies such as the Anti-Money Laundering Council ("**AMLC**"), the Bureau of Internal Revenue (the "**BIR**"), the Philippine Securities and Exchange Commission (the "**Philippine SEC**") and the Philippine Stock Exchange ("**PSE**"). The Bank is also subject to recommendations and pronouncements of international bodies such as the Financial Action Task Force (the "**FATF**") which have been adopted, incorporated, or referred to by BSP in its regulatory issuances.

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and added transparency in the Philippine banking sector. These rules include new guidelines on the monitoring and reporting of suspected money laundering activities as well as regulations governing capital adequacy of banks in the Philippines. Institutions that are subject to the Anti-Money Laundering Act of 2001 ("**RA 9160**"), as amended, are required to establish and record the identities of their clients based on official documents, and update said client information no less than once every three years. In addition, all records of transactions are required to be maintained and stored for a minimum of ten years from the date of the relevant transaction. Records of closed accounts must also be kept for five years after their closure.

The BSP has also ordered universal, commercial, and thrift banks to conduct real estate stress tests to determine whether their capital is sufficient to absorb a severe shock. The real estate stress test limit ("**REST Limit**") combines a macro prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response. Should a bank fail to comply with the prescribed REST Limits, it shall be directed to explain why its exposures do not warrant immediate remedial action. Should the same be found insufficient, the bank shall be required to submit an action plan to meet the REST Limits within a reasonable time frame.

In June 2016, the BSP implemented the interest rate corridor ("**IRC**") which effectively narrowed the band among the BSP's key policy rates. The pricing benchmark, which used to be the special deposit account prior to the implementation of the IRC, was replaced by the overnight deposit facility and forms the lower band of the IRC.

Meanwhile, the rate for the overnight lending facility replaced the repurchase facility. The rate for the overnight lending facility forms the upper band of the IRC. The BSP likewise introduced the term deposit facility to serve as the main tool for absorbing liquidity through weekly term deposit facility auctions, the frequency for which may be changed depending on the BSP's liquidity forecasts.

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

In the event of any changes to existing guidelines or rules, or introduction of additional regulations, the Bank will have to comply with the same and may incur substantial compliance and monitoring costs. The Bank's failure to comply with current or future regulations and guidelines issued by regulatory authorities in the Philippines and in other relevant jurisdictions could have a material adverse effect on the Bank's business, financial condition, and results of operations. Such failure to comply could also result in the imposition of administrative sanctions or filing of criminal charges against the Bank and its employees responsible for violations.

Enforcement by the Government related to priority lending for the agrarian reform and agricultural sectors could adversely affect the Bank's business, financial condition, and results of operations.

The Government mandated that all banking institutions, whether government or private, except newly established banks for a period of five (5) years from the date of commencement of the banks' operations, shall set aside a credit quota, or a minimum mandatory agricultural and fisheries financing requirement of at least twenty-five percent (25%) of their total loanable funds. Failure to meet the specified level of loans may result in fines being assessed against a non-compliant bank. For 31 December 2022, the Bank was not able to comply with the requirement..

Because the Bank is unable to generate sufficient exposure to the agrarian reform-based sector that meets its credit and risk management standards, the Bank has paid fines in the past and may continue to do so in the future. There can be no assurance that the Government will not increase its penalties for non-compliance or force banks to lend in accordance with the policy in the future. If the Government substantially increases the penalty for non-compliance or the Bank is forced to extend loans to the agrarian reform and agricultural sectors that are inconsistent with the Bank's credit and risk management policies, its business, financial condition, and results of operations could be adversely affected.

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

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

However, the BSP's early adoption of Basel III on 1 January 2014 a year ahead of the BCBS's recommended implementation timeline, as well as the imposition of higher limits and stricter minimum requirements for regulatory capital relative to international standards, with no transition period, are seen as efforts to boost the Philippine banking industry's resiliency and enhance its ability to absorb risks.

Risks Relating to the Bank and its Business

The Bank may not be successful in implementing its strategies.

Part of the Bank's strategy is to grow mass affluent and corporate share, focusing on customers with high potential for growth and where the Bank can differentiate on service. This may expose the Bank to a number of risks and challenges including, among others, the following:

- The targeted segments may have less growth or profit potential than the Bank anticipates, and there can be no assurance that new business activities will become profitable at the level the Bank desires or at all;
- The Bank's competitors may have substantially greater experience and resources for the targeted segments putting it at a disadvantage with its competitors; and/or
- Economic conditions, such as rising interest rates or inflation, could hinder the Bank's expansion, particularly with respect to loans.

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

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

Economic difficulties in the Philippines that have a significant adverse effect on Philippine consumers could result in reduced growth and deterioration in the credit quality of the Bank's consumer loan and credit card portfolios. A rise in unemployment or an increase in interest rates could have an adverse impact on the ability of borrowers to make payments and increase the likelihood of potential defaults and reduce demand for consumer loans.

The Bank's unsecured lending portfolio entails higher credit risk and may have a negative impact on its business, financial condition, and results of operations.

As of 31 December 2022, 73.5% of the Bank's lending portfolio was unsecured. Unsecured loans, which primarily consist of credit cards, personal loans and loans to top tier corporates, entail a higher degree of credit risk than loans secured by collateral. For example, a downturn in the Philippine or global economies may result in a higher level of NPLs with unsecured obligations which would, in turn, negatively impact the Bank's asset quality and increase write-offs without the possibility of mitigation through the acquisition of collateral assets. Any increase in the level of NPLs with unsecured obligations could materially and adversely affect the Bank's business, financial condition and results of operations.

The Bank has high concentrations of loans to certain customers and to certain sectors and if a substantial portion of these loans were to become non-performing, the quality of its loan portfolio could be adversely affected.

As of 31 December 2022, the Bank's consolidated gross exposure from receivable from customers was ₱514.4 billion. The ten largest corporate borrowers in aggregate accounted for 27.27% of the Bank's consolidated gross exposure from receivable from customers and its ten largest borrower groups in aggregate accounted for 41.39% of its total exposure. The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25.0% of its net worth. As of 31 December 2022, the Bank's single borrower limit was ₱37.1 billion. In determining whether the Bank meets the single borrower limit of the BSP, the Bank includes exposure to related accounts (including accounts of subsidiaries and parent companies of the borrower). The Bank's largest corporate borrower as of 31 December 2022, accounted for 4.7% of the Bank's total exposure and 5.9% of the Bank's total capital funds. The largest borrower group as of 31 December 2022, accounted for 6.7% of the Bank's total exposure and for 4.7% of the Bank's total capital funds. Credit losses on these large single borrower and group exposures could adversely affect the business, financial condition, and results of operations of the Bank.

The Bank has extended loans to several sectors in the Philippines. The table below sets out the Bank's five largest industry exposures as of 31 December 2022.

	Industry	Amount (₱ millions)	Percentage of Total Exposure to Borrowers
1	Real Estate.....	₱124,325	24.3%
2	Wholesale/Retail Trade	85,691	16.7%
3	Electricity, Gas, Stream and Air Conditioning Supply	76,678	15.0%
4	Manufacturing.....	60,430	11.8%
5	Activities of Private Households as Employers and Undifferentiated Goods and Services Producing Activities of Households.....	43,305	8.4%
	Total	₱390,429	76.2%

The Bank's exposures to these five sectors, totaling ₱390.4 billion, constituted 76.2% of the Bank's total loan portfolio as of 31 December 2022. The global and domestic trends in these industries may have a bearing on the Bank's financial position. Although the Bank's portfolio contains loans to a wide variety of businesses, financial difficulties in these industries could increase the level of non-performing assets and restructured assets, and adversely affect the Bank's business and its future financial performance.

The Bank may face increasing levels of non-performing loans and provisions for impairment losses which may adversely affect the Bank's business, financial position, results of operations, and capital adequacy.

Any lending activity is exposed to credit risk arising from the risk of default by borrowers. The Bank's results of operations have been, and continue to be, negatively affected by the level of its non-performing loans. For the years ended 31 December 2022, 2021 and 2020, the Bank's provisions for credit and impairment losses amounted to ₱2.8 million, ₱5.3 million and ₱26.4 million, respectively, which represented 9.7%, 19.2%, and 86.2% respectively, of net interest income in those periods. A slowdown in global growth momentum may adversely affect the ability of the Bank's borrowers to finance their indebtedness and, as a result, the Bank may experience an increase in non-performing loans and impairment provisions.

These and other factors could result in an increased number of non-performing loans in the future. As of 31 December 2022 and 2021, the Bank's consolidated non-performing loans-net amounted to ₱5.7 billion and ₱7.2 billion respectively, which represented 1.05% and 1.47% respectively, of the Bank's total gross loans. The Bank has experienced significant growth in its loan portfolio in recent years and it may experience problems in non-payment arising from these new loans in the future. Any significant increase in the Bank's non-performing loans would have a material adverse effect on its financial condition, capital adequacy and results of operations.

The Bank's provision for credit losses decreased by ₱2.4 billion to ₱2.8 billion as of 31 December 2022 versus ₱5.2 billion as of 31 December 2021 due to overall improvement in non-performing loans.

The Bank believes that it has set aside adequate provisions and reflected current valuations as regards its investment portfolio. However, there can be no assurance that the value of the Bank's investment portfolio will not deteriorate should volatility in global financial markets continue.

The Bank's provisioning policies are based on PFRS 9 expected credit loss standards which require significant subjective determinations.

Certain accounting standards, including the PFRS 9 expected credit loss standards, have been adopted in the Philippines which requires banks to use the Expected Credit Loss (ECL) methodology in estimating loan loss provisioning. 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 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 results from all possible default events over the expected life of a financial instrument.

The level of provisions currently recognized by the Bank with respect to its loan portfolio depends largely on the payment status (current or past due), credit classification (Pass, Especially Mentioned, Substandard, Doubtful, or Loss), probability of default (PD), and security (clean or secured). If the Bank's evaluations or determinations are inaccurate, the level of the Bank's provisions may not be adequate to cover actual losses resulting from its existing classified loan portfolio. The Bank may also have to increase its level of provisions if there is any deterioration in the overall credit quality of the Bank's existing loan portfolio, including the value of the underlying collateral. In particular, the amount of the Bank's reported loan losses may increase in the future as a result of factors beyond the Bank's control.

While the Bank believes its current level of provisions and collateral position are more than adequate to cover its NPL exposure, an unexpected or significant increase in NPL levels may result in the need for higher level of provisions in the future. If the Bank fails to properly appraise or review its collateral or its appraised value declines, the Bank's provisions may be inadequate and the Bank may be required to make further provisions, which could have a material adverse effect on its business, financial condition, and results of operations. The Bank may be unable to recover the assessed value of its collateral when its borrowers default on their obligations, which may expose the Bank to significant losses.

As of 31 December 2022, the Bank's secured loans represented 26.5% of the Bank's total loans, and 54.5% of the collateral on these secured loans consisted of real property. The recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount the Bank is likely to recover from a sale of collateral, less expenses of such sale. There can be no assurance that the realized value of the collateral would be adequate to cover the Bank's loans. In addition, some of the valuations in respect of the Bank's collateral may also be out of date or may not accurately reflect the value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by the Bank, would mean that its provisions for credit losses may be inadequate and the Bank may need to increase such provisions. There can be no assurance that the collateral securing any particular loan will protect the Bank from suffering a partial or complete loss if the loan becomes non-performing. Any increase in the Bank's provisions for credit losses would adversely affect its business, its financial condition, results of operations, and capital adequacy ratio.

In addition, the Bank may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays involved in enforcing such obligations through the Philippine legal system. To foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law which may be burdensome. The resulting delays can last several years and lead to the deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, the Bank to legal liability while in possession of the collateral. These difficulties may significantly reduce the Bank's ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it makes. Under PAS 40 *Investment Property*, the Bank carries the value of the foreclosed properties at the fair value at the time of foreclosure and, in the case of depreciable property, depreciated over such property's useful life. While the Bank, at each balance sheet date, provides for impairment losses on its foreclosed properties in accordance with PFRS, it may incur further expenses to maintain such properties and prevent their deterioration. In realizing cash value for such properties, the Bank may incur further expenses such as legal fees and taxes associated with such realization. There can be no assurance that the Bank will be able to realize the full value, or any value, of any collateral on its loans.

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

The Bank's funding is principally satisfied from demand, savings and time deposits and long-term negotiable certificates of deposit, and to a smaller extent, borrowings from other banks. As of 31 December 2022, 84.7% of the Bank's financial liabilities were sourced from deposits, which had a weighted average contractual remaining maturity of 319.6 days, and 5.7% from bills payable. As of 31 December 2022, the Bank's loan-to-deposit ratio was 82.96%.

Although the Bank's funding sources have historically been stable, no assurance can be given that this will continue to be the case in the future. In the event a substantial number of the Bank's depositors withdraw, or do

not roll over their deposits, or if other banks do not lend short term funds to the Bank as they have in the past, the Bank's liquidity position could be adversely affected, which could result in its inability to fund its operations and may require the Bank to seek alternative sources of funding. The Bank can provide no assurance as to the availability or terms of such funding. To the extent the Bank is unable to obtain sufficient funding on acceptable terms or at all, the Bank's liquidity and financial condition and results of operations will be adversely affected.

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

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

The Bank is subject to interest rate risk.

The Bank realizes income from the margin between interest-earning assets (due from BSP, due from other banks, interbank loans receivable and securities purchased under resale agreement with BSP, investment securities and loans and receivables), and interest paid on interest-bearing liabilities (deposit liabilities, bills payable and securities sold under repurchase agreements (SSURA), notes payable and subordinated note). The business of the Bank is subject to fluctuations in market interest rates as a result of mismatches in the re-pricing of assets and liabilities. These interest rate fluctuations are neither predictable nor controllable completely and may have a material adverse impact on the operations and financial condition of the Bank. In a rising interest rate environment, if the Bank is not able to pass along higher interest costs to its customers, it may negatively affect the Bank's profitability. If such increased costs are passed along to customers, such increased rates may make loans less attractive to potential customers and result in a reduction in customer volume and hence operating revenues. In a decreasing interest rate environment, potential competitors may find it easier to enter the markets in which the Bank operates and to benefit from wider spreads. As a result, fluctuations in interest rates could have an adverse effect on the Bank's margins and volumes and in turn adversely affect the Bank's business, financial condition, and results of operations.

The Bank is subject to foreign exchange risk.

As a financial organization, the Bank is exposed to foreign exchange risk arising directly from its trading operations and indirectly from economic uncertainties which abrupt changes in the exchange rate may cause. Under BSP guidelines, the Bank is required to provide 100.0% foreign asset cover for all foreign currency liabilities in its Foreign Currency Deposit Unit ("FCDU") books.

As of 31 December 2022, the Bank had ₱138.7 billion of assets and ₱138.7 billion of liabilities in FCDU books, denominated primarily in U.S. dollars. The decline in the value of the peso against foreign currencies, in particular the U.S. dollar, may affect the ability of the Bank's customers or the Government to service debt obligations denominated in foreign currencies and, consequently, increase NPLs. Conversely, increases in the value of the peso can depress the export market which can negatively affect the ability of the Bank's customers to repay their debt obligations or may reduce credit quality or demand. There can be no assurance that the peso will not fluctuate further against other currencies and that such fluctuations will not ultimately have an adverse effect on the Bank.

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

The Bank is exposed to the risk that fraud and other misconduct committed by employees or outsiders could occur. Such incidences may adversely affect banks and financial institutions more significantly than companies in other industries due to the large amounts of cash that flow through their systems. Any occurrence of such fraudulent events may damage the reputation of the Bank and may adversely affect its business, financial condition, results of operations, and prospects. In addition, failure on the part of the Bank to prevent such fraudulent actions may result in administrative or other regulatory sanctions by the BSP or other Government agencies, which may be in the form of suspension or other limitations placed on the Bank's banking and other business activities. In addition, this may also result in a loss of confidence of current and potential deposit customers. As the Bank continues to further automate its various internal processes and expand its internet banking operations, the potential for fraud and security problems arising from the exploitation of technological weaknesses may increase. Although the Bank has in place certain internal control procedures to prevent and detect fraudulent activities, these may be insufficient to prevent such occurrences from transpiring. There can be no assurance that the Bank will be able to avoid incidents of fraud in the course of its business.

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

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

The Bank employs measures to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by the Bank's increased use of the internet. For example, in connection with the installation, maintenance, and upgrading of new technology systems, the Bank grants third party access to its systems and there can be no assurance that such access will not result in security breaches or other disruptive problems. Computer break-ins and security breaches would affect the security of information stored in and transmitted through these computer systems and network infrastructure. The Bank employs security systems and maintains operational procedures to prevent break-ins, damage, and failures. The potential for fraud and securities problems is likely to persist and there can be no assurance that these security measures will be adequate or successful. The costs of maintaining such security measures may also increase substantially. Failure to implement security measures could have a material adverse effect on the Bank's business, financial condition and results of operations.

Inability to adapt to technology shifts and address changing consumer demand may negatively impact the Bank's competitiveness and customer experience.

The proliferation of smartphones, connectivity devices, and mobile data applications has witnessed a surge in platforms offering online payment solutions, electronic money, and digital wallets, among other comparable services and products. This advent of web- and app-based offerings has significantly intensified the competition posed by traditional banking institutions, such as Security Bank. Furthermore, the imposition of quarantine measures and movement restrictions during the COVID-19 pandemic has further propelled the demand for digital and online solutions.

Banks compete with expanding financial technology (fintech) solutions covering (i) mobile payment or e-wallet applications such as but not limited to GCash and PayMaya and (ii) peer-to-peer lending platforms, among others.

Moreover, to date, the BSP has granted six (6) digital bank licenses: (i) Overseas Filipino Bank, (ii) Tonik Digital Bank, Inc., (iii) UNObank, (iv) UnionDigital Bank, (v) GoTyme Bank, and (vi) Maya Bank. These licenses complement the existing commercial and universal banking licenses held by banks like CIMB Bank Philippines, which provide branchless banking services through their dedicated mobile applications, thereby delivering comprehensive online retail banking services.

To address these challenges, the Bank is committed to investing in technological upgrades and staying at the forefront of banking technology in the Philippines. However, it acknowledges that there are no substantial barriers

preventing its competitors from adopting more advanced technology for their own product and service offerings. Consequently, maintaining technological competitiveness remains a key focus for the Bank. Failure to do so may have significant implications, including the potential impact on fee-based revenue, customer acquisition, funding costs, and overall business performance. Therefore, the Bank is dedicated to continually enhancing its infrastructure and systems to meet evolving customer preferences and ensure its sustained position in the market.

One area of focus for the Bank has been the development and improvement of its digital banking platforms. The bank has invested significant resources in creating user-friendly and feature-rich mobile and web applications that offer a seamless and convenient banking experience to its customers. These digital platforms provide services such as online banking, mobile payments, fund transfers, and account management, empowering customers to perform banking transactions anytime and anywhere.

The Bank is involved in many businesses subject to a variety of regulatory regimes and guidelines, and any changes in the relevant regulatory regimes or guidelines may adversely affect the Bank's businesses, financial condition, and results of operations.

The Bank has business interests in a number of highly regulated sectors, including but not limited to, banking, leasing, and credit cards. Each of these businesses is subject to separate regulatory regimes and guidelines that are periodically subject to change. Failure to comply with relevant laws and regulations may result in financial penalties or administrative or legal proceedings against the Bank, including the revocation of the Bank's licenses, permits or certificates. Regulators of the Bank's businesses may alter current regulations or introduce new regulations to control any particular line of business. There can be no assurance that the guidelines issued by the regulatory authorities will not materially and adversely affect the Bank's business, financial condition, or results of operations. For a discussion of the banking regulations governing the Bank, see "*Banking Regulation and Supervision*."

The Bank is effectively controlled by two substantial shareholder groups.

The Dy Group led by Frederick Y. Dy is the largest shareholder of the Bank with majority voting control, and MUFG Bank is its second-largest shareholder with a 20% stake through the latter's capital investment in 2016. See "Principal Shareholders." As such, the Dy Group and MUFG are able to influence the composition of the Board of Directors and the approval of certain corporate proposals or transactions, investment decisions and payment of dividends, among others. As of reporting period ended December 2022, the Board of Directors is comprised of 15 members, six of whom are independent directors and two of whom are nominated by MUFG. The interests of the Dy Group and MUFG may differ significantly from, or conflict with, the interests of the Bank and the Bank's other shareholders. There can be no assurance that their interests will be aligned with one another's interests or with that of the Bank and the Bank's other shareholders. In addition, there can be no assurance that the Bank's business, financial position and results of operations will not be adversely affected in the event that either of these substantial shareholder groups reduces part of or disposes all of their respective shareholdings in the Bank.

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

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

If the Bank is not able to integrate any future acquisitions, the Bank's business could be disrupted.

The Bank may seek opportunities for growth through acquisitions or be required to undertake mergers mandated by the BSP. Any future acquisitions or mergers may involve a number of risks, including deterioration of asset quality, diversion of its management's attention required to integrate the acquired business, failure to retain key acquired personnel and clients, leverage synergies, rationalize operation, or develop the skills required for new businesses and markets, or unknown and known liabilities, some or all of which could have an adverse effect on its business.

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

The Bank has experienced high growth in recent years. The Bank expects this growth to place significant demands on its resources, operations, management and require it to continuously evolve and improve its operational, financial and internal controls across the organization. In particular, continued expansion increases the exposure to certain additional risks, including but not limited to:

- difficulties raising capital for expansion in light of financial market disruptions might increase leverage if equity funds are not available when needed;
- difficulties arising from operating a significantly larger and more complex organization and expanding into new geographic areas and territories;
- difficulties in the assimilation and seamless integration of the assets and operations of the expanded operations with the existing business;
- the diversion of management's attention;
- the failure to realize expected profitability or growth in new ventures;
- the failure to realize expected synergies and cost savings;
- difficulties arising from coordinating and consolidating corporate and administrative functions, including integration of internal controls and procedures;
- changes in technology;
- unforeseen legal, regulatory, contractual, labor or other issues; and
- an inability to attract new talent due to limited resources in the market.

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

A downgrade of the Bank's credit rating could have a negative effect on its financial condition and results of operations.

As of 9 June 2022, the Bank was given a credit rating of Baa2, with a stable outlook, for its long-term bank deposits rating and long-term issuer rating by Moody's. Japan Credit Rating Agency, Ltd. gave the Bank a foreign currency long term Issuer rating of A- with a stable outlook on 9 June 2022. In the event of a downgrade of the Bank by one or more credit rating agencies, the Bank may have to accept terms that are not as favorable in its transactions with counterparties, including capital raising activities, or may be unable to enter into certain transactions. This could have a negative impact on the Bank's treasury operations and also adversely affect its financial condition and results of operations. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. The rating agencies may also decide to withdraw their ratings altogether, which may have the same effect as a reduction in its ratings. Any reduction in the Bank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce the Bank's liquidity and materially and adversely affect the Bank's business, financial condition, and results of operations.

The Bank is involved in litigation, which could result in financial losses or harm its business.

The Bank is and may in the future be, implicated in lawsuits on an ongoing basis. Litigation could result in substantial costs to, and a diversion of effort by, the Bank and/or subject the Bank to significant liabilities to third parties. There can be no assurance that the results of such legal proceedings will not materially harm the Bank's business, reputation or standing in the marketplace or that the Bank will be able to recover any losses incurred from third parties, regardless of whether the Bank is at fault. In addition, there can be no assurance that: (i) losses relating to litigation will not be incurred beyond the limits, or outside the coverage, of such insurance, or that any such losses would not have a material adverse effect on the results of the Bank's business, financial condition or results of operation, or (ii) provisions made for litigation related losses will be sufficient to cover the Bank's ultimate loss or expenditure.

Risks Relating to an Investment in the Securities

The Securities may not be a suitable investment for all investors.

Each potential investor in the Securities must determine the suitability of investing in the Securities in light of its own circumstances. In particular, each potential investor should:

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

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

The Securities may have limited liquidity.

Any Tranche of the Securities issued under the Program will constitute a new issue of securities for which there is no existing market. The Selling Agents have not made any commitment and are not obligated to make a market in any Tranche of the Securities.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the Securities issued under the Program. If an active trading market for any Securities does not develop or is not maintained, the market price and liquidity of such Securities may be adversely affected. If such a market were to develop, the Securities could trade at prices that may be higher or lower than the price at which the Securities are issued depending on many factors, including, but not limited to:

- prevailing interest rates;
- the Bank's results of operations and financial condition;
- political and economic developments in and affecting the Philippines;
- the market conditions for similar securities; and
- the financial condition and stability of the Philippine financial sector.

Investors may not be able to sell their investment in the Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Securities that are especially sensitive to interest rates, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Securities.

The Bank intends to list the Securities issued from this Program on PDEX. However, there can be no assurance that the Bank will obtain or be able to maintain such a listing or that, if listed, a trading market will develop for the Securities on the PDEX. Lack of a liquid, active trading market for the Securities may adversely affect the price of the Securities or may otherwise impede a holder's ability to dispose of the Securities.

The Holder may face possible gain or loss if the Securities are sold at the secondary market.

As with all fixed income securities, the Securities' market values move (either up or down) depending on the change in interest rates. The Securities when sold in the secondary market are worth more if interest rates decrease since the Securities have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Securities are worth less when sold in the secondary market. Therefore, holders may either make a gain or incur a loss when they decide to sell the Securities.

The Securities have no preference under Article 2244(14)(a) of the Civil Code.

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14)(a) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. However, a domestic lender may acknowledge debt before a notary or a person authorized to administer oaths without notice to the Bank. Philippine courts have not addressed this matter, and it is uncertain whether a document evidencing the debt, notarised without one party's participation, would be considered documented by a public instrument. If, however, such debt was definitively considered documented by a public instrument, then, as with other documents similarly situated, it would rank ahead of the debt securities if the Bank goes into insolvency and is unable to meet its debt obligations.

The Bank may be unable to redeem the Securities.

At maturity of the relevant Securities, the Bank will be required to redeem such Securities. The Bank may not have sufficient cash in hand and may not be able to arrange financing to redeem the Securities in time, or on acceptable terms, or at all. The ability to redeem the Securities may also be limited by the terms of other debt instruments. Failure to repay, repurchase, or redeem the Securities by the Bank would constitute an event of default under the Transaction Agreements, which may also constitute a default under the terms of other indebtedness of the Bank. The Bank believes that it has sufficient resources which will allow it to service the principal and interest of the Securities given its strong recurring cash flow and the high level of liquidity in its balance sheet.

The Conditions contain provisions which may permit their modification without the consent of the Holders and without regard to the individual interests of particular Holders.

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests, in general. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The Conditions also provide that the Bank and Trustee may, without prior notice to or the consent of the Holders or other parties, amend or waive any provisions of the terms and conditions of the Securities if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency provided in all cases that such amendment or waiver does not adversely affect the interests of the Holders and that all Holders are notified of such amendment or waiver.

The credit ratings assigned to the Bank may not reflect all risks associated with an investment in the Securities.

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

Taxation of the Securities

The Tax Code provides that interest-bearing obligations of Philippine residents, such as bonds and commercial papers, are Philippine-sourced income subject to Philippine income tax, as follows:

Income Recipient/Taxpayer	Tax Rate
Philippine citizens, alien resident individuals, and non-resident aliens engaged in trade or business in the Philippines	20% final tax
Domestic and resident foreign corporations	20% final tax

The aforementioned final withholding tax rates on non-residents may be reduced by applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident Holder. Most tax treaties to which the Philippines is a party provide for a preferential reduced tax rate of 15% where Philippine-source interest income is paid to a resident of the other contracting state. A more detailed discussion of the Philippine tax aspects of the Securities may be found under the section *Philippine Taxation*.

Risks Relating to Information in this Offering Circular

Risks relating to unaudited interim financial statements deemed incorporated by reference.

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

The Bank cannot assure you of the accuracy or comparability of facts, forecasts, and statistics contained in this Offering Circular with respect to the Philippines, its economy or the Philippines and global banking industries.

Facts, forecasts, and statistics in this Offering Circular relating to the Philippines, the Philippine economy and the Philippines and global banking industries, including the Bank's market share information, are derived from various governmental sources which are generally believed to be reliable. However, the Bank cannot guarantee the quality and reliability of such material. In addition, these facts, forecasts and statistics have not been independently verified by the Bank and may not be consistent with information available from other sources and may not be complete or up to date. The Bank has taken reasonable care in reproducing or extracting the information from such sources.

However, because of potentially flawed methodologies, discrepancies in market practice and other problems, these facts, forecasts, and other statistics may be inaccurate or may not be comparable from period to period or to facts, forecasts, or statistics of other economies.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the indebtedness and capitalization of the Bank as of 31 December 2022. This table should be read in conjunction with the Bank's audited financial statements as of 31 December 2022 and the notes presented elsewhere herein.

	31 December 2022
	(₱ millions)
Liabilities:	
Deposits liabilities*	605,836
Financial liabilities at fair value through profit or loss	1,753
Bills payable and Securities Sold Under Repurchase Agreements	40,920
Notes and bonds payable	47,112
Other liabilities**	20,822
Total liabilities	<u>716,443</u>
Capitalization:	
Capital stock	7,635
Additional paid-in capital	38,524
Surplus	89,005
Cumulative foreign currency translation	(94)
Net unrealized gain on financial assets at fair value through other comprehensive income	(9,239)
Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income	17
Total	<u>125,848</u>
Total capitalization and indebtedness	<u>842,291</u>
Capital Ratios	
Common Equity Tier 1 Ratio	16.11%
Tier 1 Capital Adequacy Ratio	16.11%
Total Capital Adequacy Ratio	16.60%

* Includes long-term negotiable certificates of deposit of ₱24.77 billion issued 8 November 2017, 2 May 2018, 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 described above, there has been no significant change in the indebtedness or capitalization or contingent liabilities of the Bank since 31 December 2022.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected consolidated financial information of the Bank and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Offering Circular and the section entitled “Description of the Bank” in this Offering Circular. The selected financial information presented below as of and for the years ended 31 December 2022, 2021, and 2020 were derived from the consolidated financial statements of the Bank and audited by SyCip Gorres Velayo & Co. (“SGV”) in accordance with Philippine Standards on Auditing. 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 years ended 31 December		
	2022	2021	2020
	<i>(P millions, except for share figures)</i>		
	<i>(audited)</i>		
Interest income on			
Loans and receivables	29,686	28,061	34,031
Financial assets at fair value through other comprehensive income and investment securities at amortized cost	5,848	3,247	3,559
Financial assets at fair value through profit or loss	760	663	2,303
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	374	320	406
Deposits with banks and others.....	87	612	54
	<u>36,755</u>	<u>32,903</u>	<u>40,353</u>
Interest expense on			
Deposit liabilities	5,043	2,941	5,186
Subordinated note, bills payable, securities sold under repurchase agreements, notes payable, and other borrowings	1,988	2,074	3,361
Derivatives instruments	406	349	467
Lease liabilities	72	84	140
Derivatives designated as hedges	—	—	550
	<u>7,509</u>	<u>5,448</u>	<u>9,704</u>
Net interest income	<u>29,246</u>	<u>27,455</u>	<u>30,649</u>
Service charges, fees and commissions	5,285	4,531	3,632
Profit from assets sold/exchanged	1,497	1,391	282
Foreign exchange gain - net.....	967	170	437
Rent	631	570	516
Share in net income (loss) of subsidiaries and joint ventures	147	81	(195)
Gains on disposal/redemption of investment securities at amortized cost	4	66	2,253
Trading and securities gain (loss) – net	(26)	1,092	11,105
Miscellaneous	<u>1,884</u>	<u>1,453</u>	<u>1,693</u>
Total Operating Income	<u>39,635</u>	<u>36,809</u>	<u>50,372</u>
Operating expenses			
Compensation and fringe benefits.....	7,539	6,922	6,404
Taxes and licenses	3,060	3,302	3,341
Provision for credit losses.....	2,634	5,281	26,383
Depreciation and amortization	2,115	2,173	2,010
Amortization of software costs	551	362	309
Occupancy costs	370	375	353
Provision for (recovery of) impairment losses	207	(15)	35
Miscellaneous	<u>9,274</u>	<u>8,148</u>	<u>7,283</u>
Total operating expenses	<u>25,750</u>	<u>26,548</u>	<u>46,118</u>
Income before income tax	<u>13,885</u>	<u>10,261</u>	<u>4,254</u>
Provision for (benefit from) income tax	<u>3,330</u>	<u>3,345</u>	<u>(3,179)</u>

	For the years ended 31 December		
	2022	2021	2020
	<i>(P millions, except for share figures)</i>		
	<i>(audited)</i>		
Net income	10,555	6,916	7,433
Attributable to:			
Equity holders of the Parent Company	10,555	6,916	7,433
Net income	10,555	6,916	7,433
Basic/Diluted Earnings Per Share	14.00	9.17	9.86

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of 31 December		
	2022	2021	2020
	<i>(P millions)</i>		
	<i>(audited)</i>		
Assets			
Cash and Other Cash Items	13,180	11,083	13,311
Due from Bangko Sentral ng Pilipinas	63,011	67,392	47,391
Due from Other Banks	20,097	13,126	10,034
Interbank Loans Receivable and Securities Purchased Under Resale Agreements with the Bangko Sentral ng Pilipinas	27,515	29,425	18,641
Financial Assets at Fair Value through Profit or Loss	7,567	6,922	10,748
Financial Assets at Fair Value through Other Comprehensive Income	112,891	80,669	68,772
Investment Securities at Amortized Cost	69,230	21,837	23,392
Loans and Receivables	502,617	448,584	438,852
Investment in Subsidiaries and Joint Ventures	2,441	1,540	709
Property, Equipment, and Right-of-use Assets	5,279	5,185	5,518
Investment Properties	3,205	1,183	1,093
Deferred Tax Assets	4,851	5,246	7,262
Goodwill	842	842	842
Intangible Assets	3,735	3,221	2,722
Other Assets	5,830	3,362	3,564
Total Assets	842,291	699,617	652,851
Liabilities and Equity			
Liabilities			
Deposit Liabilities			
Demand	232,536	216,471	177,327
Savings	117,513	110,567	98,705
Time	231,020	171,823	139,688
Long Term Negotiable Certificates of Deposit	24,767	24,729	24,690
	605,836	523,590	440,410
Financial Liabilities at Fair Value Through Profit or Loss	1,753	1,285	1,098
Bills Payable and Securities Sold Under Repurchase Agreements	40,920	3,464	21,084
Acceptances Payable	1,085	1,002	438
Margin Deposits and Cash Letters of Credit	64	40	62
Manager's and Certified Checks Outstanding	4,103	4,221	3,863
Income Tax Payable	198	86	61
Notes and Bonds Payable	47,112	28,721	45,711
Accrued Interest, Taxes and Other Expenses	4,154	2,897	3,746
Other Liabilities	11,218	9,241	13,072
	716,443	574,547	529,545
Equity Attributable to Equity Holders of the Parent Company			
Capital Stock	7,635	7,635	7,635

	As of 31 December		
	2022	2021	2020
		<i>(P millions)</i> <i>(audited)</i>	
Additional paid-in capital	38,524	38,524	38,524
Surplus	89,005	80,852	75,787
Net unrealized gain (loss) on financial assets at fair value through other comprehensive income	(9,239)	(2,043)	2,023
Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income	17	8	6
Cumulative foreign currency translation	(94)	94	(669)
Total Equity	125,848	125,070	123,306
Total Liabilities and Equity	842,291	699,617	652,851

SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended 31 December		
	2022	2021	2020
		<i>(P millions)</i> <i>(audited)</i>	
Net cash provided by operating activities	35,298	84,392	88,382
Net cash used in investing activities	(84,874)	(12,825)	(17,698)
Net cash provided by (used in) financing activities	51,430	(39,149)	(71,577)
Cash and cash equivalents at beginning of the year/period.....	121,026	88,334	75,285
Cash and cash equivalents at end of the year/period.....	119,808	121,026	88,334

SELECTED FINANCIAL RATIOS

	As of 31 December		
	2022	2021	2020
		<i>(audited)</i>	
Return on average assets ⁽¹⁾	1.37	1.02	1.03
Return on average equity ⁽²⁾	8.42	5.57	6.16
Net interest margin ⁽³⁾	4.23	4.43	4.71
Core capital ratio ⁽⁴⁾	16.11	19.09	19.19
Total capital adequacy ratio ⁽⁵⁾	16.60	19.75	20.09
Non-performing loans ratio - net ⁽⁶⁾	1.05	1.47	1.97
Earnings per share (P) ⁽⁷⁾	14.00	9.17	9.86
Non-performing loan			
Net ⁽⁸⁾	1.05	1.47	1.97
Gross ⁽⁹⁾	2.95	3.94	3.89

	As of 31 December		
	2022	2021	2020
		<i>(P millions, except percentages)</i> <i>(audited)</i>	
Cost to income ratio ⁽¹⁰⁾	57.80	57.82	39.11
Total operating expenses	25,750.07	26,548.99	46,119.27
Less: Provision for credit losses	2,634.32	5,280.54	26,383.04
Provision for (recovery of) impairment losses	207.06	(15.15)	35.15

Total operating expenses before Provision for credit and impairment losses	22,908.69	21,283.60	19,701.08
Total operating income	39,635.21	36,810.57	50,372.59
Loans to deposits	82.96	85.67	99.65
Loans and receivables, net	502,617.43	448,583.91	438,851.59
Total deposits	605,836.57	523,589.29	440,410.58
Total assets to equity	6.69	5.59	5.29
Total assets	842,291.14	699,616.97	652,850.67
Equity attributable to the Parent Company	125,848.08	125,069.52	123,306.03
Non-performing loan cover ⁽¹¹⁾	101.12	92.67	115.47
Total allowance for credit losses	16,159.65	17,957.50	21,314.67
Total NPLs gross of specific allowance	15,981.22	19,378.67	18,459.01
Allowance for credit and impairment losses to total non-performing assets ⁽¹²⁾	83.54	86.36	108.28
Total Allowance for credit and impairment losses	16,159.65	17,957.50	21,314.67
Total non-performing assets	19,344.72	20,792.98	19,684.85

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) Total non-performing loans - net ("NPL") divided by total gross loans per BSP.
- (7) Net income divided by weighted average number of outstanding common shares.
- (8) Net NPL divided by total gross loans.
- (9) Gross NPL divided by total gross loans.
- (10) Total operating expenses (excluding provision for credit and impairment losses) divided by total operating income.
- (11) Computed based on BSP Circular 941 and 1011.
- (12) Computed based on BSP guidelines.

DESCRIPTION OF THE BANK

Overview

The Bank is a publicly-listed universal bank based in the Philippines which provides, through itself and other members of the Group, banking and other financial products and services in the wholesale banking, financial markets, retail banking, and business banking segments. As of 31 December 2022, the Bank ranked as the 8th largest in total assets and 7th largest in capital funds (₱879 billion and ₱124 billion, respectively), among private domestic universal banks (PDUBs) in the Philippines. Security Bank ranked 6th largest in market capitalization among listed PDUBs in the Philippines as of end-2022. The Bank's strategy, execution and results are guided by its strong focus on shareholder value.

As of 31 December 2022, the Bank had a network of 316 branches located across the Philippines, 183 branches of which are strategically located in Metro Manila and 133 situated outside Metro Manila. The Bank also has 663 ATMs, Cash Recycler Machines (CRMs) and Cash Acceptance Machines (CAMs). The Bank has continuously experienced growth in the expansion of its distribution network, both inside and outside Metro Manila, from 262 branches as of the year ended 2015 to 316 branches as of 31 December 2022. The growth in the branch numbers has enabled the Bank to expand its deposit base. From 2015 to 2022, the Bank has experienced strong deposit growth with compounded annual growth rate (CAGR) of 11.12%.

The Financial Markets 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 Financial Markets segment represents 6.4% of the Bank's revenue, net of interest expense for the year ended 31 December 2022.

The Wholesale Banking segment addresses the corporates, institutional and public sector markets and commercial clients. Services include relationship management, loans, trade, cash management, and deposits. It also provides structured financing and advisory services relating to debt and equity capital raising, project financing, and mergers and acquisitions advisory via SB Capital. Wholesale Banking represents 34.1% of the Bank's revenue, net of interest expense for the year ended 31 December 2022.

The Retail Banking segment serves individual clients. It covers deposits, consumer loans, credit cards, and bancassurance. Retail Banking represents 51.6% of the Bank's revenue, net of interest expense for the year ended 31 December 2022.

The Business Banking segment serves the micro-, small-, and medium-sized enterprises (MSMEs) with holistic propositions covering deposits, loans, cash management, and insurance. As of reporting period ending 31 December 2022, the financials of Business Banking are included as part of the Retail Banking segment.

Other Segments includes, but is not limited to, branch banking, and other support services. Other operations of the Bank comprise the operations and financial control groups. Other Segments represents 8.5% of the Bank's consolidated revenue, net of interest expense for the year ended 31 December 2022.

As of 31 December 2022, the Bank's Tier 1 capital ratio and total capital adequacy ratio remained greater than the minimum regulatory requirements of 7.5% and 10.0%, respectively, with a Tier 1 capital ratio of 16.11% and a total capital adequacy ratio of 16.60%.

As of 31 December 2022, 2021, 2020, the Bank had total assets of ₱842.3 billion, ₱699.6 billion, ₱652.9 billion, respectively, and net income of ₱10.6 billion, ₱6.9 billion, ₱7.4 billion, respectively.

History

The Bank was incorporated on 8 May 1951 and started its operations as a commercial bank on 18 June 1951. In the late 1950s, the Bank expanded its distribution capabilities by setting up branches in various parts of Metro Manila. Beginning in the 1960s, the Bank began expanding its branch network outside of Metro Manila with the opening of its first provincial branch. Throughout the decade, branches were established in various parts of the Visayas and Mindanao regions.

In 1989, the new majority owners, led by Frederick Y. Dy, assumed control of the Bank. As part of the strategy of the new management, the Bank secured approval from the BSP in 1994 to operate as a universal bank, allowing the Bank to expand its financial services and revenue sources. In 1995, the Bank was publicly listed on the PSE.

In 2006, the Bank received BSP approval to engage in expanded derivatives activities in both its regular and foreign currency deposit unit books. From 2006, the Bank increased its portfolio of mortgage loans via the financing of receivables of homebuyers through joint ventures or strategic partnerships with property developers. The Bank further expanded its consumer finance business with the introduction of its Security Bank Car Loan in 2007, doctors financing and floor stock financing in 2009, and personal loans in 2010.

In May 2011, the Bank signed a joint venture agreement with Marubeni Corporation of Japan (“**Marubeni**”) to establish a leasing company that will initially focus on construction equipment, trucks and buses. In connection with this, the Bank’s subsidiary, Security Finance, Inc., was renamed as SBM Leasing, Inc. and recapitalized with the Bank owning 60% of the new leasing company and Marubeni owning 40%.

In June 2011, the Bank signed an agreement for the acquisition of Premiere Development Bank (“**PDB**”). The Bank’s investment, subsequent capital contributions and acquisition of the non-controlling interest in PDB resulted in the Bank’s ownership interest of 99.54% in PDB. PDB was rebranded as Security Bank Savings (“**SBS**”).

In September 2014, the Bank entered into a bancassurance and other related agreements with the Hong Kong based financial institution FWD Limited, to further enhance the Bank’s range of products and services in the financial planning, advisory and asset management sectors. The bancassurance arrangement with FWD Limited was approved by the BSP on 7 January 2015.

In 2015, the Bank sold its 51.81% shareholdings in Security Land Corporation, a real estate company, while Security-Philam Financial Solutions and Insurance Agency, Inc, a joint venture entity and 50.0% owned by the Bank, was liquidated.

In 2016, the Bank entered into a strategic partnership with MUFG, the largest bank in Japan and member of the Mitsubishi UFJ Financial Group. The transaction was completed on 1 April 2016, with MUFG infusing capital of P36.9 billion, representing a 20% stake in the Bank. The Bank believes that this collaboration has resulted in greater access to Japanese corporates and enhancement of the Wholesale to Retail (“**W2R**”) business. In the same year, SB Cards Corporation (“**SB Cards**”) sold a substantial portion of its existing Diners Club International credit card portfolio and its cardholder base.

Also in 2016, the board and stockholders of SBS approved the conversion of SBS from a savings bank to a finance company. The SEC subsequently approved the conversion in 2017 and SBS was renamed to SB Finance Company, Inc. (“**SBF**”).

In 2017, the Bank reached its 300th milestone branch after opening 12 new branches. The 300th branch was inaugurated in San Jose, Nueva Ecija in Central Luzon, furthering the Bank’s goal of extending BetterBanking services to the countryside.

In 2018, the Bank issued USD 300 million of 5-Year senior unsecured fixed rate notes under the USD 1billion Medium Term Note (MTN) Program on 17 September 2018; priced at 99.588, yield of 4.593%, coupon rate of 4.50% p.a. (semi-annual payment).

In August 2019, the Bank announced that it has formed a strategic partnership with the Bank of Ayudhya (“**Krungsri**”) through the Bank’s consumer finance subsidiary SBF. Both banks have MUFG Bank, Ltd. as a common shareholder. The partnership intends to provide top-notch consumer finance products to more Filipinos and plans to explore opportunities in personal loans, motorcycle loans and insurance, while leveraging on Krungsri’s expertise in the ASEAN retail financial market. Regulatory approvals in the Philippines and in Thailand were subsequently obtained on 20 October 2020 and the Joint Venture Agreement (“**JVA**”) between the Bank and Krungsri was executed, with the Bank completing the sale of 50% outstanding shares of SBF to Krungsri.

The Bank also raised funds in 2019 via the issuance of the following: ₱18.0 billion 5.875% fixed rate peso corporate bonds due 2021, ₱6.06 billion 4.00% fixed rate long term negotiable certificates of deposits (“**LTNCD**”) due 2025, and ₱2.31 billion 4.00% fixed rate LTNCD due 2025.

In February 2020, the Bank issued ₱2.07 billion 4.00% fixed rate LTNCD due 2025.

In July 2020, the Bank raised ₱13.5 billion 3.125% fixed rate peso corporate bonds due 2022.

The Bank returned to the bond capital market on year 2022 with two issuances that received strong investor support. On July 2022, the Bank issued ₱16.0 billion 3.7407% fixed rate peso corporate bonds due 2024. Subsequently, it issued ₱14.6 billion 5.3000% fixed rate peso corporate bonds due 2024.

Strengths

Security Bank differentiates itself from competition as a strong, independent, domestic bank with a global reach. The Bank is committed to provide superior customer experience in line with its brand promise of *BetterBanking*, stemming from an in-depth understanding of customers' needs and providing solutions in a professional, problem-free, personalized, and prompt manner. The Bank's strategic partnership with Mitsubishi UFJ Financial Group (MUFG), the largest financial group in Japan, enables it to provide customers with access to an extensive global network.

Key financial ratios at healthy levels

The Bank's business model is to operate its chosen core businesses (wholesale banking, retail banking, business banking, financial markets) to maximize on all opportunities using the same branch network, while operating along its core disciplines of capital strength, asset quality, and cost efficiency. Asset quality remained healthy, with gross and net non-performing loan ("NPL") ratio at 2.95% and 1.05%, respectively, as of 31 December 2022. The NPL reserve cover was at 101.1%. The Bank's judicious use of capital resulted in sustained strong capital adequacy ratios. CET 1 capital adequacy ratio was at 16.1% and total capital adequacy ratio was at 16.6% as of 31 December 2022. The Bank continued to be among the country's best capitalized private domestic universal banks with the highest capital adequacy ratios. Cost-to-income ratio was at 51.1% in 2019 and 39.1% in 2020; and was at 57.8% in both 2021 and 2022 as the Bank made major investments in technology and manpower to improve customer experience.

Prior to the ₱36.9 billion investment of MUFG in April 2016, the Bank consistently ranked among the top private domestic universal banks in the Philippines in terms of return on equity ("ROE"). Post 2016, the Bank's objective is to regain ROE leadership by working towards achieving top 3 peer bank ROE over the medium term. In 2022, the Bank's ROE was at 8.42%.

Traditional niche among the affluent Filipino-Chinese community in the Philippines and the Commercial and Business (MSME) segments which continue to be major businesses of the Bank

The Bank has a traditional niche among the affluent Filipino-Chinese community in the Philippines and the Commercial and Business (MSME) segments, and will continue to leverage this competitive advantage. Most notably, the Bank believes its long-established ties with the Filipino-Chinese community provide it with a loyal and valuable customer base. Key members of the Bank (e.g., in the Board of Directors, Board of Advisors, and Management team) belong to this community, thereby deepening the Bank's relationship with, and ensuring that the Bank remains responsive to, the needs of the community.

Enhanced customer service supported by data-driven insights

Implementation of the cloud data platform, referred to as the "data lake", allows the Bank to work with analytics, risk, and data science teams to understand available customer behavior data and gain better customer insights to deliver more intuitive services and offers at a given time. Complemented by analytics and digital marketing, Retail Banking Segment ("RBS") saw a 65% increase in New-to-Bank ("NTB") customers in 2022 as it captured customer intent and shortened sales cycles through relevant engagements. Momentum for customer growth was supported by the Bank's revamped website, enhanced digital onboarding of new clients, a more responsive in-app chat channel, and the launch of electronic Know-Your-Customer ("eKYC").

Established independent banking entity that has cultivated strong relationships with conglomerate clients

The Bank is not a member of or allied with any business conglomerate in the Philippines, unlike many of the larger commercial banks in the Philippines. As a result, the Bank believes that it has established itself as an independent banking entity that does not directly or indirectly compete with its clients, particularly large conglomerates. Thus, the Bank avoids potential conflicts of interest while building trust in the banking

relationship. The Bank believes that its customers seek out this independence when choosing to bank with it and that its independence helps to cultivate strong relationships of trust and confidence with its clients.

Access to global networks through MUFG and other alliances

The Bank differentiates itself in the industry as a strong, domestic bank with a network of global alliances that allow it to serve the international needs of its customers. In 2016, the Bank entered into a strategic partnership with MUFG, the largest bank in Japan and member of the Mitsubishi UFJ Financial Group, which allows the Bank to offer clients access to MUFG's products, services, expertise, and global network. The collaboration has resulted in expansion of relationships with Japanese corporates to include their employees and ecosystem, driving continuous improvement in several areas such as Retail Banking, Wholesale Banking, Wholesale to Retail, and Risk Management. 2022 was the seventh year of the Bank's collaboration with MUFG.

In August 2019, the Bank announced its strategic partnership with Thailand's Bank of Ayudhya (otherwise known as Krungsri, the number one consumer finance provider in Thailand, with presence in Laos, Cambodia and Myanmar). The partnership is through SB Finance (a 50:50 joint venture with Krungsri). SB Finance is a non-bank finance company that services the mass retail market in the Philippines. Within the first half of 2022, SB Finance launched several digital product offerings, e.g., mobile app branded as "Zuki", and loan products for the mass retail segment in the country ("Car4Cash", "Hoologan", motorcycle loans, personal loans, and "eSALAD"). The partnership intends to provide top-notch consumer finance products to more Filipinos while leveraging on Krungsri's expertise in the ASEAN retail finance market. Both Security Bank and Krungsri have MUFG Bank, Ltd. as a common shareholder.

Effective risk management contributing to healthy asset quality with sufficient provisioning coverage

The Bank has successfully managed credit risk through its internal credit risk rating system, loan evaluation and approval practices, and other formal credit risk mitigating processes. During the pandemic, the Bank tightened credit lending criteria, intensified portfolio reviews, stress tests on sectors and targeted portfolios, and created an enhanced process that surfaced credits at risk for early remediation. The Bank's gross non-performing loan (NPL) ratio was 2.95%, 3.94% and 3.90% as of 31 December 2022, 2021, and 2020, respectively. The Bank's gross NPL ratio has been on a steady decline in the last five consecutive quarters since its peak in the third quarter of 2021. NPL coverage ratios was 101.12%, 92.67%, 115.47% as of 31 December 2022, 2021, and 2020, respectively.

Strong and experienced management team

The Bank's management team and board of directors comprise highly experienced individuals with an average of more than 20 years of expertise in key areas, including retail and wholesale banking and they have proven abilities to grow the Bank's business. The Bank believes that its management team is well regarded and connected within the industry as evidenced through senior representation within various industry associations, as well as in affluent communities, such as the Filipino-Chinese community. The Bank's day-to-day business is based on a streamlined management structure and managed by officers who have extensive experience in banking operations from leading banks in the country and abroad. Given the experience and track record of the Bank's senior management, the Bank believes that it possesses extensive knowledge of all aspects of the banking industry, strong relationships with other banks and financial institutions, and familiarity with the Bank's target clients and their banking needs. The management team also provides the Bank with a broad perspective from which it can make strategic management and operational decisions.

Strategies

The Bank's vision is to become the most customer-centric bank in the Philippines. To be customer-centric, the Bank will strengthen its capabilities to address its customers' evolving needs and continue to invest in what matters to them.

To track the Bank's progress in reaching its vision, it has set the following goals:

Grow mass affluent and corporate share, focusing on customers with high potential for growth and where the Bank can differentiate on service

Integral to the Bank is customer acquisition and satisfaction. By improving processes and providing optimized points for customer interaction, the Bank strives to continue to grow its share in the mass affluent and corporate market while providing differentiated service.

Become the industry leader in Net Promoter Score (“NPS”) for Retail, Corporate, Commercial, and Business (“MSME”) segments – serving clients’ financial needs and partnering with them for success

Delivering *BetterBanking* requires an understanding of clients’ concerns and expectations. Through multiple forms of engagement, the Bank is able to identify what matters to its clients. Through continuous improvement backed by data-driven insights, the Bank strives to become the industry leader in NPS. The Bank has invested heavily in critical areas to enhance customer experience: its employees, data and digital infrastructure, cybersecurity, core technology, process excellence, and automation.

Be an Employer of Choice, promoting a healthy environment, flexible working, and a connected culture

The Bank champions employee well-being and development. This is demonstrated by its recognition as the top local bank for employment at the 2023 Philippines’ Best Employers survey led by Statista, the world’s leading data and business intelligence portal. Further, the Bank has been named the Philippines’ Best Bank for Diversity and Inclusion at the 2022 Asiamoney Best Bank Awards and was recognized as having the Best Advance in Managing a Remote Workforce by Retail Banker International (RBI) at the 2022 RBI Asia Trailblazer Awards.

Enhance shareholder value by targeting the Top 3 Peer Return on Equity (ROE)

The Bank believes that its track record of strong results led to MUFG’s investment of ₱36.9 billion in equity capital for a 20% stake in the Bank in 2016. To date, this is the largest equity investment in a Philippine financial institution by a foreign investor. The Bank will continue to transform and innovate, with a focus on increasing ROE leadership by increasing profitability in pursuing new growth engines while maintaining disciplined cost structures.

Enablers

To support these goals, the Bank continues to fortify the following key enablers:

Human Capital Management

The Human Capital Management (HCM) team transforms the employee lifecycle to equip them to deliver on the Bank’s strategic ambition. Initiatives to manage employees’ learning and development, leadership and performance, and personal well-being are implemented by HCM.

Risk Management Group

The Risk Management Group (RMG) builds the Bank’s capabilities to allow for agility, the ability to take calculated risks, and pivot when challenges arise. RMG maintains a proactive approach towards risk management through a robust and well-established Risk Management Framework, ensuring appropriate mitigation strategies are deployed to navigate uncertainties.

Information Technology Group

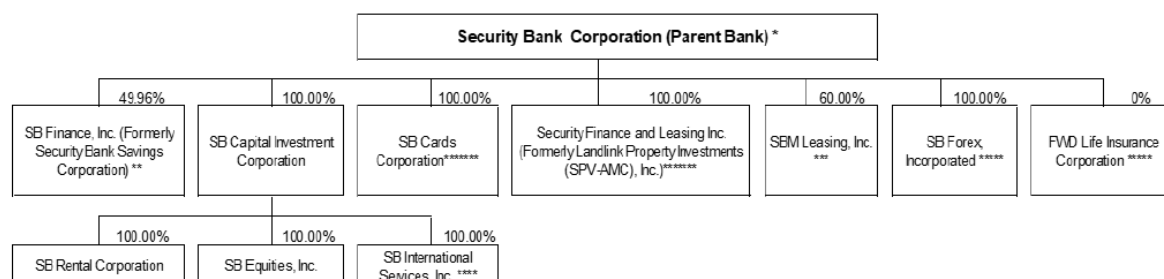
The Information Technology Group modernizes the Bank’s infrastructure, while building resource capacity and enhancing its capability to execute on its goals.

Affiliation with MUFG

The Bank’s affiliation with MUFG enables global linkages that add value to its customers, employees, and other stakeholders.

Corporate Structure

The following chart sets forth the Bank's corporate structure as of 31 December 2022:



* 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 regulatory agencies.
***** Non-operating. Corporate term ended February 28, 2022. Awaiting clearance from regulatory agencies.
***** With irrevocable power of attorney/proxy to vote certain shares of FWD Life Insurance Corporation.
***** With BOD approval to shorten corporate term on December 31, 2023.

For further information on the Bank's subsidiaries, see “— Subsidiaries and Affiliates.”

Principal Business Activities

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. The products and services offered by the Bank are divided into the following main operating business segments: (i) Financial Markets, (ii) Wholesale Banking, (iii) Retail Banking, and (iv) Other Segments. As of reporting period ending 31 December 2022, the financials of Business Banking are included as part of the Retail Banking segment.

The following table sets forth the revenues, net of interest expense of each business segment for the periods presented:

	For the years ended 31 December			
	2022		2021	
	Amount*	%**	Amount*	%**
	(P millions, except percentages)			
Financial markets	2,525	6.4%	4,247	11.5%
Wholesale banking	13,526	34.1%	11,756	31.9%
Retail banking	20,446	51.6%	19,017	51.7%
Other segments.....	3,381	8.5%	1,625	4.4%
Total	39,878		36,645	
*Gross of eliminations				
**Calculated net of eliminations				

Financial Markets

The Bank provides treasury, money market, foreign exchange, derivatives, fixed income sales, securities distribution, asset management, trust and fiduciary services, as well as the management of the funding operations of the Bank under the Financial Markets segment. The Financial Markets segment contributed 6.4% of the Bank's revenue, net of interest expense, for the year ended 31 December 2022.

Treasury

The Treasury Group is responsible for managing the Bank's sources of funding and ensuring that the Bank has adequate liquidity at all times. As part of this function, Treasury manages the Bank's domestic and foreign currency denominated investment instruments. Treasury actively engages in securities dealership, foreign exchange trading, and derivatives transactions for its own account, as well as for the accounts of individual and institutional investors. The customers of the Bank's Treasury Group include domestic and offshore banks,

insurance companies, financial institutions, corporations, small and medium enterprises, high net worth individuals, and retail companies.

Treasury manages the securities trading and investment portfolios of the Bank. As a Government Securities Eligible Dealer, the Bank has been an active participant in the primary and secondary trading of Government Securities. The Treasury Group also manages the Bank's foreign currency exposure, engaging in proprietary trading of currencies and offering foreign exchange and risk hedging derivative instruments to the Bank's customers such as forward contracts, interest rate swaps, currency swaps, and foreign currency options.

The Bank's Treasury Group generated revenue, net of interest expense of ₱1.5 billion, ₱1.7 billion, ₱1.7 billion for the years ended 31 December 2022, 2021 and 2020, respectively.

SBC Trust and Asset Management Group

The Bank's Trust and Asset Management Group ("TAMG") has managed assets of institutional and individual investors since the Bank's incorporation in 1951.

SBC Trust offers a wide range of trust products and services that address the needs of each of the market segments it serves, including fund and investment management of unit investment trust funds, employee benefit trusts or retirement funds, personal, corporate, and pre-need funds as well as management and administration of other fiduciary services such as escrows, facility and collateral agency services or mortgage trust indentures for corporate and individual clients. Revenue from the Trust & Fiduciary business is generated through trust fees. In 2022, TAMG's SB Peso Bond Fund was recognized by the Chartered Financial Analyst (CFA) Society Philippines as the Best Managed Fund for the long-term Peso Bond Fund Category.

SBC Trust's assets under management ("AUM") totalled ₱95.12 billion, ₱83.80 billion, and ₱77.67 billion, respectively, as of 31 December 2022, 2021, and 2020. These were primarily invested in a combination of fixed income investments comprising of government securities, corporate bonds and notes, direct loans and bank deposits and equities mainly comprising of common and preferred shares listed on the PSE. Income from trust operations were ₱285.9 million, ₱280.2 million and ₱226.9 million for the years ended 31 December 2022, 2021 and 2020, respectively.

SB Equities

The Bank's stock brokerage activities are undertaken through SB Equities, a wholly-owned subsidiary of SB Capital. SB Equities participates in stock market trading and investment advisory and research services to business units within the Bank and institutional funds for its customers.

Wholesale Banking

The Wholesale Banking segment addresses the corporates, institutional, and public sector markets and commercial clients. Services include relationship management, loans, trade, cash management and deposits. It also provides structured financing and advisory services relating to debt and equity capital raising, project financing, and mergers and acquisitions advisory via SB Capital. The wholesale banking segment contributed 34.1% of the Bank's revenue, net of interest expense, for the year ended 31 December 2022.

Commercial Banking

The Bank provides a wide range of banking products and services to its commercial customers classified as those belonging to the middle market and small- and medium-enterprises and excluding the top 1,000 corporations. In addition to term loans and revolving credit facilities, the banking products and services offered by the Bank to its commercial banking customers include deposit products, bills purchase facilities, trade finance, payment remittances and foreign exchange transactions. In addition, the Bank cross-sells the other products and services of the Group, including investment and trust banking services, to its commercial banking customers.

As of 31 December 2022, 2021, and 2020, accounts of the Bank's commercial customers (consisting of all small-to medium-sized Philippine companies under banking centers) represented 32.2%, 29.7% and 29.0% of the Bank's total loan portfolio, respectively. As of 31 December 2022, 2021 and 2020, the contribution of the Bank's commercial banking business to the Bank's total loan portfolio was ₱222.0 billion, ₱228.8 billion and ₱204.2

billion, respectively.

Most of the Bank's commercial customers are engaged in the wholesale and retail trade, utilities, manufacturing, financial intermediation, and real estate industries. The predominant needs of the Bank's Filipino-Chinese commercial middle-market customers are trade financing facilities (such as letters of credit, trust receipts, export-financing, and the discounting of commercial bills, as well as inventory financing) and term loans.

The Bank offers both Peso-denominated and foreign currency (primarily U.S. dollar-denominated) loans. It is the Bank's policy to extend foreign currency loans primarily to customers who have foreign currency revenues or who are otherwise hedged.

Corporate Banking

The Bank offers a wide range of products and services to its corporate customers (classified by the Bank as customers within the top 1,000 companies in the Philippines, multinational companies, and Government-owned and controlled companies), including term loans, revolving credit lines, foreign currency loans, infrastructure loans, trade finance, and transaction banking such as cash management products and services.

As of 31 December 2022, 2021 and 2020, accounts of corporate lending customers of the Bank represented 75.6%, 76.2% and 73.3% of the Bank's total loan portfolio, respectively. The Bank believes that a majority of the top 1,000 Philippine companies are currently customers of the Bank. Most of the Bank's corporate lending is typically undertaken on a non-syndicated basis, although the Bank does syndicate certain large transactions. Substantially all of the Bank's corporate clients are based in the Philippines and are engaged in the wholesale and retail trade, utilities, manufacturing, financial intermediation, and real estate industries. Almost all of the Bank's corporate lending activities support projects and businesses in the Philippines. Facilities offered to corporate customers include both secured and unsecured loan products, with pricing based on the credit risks associated with the customer and their business. The majority of the Bank's current corporate lending consists of short- to medium-term term loans. The Bank participates in syndicated loans and provides a limited amount of working capital funding by way of bills purchased and/or trade finance. The Bank also offers deposit taking and cash management services for its corporate clients.

The Bank uses the transaction banking business to further entrench the Bank in its relationships with its customers. The Bank's cash management system is known as Security DigiBanker and the Bank believes it provides a wide array of cash management solutions to its customers. The Bank will continue to enhance its Cash and Trade portals in the Digibanker system to provide clients with improved user experiences.

The Bank offers both Peso-denominated and foreign currency (primarily U.S. dollar-denominated) loans. It is the Bank's policy to extend foreign currency loans only to those customers who have U.S. dollar revenues or who are otherwise hedged.

The Bank has a customer-focused strategy and has recruited qualified professionals, including relationship managers and other management personnel, to strengthen its business development and portfolio management capabilities. The Bank aims to develop and maintain mutually beneficial relationships with institutional clients within its target market segments by providing wholesale banking services including, but not limited to, corporate finance, investment banking, cash management, trade services, and structured finance. The Bank's relationship managers are responsible for business generation, new product development, customer satisfaction and maintenance of a high-quality loan portfolio. Relationship managers are also focused on selling the Bank's wide range of financial products and services. The expanded line of non-lending services offered by the Bank, including investment and trust banking services, are actively promoted by the Bank's relationship managers to existing and potential clients. As of 31 December 2022, the Bank's corporate loan portfolio was highly concentrated on real estate, wholesale and retail trade, electricity, gas, steam and air conditioning supply, manufacturing and activities of households. These sectors comprised 24.3%, 16.7%, 15.0%, 11.8% and 8.4% of the Bank's receivable from customers as of 31 December 2022, respectively.

The Bank has also directed its efforts toward increasing deposits from its corporate banking clients and the Bank's principal source of deposits is private corporations. As of 31 December 2022, deposits from private corporations accounted for 47.3% of the Bank's total deposit liabilities. The Bank believes it is a major depository bank for many of its corporate banking customers.

Investment Banking

The Bank operates its corporate finance business through its subsidiaries, SB Capital and SB Equities. SB Capital deals in equity and debt underwriting/syndication, project finance, private placements, financial advisory, and mergers and acquisitions, while SB Equities provides stock brokerage services.

The Bank's investment banking activities are principally undertaken through SB Capital, a wholly-owned subsidiary of the Bank. SB Capital is a leading underwriter and arranger of loan syndications and issues of debt equity and equity-linked securities in the Philippine capital markets. It also deals in project finance, private placements, financial advisory, and mergers and acquisitions. SB Capital has been involved in major fund raising exercises for top-tier business conglomerates, middle-market clients and the public sector such as the San Miguel group, the Ayala group, the Aboitiz group, the Lopez group, the Metro Pacific Group, the JG Summit group, the Sy group and the Bureau of Treasury (Republic of the Philippines). In 2022, SB Capital was awarded the Innovative Deal of the Year – Philippines by the Asian Banking and Finance (ABF) organization for its participation in the 2021 Ayala Land ₱10 billion, 4-year fixed rate bond issuance.

For the years ended 31 December 2022, 2021 and 2020, SB Capital's (including SB Equities) total assets amounted to ₱3.5 billion, ₱3.0 billion and ₱2.7 billion, respectively and SB Capital's net income was ₱180.4 million, ₱12.0 million and (₱35.0) million, respectively.

Retail Banking

The Retail Banking segment offers services to individual and retail markets. Such services include deposit-taking and servicing, consumer loans, and credit card facilities. The Retail Banking segment contributed 51.6% of the Bank's revenue, net of interest expense, for the year ended 31 December 2022.

The Bank's principal consumer banking products and services include branch banking and consumer finance including credit card products, home mortgage loans, and vehicle finance.

Branch Banking

The Bank's branch banking business offers a wide range of products and services, ranging from demand deposit accounts, savings and time deposits, to lending facilities. In addition, dedicated trade finance and foreign exchange facilities are offered at branches where such services may be required.

As of 31 December 2022, the Bank's branch network comprised of 316 branches across the Philippines, 183 branches of which are strategically located in Metro Manila and 133 situated outside Metro Manila. All of the Bank's branches are connected and networked to the Bank's IT systems and infrastructure to facilitate daily operations.

The Bank provides 24-hour banking services through its online banking facility and its 663 ATMs, located on-site in its branches and at off-site locations, such as shopping malls. As of 31 December 2022, 348 ATMs are on-site while 315 ATMs are off-site. Customers are given access to the ATM facilities through the Bank's ATM cards issued to checking and savings account holders. The Bank is a member of the Bancnet ATM network, allowing customers to use ATM terminals operated by other banks in the Bancnet network. Clients can also use ATM terminals worldwide that are part of the MasterCard network.

The Bank's branch banking group manages the entire branch network of the Bank. It monitors each branch's profitability, and each branch accounts for its own expenses and revenues. Each branch is subject to spot audits, as well as a more comprehensive annual audit. Each of the Bank's branches has electronic security systems and armed guards. The Bank also ensures that the amount of cash held in the vaults of its branches is maintained within authorized limits. The Bank believes that it maintains adequate insurance coverage for loss and theft.

Credit Card

The Bank operates its credit card business through its wholly-owned subsidiary, SB Cards Corporation ("SB Cards") and currently offers the Security Bank MasterCard under the MasterCard brand. The Bank no longer issues cards under Diners Club following the sale of the Diners Club portfolio in 2016.

The Bank's credit card business is focused on selected customers in the affluent and mass affluent market. As of 31 December 2022, 2021 and 2020, the Bank had combined cards-in-force of 389,476, 308,920 and 299,346, respectively, and had a receivable portfolio of ₱23.6 billion, ₱18.3 billion and ₱18.9 billion, respectively. In 2022, the Bank's Complete Cashback Platinum Mastercard was named Best Credit Card Product in the Philippines at the Asian Banker Excellence Awards.

SB Cards offers its credit card products through the Bank's extensive branch network in the Philippines as a means of increasing cardholder growth and credit transaction volumes. Although bulk of the credit card applications are branch-sourced, SB Cards recognizes the opportunity to expand into the non-depositor customer market through the use of other sales channels such as direct sales and telemarketing agencies.

Real estate mortgages and motor vehicle loan

The Bank strives to deliver to prospective home and motor vehicle buyers fast processing times, competitive rates, flexible payment terms, and innovative loan products. The Bank's nationwide branch network enables it to efficiently serve its customers. The Bank intends to grow this business with its increased focus on the retail banking market.

The Bank offers home mortgage loans to individuals for home acquisition, construction, improvement and refinancing of their property. Consumer lending tailors loan terms, which offer customers competitive rates and more flexibility regarding their repayments. Home mortgage loans are typically for amounts between ₱1.0 million and ₱20.0 million, with maturities of up to 25 years. Added product features also offer home loan customers with more flexibility regarding their repayments and competitive interest rates. These are typically payable in monthly amortisations with interest rates that are repriced periodically based on prevailing market rates, although borrowers also have fixed rate options. As of 31 December 2022, the Bank's residential mortgage loan portfolio stood at ₱71.3 billion.

The Bank provides motor vehicle financing to individuals for the acquisition or refinancing of new and used motor vehicles. The Bank also provides fleet financing for companies in need of motor vehicles for their operations. The Bank's retail motor vehicle loans are typically between twelve to sixty month terms for new vehicles and twelve to forty-eight month terms for used vehicles, with the average tenor being four years. The applicable interest rate is generally fixed with amortizing repayment schedules over the term of the loan. As of 31 December 2022, the Bank's motor vehicle loan portfolio stood at ₱22.3 billion.

Other Segments

Leasing

The Bank operates its leasing business through the 60%-owned subsidiary SBM Leasing, Inc., ("SBML") and the wholly-owned subsidiary SB Rental Corporation ("SBRC").

SBML is a joint venture leasing company 60%-owned by the Bank and 40%-owned by Marubeni Corporation of Japan. SBML specializes in heavy equipment financing, servicing the leasing and financing requirements of Maxima Machineries Inc.'s customers involved in the construction and mining industries.

SBRC is principally engaged in the business of renting, leasing (excluding financial leases) and hiring a wide range of machinery and equipment, automotive equipment, automobiles, motor vehicles and land, air or water transportation systems.

For the year ended 31 December 2022, 2021 and 2020, SBML generated a net income of ₱19.7 million, ₱10.0 million and ₱8.4 million, respectively. SBRC generated net loss of ₱5.3 million for the period ended 31 December 2022.

Alternative Delivery Channels

In addition to the Bank's branches located across the Philippines, the Bank also offers its customers access to banking services through Internet banking, phone banking, and the Bank's customer contact center.

Internet Banking

The Bank offers internet banking to both individual and corporate clients. Using industry-standard security measures, the Bank's internet banking allows clients to perform their banking transactions at their own convenience by allowing access to their accounts.

Retail customers can view their account balance, credit card statements, and other accounts such as trust investments. They can also pay bills, transfer funds to their own or other enrolled accounts, reload bank cards, buy load for their prepaid mobile phone account, order checkbooks, execute wire transfers, and issue stop payment orders.

Corporate customers can transfer funds and make bulk payments, as well as retail payments through cash card and corporate checks via corporate internet banking. It also provides consolidated information to facilitate liquidity management. An internet facility is also available to process warehouse payable and credit suppliers' accounts upon maturity.

Phone Banking

The Bank's customer contact center was established in 2003 to service the credit card business of the Bank. It was expanded in 2010 to provide customer service assistance to the Bank's retail customers, specializing in deposits, consumer loans, credit cards, remittance and other retail products. The customer contact center also supports the Bank's acquiring business and its electronic banking services.

The customer contact center operates 24 hours a day, seven days a week, with personnel who are equipped with a customer relationship management system which allows them to deliver personalized customer service and conduct precise cross-selling initiatives. It also enables customer service officers to build customer contact data, which helps the Bank manage and respond to customers' needs more effectively and efficiently.

The Bank also utilizes interactive voice response service technology via the telephone to provide retail customers access to their accounts, and make banking transactions such as balance inquiries, bill payments, fund transfers, bank card reload, prepaid mobile phone reload, and checkbook reorder via a touchtone phone.

Mobile Phone

Retail customers can manage their money while on-the-go using mobile banking which allows them to access their accounts for balance inquiry, funds transfer, prepaid mobile phone reload, bills payments services, and locating nearby branches and ATMs. The mobile application is available to download for iOS and Android users. It comes with a QuickLogin feature where users can log in using TouchID fingerprint validation.

Subsidiaries and Affiliates

SB Finance, Inc. ("SBFI"), 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 21 September 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 8 August 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., commonly known as Krungsri ("Krungsri"), including the sale of 50% of the outstanding shares of SBFI to Krungsri.

On 20 October 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 SBFI shares to Krungsri. Accordingly, SBFI ceased to be a subsidiary of the Bank. The

financial statements of SBFi were deconsolidated from the consolidated financial statements of the Group. Under the JVA, the parties agreed to use SBFi 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 SBFi.

SB Capital Investment Corporation (“SB Capital”) is the 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.

Year 2022 was a stellar year for SB Capital in terms of operational performance as the company undertook and participated in a number of notable and trailblazing capital market issuances during the year despite the May 2022 national elections, the geo-political uncertainties concerning the Russia-Ukraine war as well as the challenges posed by record high inflation and increasing interest rates.

During the year, SB Capital participated in joint lead capacities in numerous landmark and large-ticket corporate bond offerings of some of the country’s leading and top-tier corporations to include: SM Investments Corporation (₱15.0 billion in February 2022); San Miguel Corporation (₱30.0 billion in March 2022); Aboitiz Power Corporation (₱10.0 billion in March 2022); SM Prime Holdings, Inc. (₱30.0 billion in April 2022); Ayala Land, Inc. (₱12.0 billion and ₱33.0 billion in May 2022 and July 2022, respectively); Ayala Corporation (₱15.0 billion in May 2022); SMC Global Power Holdings Corp. and Robinsons Land Corporation (₱40.0 billion and ₱15.0 billion, respectively, in August 2022).

SB Capital also participated in several maiden bond issues during 2022 such as: Megawide Construction Corporation (₱4.0 billion in August 2022); ACEN Corporation (₱10.0 billion in September 2022); and Cebu Landmasters, Inc. (₱5.0 billion in October 2022).

SB Capital was also a joint lead underwriter and joint bookrunner for San Miguel Corporation’s ₱60.0 billion retail corporate bond offer in December 2022, the largest local corporate retail bond issuance to date. SB Capital also acted as issue manager, lead underwriter and bookrunner for the Alsons Consolidated Resources Inc.’s ₱620.0 million short-term commercial paper in December 2022.

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 ₱457.8 billion and ₱420.4 billion retail treasury bonds issuances in March and September 2022, respectively.

In addition, SB Capital arranged or co-arranged a series of privately placed corporate notes and syndicated loan facilities during the year for companies such as Nuevo Solar Energy Corp.’s ₱2.4 billion project finance loan facility (as mandate lead arranger and bookrunner); Vista Land & Lifescapes, Inc.’s ₱6.0 billion corporate notes facility (as mandate lead arranger and bookrunner); PrimeWater’s notes tap facilities aggregating to ₱1.285 billion (as issue manager and mandate lead arranger and bookrunner); MIDC’s ₱27.0 billion syndicated term loan facility (as co-arranger); and Ovioland, Inc.’s ₱600.0 million corporate notes (as mandate lead arranger and bookrunner).

Furthermore, SB Capital participated in landmark equity issuances during the year consisting of initial public offerings (“IPO”) of the following companies:

- (i) as Sole Issue Manager, Underwriter and Bookrunner for the ₱1.375 billion IPO of CTS Global Equity Group, Inc. in April 2022; and
- (ii) as Joint Lead Underwriter and bookrunner for the ₱4.8125 billion real estate investment trust (“REIT”) IPO of VistaREIT, Inc. in June 2022.

SB Capital also rendered advisory services involving joint venture partnerships, sale of assets/business as well as financial advisory services relating to a client’s IPO preparations.

In 2022, SB Capital garnered awards and recognitions for its completed deals from prestigious and reputable award giving bodies for the following transactions:

- (i) Best Local Currency Bond Deal of the Year – *Alpha Southeast Asia*, 2022 from Alpha Southeast Asia for SMC Global Power Holdings Corporation’s ₱40.0 billion fixed rate bonds where SB Capital was a joint lead underwriter and bookrunner;
- (ii) Best Green Bonds of the Year in the Philippines – *Alpha Southeast Asia*, 2022 from Alpha Southeast Asia for ACEN Corporation’s ₱10.0 billion ASEAN Green Bond where SB Capital was a joint lead underwriter and bookrunner;
- (iii) Innovative Deal of the Year in Philippines – *Corporate Investment and Banking Awards 2022* from Asian Banking and Finance for Ayala Land, Inc.’s ₱10.0 billion fixed rate bonds where SB Capital was a joint lead underwriter and bookrunner;
- (iv) Best Transition Bonds – Triple A Country Awards, 2022 from *The Asset* for SMC Global Power Holdings Corporation’s ₱40.0 billion fixed rate bonds where SB Capital was a joint lead underwriter and bookrunner;
- (v) Best New Bonds – Triple A Country Awards, 2022 from *The Asset* for Cebu Landmasters Inc.’s ₱5.0 billion fixed rate bonds where SB Capital was a co-lead underwriter;
- (vi) Best Local Currency Green Bonds – Triple A Sustainable Capital Markets Awards, 2022 from *The Asset* for ACEN Corporation’s ₱10.0 billion ASEAN Green Bond where SB Capital was a joint lead underwriter and bookrunner; and
- (vii) Top 4 Corporate Issue Managers/Arrangers award (Investment House Category) for 2021 during the 2022 PDS Annual Awards.

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 in which its 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 1 August 1987, ranks 18th overall among domestic brokerages in the country in terms of volume turnover according to the Philippine Stock Exchange (“PSE”).

SB Cards Corporation (“SB Cards”) was incorporated on 9 October 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 1 August 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 (“SBFI”) was incorporated on 27 September 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 SBFI. The operations for this subsidiary were suspended in 2008. The corporate term of SBFI ended on 28 February 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 was incorporated on 17 September 2004 and has not started commercial operations.

Insurance

It is the Bank's policy to adequately insure all of its properties against different types of risks. The Bank maintains insurance for operational risks, for cyber liability, and for officers and directors.

The Bank also has a policy of requiring appropriate insurance coverage based on the market value of collateral provided by its customers.

The Bank's insurance policies are subject to exclusions which are customary for insurance of the type held by the Bank, including those exclusions which relate to war and terrorism-related events.

The Bank believes that its insurance policies as described above are appropriate and sufficient for its business.

Capital Expenditures

As part of the Bank's strategy, capital expenditures in the past few years were mainly attributed to investments in information technology, renovation or relocation of branch premises, and investment for new branches. The efficient use of technology is expected to boost productivity, reduce transaction processing costs, improve management information preparation and delivery, result in alternative customer channels, efficient business communications, and more timely risk management. It would also assist in reducing operations at the branch level, thereby allowing branch personnel to focus more on customer service. Investment in the branch network is consistent with the strategy to grow the retail business.

Properties

The Bank's head office is located at Security Bank Centre, 6776 Ayala Avenue, Makati City, Philippines. The Bank owns the premises occupied by its head office, including most of its branches. The following table provides a geographic breakdown of the Philippine branch network owned by the Bank:

<u>Location</u>	Number of Owned Branches as of 31 December	
	2022	2021
Metro Manila.....	21	21
Luzon	14	15
Visayas	1	1
Mindanao	8	8
Total	44	45

The Bank leases premises for its remaining branches. Generally, the Bank's lease contracts for its branches are for periods ranging from three to five years and are renewable under certain terms and conditions.

The following table provides a geographic breakdown of the Bank's Philippine branches that occupy leased premises:

<u>Location</u>	Number of Leased Branches as of 31 December	
	2022	2021
Rest of Metro Manila	183	183
Luzon	74	74
Visayas	29	29
Mindanao	30	30
Total	316	316

Intellectual Property

The Bank has applied for, and received, intellectual property protection for a number of trademarks and tradenames, including the logo of the Bank and "Security Bank". The Bank has not been the subject of any disputes relating to its intellectual property rights.

Awards and Recognitions

The Bank has received numerous awards and industry recognitions for its products and services as well as its market leading position among universal banks in the Philippines.

In 2022, the Bank was awarded with the following, among others:

- Alpha Southeast Asia
 - Best Retail Bank in the Philippines
- Corporate Governance Asia
 - Best Investor Relations Company (Philippines)
 - Asia's Best CSR Company
- Euromoney
 - Market Leader in Corporate Social Responsibility
 - Market Leader in Diversity & Inclusion
- Asiamoney
 - Best for Mass Affluence/HNW in the Philippines
 - Best Bank for Diversity and Inclusion in the Philippines
- The Asian Banker
 - Best Credit Card Product in the Philippines (Security Bank's Complete Cashback Platinum Mastercard)

In 2021, Security Bank garnered the following awards, among others:

- Alpha Southeast Asia
 - Best Retail Bank in the Philippines
- Euromoney
 - Philippines' Best Bank
- Asiamoney
 - Best Bank for HNW (High Net Worth) Clients in the Philippines
- Corporate Governance Asia
 - Best Investor Relations Company (Philippines)
 - Asia's Best CSR
- BankQuality – Corporate Survey on Transaction Banks
 - Most Recommended Transaction Bank in the Philippines
 - Most Helpful Transaction Bank during COVID-19
- Institute of Corporate Directors – Two Golden Arrow Citation
 - Retail Banker International – Trailblazer in Product Innovation
 - Best Loan Offering – Doctor's Loans
- LinkedIn Talent Awards
 - Best Culture of Learning
 - Diversity Champion

Competition

The Philippine banking industry is characterized by a high level of regulation and highly competitive price and service offerings. All banks have generic products and compete via differentiation in servicing and targeting specific niches. In 2022, the industry experienced intensified competition alongside increased customer service standards. The Bank faces competition in all its principal areas of business, from both Philippine and foreign banks, as well as finance companies, mutual funds, and investment banks. The Bank also faces competition from financial technology firms and non-financial firms. In particular, non-financial firms pose a challenge to Philippine banks by offering digital products such as mobile payments or online services.

There are 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 31 December 2022. In addition, there are 23 commercial banks in the country.

Employee and Labour Relations

In support of the Bank's strategic growth initiatives, the Bank's complement increased from 6,848 in 2021 to 7,388 in 2022.

The following table presents the number of employees by category as of 31 December 2022 (excluding employees of entities not consolidated):

Rank and File	4,766
Officers.....	2,572
Total	<u>7,338</u>

As of 31 December 2022, 18.36% of the Bank's employees were rank and file employees who are subject to Collective Bargaining Agreements ("CBA"). The current CBA will expire on 31 August 2024.

The Bank believes in supporting the growth of the whole person, recognizing that people's lives have different aspects that should be given appropriate time and attention.

Human Capital Management ("HCM") has been a major mover for championing Security Bankers' well-being and development. In 2021, the Bank partnered with Glint, an engagement tool, to measure and improve employee engagement, satisfaction, and performance. The partnership is built on the philosophy that effective engagement with employees will lead to greater fulfilment and success in the workplace. In the same year, the Bank partnered with health care provider Mind You and online learning platform LinkedIn Learning to ensure that employees' mental health as well as their professional development are front and center. Through Mind You, employees were provided with access to unlimited psychological counselling sessions, online learning materials, and wellness webinars, among others. LinkedIn Learning allowed Security Bankers to access thousands of online modules covering a wide range of topics and/or courses anytime and anywhere. Total training hours rose by 331% compared to 2020, with employees averaging 16 days of training in 2021 compared to only 4 days in 2020. The Bank was the first local bank to partner with this leading digital education platform and won the 2021 LinkedIn Talent Awards for Diversity Champion and Best Culture of Learning.

In 2022, the Bank implemented the Future of Work ("FoW") program, a hybrid work arrangement that has enabled remote working for employees, a clear differentiator in the industry, while providing hotdesking and physical venues for employee interaction. In terms of learning and development, the Bank transitioned to LearnSpace, a new Learning Management System, which allowed efficient and flexible delivery of employee training. In the same year, the Bank was lauded as Diversity Champion, Talent Insights Pioneer, and Learning Champion Finalist in the LinkedIn Talent Awards.

Legal Proceedings

The Bank is a party in legal proceedings which arise in the ordinary course of its business activities. None of such legal proceedings arising in the ordinary course, either individually or in the aggregate, are expected to have a material adverse effect on the Bank or its consolidated financial position.

RISK MANAGEMENT

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

Policy Statement

The Board of Directors and Management of the Bank 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 Bangko Sentral ng Pilipinas and the Securities and Exchange Commission.

The Bank's shareholders, Board of Directors and Senior 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 Board of Directors has ultimate responsibility for the Bank's business and risk strategy, organization, financial soundness and governance.

Accordingly, the Board should approve and monitor the overall business strategy of the Bank. The Board reviews and approves the strategic plans in relation to 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.

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. To protect the customers and stakeholders, as well as the opportunities for growth and value creation, the Group's risk management is structured to continuously and effectively address these risks by category where risk is managed primarily via structures of policies, processes and measurement tools established and provided by the Risk Management Group for the Bank. The same structures are adapted by the subsidiaries and tailor-fitted to suit their specific activities.

In 2021, the Bank's Board approved an Environmental and Social Risk Management Framework which sets out the Bank's policy and process in identifying, assessing, and managing environmental and social risks. In line with BSP Circular No. 1085, the Bank has also adopted a transition plan to establish its Environmental and Social Risk Management Systems by 2023.

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.

The Risk Management Group's activities primarily consist of assisting the Board of Directors, through the Risk Oversight Committee (ROC), in fulfilling its risk management responsibilities mainly 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 Senior 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 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, the 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; 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 Senior Management covers credit risk exposures, concentration risks, credit mitigation and residual risks across the Group.
- **Independent Risk Assessment (IRA)** – The IRA is the pre-approved evaluation of individual credits by the Wholesale Credit Risk & Portfolio Monitoring Department (WCRPMD). 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 Risk 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 Remedial Management Division (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 the 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 including 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 Profit and Loss (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, Market Risk/Liquidity 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:

1. Funding Liquidity Risk, the risk that a firm cannot obtain the necessary funds to meet its obligations as they fall due. It stems from the mismatch of asset, liability, exchange contracts, and contingent commitment maturities.
2. 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, 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.

Risk Management Group 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 Risk Management Group 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, Risk Management Group 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 the Bank's risk appetite. Risk Management Group also provides its views on proposals or strategies concerning balance sheet structure, funding mix or concentration, and bond or note issuance.

To protect itself from 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.

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 the bank arising from the timing and rate mismatch of its assets and liabilities combined with unfavorable movements in interest rates.

The Bank 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, ROC and the BOD, 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 Bank 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 and is favorable to the Bank 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 a restrained growth or even a 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 Bank's measure of interest rate risk. As of 31 December 2022, 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 Bank as of 31 December 2022, 2021 and 2020:

	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
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	75,789	86,424	61,074	51,559	244,250	519,096
Total financial assets at amortized cost	182,743	87,454	63,811	55,078	309,864	698,950
Financial assets at FVTOCI	2,302	518	222	231	109,617	112,890
Total rate-sensitive assets	190,569	88,508	64,336	55,764	420,229	819,406
Rate-sensitive Financial Liabilities						
Deposit liabilities	207,639	51,832	50,982	59,914	235,471	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	226,340	62,686	57,163	76,652	271,029	693,870
Asset-Liability Gap	(₱35,771)	₱25,822	₱7,173	(₱20,888)	₱149,200	₱125,536
December 31, 2021						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	₱5,656	₱–	₱–	₱–	₱–	₱5,656
Private bonds	26	–	–	–	–	26
Total HFT investments	5,682	–	–	–	–	5,682
Derivative Assets	228	69	526	83	334	1,240
Total financial assets at FVTPL	5,910	69	526	83	334	6,922
Financial assets at amortized cost:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP	109,942	–	–	–	–	109,942
Investment securities at amortized cost - gross of allowance	–	400	1,657	–	19,847	21,904
Receivable from customers and other receivables - gross of allowance	68,252	58,642	39,691	25,678	274,512	466,775
Total financial assets at amortized cost	178,194	59,042	41,348	25,678	294,359	598,621
Financial assets at FVTOCI	1,199	–	307	199	78,964	80,669
Total rate-sensitive assets	185,303	59,111	42,181	25,960	373,657	686,212
Rate-sensitive Financial Liabilities						
Deposit liabilities	245,309	15,897	91,475	–	170,908	523,589
Bills payable and SSURA	–	–	–	–	3,464	3,464
Notes and bonds payable	–	–	–	13,468	15,253	28,721
Total rate-sensitive liabilities	245,309	15,897	91,475	13,468	189,625	555,774
Asset-Liability Gap	(₱60,006)	₱43,214	(₱49,294)	₱12,492	₱184,032	₱130,438

	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
December 31, 2020						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	₱9,132	₱–	₱–	₱–	₱–	₱9,132
Private bonds	85	–	–	–	–	85
Total HFT investments	9,217	–	–	–	–	9,217
Derivative Assets	1,531	–	–	–	–	1,531
Total financial assets at FVTPL	10,748	–	–	–	–	10,748
Financial assets at amortized cost:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP	76,066	–	–	–	–	76,066
Investment securities at amortized cost - gross of allowance	–	–	–	2,883	20,678	23,561
Receivable from customers and other receivables - gross of allowance	140,877	8	–	18,555	301,048	460,488
Total financial assets at amortized cost	216,943	8	–	21,438	321,726	560,115
Financial assets at FVTOCI	19,563	10,045	10,649	928	27,586	68,771
Total rate-sensitive assets	247,254	10,053	10,649	22,366	349,312	639,634
Rate-sensitive Financial Liabilities						
Deposit liabilities	89,551	28,050	21,205	–	301,603	440,409
Bills payable and SSURA	5,970	1,921	6,003	–	7,191	21,085
Notes and bonds payable	–	–	17,959	–	27,752	45,711
Total rate-sensitive liabilities	95,521	29,971	45,167	–	336,546	507,205
Asset-Liability Gap	₱151,733	(₱19,918)	(₱34,518)	₱22,366	₱12,766	₱132,429

Operational Risk

Aligned with the Basel III Framework, operational risk is defined as the risk of loss due to inadequate or failed internal processes, people, and systems, or from external events. Operational risk addresses processing errors, fraudulent activities, inappropriate behavior of staff, systems failure, inability to deliver products and services to customers, and natural & man-made disasters.

Operational risk management has the following major roles and functions:

- Policy and Process – The Operational Risk Management Division develops and implements the measures used by the Bank to manage operational risk. It closely monitors and coordinates with the different business units to track, and to resolve any existing and potential operational issues, and to improve existing procedures and policies to better minimize losses from operational issues.
- Information Technology and Security Risk Management – IT and Cyber/IS Risk Management is designed to govern the overall technology and information security risks of the Bank and its subsidiaries aligning with corporate plans, strategies, and objectives of the Group. Closely working with the Information Technology Group (ITG) and Cyber Information Security Group (CISG) and all other relevant functions of the Group, it monitors the key risk levels, assists in process and control improvements to protect information assets, and ensure 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, pandemic crisis, and other crisis events, and ensure that the Bank's operations and core business functions are up and running through disruptive events.

Operational Risk Management Tools

Various tools, programs and methods are being used by the Bank in the operational risk management process, including, but not limited to, the following:

- The Risk and Control Self-Assessment (RCSA) and the Risk and Control Assessment (RCA) tools are used to identify, assess and monitor current and emerging risks, as well as evaluate the sufficiency and effectiveness of the declared controls;
- Issues and incidents are elevated through the Issue Escalation and Incident Reporting Process; and

- Information is collected and analyzed through a series of Key Risk Indicators and assessed through a Risk mapping process to alert Management and enable timely action on potential issues arising from operational risks.
- Security Standard for Pre-deployed Information Systems (SSPIS) is the tool used to provide an assessment of the security controls that are applicable for new technology projects from design through to deployment.

The performance of the Bank's efforts to manage operational risk is presented on a periodic basis to Senior Management, as well as to the ROC.

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 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- and 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, and best practices. To aid 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.

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 that failing to appropriately manage environmental and social risk (E&S) 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.

DESCRIPTION OF THE BANK'S ASSETS AND LIABILITIES

Funding and Liquidity

Overview

The Bank's funding is primarily provided by savings, demand, time deposits and long-term negotiable certificates of deposits ("LTNCD"). Of the total amount of deposits of ₱605.8 billion as of 31 December 2022, these amounted to 19.4%, 38.4%, 38.1% and 4.1%, respectively. The Bank also sources part of its funding requirements from the interbank market, particularly in periods of high liquidity which generally results in lower overall funding cost.

Sources of Funding

The Bank's principal source of funding is deposits. As of 31 December 2022, corporate and retail deposits accounted for 55.1% and 44.9% of total deposit liabilities, respectively. The Bank also sources funds in the interbank market and occasionally from special lending programmed funding (e.g., from the Development Bank of the Philippines) and the BSP rediscount window. The Bank turns to these funding sources as and when market circumstances prove favourable.

The following table sets forth the principal sources of:

	As of 31 December					
	2022		2021		2020	
	Volume	Average Cost of Funding ⁽¹⁾	Volume	Average Cost of Funding ⁽¹⁾	Volume	Average Cost of Funding ⁽¹⁾
(₱ millions, except percentages)						
Deposits by type						
Demand.....	232,536.2	0.11	216,470.9	0.07	177,326.8	0.08
Savings.....	117,513.4	0.06	110,567.3	0.26	98,705.4	0.62
Time.....	231,020.1	1.72	171,822.5	0.96	139,688.3	2.78
LTNCD.....	24,766.8	4.23	24,728.6	4.24	24,690.2	4.21
Total	605,836.5	0.86	523,589.3	0.57	440,410.7	1.19
Deposits by currency						
Peso.....	513,762.7	0.90	462,070.8	0.61	377,656.2	1.12
Foreign.....	92,073.8	0.67	61,518.5	0.28	62,754.5	1.55
Total	605,836.5	0.86	523,589.3	0.57	440,410.7	1.19
Bills Payable						
Peso.....	12,541.6	1.89	686.8	37.60	9,585.3	6.37
Foreign.....	28,378.8	1.62	2,777.6	9.68	11,499.1	5.02
Total	40,920.4	1.67	3,464.4	11.10	21,084.4	5.67

Note:

- (1) Average cost of funding represents total interest expense for the period divided by the average daily balance of the liability, expressed as a percentage.

The Bank has been successful in attracting and retaining its low cost deposit base. While the cost of deposits has largely been driven by interest rate movements, the average cost of deposits is also bolstered by the continued rise in checking and savings accounts ("CASA"). The Bank will continue to emphasize growth in its CASA through the launching of differentiated CASA products geared toward retail, middle market, and corporate customers. The Bank's depositors typically roll over their deposits at maturity, effectively providing the Bank with a base of core liquidity.

Liquidity

Effective 3 April 2020, both peso deposits and deposit substitutes are subject to a unified statutory and liquidity reserve requirement of 12% (down from 14%), pursuant to BSP Circular No. 1082, which was issued on 31 March 2020.

The entire reserve requirement is required to be deposited with the BSP. Amounts kept by banks in their vaults are now excluded from the reserve requirement.

The Bank's liquidity is adequate with a liquid assets-to-total assets ratio of 37.2% as of 31 December 2022. 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.

In connection with foreign currencies, the BSP requires banks to maintain an asset cover of 100.0% for foreign currency liabilities, of which 30.0% must be in liquid assets until 31 December 2017. Effective 1 January 2018, the liquid asset cover requirement for universal/commercial banks' foreign currency liabilities is 0% pursuant to BSP Circular No. 946. The Bank currently complies with all of the above requirements.

The scheduled maturity of the Bank's loans and receivables and other financial assets follow:

	Due within one year	Over one year
	%	%
31 December 2022		
Receivable from customers and other receivables	53.12%	46.88%
Other financial assets	44.41%	55.59%
31 December 2021		
Receivable from customers and other receivables	45.17%	54.83%
Other financial assets	58.25%	41.75%

The main source of the Bank's funding are deposits, the bulk of which are in CASA, which may be withdrawn on demand without any prior notice from the customer. Although the majority of the Bank's customer deposits are short-term, they typically roll over their deposits at maturity, effectively providing the Bank with a source of long-term funds.

The Bank measures its liquidity risk via the MCO or "Liquidity Gaps" Report. Separate limits have been established for both the Peso book and the U.S. dollar book.

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

	As of 31 December		
	2022	2021	2020
	(P millions, except percentages)		
Liquid assets.....	313,491	230,454	192,289
Cash and other cash items	13,180	11,083	13,311
Due from Bangko Sentral ng Pilipinas	63,011	67,392	47,391
Due from other banks	20,097	13,126	10,034
Interbank loans receivable and SPURA with BSP	27,515	29,425	18,641
Financial assets at fair value through profit or loss	7,567	6,922	10,748
Financial assets at fair value through other comprehensive income	112,891	80,669	68,772
Investment securities at amortized cost	69,230	21,837	23,392
Total assets	842,291	699,617	652,851
Total deposits	605,837	523,589	440,411
Loans and receivables – net	502,617	448,584	438,852
Financial ratios			
Liquid assets-to-total assets.....	37.2%	32.9%	29.5%
Liquid assets-to-total deposits	51.7%	44.0%	43.7%
Net loans-to-total deposits	83.0%	85.7%	99.7%

Loan Portfolio

As of 31 December 2022, the Bank's consolidated gross receivable from customers amounted to ₱514.4 billion, representing 61.1% of the total assets. As of 31 December 2022, loans to corporates represented 75.6% of the Bank's total receivable from customers, 10.4% composed of consumer lending while 0.1% and 13.9% composed of small business lending and residential mortgages, respectively.

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

	As of 31 December		
	2022	2021	2020
		(₱ millions)	
Corporate lending.....	388,777	352,294	334,314
Consumer lending	53,639	50,339	65,415
Residential mortgages	71,312	58,627	55,203
Small business lending.....	718	1,218	921
Total	514,446	462,478	455,853

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

	As of 31 December		
	2022	2021	2020
		(₱ millions)	
Auto loans	22,254	24,329	35,197
Credit cards	23,644	18,520	18,861
Personal loans and others	7,741	7,490	11,357
Total	53,639	50,339	65,415

The following table sets forth, for the periods indicated, an analysis of the Bank's loan portfolio by industry concentration, net of unearned discounts and deferred credits, as defined and categorized by the BSP:

	As of 31 December					
	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
	(audited)					
	(₱ millions except percentages)					
Real estate activities	124,325	24.3%	107,582	23.3%	95,086	21.0%
Wholesale and retail trade; repair of motor vehicles and motorcycles	85,691	16.7%	70,906	15.4%	68,556	15.1%
Electricity, gas, steam and air conditioning supply	76,678	15.0%	70,250	15.2%	71,881	15.8%
Manufacturing	60,430	11.8%	51,750	11.2%	44,919	9.9%
Activities of households as employers; undifferentiated goods and services producing activities of households for own use*	43,305	8.5%	41,601	9.0%	54,552	12.0%
Information and communication	23,783	4.6%	18,769	4.1%	35,679	7.8%
Transportation and storage	21,631	4.2%	20,539	4.5%	20,649	4.5%
Construction	17,156	3.4%	14,270	3.1%	15,427	3.4%
Financial and insurance activities	15,583	3.0%	33,443	7.2%	13,261	2.9%
Agriculture, forestry and fishing	10,407	2.0%	9,058	2.0%	10,329	2.3%
Professional scientific and technical services	10,298	2.0%	5,734	1.2%	5,125	1.1%
Water supply, sewerage, waste management and remediation activities	9,892	1.9%	5,082	1.1%	5,641	1.2%
Others	13,392	2.6%	12,423	2.7%	13,584	3.0%
	512,571	100.0%	461,407	100.0%	454,689	100.0%

Loans to the manufacturing sector include exposure to the following sub-sectors: metals, machinery and equipment, food, chemicals, petroleum, coal, rubber and plastic, non-metallic mineral products, wood and wood products, paper and paper products, textiles, wearing apparels, leather and others. No loan exposure to any of these industries / sub-sectors exceeds the prescribed limit of 15.0%.

Bank monitors its exposure to specific sectors of the economy such as agriculture and SMEs to comply with BSP regulations. The BSP regulations currently require all Philippine banks to set aside 25.0% of their loanable funds for loans to the agricultural sector (or invest in eligible securities as an alternative form of compliance). Likewise, banks are also required to set aside at least 8.0% for small enterprises and 2.0% for medium-sized enterprises, of their total loan portfolio. The Bank endeavours to comply with regulatory requirements.

Loan Maturity Profile

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

	As of 31 December					
	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
	(audited)					
	(₱ millions, except percentages)					
Within one year	270,196	52.52%	205,945	44.53%	195,944	43.09%
More than one year	244,250	47.48%	256,533	55.47%	258,746	56.91%
Total	514,446	100.0%	462,478	100.0%	454,690	100.0%

As of 31 December 2022, 52.52% of the Bank's consolidated gross loans and receivables had a maturity of less than one year.

Foreign Currencies

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

	As of 31 December					
	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
	(audited)					
	(₱ millions except percentages)					
Philippine peso	475,874	92.5%	429,371	92.8%	419,624	92.1%
Foreign currency						
U.S. dollars	38,572	7.5%	33,107	7.2%	36,229	7.9%
Others	—	—	—	—	—	—
Total	514,446	100.0%	462,478	100.0%	455,853	100.0%

As of 31 December 2022, 92.5% of the Bank's consolidated gross loans and receivables was denominated in Peso with 7.5% being denominated in foreign currency, a substantial proportion of which was in U.S. dollars.

Lending in foreign currency is now primarily to customers who have identifiable sources of foreign currency earnings from which to repay the loans, and to importers who have authorization from the BSP to purchase foreign currency to service their foreign currency obligations.

Interest Rates

As of 31 December 2022, 37.3% of the Bank's total receivables from customers are subject to periodic interest repricing. The Bank follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

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 statement 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 the 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 to 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 following table shows the total amount of the Bank's receivable from customers that have fixed interest rates and variable or adjustable interest rates:

As of 31 December						
2022		2021		2020		
Amount	%	Amount	%	Amount	%	
(audited)						
(P millions except percentages)						
Fixed rate.....	322,366	63%	265,631	57%	190,578	42%
Variable.....	192,080	37%	196,847	43%	265,275	58%
Total loans.....	514,446	100%	462,478	100%	455,853	100%

Size and Concentration of Loans

The Bank monitors its financial exposure to its customers in order to ensure that concentration risk is prudently managed. As of 31 December 2022, the Bank's single largest corporate borrower accounted for 3.3% of the Bank's consolidated gross receivable from customers. As of 31 December 2022, the Bank's ten largest borrowers in the aggregate accounted for P67.2 billion, or 14.5% of its consolidated gross receivable from customers. There are no NPLs in the top ten loan accounts. Moreover, approximately 11.1% of these loans have maturities of less than one year.

The BSP generally disallows any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25.0% of the Bank's unimpaired capital and surplus, which includes combined capital accounts, paid-in-capital and surplus, but excludes reserves for valuation purposes, liabilities and deferred income tax. The Bank has a more stringent internal limit of 20.0%. As of 31 December 2022, the Bank is in compliance with this borrower's limit with all of its loans.

The following table presents a breakdown of total loans by principal amount as a percentage of consolidated gross receivable from customers as of the periods indicated:

As of 31 December			
	2022	2021	2020
	(audited)		
	(P millions)		
P10,000,000 or less.....	87,540	51,921	73,841
P10,000,001 to P25,000,000.....	15,667	13,449	14,069
P25,000,001 to P50,000,000.....	17,780	15,852	16,541
More than P50,000,000.....	393,457	381,254	351,400
Total.....	514,446	462,478	455,853

While the BSP does not impose a regulatory limit on any Bank's unsecured aggregate risk exposure, the Bank has an existing policy to limit its aggregate exposure for total unsecured loans to 85.0% of its total loan portfolio. As of 31 December 2022, 48.0% of unsecured loans are short-term in duration.

The following table sets out a breakdown of the Bank's total receivable from customers by security:

	As of 31 December					
	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
	(audited)					
	(₱ millions except percentages)					
Secured						
Real estate mortgage.	74,325	14.4%	70,793	15.3%	67,511	14.8%
Assignment of projects/company assets/contracts	16,883	3.3%	18,052	3.9%	21,429	4.7%
Chattel mortgage.....	20,661	4.0%	21,086	4.6%	12,661	2.8%
Mortgage trust indenture	9,485	1.8%	9,670	2.1%	10,273	2.3%
Deposit hold-out	3,278	0.6%	2,962	0.6%	3,393	0.7%
Others	11,655	2.4%	14,590	3.2%	11,571	2.5%
Total secured	136,287	26.5%	137,153	29.7%	126,838	27.8%
Unsecured	378,159	73.5%	325,325	70.3%	329,015	72.2%
Total	514,446	100.0%	462,478	100.0%	455,853	100.0%

Loan Administration and Loss Provisioning

In compliance with BSP Circular No. 855, the Bank 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 Bank'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).

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 Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates management to focus on major potential risks 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 rating. All PD ratings are tailored with various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

The Bank 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 Bank for receivable from customers, except credit card receivables and receivables of SBEI, are as follows:

Wholesale Banking Segment Scorecards

The Bank 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 probability of default (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 probability of default (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 Bank 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* - receivable from employees and refundable deposits.

For Auto Loans Receivables, the Bank classifies accounts that are neither past due nor impaired as follows:

- *High Grade* – Accounts with score >752 and 0-30 Days Past Due; or with score >752 and 31-90 Days Past Due in the last 6 months.
- *Medium Grade* – Accounts with score >679-752 and 0-30 Days Past Due; or with score >679-752 and 31-90 Days Past Due in the last 6 months; or with score >565-679 and 0 Delinquency Segment and 0-30 Days Past Due; or with score >565-679 and 0 Delinquency Segment and 31-90 Days Past Due in the last 6 months.
- *Low Grade* – Accounts with score >565-679 and 0+ Delinquency Segment and 0-30 Days Past Due; or with score >565-679 and 0+ Delinquency Segment and 31-90 Days Past Due in the last 6 months; or with score <=564 and 0-30 Days Past Due.
- *Unrated* – Accounts which are unrated and 0-30 Days Past Due; or Unrated and 31-90 Days Past Due in the last 6 months.

For Credit Card receivables, the Bank classifies accounts that are neither past due nor impaired as follows:

- *High Grade* – Accounts with score >715 and 0-30 Days Past Due; or with score >715 and 31-90 Days Past Due in the last 6 months.
- *Medium Grade* – Accounts with score >580-715 and 0-30 Days Past Due; or with score >580-715 and 31-90 Days Past Due in the last 6 months.
- *Low Grade* – Accounts with score <=580.
- *Unrated* – Accounts which are inactive in the last 12 months; too early or not enough information to rate; Unrated and 31-90 Days Past Due in the last 6 months; Restructured and 0-90 Days Past Due.

For both Auto Loans and Credit Cards, the classification criteria mentioned above will be based on the following hierarchy:

1. Current reporting period's Days Past Due,
2. Current reporting period's Behaviour Score, and
3. Last 6 month's Days Past Due reckoned from the current reporting period.

For Business Banking Loan receivables, scorecards are used to determine the PD of the account. The Bank 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 probability of default (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 Bank 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 receivable from customers (gross of allowance for credit losses and net of unearned discounts and deferred credits) of the Bank.

	Neither Past Due nor Individually Impaired					Past Due and Impaired	
	High Grade	Medium Grade	Low Grade	Unrated	Past Due but not Impaired		Total
	(P millions)						
31 December 2022							
Receivable from customers:							
Corporate lending.....	194,661	119,063	61,036	–	677	11,705	387,142
Consumer lending.....	4,988	13,003	3,146	6,102	958	1,544	29,741
Small business lending	9	275	371	–	–	63	718
Residential mortgages	2,082	294	1,029	65,052	637	1,757	70,851
Credit card receivables - individual.....	3,459	16,274	570	1,196	701	889	23,089
Receivable from customers (SBEI)	121	583	293	–	33	–	1,030
Total receivable from customers...	205,320	149,492	66,445	72,350	3,006	15,958	512,571
31 December 2021							
Receivable from customers:							
Corporate lending.....	173,707	74,025	90,699	–	413	12,555	351,399
Consumer lending.....	4,933	10,491	3,129	8,751	1,345	2,974	31,623
Small business lending	37	458	672	–	–	50	1,217
Residential mortgages	2,287	171	310	51,648	977	3,234	58,627
Credit card receivables - individual.....	2,556	12,671	468	710	513	906	17,824
Receivable from customers (SBEI)	43	24	570	80	–	–	717
Total receivable from customers...	183,563	97,840	95,848	61,189	3,248	19,719	461,407
31 December 2020							
Receivable from customers:							
Corporate lending.....	144,688	122,330	60,504	–	136	6,428	334,086
Consumer lending.....	–	–	–	34,973	3,079	7,921	45,973
Small business lending	5	406	480	–	–	29	920
Residential mortgages	1,066	1	524	47,647	2,128	3,835	55,201
Credit card receivables - individual.....	4,809	5,006	1,785	4,091	554	1,688	17,933

	Neither Past Due nor Individually Impaired				Past Due but not Impaired	Past Due and Impaired	Total
	High Grade	Medium Grade	Low Grade	Unrated			
Receivable from customers (SBEI)	93	287	79	–	118	–	577
Total receivable from customers...	150,661	128,030	63,372	86,711	6,015	19,901	454,690

As of 31 December 2022, the Bank's allowance for credit losses on loans on a consolidated basis was ₱16.2 billion. As a percentage of the Bank's NPL portfolio, such allowance for credit losses was 101.1% as of 31 December 2022.

Non-Performing Assets

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

	As of 31 December		
	2022	2021	2020
	(₱ millions, except percentages)		
Non-performing loans			
Net ⁽¹⁾	5,684.8	7,241.3	9,336.4
Gross ⁽²⁾	15,981.2	19,378.7	18,459.0
Total gross loans ⁽²⁾	542,574.7	491,448.7	474,399.4
Non-performing loans ratio			
Net ⁽³⁾	1.05%	1.47%	1.97%
Gross ⁽⁴⁾	2.95%	3.94%	3.89%
Non-accruing loans	77.4	94.5	75.9
Non-accruing loans-to-total loans	0.01%	0.02%	0.02%
Non-performing assets	19,344.7	20,793.0	19,684.9
Non-performing assets as a percentage of total assets	2.30%	2.97%	3.02%
Allowance for credit losses (loans)	16,159.7	17,957.5	21,314.7
Non-performing loans - gross ⁽²⁾	15,981.2	19,378.7	18,459.0
Non-performing loan cover ⁽⁵⁾	101.12%	92.67%	115.47%
Total restructured loans	13.0	13.8	5.1
Non-performing restructured loans	4.6	6.7	0.9
Non-performing restructured loans as a percentage of total loans	0.54%	0.95%	0.14%
Loans - written off	(3.3)	(5.9)	(8.6)

Notes:

(1) Total NPL (net of specific allowance, computed based on BSP guidelines).

(2) Computed based on BSP guidelines.

(3) Net NPL divided by total gross loans.

(4) Gross NPL divided by total gross loans.

(5) Total allowance for credit losses divided by total gross NPLs (Computed based on BSP Circular 941 and 1011 (31 December 2018, 31 December 2019, and 31 March 2020) and BSP Circular 772 (31 December 2017).

The following table presents the aging analysis of the Bank's non-accruing loans as of 31 December 2022:

Period	Amount (₱ millions)	%
Over 180 days	15.96	3.11%
90–180 days	61.47	11.99%
31–90 days	435.15	84.89%

In 1 January 2018, the BSP implemented Circular No. 941, "Amendments to Guidelines on Past Due and Non-Performing Loans" which changed the definition of past due accounts and non-performing loans.

Past Due

As a general rule, loans, investments, receivables or any financial assets, including restructured loans shall be considered past due when any principal and/or interest or instalment due, or portions thereof, are not paid at their contractual due date, in which case, the total outstanding balance thereof shall be considered as past due.

However, the BSP allows banks to provide a cure period on a credit product-specific basis, not to exceed 30 days (10 days for small loans with high frequency payments) within which to allow the obligors or borrowers to catch up on their late payment without being considered as past due.

Non-Performing Loans

Loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and/or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Top 10 NPLs

As of 31 December 2022, the Bank's 10 largest NPLs accounted for 1.01% of the Bank's total loans to customers and 32.39% of its gross NPLs to customers. As of the same date, the Bank's exposure to its 10 largest NPLs ranged from ₱253.1 million to ₱1.01 million, and amounted to approximately ₱5.17 billion in aggregate.

Sectoral Analysis of NPLs

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

	As of 31 December					
	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
	(audited)					
	(₱ millions except percentages)					
Manufacturing (various)	3,077.0	19%	2,236.2	12%	1,626.5	9%
Real estate, renting and business activities	1,766.1	11%	3,353.0	17%	3,985.9	21%
Wholesale and retail trade	4,682.9	29%	5,287.1	26%	3,111.9	17%
Agriculture, fishing, and forestry	975.6	6%	812.9	4%	608.4	3%
Transport, storage and communication	568.1	4%	312.3	2%	221.0	1%
Utilities	6.7	0%	6.6	0%	-	0%
Financial Intermediaries	29.3	0%	115.6	1%	122.9	1%
Construction	2,210.5	14%	3,441.1	18%	694.7	4%
Others	2,665.0	17%	3,813.9	20%	8,087.7	44%
Total	15,981.2	100%	19,378.7	100%	18,459.0	100%

The Bank's net NPLs on a consolidated basis represented approximately 1.05% of the Bank's total consolidated gross loan portfolio as of 31 December 2022.

As of 31 December 2022, the Bank had no DOSRI loans that are non-performing.

Credit Management Policies and Procedures

The credit management process involves all levels of the organization, from line personnel up to the Board of Directors. This section discusses the broad responsibilities of the various functions in the credit management process.

Board of Directors

The Board of Directors directs the Bank's over-all risk management strategy. The risk management processes of the subsidiaries are the separate responsibilities of their respective Board of Directors. The Board of Directors performs an oversight function on the Bank's implementation of its risk policies through various committees that it has created as follows:

Risk Oversight Committee

The Risk Oversight Committee (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 Bank.

Corporate Governance Committee

The Corporate Governance Committee oversees the compliance function and assists the Board of Directors in fulfilling its corporate governance responsibilities across a broad range of areas including sustainability. It is responsible for ensuring the Board'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 Bank's governance, internal controls and risk management functions.

Senior Credit Committee

The Senior Credit Committee reviews and approves proposals and facilities related to credit risk, except for Directors, Officers, Stockholders and Related Interests (DOSRI) and material related party transactions (RPT) accounts which are reviewed and endorsed for Board approval.

Executive Committee

The Executive Committee shall exercise 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.

Restructuring Committee

The Restructuring Committee focuses on adversely classified or non-performing loans (NPLs) and approves the remedial strategy and action plan for these exposures.

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 oversees 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 Bank's organizational structure includes the Risk Management Group (RMG), which is responsible for driving the following risk management processes of the Bank:

- Independent assessment, measurement, monitoring and reporting of the Bank's risk-taking activities; and
- Formulation, review and recommendation of risk-related policies and control structures.

Nevertheless, the Bank'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 Bank's risk management framework, policies and standards.

The Bank 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 Bank. To a certain extent, the respective risk management programs and objectives are the same across the Group.

Credit Rating / Scoring System

The Bank has credit rating/scoring systems in place to assess the credit risk associated with a prospective or existing loan account for corporate, retail, and MSME lending business. The Bank's credit rating system uses a combination of quantitative and qualitative factors, which generally assess the financial position and probability of default of the borrower.

Credit risk rating is carried out by the Enterprise Risk Evaluation Division for top corporations and by the Business Risk Evaluation and Development Unit for the middle-market accounts. The Bank updates the rating of an existing loan account at least once a year, which is normally the credit renewal date. However, the Bank may adjust the credit rating within a shorter period if there are identified factors which could affect the borrower's credit quality, or the Bank becomes aware of any adverse development with respect to the borrower or secured collateral. For the retail and MSME lending business, application and behaviour scores are implemented in the various products and embedded in the system which automatically calculates based on the profile of the borrower.

Credit Approval Process

Before the Bank approves any extension of credit, it first identifies the needs of the prospective borrower, analyses the appropriateness of the exposure and evaluates any inherent risks. For the corporate and middle market accounts, the Bank assigns an account officer to every prospective borrower to start the credit approval process. The account officer identifies the borrowing requirements of the client and assists in the preparation of the loan application together with the required documentary support. Full credit evaluation is undertaken by the Enterprise Risk Evaluation Division for corporate accounts and the Business Risk Evaluation and Development Unit for middle market accounts.

The Credit Committee is one of the credit approving bodies of the Bank. As delegated by the Board of Directors, it has the authority to review and approve proposals for the granting and extension of credit facilities and transactions. Should the size of the credit proposal exceed a certain cap, the same is elevated to the Senior Credit Committee for approval.

The *Senior Credit Committee* is the highest credit decision-making body in the Bank. The committee reviews and approves credit risk proposals for large exposures except for DOSRI loans which are approved by the Board of the Bank regardless of the amount involved.

For retail and MSME loans, the credit approval process is based on Minimum Risk Acceptance Criteria ("MRAC") and Approved Credit Policies and Guidelines. Credit Underwriters review and evaluate a loan application based on the credit worthiness and documents submitted by the client. Approval of regular loan applications will be based on the recommended credit limit or loan amount that will be endorsed to the approving officer based on the delegated authority. However, accounts with a significant deviation require one level higher approval.

Credit Administration Process

The Bank has a Credit Department unit that ensures the following: (a) proper documentation of approved credit proposals; (b) proper encoding of approved credit limits in the systems used by the Bank to ensure that exposures

do not exceed the approved limits; (c) proper safekeeping of loan and collateral documents with the Central Records Section or authorized branch custodians; and (d) proper maintenance and confidentiality of credit files for borrowing clients. No loan drawdowns are implemented without the clearance obtained from the Credit Documentation and Review Unit to ensure all loans and collateral documents are in order or the necessary approval for any deviation is duly approved by the appropriate approving authority.

Credit Committee

The Credit Committee is responsible for executing and managing the credit strategy of the Bank as defined by the Board of Directors and the Senior Credit Committee, by:

- approving or rejecting, recommending or ratifying credit proposals for new facilities, credit line renewals and interim extensions, amendments, and/or loan restricting or repayment schemes within its authority;
- approving proposed changes in standard credit documentation (or use of non-standard credit documentation) for credit facilities;
- deciding on credit policies prior to elevation to the Risk Oversight Committee for the final approval or actual implementation;
- approving any change in the credit classification of an account; and
- notation of Business Risk Reviews;

Loan Administration and Provisioning

See “*Description of the Bank’s Assets and Liabilities—Funding and Liquidity—Loan Portfolio—Loan Administration and Provisioning.*”

Remedial Management

The Bank has a Remedial Management Division (“**RMD**”) that manages and administers problem loan accounts. The Bank’s relationship officers identify and transfer accounts which in their assessment exhibit early warning signals of a deteriorating credit or have been classified as substandard or worse.

RMD seeks to maximize the recovery of the loan through continued payments, rehabilitation of the problem account or through alternative means of payment. In cases of accounts involving a credit consortium of banks, the RMD strives to take a lead role in the recovery efforts to protect the Bank’s interest.

In instances where the remedial action implemented provides for payment via dacion en pago or other actions such as foreclosure, management of the resulting investment property is handled by the Bank’s Property and Management Division (“**PMD**”). The Legal Division provides PMD with any legal assistance that may be required for investment property management. RMD also provides case-to-case assistance to the PMD in cases where investment property management may require account management approaches and solutions.

Securities Portfolio Management

The Bank classifies its securities in three categories, in line with the Bank’s business model: Hold to collect (“**HTC**”), Fair Value Through Other Comprehensive Income (“**FVTOCI**”) and Held for Trading (“**HFT**”) securities.

The classification depends on the objective for which the investments were acquired. Securities classified as HFT are held to realize fair value changes arising from changes in stock prices, credit spreads, and yield curves. Securities classified as FVTOCI are held to collect both contractual cash flows and to realize fair value changes through sales. Securities classified as HTC are held to collect contractual cash flows over the life of the instrument and are measured at amortized cost.

	As of 31 December 2022		As of 31 December 2021		As of 31 December 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(₹ millions)					
Financial assets at FVTPL:						
HFT investments:						
Government securities	4,804.0	4,804.0	5,655.8	5,655.8	9,131.7	9,131.7
Private bonds	98.1	98.1	26.4	26.4	85.4	85.4
Equity securities.....	—	—	—	—	—	—
Total HFT investments	4,902.1	4,902.1	5,682.2	5,682.2	9,217.1	9,217.1
Derivative assets:						
Currency forwards	1,646.3	1,646.3	858.5	858.5	633.8	633.8
Interest rate swaps.....	710.8	710.8	211.7	211.7	565.2	565.2
Interest rate futures	—	—	3.2	3.2	—	—
Cross-currency swaps	304.8	304.8	161.5	161.5	332.1	332.1
Bonds forwards and options	2.5	2.5	5.5	5.5	—	—
Total derivative assets	2,664.4	2,664.4	1,240.4	1,240.4	1,531.1	1,531.1
Total financial assets at FVTPL..	7,566.5	7,566.5	6,922.6	6,922.6	10,748.2	10,748.2
Financial assets at FVTOCI						
Treasury notes and bills	52,666.2	52,666.2	40,538.2	40,538.2	43,463.3	43,463.3
Treasury bonds	55,759.9	55,759.9	35,567.6	35,567.6	22,129.3	22,129.3
Private bonds	4,051.0	4,051.0	4,234.3	4,234.3	2,887.9	2,887.9
Equity securities	414.5	414.5	329.1	329.1	291.2	291.2
Total Investment at FVTOCI	112,891.6	112,891.6	80,669.2	80,669.2	68,771.7	68,771.7
Investment securities at amortized cost:						
Treasury bonds.....	9,308.4	9,045.3	—	—	—	—
Private bonds	57,224.4	54,764.9	21,836.6	22,109.9	23,392.3	24,335.7
Treasury notes and bills	2,697.2	2,705.8	—	—	—	—
Total investment securities at amortized cost.....	69,230.0	66,516.0	21,836.6	22,109.9	23,392.3	24,335.7

MANAGEMENT

Board of Directors

The names and positions of the Bank's directors follow. The members of the Board of Directors are elected at the annual stockholders' meeting to hold office until the next annual meeting and until their respective successors have been elected.

Name	Position	Date Elected To The Board	Citizenship	Age*
Frederick Y. Dy	Chairman Emeritus	4 April 1989	Filipino	67
Alberto S. Villarosa (†)	Chairman	30 October 2002	Filipino	72
Daniel S. Dy	Director/Group Strategy Head	27 April 2021	Filipino	36
Alfonso L. Salcedo, Jr.	Director	28 April 2015	Filipino	67
Diana P. Aguilar	Director	26 April 2017	Filipino	59
Cirilo P. Noel	Director	24 April 2018	Filipino	65
Sanjiv Vohra	Director/President & CEO	01 July 2019	Indian	61
Esther Wileen S. Go	Independent Director	27 April 2021	Filipino	52
Gerard H. Brimo	Independent Director	30 April 2019	Filipino	71
Enrico S. Cruz	Independent Director	1 August 2019	Filipino	65
Dr. Jikyeong Kang	Independent Director	26 April 2017	British	61
Jose Perpetuo M. Lotilla	Independent Director	27 April 2021	Filipino	65
Napoleon L. Nazareno	Lead Independent Director	26 April 2017	Filipino	73
Juichi Umeno	Director	New Nominee for Election	Japanese	48
Nobuya Kawasaki	Director	New Nominee for Election	Japanese	50

*Age as of 31 December 2022

(†) Deceased

FREDERICK Y. DY, 67, Filipino, was elected Chairman Emeritus on 28 April 2015. He was elected Vice Chairman of the Board on 4 April 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), Chairman of City Industrial Corporation (since June 1994) and a Director of Ponderosa Leather Goods Co., Inc. (since May 1980).

ALBERTO S. VILLAROSA (†), 72, Filipino, was elected Chairman of the Board on 28 April 2015. He was elected to the Board in October 2002 before assuming the position of President and Chief Executive Officer of the Bank on 5 January 2004. Prior to this, he was Senior Executive Vice President and Chief Operating Officer.

He was a member of the Executive, Nominations and Remuneration, Restructuring, and Finance Committees. He was a Member of the Society of Fellows of the Institute of Corporate Directors (since July 2006). He was the President of the Bankers Association of the Philippines (from April 2012 to March 2013) and Director (from March 2014 to October 2015). He was the Chairman and Director of SB Capital Investment Corporation (from April 2004 to August 2016), Security Bank Savings Corporation (from February 2012 to May 2015) and SB Rental Corporation (from May 2014 to May 2015). He was the Chairman of SBM Leasing, Inc. (from July 2011 to May 2014) and a Director of SB Cards Corporation (from December 2012 to June 2013).

Mr. Villarosa had extensive banking experience in the areas of Treasury, Investment Banking and Consumer Banking. Prior to joining the Bank, he was the Executive Vice President and Treasurer of the Bank of the Philippine Islands (BPI) (from October 1996 to October 2002). During that time, he was a Director in several BPI subsidiaries, including BPI Family Savings Bank, BPI Forex Corporation and BPI Investment Management, Inc. Prior to joining BPI, he was Director/President of Citytrust Securities Corp. (from 1998 to 2003) and was with Citytrust Banking Corporation (from 1987 to 1996) where the last position he held was Executive Vice President/Treasurer and President of Citytrust Investment Philippines. Prior to this, he was a Vice President of Citibank N.A. (from 1984 to 1987).

He graduated with a Bachelor of Science degree in Commerce from the University of San Carlos, Cebu City and earned his Master's degree in Business Management from the Asian Institute of Management.

The passing of Mr. Alberto S. Villarosa occurred on 3 May 2023 and was public disclosed on the same day. In light of his passing, Vice Chairman Cirilo P. Noel will serve as the Chairman in the interim.

DANIEL S. DY, 36, Filipino, was elected to the Board on 27 April 2021.

He is a Senior Vice President and Group Strategy Head. He is a member of the Transformation and Technology and the Executive Committees. He is also a Director of SBFI.

Mr. Dy has held various positions in Security Bank Corporation since he joined in March 2012. As Group Strategy Head, he oversees various divisions, including data engineering, data analytics, data governance, and CRM. For the past decade, Mr. Dy has worked at the intersection of business, technology, and data, 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.

ALFONSO L. SALCEDO, JR., 67, Filipino, was elected Director on 18 April 2015. He was the President and Chief Executive Officer of the Bank (from 28 April 2015 to 30 June 2019). He is the Chairman of the Executive and Restructuring Committees. He is also a member of the Corporate Governance, Trust and Risk Oversight Committees.

He is a Director of SB Cards Corporation (since May 2015) and SB Rental Corporation (since May 2015). He was the Chairman of SBFI (from May 2015 to May 2022). He was a Director and Vice Chairman of SB Capital Investment Corporation (from May 2015 to May 2020), a Director of SB Equities, Inc. (from August 2016 to July 2020), and a Trustee of Security Bank Foundation (from April 2015 to February 2020).

Prior to joining the Bank, he was a former executive of the Bank of the Philippine Islands (from 2000 to March 2015), with his last position as Executive Vice President in charge of the Corporate Clients Segment. He served as President of BPI Family Savings Bank (from 2004 to 2010), BPI Insurance Group (from 2000 to 2004) and Allstate Life Insurance (Philippines) in 1999. He served in the retail banking operations of Citibank Philippines as Country Marketing Director and Retail Bank Business Manager for 10 years before joining BPI. He served as Marketing Director for Nippon Vicks KK (Japan) based in Osaka for 5 years (from 1983-1987). He was a member of the Boards of BPI's subsidiaries and affiliates, specifically: BPI Capital Corporation, BPI Direct Savings Bank, BPI-Philam Life Assurance Corporation, BPI Rental Corporation, BPI Leasing Corporation and Ayala Automotive Holdings Corporation.

He received his AB Economics Honors degree (with honors) from Ateneo de Manila University in 1977 and completed the Advanced Management Program at Harvard Business School in 2006.

DIANA P. AGUILAR, 59, Filipino, was elected to the Board on 25 April 2017. Prior to this, she was a Director of Security Bank Corporation (from November 2010 to April 2016) and was appointed Senior Advisor to the Board (from July 2016 to April 2017).

She is the Chairperson of the Trust Committee and a Member of the Related Party Transaction, and Finance 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 & e-payments, retail and supply chain, education, and property management.

She was appointed as one of the Commissioners of the Social Security System (since August 2010).

Ms. Aguilar's concurrent board positions are Chairperson of the Board of Trustees of La Salle Greenhills (since September 2021); Member of La Salle East Asia Boards LEAD Economic Council and LEAD Investment Board (since August 2020); Member of De La Salle Philippines Investment Committee (since July 2018); Member of

De La Salle-College of Saint Benilde, Inc. Executive Finance Committee of the Board (since July 2020); Board of Trustees of De La Salle Medical and Health Science Institute (since October 2020). 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); Advisor to the Board of Philippine Seven Corporation (since January 2015); Independent Director of Science Park of the Philippines, Inc., (since June 2020); and Governor and Vice President of Employers Confederation of the Philippines (since January 2017).

Her past board positions include Chairperson of Finance Committee and Treasurer of La Salle Greenhills (from September 2019 to 2021); Director of PXP Mining Corporation (from 2019 to 2021); Director of Wenphil Corporation (from 2012 to 2019); Director of Electronic Commerce Payments, Inc., (from 2004 to 2019); Director of Ionics, Inc., (from 2016 to 2019); Treasurer of De La Salle Santiago Zobel (from 2004 to 2017); Director of PXP Energy Corporation (from 2014 to 2017); and Director of Phoenix Petroleum Philippines, Inc., (from 2010 to 2013), and Philippine Seven Corporation (from 1999 to January 2015).

Ms. Aguilar's academic background is in the fields of International Business, Finance and Computer Science. She earned her Masters' 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.

CIRILO P. NOEL, 65, Filipino, was elected to the Board on 24 April 2018 and appointed as Vice Chairman in April 2020.

He is the Chairman of the Finance Committee and Vice Chairman of the Executive Committee. He is also a member of the Audit and Transformation and Technology Committees.

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

He is also 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 CPA 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.

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 a member of the E&Y Global Advisory Council. 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.

SANJIV VOHRA, 61, Indian, was elected as Director and appointed as President and Chief Executive Officer effective 1 July 2019. He is the Chairman of People Empowerment Committee and a member of the Bank's Executive, Transformation and Technology, Finance, Restructuring, and Trust Committees. He is also the Chairman of SBFI.

He is a Director of the Bankers Association of the Philippines and Philippine Payments Management, Inc. (since 2019). He has over 30 years of experience in banking, having held a number of senior leadership positions in Asia, various roles at Citibank India from 1986 to 1999, Corporate Bank Head at ABN AMRO Bank, India (from 1999 to 2000), Consumer Industry Head, Asia-Pacific at ABN AMRO Bank Singapore (from 2001 to 2002), Managing Director, Head of Corporate Banking (India, Sri Lanka, Bangladesh) at Citigroup India (from 2002 to 2005), Country Executive at Royal Bank of Scotland in India (2013), Head of Corporate Banking (Asia Pacific) at Deutsche Bank (from 2014 to 2017) and Managing Director, Head of Corporate Banking for Asia & Oceania and Co-Head of Investment Banking for Asia & Oceania at MUFG Bank, Ltd. (from 2017 to 2019). He also has experience in the domestic market as Country Head of Citibank Philippines (from 2006 to 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

ESTHER WILEEN S. GO, 52, Filipino, was elected to the Board on 27 April 2021. She is the Chairperson of the Transformation and Technology Committee and a member of the Risk Oversight Committee.

She is currently the President and Chief Executive Officer of MediLink Network, an electronic health 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 U.S. Committee for UNICEF.

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

GERARD H. BRIMO, 71, Filipino, was elected to the Board on 30 April 2019. He is the Chairman of the Audit Committee and a member of the Corporate Governance Committee.

He is the Chairman of PLC-Nickel Asia Corporation (since August 2018) and its subsidiary companies: Cagdianao Mining Corporation (since August 2018), Hinatuan Mining Corporation (since August 2018), Cordillera Exploration Co., Inc. (since August 2018), and Newminco Pacific Mining Corporation (since 2018). He is also a Director of Nickel Asia Corporation's subsidiaries: Rio Tuba Nickel Mining Corporation, Taganito Mining Corporation, and Emerging Power, Inc.,. He also served as Chairman of these companies from 2018 to 2022. He is an Independent Director of Commonwealth Foods, Inc. (since 19 January 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 to 2003. He was again elected as Chairman in 2017 until 2021, and is currently the 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, 65, Filipino, was elected to the Board effective 01 August 2019. He is the Chairman of the Bank's Risk Oversight Committee, Vice Chairman of the Audit Committee and Nominations and Remuneration Committee and member of Finance and Executive (Independent – Non-voting) Committees.

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 N.A. 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.

DR. JIKYEONG KANG, 61, British, was elected to the Board on 25 April 2017. She is the Chairperson of the Related Party Transaction and Corporate Governance Committees. She is also the Vice Chairperson for Trust Committee and a member of Risk Oversight Committee.

Dr. Kang is President and Dean of the Asian Institute of Management (AIM) and is the MVP Chair in Marketing. Prior to assuming her post at AIM, Dr. Kang was Director of the DBA Program at Manchester Business School (MBS) from 2010 to 2014. At MBS, she also served as Director of the Postgraduate Centre in charge of their MBA Programs from 2001 to 2007. She was instrumental in propelling the full-time MBA Program's Financial Times ranking from 47th in the world in 2002 to 22nd in 2007, the highest ranking it has ever achieved. While she was in charge of the MBA Programs, MBS became one of the first schools in the world to earn triple accreditation from AACSB, EQUIS, and AMBA.

Dr. Kang is the Chairman of the International Advisory Board of AACSB, the world's largest business education alliance. She is also a board member of EFMD, an international 900-member organization of business schools and corporations. She is also an Independent Director of Kesoram Industries, which is part of the B K Birla Group of Companies in India. Dr. Kang is also a board member of Principles for Responsible Management Education (PRME), and GBSN (Global Business School Network), a Council member of Association of Asia-Pacific Business Schools (AAPBS) and a Member of the Global Network for Advanced Management (GNAM). Dr Kang is an International/Global Advisory Council/Board Member of Suleman Dawood School of Business, Lahore University of Management Sciences in Pakistan, Korea University Business School, Yonsei University Business School in Korea, ESADE in Spain, Stockholm School of Economics in Sweden, Hanken School of Economics in Finland, and Insper in Brazil. She is also a fellow of International Academy of Management (IAOM).

Dr. Kang earned her PhD from the University of Minnesota, her Master's degree from Colorado State University, and her Bachelor's degree from Hanyang University, Seoul, Korea.

JOSE PERPETUO M. LOTILLA, 65, Filipino, was elected to the Board on 27 April 2021. He is the Chairman of the Nominations and Remuneration Committee, Vice Chairman of the Corporate Governance and Related Party Transaction Committees.

He is currently an Independent Director of Synergy Grid and Development Philippines, Inc. (since 2019) and Philippine Commercial Capital, Inc. (since 2021). He is also the Chairman of Carabineros Development, Inc., the Corporate Secretary of Amber Kinetics Phils, 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 (from 2012 to 2015). Prior to joining the government, he was a Senior Partner at Sycip Salazar Hernandez & Gatmaitan 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 also Corporate Secretary of GD Searle Philippines for many years.

He was an Independent Director of Security Bank Corporation (from 2002 to 2012), SB Capital Investment Corporation (from 2004 to 2012) and Security Finance, Inc. (from 2010 to 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, 73, Filipino, was elected to the Board on 25 April 2017. He is the Vice Chairman of the Transformation and Technology and the Risk Oversight Committees.

He was a Member of the Supervisory Board of Rocket Internet (from 2014 to 2017), Trustee of Philippine Disaster Recovery Foundation, Inc. (from 2013 to 2015) and Ideaspac (from 2012 to 2015), President and Trustee of First Pacific Leadership Academy (from 2012 to 2015) and Chairman of the Board of Trustees and Board of Governors of the Asian Institute of Management (from 2011 to 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) (from 2012 to 2015), Digitel Mobile Philippines Inc. (Digitel Mobile) (from 2012 to 2015), Smart Broadband Inc. (from 2005 to 2015) and i-Contacts Corporation (from 2001 to 2015). He was the President and Chief Executive Officer of PLC – Philippine Long Distance Telephone Company (PLDT) (from February 2004 to 2015), PLC - Smart Communications, Inc. (from January 2000 to 2015), Connectivity Unlimited Resources Enterprise, Inc. (from 2008 to 2015), Aces Philippines Cellular Satellite Corporation (from 2000 to 2015) and PLDT Communications and Energy Ventures (2004 to 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 U.S. 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 Fountainebleau, France, and was conferred a Doctor of Technology Degree (Honoris Causa) by the University of San Carlos in Cebu City.

New Nominees

JUICHI UMENO, 48, Japanese, is being nominated for election to the Board as Director during the Annual Stockholders' Meeting on 25 April 2023.

Mr. Umeno joined The Bank of Tokyo Mitsubishi, Ltd. in 1996. As Managing Director for MUFG Bank (Europe) N.V. ("MBE"), he is based in Amsterdam, the Netherlands since March 2021. Mr. Umeno is responsible for leading a project management office to promote the entire program of the midterm business plan for MBE ranging from business promotion to cost optimization in order to make the organization financially viable and sustainable.

Prior to the current position, Mr. Umeno's career has been mainly around corporate center fields such as industry research, credit assessment, risk management and corporate planning. Mr. Umeno was assigned in Singapore from 2013 to 2019 and was responsible for strategic, financial planning and governance of the entire Asia region. He also served as a director of MUFG Bank China in charge of risk management from 2020 to 2021.

Mr. Umeno graduated from Waseda University with a Bachelor of Political Science and Economics in 1996.

NOBUYA KAWASAKI, 50, Japanese, is being nominated for election to the Board as Director during the Annual Stockholders' Meeting on 25 April 2023.

Mr. Kawasaki joined The Bank of Tokyo Mitsubishi, Ltd. in 1997. As Executive Officer & Managing Director and Head of Global Commercial Banking Division, he is responsible for promoting collaborations among MUFG and MUFG's invested financial institutions and pursuing inorganic activities for MUFG and invested financial institutions in Pacific Rim area for seven years mainly being based in Singapore.

Prior to the current position, Mr. Kawasaki served as a Managing Director in charge of M&A advisory of the M&A Division of Mitsubishi UFJ Morgan Stanley Securities, one of the major subsidiaries of MUFG.

Mr. Kawasaki graduated from Keio University with a Bachelor of Mechanical Engineering in 1995 and earned a Master of Mechanical Engineering in 1997 from Keio University, Tokyo.

Corporate Secretary

ATTY. JOEL RAYMOND R. AYSON, 58, Filipino, was elected Corporate Secretary on 19 July 2004.

He is a Partner in Quasha Law (since May 1998). 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 Backtrenmittel Und Apparatebau AG (Philippines), Inc., President of Bristol Technology System, Vice President and Director of Amtel Trading Corporation. He is a Director of Quo Vadis Palawan Resort, Inc., Back Office Superior Services, Inc., Asiamed Inc., Parex Realty Corporation, Trevi Foundation 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 Searesort Corp., Bohol Agro Marine Development Corp., Artbank Holdings, Inc., Tembuli Development Corp., Metropolitan Philippines Resort Corporation and Corporate Secretary of Lapu-Lapu Resort Development, Inc., Bohol Resort Dev., Inc., Lapu-Lapu Resort, Nexlogic Telecommunications, 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 to 2009) before he assumed his position as President (from 2009 to 2011). He is the Treasurer of Instoremmedia Philippines, Inc. 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.

Key Officers as of 28 February 2023

Position	Name	Age	Citizenship
President and Chief Executive Officer	Sanjiv Vohra*	61	Indian
Executive Vice Presidents	Arnold Q. Bengco	50	Filipino
	Leslie Y. Cham	57	Filipino
	Lucose T. Eralil	54	Indian
	Gina S. Go	62	Filipino
	Joselito E. Mape	60	Filipino
	Eduardo M. Olbes	52	Filipino
	John Cary L. Ong	49	Filipino
	Raul Martin A. Pedro	55	Filipino
	Charles M. Rodriguez	58	Filipino
	Takashi Takeuchi*	51	Japanese

Senior Vice Presidents	Jason T. Ang	52	Filipino
	Ronald I. Austria	51	Filipino
	Stephen John Bell	54	British
	Nerissa Gloria C. Berba	53	Filipino
	Marlette P. Brodett	51	Filipino
	Abigail Marie D. Casanova	48	Filipino
	Charles Malvin T. Ching	45	Filipino
	Anna Christina M. Chinjen	51	Filipino
	Aristotle I. Cruz	51	Filipino
	Jonathan C. Diokno	49	Filipino
	Daniel S. Dy*	36	Filipino
	Cristina V. Henson	58	Filipino
	Orencio Andre P. Ibarra III	49	Filipino
	Yoshimasa Itaka	47	Japanese
	Sohel H. Kanchwala	57	Indian
	Jefferson T. Ko	47	Filipino
	Kim O. Lim	50	Filipino
	Luis Gregorio M. Maloles	54	Filipino
	Yvonne Joanna P. Marcelo	52	Filipino
	Jiri Matousek	35	Czech
	Patrick M. Meneses	48	Filipino
	Juan A. Mestas**	40	Peruana
	Maria Margarita R. Mirabueno	50	Filipino
	Jorge Lindley S. Ong	50	Filipino
	Rahul S. Rasal	55	Indian
	Ma. Patricia N. Tan	48	Filipino
	Dennis M. Tangonan	48	Filipino
	Ricardo G. Torres	61	Filipino
	Hirofumi Umeno	46	Japanese
	Balaji Vijayan	56	Indian
	Price Edward C. Yap	49	Filipino
	John David G. Yap	45	Singaporean
	Malcolm C. Yow	44	Australian

**Member of the Board of Directors*

***Also known as Juan Alfredo Mestas Jara*

ARNOLD Q. BENGCO, 50, Filipino, is Executive Vice President and Financial Markets Segment Head. He is a member of the Assets and Liabilities and People Empowerment Committees.

Prior to joining the bank, he held the position of Treasury Technical Consultant in Temasek Holdings Singapore (from 2021 to 2023). He also held the position of Emerging Markets FX Head in Barclays Singapore (from 2018 to 2019), Treasury Trading Management Vice President in OCBC Bank Singapore (from 2016 to 2017), Portfolio Manager in Dymon Asia Capital Singapore (from 2013 to 2015), Managing Director and Asian Currencies Trading Head in Citibank Singapore (from 2007 to 2013), Director Asia NDF (Non-Deliverable Forwards) Head (from 2006 to 2007) and Emerging Markets Trader (from 1999 to 2006) in Citibank NA Singapore, FX trader in Citibank NA Philippines (from 1996 to 1999), and FX Trader in Far East Bank and Trust Co. (from 1992 to 1994).

He graduated with a Bachelor of Science degree in Applied Mathematics (Actuarial Science) from De La Salle University, Manila. He also earned his Master's Degree in Business Management from the Asian Institute of Management.

LESLIE Y. CHAM, 57, Filipino, is Executive Vice President and Head of the Branch Banking Group (since 01 October 2008). He is a member of the Bank's Assets and Liabilities, People Empowerment, and Anti-Money Laundering & Counter Financing of Terrorism, and Occupational Safety and Health Committees.

He was a Director of SBFI, 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 field 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 various positions in other institutions, including First Vice President of Standard Chartered Bank (from 1999 to 2003) and Vice President of Philippine Commercial International Bank (from 1997 to 1999), and Vickers Ballas Asset Management LTD PTE (from 1995 to 1997). He was an Assistant Vice President of Citytrust Banking Corporation (from 1987 to 1995).

He received his 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, 54, Indian, is Executive Vice President and Enterprise Technology and Operations Segment Head.

Mr. Eralil brings with him 30 years of work experience from Helius Technologies Pte. Ltd., AlphaEl Enterprises Pte. Ltd., Credit Suisse, and NIIT Ltd. He has extensive exposure in the fields in 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, Mr. Eralil 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, 62, Filipino, is Executive Vice President and Chief Risk Officer of the Bank. She is a member of the Bank's Asset Disposal, Sustainability, Outsourcing and Integrity Committees.

She was the President of Security Bank Savings Corporation (now known as SB Finance, Inc.) (from February 2012 to 2016). Prior to this, she was Chief Risk Officer of the Bank (2006 to 2011) and Head of Remedial Management Division (from 2000 to 2005). Prior to joining the Bank in September 2000, she was connected with Equitable PCIBank where she accumulated 20 years of solid credit experience, having assumed various 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, 60, Filipino, is Executive Vice President and Senior Adviser to the Chairman (since 1 February 2023). He was the Chief Financial Officer from January 2012 to 31 January 2020 and Chief Administrative Officer from 1 February 2020 until 31 December 2022. He is the 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 SBFi (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, 52, Filipino, is Executive Vice President and Chief Financial Officer. He was Executive Vice President for the Wholesale Banking Segment until 31 January 2020. He is the Chairman of the Sustainability

Committee and is also a member of the Finance, Assets & Liabilities, 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 is the Chairman of SB Equities, Inc. (since 2010). He is a Director of SB Capital Investment Corporation (since 2010). 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 NA (Philippines) Global Banking Unit (from 2006 to 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 (from 2000 to 2003) and the Investment Banking Division of Bear, Stearns & Co. Inc. in New York (from 1997 to 2000). He 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 of Arts degree, major in Economics, from the University of California, Berkeley.

JOHN CARY L. ONG, 49, Filipino, is Executive Vice President and Transaction Banking Group/Channel Network Group Head. He is a member of the Assets and Liabilities, People Empowerment and Anti-Money Laundering and Credit Committees. He is the Chairman of SBM Leasing, Inc. (since January 2023), and SB Rental Corporation (since January 2023).

Prior to this, he was Head of Transaction Banking Center of Union Bank of the Philippines (from 2016 to April 2020); Country Head, Treasury and Trade Solutions (from 2013 to 2016) and Client Sales Management Head (from 2011 to 2013) in Citibank NA; Head of Trade Finance and Cash Management for Corporates (from 2006 to 2011); Head of Operations (2005); and Head of Global Markets Operations (from 2003 to 2005) in Deutsche Bank AG Manila; and Senior Banking Consultant in Misys International Banking Systems (from 2000 to 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.

RAUL MARTIN A. PEDRO, 55, Filipino, is Executive Vice President and Special Adviser to the Chairman (15 February 2023). He is a member of the Sustainability and Credit Committees. He is the Chairman of SB Forex, Inc. (since May 2016). He is the Bank's representative to the Bankers Association of the Philippines' Open Market Committee.

Prior to joining the Bank in November 2005, he was a First Vice President of Equitable PCI Treasury Department, Head of Foreign Fixed Income Trading and Derivatives. He also worked as a Forward FX Trader for Deutsche Bank AG, Manila.

He holds a Masters' Degree in Business Administration from Rutgers, the State University of New Jersey, USA and a Bachelor of Science degree in Business Administration from the University of the Philippines in Diliman.

CHARLES M. RODRIGUEZ, 58, Filipino, is Executive Vice President and Wholesale Banking Segment Head. He is a member of the Bank's Assets & Liabilities Committee, People Empowerment, Sustainability and the Credit Committees. He is also a Director of SB Capital Investment Corporation (since May 2019).

Prior to joining the Bank in October 2018, he was the Acting CEO and Head of Corporate and Institutional Coverage of ANZ Banking Group Limited (from January 2010 to August 2018). He held various positions in Far East Bank and Trust Company, FEB Investments, Inc., ABN AMRO Bank NV and Banco De Oro Universal Bank. He has extensive experience in Corporate and Investment Banking.

He graduated with a Master's degree in Business Administration, Major in Finance from the University of Cincinnati, USA and Bachelor of Science degree in Management Engineering from the Ateneo de Manila University, Philippines.

TAKASHI TAKEUCHI, 51, Japanese, was elected to the Board on 24 April 2020 and appointed as Executive Vice President and Alliance Segment Head. He is a member of the Bank's Assets and Liabilities, Risk Oversight, Operational Risk Management Committees (Sub-Committee of Risk Oversight Committee) and Corporate Governance Committees.

Prior to joining the Bank, he was the Deputy Head and Managing Director of Internal Audit Division and Managing Director of Internal Audit for the Americas of MUFG Bank. He was also the Head and Managing Director of Internal Audit Division in Tokyo, Japan (from June 2018 to September 2018); Head of Corporate Banking Department No. 2 and Managing Director Asian Corporate Banking (West) in Los Angeles, USA (from 2014 to 2017); Senior Vice President for Liaison Affairs in San Francisco, USA (from 2011 to 2014); Senior Manager of Public Relations Division in Tokyo, Japan (from 2007 to 2011); Manager of Nagoya Corporate Banking Division No.2 in Nagoya, Japan (from 2003 to 2007); Manager of Corporate Banking Division No.6 in Tokyo, Japan (from 2000-2003); Banking Officer of Spot Desk in European Treasury Office in London, UK (from 1998 to 2000); and Banking Officer in Shinjuku-Chuo Branch in Tokyo, Japan (from 1994 to 1998).

He graduated with a Bachelor's Degree in Liberal Arts from the University of Tokyo, Japan in 1994.

JASON T. ANG, 52, 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 (from 1996 to 2007). Previously, he was with Citytrust Banking Corporation where he held various positions (from 1991 to 1996).

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

RONALD I. AUSTRIA, 51, 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 (from 1999 to 2008), PCI Bank (from 1996 to 1999), Far East Bank and Trust Company (from 1995 to 1996), and Citytrust Banking Group (from 1992 to 1995).

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

STEPHEN JOHN BELL, 54, British, is Senior Vice President, Senior Payment Lead and Division Head of the Channel Network Group.

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

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

NERISSA GLORIA C. BERBA, 53, Filipino, is Senior Vice President and Head of Human Capital Management. She is the Chairman of Occupational Safety and Health Committee and also a member of the Bank's Integrity, Outsourcing, Sustainability and People Empowerment Committees.

Prior to this, she was Senior Vice President and Head of Human Resources of The Hongkong and Shanghai Banking Corporation Limited (from 2018 to 2019); HR Director/Country Head of Deutsche Bank (from 2015 to 2018); HR Leader in Asia in General Electric (from 2010 to 2015); Vice President— Talent Acquisition/Career Management in the Bank of the Philippine Islands (February 2010 to August 2010); Senior Vice President and Head of HR in GE Money Bank (from 2006 to 2010); First Vice President and Senior Human Relationship Manager in Standard Chartered Bank (from 2004 to 2006); Senior Business HR Manager in Philips Electronics

and Lighting Inc. (from 2003 to 2004); Associate/Human Resource Manager in Bó Lè Associated Ltd. (from 2000 to 2003); and Human Resource Manager in New Zealand Milk Products, Phils. (from 1999 to 2000).

She graduated with a Bachelor's Degree in Science, Major in Psychology, from Assumption College.

MARLETTE P. BRODETT, 51, 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. (from 2003 to 2004), First Assistant Vice President in Asiatrust Development Bank (from 2000 to 2003) and Branch Head with the Bank of the Philippine Islands (from 1992 to 2000).

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

ABIGAIL MARIE D. CASANOVA, 48, Filipino, is Senior Vice President and SBFI's President and 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, 45, Filipino, is Senior Vice President and Chief Administrative Officer (since January 2023) under Office of the Chief Administrative Office. He is the Vice Chairman of the Asset Disposal Committee. He is also a member of Asset and Liabilities and Outsourcing Committees.

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

He graduated with a Bachelor's Degree of Science major in Management Engineering in Ateneo de Manila University.

ANNA CHRISTINA M. CHINJEN, 51, Filipino, is Senior Vice President and Chief Compliance Officer.

She is the Chairman of the Anti-Money Laundering and Counter Financing of Terrorism Committee, Vice-Chairperson 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 and cash management implementation.

Prior to joining the Bank, she held various positions at the Hongkong and Shanghai Banking Corporation Limited in various positions including Senior Vice President for Wholesale Banking & Markets Advisory Lead for Financial Crimes Compliance (from 2017 to 2019), Anti-Money Laundering Lead (from 2016 to 2017), Global Standards Execution Lead (from 2013 to 2016), Chief Risk & Administration Officer (from 2012 to 2013), Strategy, Planning & Business Management (from 2009 to 2012), Vice President for Operations, Solutions and Support (from 2006 to 2009), Assistant Vice President and Relationship Manager (from 2003 to 2006), Head of

Implementation – Payments and Cash Management (from 2001 to 2003), Relationship Manager for Non-Borrowing Companies (from 2000 to 2001) and Resident Manager (from 1999 to 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, 51, Filipino, is Senior Vice President and Team Head under Corporate Banking Group.

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

JONATHAN C. DIOKNO, 49, Filipino, is Senior Vice President and Cash Management Head under the Transaction Banking Group of the Bank.

He has extensive exposure in the field 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 (from 2017 to January 2019). He served in various positions in Banco de Oro (from 2001 to 2016), Citibank NA (from 1999 to 2001), Standard Chartered Bank (from 1997 to 1999), and the Bank of the Philippine Islands/Citytrust Banking Corporation (from 1994 to 1997).

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

DANIEL S. DY, 36, Filipino, was elected to the Board on 27 April 2021. He is a Senior Vice President and Group Strategy Head. He is a member of the Transformation and Technology and the Executive Committees. He is also a Director of SBFI.

Mr. Dy has held various positions in Security Bank Corporation since he joined in March 2012. As Group Strategy Head, he oversees various divisions, including data engineering, data analytics, data governance, and CRM. For the past decade, Mr. Dy has worked at the intersection of business, technology, and data, 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.

CRISTINA V. HENSON, 58, 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, 49, Filipino, is Senior Vice President and Treasurer. He is a member of the Assets & Liabilities and Finance Committees.

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 to 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, 47, Japanese, is Senior Vice President and 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 to 2021) and MUFG Bank Brasil, Ltd. (from 2015 to 2019). He rose through the ranks at the Bank of Tokyo-Mitsubishi UFJ (from 2006 to 2015) and started his career at the Bank of UFJ (from 1999 to 2005).

He completed his degree in Environmental Engineering from Kyoto University.

SOHEL H. KANCHWALA, 57, Indian, is Senior Vice President and Division Head of the Collections Division.

Prior to joining the Bank he was Senior Consultant for Kuwait Finance House (2019); Senior Vice President for First Abu Dhabi Bank (from 2017 to 2018); Director for Citibank N.A. Mumbai (from 2010 to 2017); Region Head for Quattro Risk Management Services (from 2007 to 2010); Senior Managing Consultant for Mastercard Worldwide-Advisors (from 2003 to 2007); Credit and Risk Operations Head for Citibank N.A. Manila (from 1998 to 2003); Senior Manager for Saudi American Bank (Citigroup) (from 1994 to 1997); Manager for Citibank N.A. India (from 1990 to 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, 47, Filipino, is Senior Vice President and Senior Program Manager of Financial Markets Segment.

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

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

KIM O. LIM, 50, Filipino, is a 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 (from 2013 to 2017). He then 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 (from 2010 to 2011) under the Hongkong Shanghai Banking Corporation Savings Bank. He also held the position of District Manager (from 2009 to 2010), Business Manager (from 2007 to 2009), Relationship Officer and OIC (from 2006 to 2007) and Relationship Officer (2006) under Citibank Savings Incorporation, Customer Service Head (from 2003 to 2006), Senior Personal Bank (from 2002 to 2003), Reserved Assistant (from 2000 to 2002), Policy Analyst (2000), Control Assistant (from 1995 to 1999) and Bank Statement Clerk (from 1993 to 1995) under Rizal Commercial Banking Corporation.

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

LUIS GREGORIO M. MALOLES, 54, 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 field 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 (from 2013 to 2015). He also worked regionally as Director and Regional Account Manager for the Global Subsidiaries Group of Citibank Hong Kong, Ltd. (from 2011 to 2013) and started within the Citi Network as part of the Global Subsidiaries Group of Citibank N.A. (Philippine Branch) (from 2004 to 2013). He is a Corporate Banking veteran having held various positions in Asia United Bank (from 2001 to 2004), Banco Santander Philippines, Inc. (from 1999 to 2000), Philippine Commercial

International Bank (from 1996 to 1999), Far East Bank and Trust Company (from 1995 to 1996) and Rizal Commercial Banking Corporation (from 1992 to 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, 52, Filipino, is Senior Vice President and Head of Corporate Banking Group. She is a member of the Assets and Liabilities Committee and an alternate member of the 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 an 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 (from 1996 to 2000), Assistant Manager in Union Bank of the Philippines (from 1995 to 1996), and Management Trainee and Pro-Manager in Bank of Commerce (from 1991 to 1994).

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

JIRI MATOUSEK, 35, Czech, is Senior Vice President and Head of the Retail Transformation Group.

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 (from 2011 to 2021).

He completed his general education with specialization in German from Gymnázium Na Pražáčce; 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, 48, Filipino, is Senior Vice President and Chief Data Officer of Enterprise Data Office under Office of the President.

Prior to joining the Bank, he was the Chief Data and Analytics Officer with MDI Novare (from 2021 to 2022). He also held the position of ASEAN Director of Business Solutions under SAS Institute Singapore (from 2018 to 2021), Senior Engineering Manager under General Motors (from 2012 to 2018), Senior Technical Program Manager under Electronic Arts (from 2010 to 2012), Senior Technical Manager under SUN Microsystem (from 1999 to 2009), Project Manager under Hewlett-Packard (from 1997 to 1999) and Operations Manager under UNILAB (from 1996 to 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, 40, Peruvian, is Senior Vice President and Architecture & Integration Head under Information Technology Group.

Prior to joining the Bank, he was the Group Head of Enterprise Architecture and Platform under Group 42, UAE (from 2021 to 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 (from 2017 to 2019), Senior Manager and Digital Architecture under Allied Irish Banks PLC (AIB Bank) Ireland (from 2016 to 2017), Architecture Manager under DELOITTE & TOUCHE EURORE, The Middle East, and Africa (EMEA) (from 2011 to 2016), Regional Director of Microsoft Latam (from 2007 to 2011), Software Architect under Banco Financiero (from 2004 to 2006), Oracle HLR Architect under Sixbell, Chile (from 2002 to 2004) and Senior Software Engineer under SONDA, Peru (from 1999 to 2000).

MARIA MARGARITA R. MIRABUENO, 50, 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 (from 2011 to 2014) and Investment Specialist (from 2004 to 2010). She also held the position of Investment Officer under Chinatrust (Philippines) (from 1999 to 2002), Investment Officer under ALL Asia Capital & Trust Corporation (1998) and Marketing Assistant under Metrobank (from 1993 to 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, 50, Filipino, is Senior Vice President and Head of the Commercial Banking Group effective November 2022. He is a member of the Bank's Credit and Assets & Liabilities Committees.

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 (from 1995 to 2007).

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

RAHUL S. RASAL, 55, Indian, is Senior Vice President and Retail Banking Segment Head (effective January 2023). He is a member of the Assets & 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 (from 2018 to 2021) and Managing Director at Citibank NA (from 1995 to 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.

MA. PATRICIA N. TAN, 48, Filipino, is Senior Vice President and Head of Customer Segmentation Group. She is a member of the Assets & Liabilities Committee.

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

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

DENNIS M. TANGONAN, 48, Filipino, is Senior Vice President and Cloud Infrastructure Head under Information Technology Group.

Prior to joining the Bank, he held the position of Infrastructure and Operations Head for BDO Unibank, Inc. (from 2010 to 2023). He also held the position of Assistant Vice President and Team Lead in Citibank NA Philippines and Citibank NA Singapore (from 2007 to 2009), Assistant Vice President and Team Lead in United Overseas Bank (UOB) Singapore (from 2005 to 2006), Manager 2 and Team Lead in BDO Unibank (from 2000 to 2005), IT Security Officer in Maybank Philippines (from 1991 to 2000), IT Security Administrator in Asiatrust Bank (from 1998 to 1999), and Lead Systems Operator (from 1996 to 1998).

He graduated with a Bachelor of Science degree in Computer Science from University of Saint Louis, Tuguegarao. He also earned his master's degree in Business Administration from Ateneo de Manila University.

RICARDO G. TORRES, 61, Filipino, is Senior Vice President and Special Projects Head (effective October 2022). 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 (from 1999 to 2003); Manager Systems Development & Support in United Saudi Bank (from 1994 to 1999); Systems Analyst/Programmer and Project Manager in United Saudi Commercial Bank – SGV Arabia (from 1987 to 1994); and Technical Staff member in SGV Institute of Advanced Computer Technology (from 1985 to 1987).

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

HIROFUMI UMENO, 46, Japanese, is Senior Vice President and MUFG Business Development Head. He is a member of the Sustainability Committee.

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

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

BALAJI B. VIJAYAN, 55, Indian, is Senior Vice President and Retail Credit Risk Management Division Head.

Prior to joining the Bank, he held various positions including Advisor to Retail Risk Directorate of Bank Mandiri-Indonesia (from 2015 to 2020); Director and Risk Head for Middle East-Consumer Bank of Citibank NA-UAE (from 2007 to 2014); Vice President and Risk Head for Bank of Handlowy – Consumer Bank of Citibank NA-Poland (from 2004 to 2007); Vice President and Risk Head in ABN Amro Bank in Taiwan and Indonesia (from 1999 to 2003); Vice President and Credit Policy Head in Citibank NA-Indonesia (from 1997 to 1999); various positions in Citibank NA-India (from 1990 to 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.

PRICE EDWARD C. YAP, 49, Filipino, is Senior Vice President and Sales Division Head under Treasury 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. (from 2011 to 2015), held various positions in Citigroup, Inc. (from 2000 to 2011) and Solid Bank Corporation (from 1997 to 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.

JOHN DAVID G. YAP, 45, Singaporean, is Senior Vice President and Group Head of Business Banking Segment effective January 2022 (former Micro, Small and Medium Enterprises (MSME) Group). He is a member of the Bank's Assets & Liabilities Committee.

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

He completed his Bachelor of Science, major in Management Information System degree from Ateneo de Manila University. He earned his Master's degree in Business Administration from Nanyang Technological University.

MALCOLM C. YOW, 44, Australian, is Senior Vice President and Retail IT Digital Team Head under Information Technology Group.

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

He graduated with a Bachelor of Science 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.

Corporate Governance

The Bank consistently adheres to good corporate governance principles of fairness, accountability, and transparency in all its dealings, ensuring a high degree of integrity in the conduct of all its affairs.

The Board-approved Manual of Corporate Governance of the Bank embodies the corporate governance rules and regulations of the BSP, the SEC, the PSE, and global best practices, which incorporate policies in the compliance system.

The Bank is led by a Board of Directors composed of 15 members, 6 of whom are independent directors. The roles of the Chairman and the President & CEO are separate and clearly defined while the independent directors are a strong source of independent advice and judgment. The Board of Directors establishes the vision, strategic objectives, key policies, and procedures for the management of the Bank, and the mechanism for monitoring and evaluating management's performance. The Board of Directors likewise ensures the presence and adequacy of internal control mechanisms for good governance.

The Board of Directors meets regularly on a monthly basis. In compliance with the principles of good corporate governance, the Board of Directors constituted the Corporate Governance, Nominations and Remuneration, Risk Oversight, Operational Risk Management, Audit, Related Party Transactions, Trust, Senior Credit, Executive, Transformation and Technology, and, Restructuring Committees to which it delegated specific responsibilities. Management committees like the Assets & Liabilities Committee, Credit Committee, Acquired Assets Committee, People Empowerment Committee, Anti-Money Laundering Committee, Integrity Committee and Outsourcing Committee are in place to implement strategy and corporate directions consistent with the principles behind the various board constituted committees.

Corporate Social Responsibility

As a corporation serving the banking and financial needs of the communities in the Philippines, the Bank believes it is also important to fulfil its social duties by giving back to the society and the people who have been supporting the Bank for decades. The Bank has several initiatives in contributing to the communities and people who are in need. Security Bank Foundation Inc. (SBFI) is the corporate social responsibility arm of the Bank.

- Build A School, Build A Nation: The Classrooms Project – SBFI has donated 663 classrooms (121 school buildings) to 118 beneficiary schools, reaching 184,000 students in 69 cities and municipalities as of 2022.
- Scholars for Better Communities Program – The program has supported 1,290 scholars, produced 185 collage graduates, with seven of the graduates now employed with the Bank. Launched in 1993, this program awards scholarships to outstanding students with financial challenges, covering the Bank's employees and their children, agency personnel and their children, and college students from partner tertiary schools.
- Ready, Set, Read! Program – Partnering with the Ateneo De Manila University, Knowledge Channel Foundation, and AHA! Learning Center, this program produced 20 English Reading educational videos and trained 34,927 teachers and 4,280 parents. An estimated 8.2 million individuals were reached by the videos, expanding the impact of the program to an even wider audience. In December 2022, the Bank and SBFI partnered with Read to Achieve Foundation Philippines (RAFPI). They provided Alapabasa teaching sets to the Biñan Elementary School to enrich reading and writing abilities of students from kindergarten to third grade.
- Learning Tools Donation – SBFI partnered with Knowledge Channel and Jeremake to donate modern learning tools to public schools. SBFI's 64 beneficiary schools received Knowledge Channel portable media libraries to increase inventory of ready-made videos for interactive learning. Eleven beneficiary high schools received keychain microscopes with animal and plant cell samples to enable experimentation inside classrooms, given lack of adequate science laboratories.
- Teachers Training - In partnership with One La Salle Educational Foundation (OLEF) and Ateneo Center for Educational Development (ACED), SBFI equips teachers and other members of beneficiary schools and communities with the skills needed to consistently deliver quality education over the long term. Through these partnerships, teaching tools and strategies for Araling Panlipunan, English, Mathematics

and Science have been shared and eventually deployed. All training initiatives are accredited by the Professional Regulations Commission. This has paved the way for participants to earn Continuing Professional Development units required for the renewal of professional licenses for school teachers and principals. By the end of 2019, 1387 teachers have been trained.

- Regalo Mo, Kinabukasan Ko Scholarship Program – This is SBFI’s scholarship program for Security Bank agency personnel and their children aspiring to finish their studies. Agency personnel include guards, messengers, janitors, and other Bank support staff. For academic year 2022-2023, over 2,000 of the Bank’s employees participated in the fund-raising activities of the program, which has helped support 116 scholars (26 elementary, 34 junior high, 22 senior high, and 34 college students).
- Medical Financial Assistance - SBFI extends financial assistance to employees and agency personnel, including their immediate relatives, who have limited resources for their medical needs. SBFI has provided medical financial assistance to a total of 388 individuals.
- Ambulance Donation – To date, SBFI has donated a total of 8 fully equipped ambulance units to the Philippine Red Cross to help provide life-saving care during times of crisis. As part of its efforts to aid in the country’s response against the COVID-19 pandemic, SBFI has also provided funding to the Philippine Red Cross for 3 negative pressure ambulance units to help transport patients suspected of COVID-19.
- Laboratory Setup – To help prevent the spread of COVID-19 in Central Visayas, SBFI funded the setting up of a bio-molecular laboratory in Osmeña Boulevard, Cebu City in partnership with Philippine Red Cross. This laboratory is equipped with polymerase chain machines that can run up to a total of 8,000 COVID-19 tests a day. Post COVID-19, the bio-molecular laboratory is multidimensional and can also serve as a testing center for Tuberculosis, Sexually Transmitted Diseases, Hepatitis and Respiratory Tract Diseases.
- La Mesa Watershed Reforestation – SBFI signed a five-year partnership with ABS-CBN Foundation to plant 10,000 trees in support of the reforestation efforts for the La Mesa Watershed, a major source of Metro Manila’s clean water. In the first year of its partnership, 2,000 seedlings were planted with the help of 200 employee volunteers.
- Honoring Philippine Art – The Bank strengthened its partnership with the National Museum of the Philippines by donating 14 sculptures of National Artist Guillermo Tolentino and renovating the Security Bank Hall at the National Museum of Fine Arts. First opened in 2013, the Security Bank Hall is home to the work of the late Tolentino which is featured as “Eskultor ng Lahing Filipino: Honoring the Life and Work of Guillermo Tolentino”. With the hall’s public reintroduction, underpinned by the official handover of Tolentino’s 14 pieces, the Bank hopes to spark fresh interest in historic art and make it easily accessible to the community for generations to come.

PRINCIPAL SHAREHOLDERS

The Bank had approximately 1,745 common shareholders and 407 preferred shareholders of 28 February 2023. 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 28 February 2023 are:

Common Shares

	Stockholders Name	No. of Shares	% to Total Voting Shares
1	PCD NOMINEE CORPORATION	182,763,273	10.42%
2	THE BANK OF TOKYO-MITSUBISHI UFJ LTD. (BTMU)	150,708,778	8.59%
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	145,777,790	8.31%
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 (SSS)	20,000,002	1.14%
8	GOODWOOD RESOURCES DEVELOPMENT INC	6,283,322	0.36%
9	JAMES JK HUNG	2,406,708	0.14%
10	SB EQUITIES INC.	1,887,793	0.11%
11	CAROUSEL HOLDINGS INC.	400,000	0.02%
12	MEPCO EMPLOYEES RETIREMENT PLAN	331,709	0.02%
13	RAFAEL F. SIMPAO, JR.	217,296	0.01%
14	SB EQUITIES INC. FAO L0015	175,902	0.01%
15	CENTRAL COLLEGES OF THE PHILIPPINES	159,214	0.01%
16	BEE BEE S. CHUA	138,212	0.01%
17	ELECTRONIC TELEPHONE SYSTEM IND. INC.	117,936	0.01%
18	ERNST BEHRENS	82,926	0.00%
19	EDWIN FRANCIS L. TAN	72,000	0.00%
20	ERIC RUBEN L. TAN	72,000	0.00%

Preferred Shares

	Stockholders Name	No. of Shares	% to Total Voting Shares
1	FREDERICK Y. DY	294,207,671	16.78%
2	DANIEL S. DY	256,951,638	14.65%
3	THE BANK OF TOKYO-MITSUBISHI UFJ LTD. (BTMU)	200,000,000	11.41%
4	ASIASEC EQUITIES INC.	95,996,204	5.47%
5	ALBERTO S. VILLAROSA (†)	41,000,000	2.34%
6	SOCIAL SECURITY SYSTEM	37,644,497	2.15%
7	ANASTASIA Y. DY	33,000,000	1.88%
8	GOODWOOD RESOURCES DEVELOPMENT INC.	21,014,591	1.20%
9	GERALDINE S. DY	17,329,149	0.99%
10	SB EQUITIES INC.	12,252,527	0.70%
11	SCB OBO SSBTC FUND JY63 ACCT 000260706069	3,771,656	0.22%
12	SB EQUITIES INC.	3,200,000	0.18%
13	SB EQUITIES INC.	2,184,329	0.12%
14	BPI SECURITIES CORPORATION	2,150,799	0.12%
15	HSBC OBO A/C 026-100297-557	1,846,813	0.11%
16	ABACUS SECURITIES CORPORATION	1,771,202	0.10%
17	ASIASEC EQUITIES INC.	1,524,917	0.09%
18	HSBC MANILA OBO A/C 000-595686-550	1,400,000	0.08%

	Stockholders Name	No. of Shares	% to Total Voting Shares
19	SCB OBO SSBTC FUND JX7D ACCT 000260706027	1,267,172	0.07%
20	SCB OBO RBC INVESTOR SERVICES TRUST CLIENT	1,260,000	0.07%

PCD Nominee Corporation, (“**PCD**”), a subsidiary of Philippine Depository & Trust Corp. (“**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 participants have the power to decide how the PCD shares are to be voted. The Social Security System (“**SSS**”) is the state-sponsored agency responsible for administering social security protection to workers in the private sector.

RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank engages in transactions with its subsidiaries and affiliates, and with certain DOSRI.

The Bank's policy with respect to related party transactions is to ensure that related party transactions are all entered into at arm's length and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. These transactions are made and entered into substantially on the same terms as other individuals and businesses of comparable risks.

Information related to transactions with related parties and with certain DOSRI is shown under Note 32 of the audited financial statements of the Bank included in this Offering Circular.

DOSRI Loans and Deposits

In the ordinary course of business, the Bank has loan transactions with investees and certain DOSRI (as discussed in BSP Circular No. 423). Republic Act No. 8791 or the General Banking Law (the "**General Banking Law**") and BSP regulations require that (a) the amount of individual outstanding loans, other credit accommodations, and guarantees to DOSRI should not exceed an amount equivalent to their unencumbered deposits and the book value of their paid-in capital investment in the bank; (b) unsecured loans, other credit accommodations, and guarantees to DOSRI should not exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower (except if granted to subsidiary or affiliate for the purpose of project finance as defined in the MORB which shall have an individual limit of 25.0%, subject to certain conditions); (c) the total outstanding loans, other credit accommodations and guarantees to DOSRI may not, without the prior approval of the Monetary Board, exceed 15.0% of the bank's total loan portfolio or 100.0% of the bank's net worth, whichever is lower. As of 31 December 2022, the Bank was in compliance with such BSP regulations.

The following table shows information relating to the Bank's DOSRI loans as of the dates indicated:

	As of 31 December		
	2022	2021	2020
	(₱ millions, except percentages)		
Total outstanding DOSRI loans	468.0	449.0	337.0
Percent of DOSRI loans to total loans	0.9%	0.9%	0.7%
Percent of unsecured DOSRI loans to total DOSRI loans	3.8%	4.4%	5.3%

Total interest income on the DOSRI loans in 2022, 2021 and 2020 amounted to ₱66.9 million, ₱52.1 million and ₱54.8 million, respectively, for the Bank.

On 31 January 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 10.0% of bank's net worth, and the unsecured portion shall not exceed 5.0% of such net worth. Further, the total outstanding exposures shall not exceed 20.0% of the net worth of the lending bank. The said Circular became effective on 15 February 2007.

As of 31 December 2022, 2021 and 2020, the total outstanding loans, other credit accommodations, and guarantees to each of the Bank's subsidiaries and affiliates did not exceed 10.0% of the Bank's net worth, and the unsecured portion did not exceed 5.0% of such net worth. The BSP issued Circular No. 654 allowing a separate individual limit to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation, i.e., a separate individual limit of 25.0% of the net worth of the lending bank/quasi-bank: provided, that the unsecured portion thereof shall not exceed 12.5% of such net worth: provided further, that these subsidiaries and affiliates are not related interests of any of the director, officer and/or stockholder of the lending bank/quasi-bank; except where such director, officer or stockholder sits in the board of directors or is appointed officer of such corporation as representative of the bank/quasi-bank. As of 31 December 2022, the Bank had no outstanding

loans, other credit accommodations and guarantees to subsidiaries and affiliates engaged in energy and power generation.

The year-end balances as of 31 December 2022 and 31 December 2021 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in ₱ millions):

	As of 31 December 2022	As of 31 December 2021
Loans and receivables	1,201.2	1,075.2
Deposit liabilities	1,714.0	1,540.9

The income and expenses for the year ended 31 December 2022 and 31 December 2021 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in ₱ millions):

	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest income	7.8	6.9
Interest expense	–	1.6

The effects of the foregoing transactions are shown under the appropriate accounts in the Bank's financial statements.

The significant inter-company transactions and outstanding balances of the Bank with its subsidiaries were eliminated in consolidation. The Bank is not a subsidiary of any corporation and had no transactions with promoters.

PHILIPPINE BANKING INDUSTRY

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government, and has not been prepared or independently verified by the Bank, the Joint Lead Arrangers, the Selling Agents or any of their affiliates or advisers. None of the Bank, the Lead Arranger, the Selling Agents or any of their affiliates or advisers makes any representation as to the accuracy or completeness of this information.

Overview

The banking industry in the Philippines is composed of universal banks, commercial banks, savings banks, savings and mortgage banks, private development banks, stock savings and loan associations, rural banks, cooperative banks and Islamic banks.

According to statistics published on the official website of the BSP, as of 31 December 2022 the commercial sector consisted of 45 universal and commercial banks, of which 22 were universal banks and 23 were commercial banks. Of the 22 universal banks, 13 were private domestic banks, three were Government banks, and six were branches of foreign banks. Of the 23 commercial banks, three were private domestic banks, two were subsidiaries of foreign banks, and 18 were branches of foreign banks.

Commercial banks have all the general powers incident to corporations and all powers that may be necessary to carry on the business of commercial banking, such as the power to accept drafts and to issue letters of credit, to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, accept or create demand deposits, receive other types of deposits and deposit substitutes, buy and sell foreign exchange and gold and silver bullion, and extend credit on a secured or unsecured basis. Universal banks are banks that have the authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of businesses not related to banking and to own up to 100% of the equity in a thrift bank, a rural bank or a financial allied or non-allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with their capital, in loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium-and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for midmarket corporates and individuals. As of 31 December 2022, there were 43 thrift banks (including microfinance-oriented banks), based on BSP's report on the Physical Network of the Philippine Banking System.

Rural banks are organized primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As of 31 March 2022, there were 403 rural and cooperative banks, according to the BSP.

Specialized government banks are organized to serve a particular purpose. The existing specialized banks are the Development Bank of the Philippines (“**DBP**”), Land Bank of the Philippines (“**LBP**”) and Al-Amanah Islamic Investment Bank of the Philippines (“**AAIIB**”). DBP was organized primarily to provide banking services catering to the medium and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for mid-market corporates. LBP primarily provides financial support in all phases of the Philippines' agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organized to promote and accelerate the socio-economic development of the Autonomous Region in Muslim Mindanao through banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings.

During the past fifteen years, the Philippine banking industry has been marked by two major trends—the liberalization of the industry and mergers and consolidation.

Foreign bank entry was liberalised in 1994, enabling foreign banks to invest in up to 60.0% of the voting stock of an existing bank or a new banking subsidiary, or to establish branches with full banking authority. This led to the

establishment of ten new foreign bank branches in 1995. The General Banking Law further liberalised the industry by providing that the Monetary Board may authorise foreign banks to acquire up to 100.0% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60.0% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100.0% of the voting stock thereof. As of 30 September 2018, there were 22 foreign banks with branches and two foreign banks with subsidiaries in the Philippines, based on BSP's report on the Physical Network of the Philippine Banking System, and as of 31 March 2018, they accounted for 8.4% of the total resources of the Philippine banking system. Under Republic Act No. 10641 or An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act No. 7721 ("**RA 10641**") and BSP Circular No. 858, series of 2014 dated 21 November 2014, which amended the relevant provisions of the MORB implementing RA 10641, established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing, or owning up to 100.0% of the voting stock of an existing domestic bank (including banks under receivership or liquidation, provided no final court liquidation order has been issued); (b) by investing in up to 100.0% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches and sub-branches with full banking authority. The foreign bank applicant must also be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. Such established subsidiaries and branches of foreign banks shall be allowed to perform the same functions and enjoy the same privileges of, and be subject to the same limitations imposed upon, a Philippine bank of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60.0% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

The BSP has also been encouraging mergers and consolidations in the banking industry, seeing this as a means to create stronger and more globally competitive banking institutions. To encourage this trend, the BSP offered various incentives to merging or consolidating banks. Based on BSP data, since the new package of incentives took effect in September 1998, there have been at least 49 mergers, acquisitions, and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were not enough to pose a threat to the overall competition levels since market share remained relatively well dispersed among the remaining players.

Pursuant to the liberalisation, and to the mergers and consolidation trend, the BSP issued Circular No. 902, series of 2016 dated 15 February 2016 to implement the phased lifting of the moratorium on the grant of new banking licence or establishment of new domestic banks. As provided in the Circular "the suspension of the grant of new banking licences or the establishment of new banks under the MORB is lifted under a two-phased approach. Under Phase 1 of the liberalisation, the grant of new universal/commercial banking licence shall be allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks shall be fully lifted and locational restrictions shall be fully liberalised starting January 1, 2018.

In November 2020, BSP approved the framework for the creation and licensing of digital banks, as part of its efforts to extend financial services, and it is expected that at least 50% of payments will be done through digital transactions by 2023. Under the digital bank framework, digital banks will be subject to the same prudential requirements applicable to non-digital banks. At the same time, the Philippines is expected to attract more digital banking players, given its significant unbanked population of around 70%, which could be reached more easily by digital banks compared with traditional banks, and a relatively high national internet penetration rate of around 67%, based on the analysis of FitchSolutions.

In December 2020, the BSP signed BSP Circular No. 1105, as further amended in September 2022 pursuant to BSP Circular No. 1154, which provided guidelines for establishing digital banks in the Philippines and subjecting digital banks to the prudential requirements set out by the BSP, including with respect to corporate governance and risk management.

In 2020, the Philippine banking system has remained largely stable amidst the COVID-19 pandemic according to the BSP. Despite banks' daily operations affected by community quarantine and social distancing, growth in deposits still remained firm, which is partially attributable to the consumer shift towards digital payments. Loan growth was sluggish during the first 7 months of 2020, driven by the decrease in loan balances to borrowers operating in economic sectors such as wholesale and retail trade, manufacturing, construction (which was partially

offset by the increase in loans to real estate borrowers), information and communications and other sectors. Meanwhile, loan quality slightly weakened but continued to be manageable, with the NPL coverage ratio going up following the increase in allowance for credit losses. The liquidity and capital position of the banking system remained intact.

The following table sets out a comparison, based on publicly available data, of the five largest Philippine private domestic commercial banks in terms of assets, as of 31 December 2022:

(in ₱ Billions) SEC 17-A	As of 31 December 2022			
	Total Assets	Total Capital	Total Loans & Receivables	Total Deposits
BDO Unibank, Inc.	3,818.19	444.39	2,518.87	3,036.70
Metropolitan Bank and Trust Co.	2,732.96	318.41	1,329.97	2,049.03
Bank of the Philippine Islands	2,528.22	315.39	1,600.39	2,033.93
Philippine National Bank	1,151.94	169.75	621.34	866.27
China Banking Corporation	1,329.09	129.52	726.66	1,001.77

*Source: Disclosures with the Philippine Stock Exchange

According to the results of the Q4 2022 Senior Bank Loan Officers' Survey conducted by BSP, a higher number of bank respondents maintained their overall credit standards for lending to enterprises and households based on the modal approach. The diffusion index (DI) approach, however, continued to indicate a net tightening of overall credit standards for commercial real estate loans for the thirteenth consecutive quarter. The tighter overall credit standards for commercial real estate loans reflected respondent banks' wider loan margins, reduced credit line sizes, stricter collateral requirements and loan covenants, shortened loan maturities, and increased use of interest rate floors. Results of the Q4 2022 Senior Bank Loan Officers' Survey also showed that a majority of bank participants reported unchanged overall credit standards for commercial real estate loans (CRELs). Meanwhile, DI-based results pointed to a net tightening of lending standards for CRELs in the fourth quarter of 2022 for the 28th consecutive quarter largely due to lower risk tolerance, deterioration of borrowers' profiles, and less favourable economic expectations. In terms of credit demand for CRELs in the fourth quarter of 2022, respondents indicated generally unchanged demand based on both modal and DI approaches, which was attributed to customers' stable economic prospects, customers' sustained inflow of internally-generated funds as well as steady access to alternative sources of funds. A majority of the participant banks responded with generally unchanged credit standards for housing loans in the fourth quarter of 2022. Meanwhile, the DI-based method pointed to net easing of credit standards for residential real estate loans which was associated with the improvement in the profitability of banks' portfolios and borrowers' profiles, and higher risk tolerance along with less uncertain economic outlook. In the fourth quarter of 2022, most respondent banks reported broadly steady credit demand for housing loans while anticipating a similar scenario for the first quarter of 2023. Meanwhile, the DI-method indicated a net increase in residential real estate loan demand for both the current quarter and the next quarter driven mainly by higher household consumption and housing investment.

The BSP issued Circular No. 839, series of 2014 dated 27 June 2014 adopting a prudential REST Limit for universal banks, commercial banks, and thrift banks on a solo and consolidated basis on their aggregate real estate exposures. The REST Limit combines a macro-prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response.

The prudential REST Limits which shall be complied with at all times by universal banks and commercial banks are 6.0% of CET1 ratio and 10.0% of risk-based CAR, on a solo and consolidated basis, under the prescribed write-off rate. For thrift banks, the prudential REST Limits which shall be complied with at all times are 6.0% of CET1 capital, for thrift banks that are subsidiaries of universal banks and commercial banks, 6.0% of Tier 1 capital, for stand-alone thrift banks, and 10.0% of risk-based CAR for all thrift banks.

On 20 August 2020, the BSP issued Circular No. 1093 which expanded the real estate loan limit for universal and commercial banks from 20% to 25%. The REST Limit has also been amended to apply to the following real estate exposures: commercial real estate loans, investment in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, for purposes of financing real estate activities, and investments in equity securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Under the Circular, the manner of computing the REST Limit was revised to remove residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing, which were included in the previous regulations. The real estate exposures shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use.

The BSP issued Circular No. 989 dated 4 January 2018 which imposed the Guidelines on the Conduct of Stress Testing Exercises. The BSP issued the stress testing guidelines as part of its continuing initiatives to further strengthen risk governance and contribute to the sustained safety and soundness of the Philippine banking industry. Circular No. 989 provides that a bank's board of directors should consider the results of stress testing exercises in capital and liquidity planning, in setting risk appetite, and in planning for business continuity management, and, in the case of D-SIBs, in developing recovery plans. Banks are expected to employ a combination of different approaches for stress testing. Methodologies may range from simple sensitivity analysis to the more complex tools, such as scenario analysis and reverse stress testing. The guidelines are applicable to all types of banks on both a standalone and consolidated basis. Banks that are part of group structures should conduct stress testing exercises on a consolidated basis or at the parent bank's level, covering all institutions considered as material entities in the banking group. The BSP has provided banks a period of two years from the effectivity date of Circular No. 989 to progress from their existing stress testing practices to the standards expected under Circular No. 989.

On 28 November 2022, the BSP issued Circular No. 1160, series of 2022 which provides for a framework for Bangko Sentral-Supervised Institutions ("BSIs") to manage risks and potential harms to Financial Consumers and institutionalize consumer protection. This framework applies to all financial products created, developed, offered, or marketed by a BSI. Thus, BSIs must comply with the framework by (1) having a consumer protection risk management system (2) establishing board and senior management oversight; (3) maintaining consumer protection standards of conduct; and (4) providing appropriate design and delivery of financial products and services.

On 5 January 2023, the BSP issued Circular No. 1164, series of 2023, which provided for an expanded definition of "Capital" and amendments on the rules on credit risk transfer ("CRT") arrangements. Under the circular, the term capital now refers to unimpaired capital and surplus, combined capital accounts, and net worth, and the total of the unimpaired paid-in capital, including paid-in surplus, retained earnings, and undivided profits. This amendment expands the definition of capital, thus allowing banks to raise the same and expand their lending and investment activities.

On 29 October 2014, the BSP issued Circular No. 854 which increased the minimum capital requirement for all bank categories, namely, universal, commercial, thrift, rural, and cooperative banks to strengthen the banking system. Below are the amended minimum capital requirements for banks.

Bank Category/Network Size	Existing Minimum Capitalization	Reviewed Minimum Capitalization
Universal Banks	₱ 4.95 billion**	
Head Office only		₱ 3.00 billion
Up to 10 branches *		6.00 billion
11 to 100 branches*		15.00 billion
More than 100 branches*		20.00 billion

Bank Category/Network Size	Existing Minimum Capitalization	Reviewed Minimum Capitalization
Commercial Banks	2.40 billion**	
Head Office only		2.00 billion
Up to 10 branches*		4.00 billion
11 to 100 branches*		10.00 billion
More than 100 branches*		15.00 billion
Thrift Banks		
Head Office in: Metro Manila	1.00 billion**	
Cebu and Davao cities	500 million**	
Other Areas	250 million**	
Head Office in the National Capital Region (NCR)		
Head Office only		500 million
Up to 10 branches*		750 million
11 to 50 branches*		1.00 billion
More than 50 branches*		2.00 billion
Head Office in All Other Areas Outside NCR		
Head Office only		200 million
Up to 10 branches*		300 million
11 to 50 branches*		400 million
More than 50 branches*		800 million
Rural and Cooperative Banks		
Head Office in:		
Metro Manila	100 million**	
Cebu and Davao cities	50 million**	
Other cities	25 million**	
1st to 4th class municipalities	10 million**	
5th to 6th class municipalities	5 million**	
Head Office in NCR		
Head Office only		50 million
Up to 10 branches*		75 million
11 to 50 branches*		100 million

Bank Category/Network Size	Existing Minimum Capitalization	Reviewed Minimum Capitalization
More than 50 branches*		200 million
Head Office in All Other Areas Outside NCR (All Cities up to 3rd Class Municipalities)		
Head Office only		20 million
Up to 10 branches*		30 million
11 to 50 branches*		40 million
More than 50 branches*		80 million
Head Office in All Other Areas Outside NCR (4th to 6th Class Municipalities)		
Head Office only		10 million
Up to 10 branches*		15 million
11 to 50 branches*		20 million
More than 50 branches*		40 million

* Inclusive of Head Office

** With no distinction for network size

Competition

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalisation of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licences to operate in the Philippines. Such foreign banks have generally focused their operations on larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system to create more globally competitive banking institutions. Mergers and consolidation result in greater competition, as a smaller group of “top tier” banks compete for business. The BSP offered various incentives available for merging or consolidating banks. On 11 October 2012, BSP Circular No. 771 was issued in order to grant incentives for investors who purchase a controlling stake in a bank. Accordingly, the coverage of relief incentives for mergers and consolidations now includes the purchase and acquisition of a majority of all of the outstanding shares of stock of a bank. Based on BSP data, since the new package of incentives took effect in September 1998, there have been an increasing number of mergers, acquisitions and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were insufficient to pose a challenge to the overall competition levels since market share remained relatively well dispersed among the remaining players.

On 21 January 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking licence or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions shall be fully liberalised beginning on 1 January 2018.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of “top tier” banks compete for business.

As of 30 September 2020, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 77% of total assets and 80% of total deposits of the Philippine banking system based on published statements of condition. Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their NPLs, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial, and consumer loans is expected. As at 30 September 2020, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 77% of total assets and 80% of total deposits of the Philippine banking system based on published statements of condition.

Republic Act No. 10667 (the “**Philippine Competition Act**”) was signed into law on 21 July 2015 and took effect on 8 August 2015. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities. To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission (the “**PCC**”), an independent quasi-judicial agency with five commissioners. Among its powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

The Philippine Competition Act prohibits anti-competitive agreements between or among competitors, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of a dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

On 3 June 2016, the PCC issued the implementing rules and regulations of the Philippine Competition Act (“**PCA IRR**”). Under the PCA IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1.0 billion; and (b) the value of the transaction exceeds ₱1.0 billion, as determined in the PCA IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1.0 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1.0 billion.

On 1 March 2018, the PCC issued Memorandum Circular No. 18-001 (“**MC No. 18-001**”) to amend Section 3 Rule 4 IRR to increase the initial thresholds. Under MC No. 18-001, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceed ₱5 billion (“**Size of Person**”); and (b) the value of the transaction exceeds ₱2 billion, as determined in the IRR (“**Size of Transaction**”); while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2 billion. As provided in MC No. 18-001, the thresholds shall be automatically adjusted commencing on 1 March 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority’s official estimate of the nominal gross domestic product growth of the previous calendar year rounded up to the nearest hundred million.

On 21 February 2019, the PCC issued PCC Advisory No. 2019-001, effective 1 March 2019, amending the PCA IRR. It again increased the thresholds to ₱5.6 billion for the Size of Person and ₱2.2 billion for the Size of Transaction, as defined in the PCA IRR. Under the Advisory, as to joint venture transactions, notification is mandatory if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion. The

revised thresholds under PCC Advisory No. 2019-001 shall not apply to mergers or acquisitions pending review by the PCC; notifiable transactions consummated before the effectivity of PCC Advisory 2019-001 (i.e. 1 March 2019); and transactions which are already subject of a decision by the PCC.

On 16 February 2023, the PCC issued Commission Resolution No. 2023-003, again increasing the thresholds to ₱7.0 billion for the Size of Person and ₱2.9 billion for the Size of Transaction, effective 1 March 2023.

Under Section 12 of the Philippine Competition Act, regardless of whether a proposed transaction would or would not trigger compulsory notification, a proposed transaction may still be within the powers of the PCC to review. The PCC may conduct investigation of, stop or redress, or intervene in or participate in proceedings of transactions and agreements that the PCC has reasonable grounds to believe are anti-competitive – those which are likely to substantially prevent, restrict or lessen competition in the market. As such, even if the Size of Person and Size of Transaction thresholds are not met, the PCC may, in its sole discretion, undertake a *motu proprio* review of a transaction.

Violations of the Philippine Competition Act and its IRR have severe consequences. Under the Philippine Competition Act and the PCA IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1% to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50.0 million but not more than ₱250.0 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and wilfully participate in such criminal offenses. Administrative fines of ₱100.0 million to ₱250.0 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 15 September 2017, the PCC published the 2017 Rules of Procedure (“**Rules**”) which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On 23 November 2017, the PCC published the 2017 Rules on Merger Procedures (“**Merger Rules**”) which provides the procedure for the review or investigation of mergers and acquisition pursuant to the Philippine Competition Act. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within 30 days from signing of definitive agreements relating to the merger.

On 9 September 2018, the PCC issued Guidelines on Notification for Joint Ventures. The guidelines provide that in determining whether an acquisition of shares in an existing corporation constitutes a joint venture or an acquisition of shares under the PCA IRR, it must be examined if joint control will exist between or among the new and existing joint venture partners. Joint control refers to the ability of the joint venture partners to substantially influence or direct the actions or decisions of the joint venture, whether by contract, agency or otherwise. For purposes of notifying a proposed joint venture, the joint venture partners shall be considered the acquiring entities while the joint venture entity will be considered the acquired entity.

On 10 September 2019, the Supreme Court of the Philippines approved the Rules on Administrative Search and Inspection under the Philippine Competition Act. The rules govern the application, issuance, and enforcement of inspection orders for administrative investigations of alleged violations of the Philippine Competition Act. Inspection orders will allow the PCC and its deputized agents to enter, search and inspect business premises, offices, land and vehicles to examine, copy, photograph, record or print information in order to prevent their removal, concealment, tampering with or destruction.

Certain Government Policies and Regulations in Relation to the Philippine Banking System

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. The BSP can alter any of these and can introduce new regulations to control any particular line of business. Please see “*Banking Regulation and Supervision*” for a more detailed discussion.

BANKING REGULATION AND SUPERVISION

The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

Introduction

Republic Act No. 7653 or the New Central Bank Act of 1993 (the “**New Central Bank Act**”) and the General Banking Law vest the Monetary Board of the BSP with the power to regulate and supervise financial intermediaries in the Philippines. Financial intermediaries include banks or banking institutions such as universal banks, commercial banks, thrift banks (composed of savings and mortgage banks, stock savings and loan associations, and private development banks), rural banks, co-operative banks as well as branches and agencies of foreign banks in the Philippines. Entities performing quasi-banking functions, trust companies, building and loan associations, non-stock savings and loan associations and other non-deposit accepting entities, while not considered banking institutions, are also subject to regulation by the Monetary Board of the BSP.

The supervisory power of the BSP under the New Central Bank Act extends to the subsidiaries and affiliates of banks and quasi-banking institutions engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock owned by a bank or quasi-bank. An affiliate is defined as a corporation whose voting stock, to the extent of 50% or less is owned by a bank or quasi-bank or which is related or linked or such other factors as determined by the Monetary Board.

The power of supervision of the BSP under the General Banking Law includes the issuance of rules of conduct or standards of operation for uniform application, conduct examination to determine compliance with laws and regulations, to oversee compliance with such rules and regulations and inquire into the solvency and liquidity of the covered entities. Section 7 of the General Banking Law provides that the BSP in examining a bank shall have the authority to examine an enterprise which is owned or majority-owned or controlled by a bank.

As a general rule, no restraining order or injunction may be issued by a court to enjoin the BSP from exercising its powers to examine any institution subject to its supervision. The BSP may compel any officer, owner, agent, manager or officer-in-charge of an institution subject to its supervision or examination to present books, documents, papers or records necessary in its judgment to ascertain the facts relative to the true condition of the institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, to the extent permitted by law. In addition to the general laws such as the General Banking Law and Republic Act No. 9160 or the Anti-Money Laundering Act of 2001, as amended (“**AMLA**”), among others, banks must likewise comply with letters, circulars and memoranda issued by the BSP some of which are contained in the MORB.

The MORB is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The MORB contains regulations that include those relating to the organisation, management and administration, deposit and borrowing operations, loans, investments and special financing programme, and trust and other fiduciary functions of the relevant bank. Supplementing the MORB are rules and regulations promulgated in various circulars, memoranda, letters and other directives issued by the Monetary Board.

The MORB and other regulations are principally implemented by the Supervision and Examination Sector (“**SES**”) of the BSP. The SES is responsible for ensuring the observance of applicable laws and rules and regulations by banking institutions operating in the Philippines (including Government credit institutions, their subsidiaries and affiliates, non-bank financial intermediaries, and subsidiaries and affiliates of non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under Republic Act No. 3779 or the Savings and Loan Association Act, and pawnshops under Presidential Decree No. 114 or the Pawnshop Regulation Act.

Permitted Activities

A universal bank, such as the Bank, in addition to the general powers incidental to corporations, has the authority to exercise (i) the powers of a regular commercial bank, (ii) the powers of an investment house and (iii) the power to invest in non-allied enterprises. In addition, a universal bank may own up to 100% of the equity in a thrift

bank, a rural bank or a financial allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank. A universal bank may also own up to 100% of the equity in a non-financial allied enterprise.

In addition to those functions specifically authorized by the General Banking Law and the MORB, banking institutions in general (other than building and loan associations) are allowed to (i) receive in custody funds, documents and valuable objects, (ii) rent out safety deposit boxes, (iii) act as financial agents and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness and all types of securities, (iv) make collections and payments for the account of others and perform such other services for their customers which are not incompatible with their banking business, and (v) upon prior approval of the Monetary Board, act as managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts.

Financial allied undertakings include leasing companies, banks, investment houses, financing companies, credit card companies, and financial institutions catering to small-and medium-scale industries, including venture capital companies, companies engaged in stock brokerage/securities dealership and companies engaged in foreign exchange dealership/brokerage.

The total equity investments of a universal bank in all enterprises, whether allied or non-allied, are not permitted to exceed 50.0% of its net worth. Its equity investment in any one enterprise, whether allied or non-allied, is not permitted to exceed 25.0% of the net worth of the bank. Net worth is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by the BSP. **Regulation relating to capital structure**

Pursuant to the General Banking Law, no entity may operate as a bank without authority from the BSP through the Monetary Board. The Philippine SEC will not register the incorporation documents of any bank or any amendments thereto without a Certificate of Authority issued by the Monetary Board.

A bank can may only issue par value stocks and it must comply with the minimum capital requirements prescribed by the Monetary Board. A bank may not purchase or acquire its own capital stock or accept the same as security for a loan, except when authorised by the Monetary Board. Any stock so purchased or acquired must be sold within six months from the time of its purchase or acquisition.

In accordance with BSP Circular No. 854, universal banks are required to have capital accounts of at least ₱3 billion for head office only, ₱6 billion for head office with up to 10 branches, ₱15 billion for head office with 11 to 100 branches, and ₱20 billion for head office with more than 100 branches. Commercial banks are required to have capital accounts of at least ₱2 billion for head office only, ₱4 billion for head office with up to 10 branches, ₱10 billion for head office with 11 to 100 branches, and ₱15 billion for head office with more than 100 branches. Thrift banks with head office in Metro Manila are required to have capital accounts of at least ₱500 million for head office only, ₱750 million for head office with up to 10 branches, ₱1 billion for head office with 11 to 100 branches, and ₱2 billion for head office with more than 100 branches. Banks that fail to comply with the minimum capital requirements or fail to propose an acceptable capital build-up program face curtailment of future expansion plans. These minimum levels of capitalisation may be changed by the Monetary Board from time-to-time.

For purposes of these requirements, the BSP issued BSP Circular No. 1164 on 5 January 2023 which states that the term “capital” shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, including paid-in surplus, retained earnings and undivided profits. The following are to be added to capital:

- Deposits for stock subscription recognized as equity pursuant to Section 123 of the Manual of Regulations for Banks; and
- Other instruments that meet the following criteria:
 - It must be paid-in;
 - It must have a minimum maturity of at least five (5) years;

- It may be callable/redeemable at the initiative of the issuer only after a minimum of five (5) years;
 - It must be subordinated to depositors and general creditors of the bank; and
 - It must have the ability to be converted to common shares or written off upon the occurrence of a trigger event. A trigger event occurs when a bank is considered non-viable as determined by the *Bangko Sentral ng Pilipinas*.
- Treasury Stock;
 - Unbooked allowance for probable losses (which includes allowance for credit losses and impairment losses) and other capital adjustments as may be required by the BSP;
 - Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI granted by the bank;
 - Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries;
 - Total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties that are not at arm's length terms as determined by the appropriate supervising department of the BSP;
 - Deferred tax assets that rely on future probability of the bank to be realized, net of any (a) allowance for future impairment and (b) associated deferred tax liability, if the conditions cited on PAS 12 on income taxes are met, provided, that if the resulting figure is a net deferred tax liability, such excess cannot be added to net worth income tax;
 - Reciprocal investment in equity of other banks or enterprise, whether foreign or domestic, the deduction shall be the lower of the investment of the bank or the reciprocal investment of the other bank or enterprises; and
 - In the case of rural or cooperative banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation programme.

BSP Circular No. 1060, series of 2019, likewise amended Section 102 of the MORB regarding the prerequisites for a grant of a universal banking authority. A domestic bank applying for such authority is required to conduct a public offering of its shares pursuant to the rules of the SEC on minimum public ownership and the listing rules of the PSE. Domestic banks must list their shares on the PSE within one (1) year from the date the authority to operate was granted.

On 15 July 2014, RA 10641 further liberalised the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% (previously 60%) of the voting stock of one domestic bank. Under RA 10641, established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing bank; (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches with full banking authority. The foreign bank applicant must also be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. A foreign bank branch authorised to do banking business in the Philippines under RA 10641 may open up to five sub-branches as may be approved by the Monetary Board. Locally incorporated subsidiaries of foreign banks authorised to do banking business in the Philippines under RA 10641 shall have the same branching privileges as domestic banks of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

Under RA 10641, the Monetary Board was authorised to issue such rules and regulations as may be needed to implement the provisions of RA 10641. On 6 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA 10641 and on 21 November 2014, the BSP issued Circular No. 858, amending the relevant provisions of the MORB, accordingly. On 15 February 2016, BSP issued

Circular No. 902, series of 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks pursuant to its policy to promote a competitive banking environment.

Under the General Banking Law, foreign individuals and non-bank corporations, Filipinos and domestic non-bank corporations may own or control up to 40% of the voting stock of a domestic bank. In determining the percentage of foreign-owned voting stock in a bank, the citizenship of the individual stockholders in that bank shall be considered.

The stockholders of individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, shall be considered family groups or related interests and must be fully disclosed in all transactions by such an individual with the bank. Moreover, two or more corporations owned or controlled by the same family group or same group of persons shall be considered related interests, which must be fully disclosed in all transactions with the bank.

A bank cannot declare dividends greater than its accumulated net profits on hand deducting therefrom its losses and bad debts. A bank cannot also declare dividends, unless at the time of declaration, it has complied with the following:

- Clearing account with BSP is not overdrawn;
- Liquidity floor for government funds;
- Minimum capitalisation requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- Capital conservation buffer requirement as defined in Appendix 59, Part III of the MORB, for UBs/KBs, and their subsidiary banks for QBs;
- Higher loss absorbency (HLA) requirement, phased-in starting 1 January 2017 with full implementation by 1 January 2019, in accordance with D-SIB Framework as provided under Subsec.X128 (now, Section 128) of the MORB, for UB/KBs, and their subsidiary banks and QBs that are identified as D-SIBs; or
- Has not committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions as determined by BSP to be grounds for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor, of the appropriate sector, as may be applicable, upon recommendation of the appropriate supervising department of the BSP. For this purpose, “Major acts or omissions” is defined as bank individual failure to comply with the requirements of banking laws, rules and regulations as well as Monetary Board directives having material impact on bank capital, solvency, liquidity or profitability, and/or those violations classified as major offenses under the Report of Examination, except those classified under unsafe or unsound practice.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

Regulations with respect to branches

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision allows banks, with prior approval from the Monetary Board, to use any or all of their branches as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. In line with this, BSP Circular No. 854, series of 2014 provides various minimum capitalisation requirements for branches of banks, depending on the number of branches (*e.g.*, ranging from a minimum of ₱6 billion for up to 10 branches of universal banks to a maximum of ₱20 billion for more than 100 branches of universal banks). BSP Circular No. 847, Series of 2014 requires a ₱20 million special licensing fee for the relocation of head offices, branches/other banking offices (“**OBOs**”) and approved but unopened branches/ OBOs of universal and commercial banks to the restricted areas of Makati, Mandaluyong, Manila, Paranaque, Pasay, Pasig, Quezon City and San Juan. BSP Circular No. 624, Series of 2008

likewise provides the pre-qualification requirements for the grant of authority to establish a branch as well as the period within which a branch must be opened after obtaining the necessary approval.

Subject to compliance with the requirements provided in BSP Circular No. 624, issued on 13 October 2008, which provides for BSP's branching policy and guidelines, the Bank may apply to the BSP for the establishment of branches outside its principal or head office. Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Pursuant to BSP Circular No. 759, issued on 30 May 2012, once approved, a branch should be opened within three years from the date of approval. Pursuant to BSP Circular No. 505, issued on 22 December 2005, banks are allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Manila, Paranaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. However, this branching restriction was liberalised pursuant to BSP Circular No. 728, issued on 23 June 2011. Phase 1 of the liberalisation allowed private domestically incorporated universal and commercial banks and thrift banks with limited branch networks in the eight cities or "restricted areas" in Metro Manila until 30 September 2014 to apply for and establish branches in said restricted areas. In Phase 2, branching in the "restricted" areas was opened to all banks except rural banks and cooperative banks. However, branches of microfinance-oriented banks and microfinance-oriented branches of regular banks' branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under the Barangay micro business enterprises Act of 2002 (Republic Act No. 9178) may be established anywhere upon the fulfilment of certain conditions. BSP Circular No. 759 further liberalised its policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank.

In BSP Circular No. 987, Series of 2017, the BSP approved the guidelines on the establishment of branch-lite units amending relevant provisions of the MORB. A branch-lite unit refers to any permanent office or place of business of a bank, other than its head office or a branch which performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.

Regulations with respect to management of banks

The board of directors of a bank must have at least five and a maximum of 15 members. According to Republic Act No. 11232 or the Revised Corporation Code (the "**Revised Corporation Code**"), the board of directors of banks and quasi-banks must have independent directors comprising at least 20% of such board. The Revised Corporation Code also requires a compliance officer. Material contracts of a corporation vested with public interest with (1) one or more of its directors, trustees, officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity must also be approved by at least 2/3 of the members of the board, with at least majority of the independent directors approving the same, in addition to common requirements for similar contracts for other companies pursuant to Section 31 of the Revised Corporation Code. Under the MORB, at least one-third but not less than two members of the board of directors of universal and commercial banks shall be independent directors. Further, Philippine SEC Memorandum Circular No. 24, Series of 2019, on the Code of Corporate Governance for Publicly-Listed Companies requires the board of directors of publicly listed companies, such as the Bank, to have a Board composed of a majority of non-executive directors and at least two independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. In case of merged or consolidated banks, the number of directors shall not exceed 21. An independent director is a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Foreigners are allowed to have board seats to the extent of the foreign participation in the equity of the bank.

The Monetary Board shall issue regulations that provide for the qualifications and disqualifications to become a director or officer of a bank. After due notice to the board of directors of a bank, the Monetary Board may disqualify, suspend or remove any bank director or officer who commits or omits act which renders him unfit for the position.

The Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act, no appointive or elective public official, whether full time or part time, may serve as officer of any private bank, except if the service is incidental to financial assistance provided by government or government owned and controlled corporation or when allowed by law.

On 22 August 2017, the BSP issued Circular No. 971, prescribing the Guidelines on Risk Governance for BSP Supervised Financial Institutions (“**BSFIs**”), and requiring the appointment of a Chief Risk Officer (“**CRO**”) in universal and commercial banks to head the risk management function. In addition to overseeing the risk management function, the CRO shall also support the board of directors in the development of the risk appetite of the BSFI and for translating the risk appetite into a risk limits structure. The appointment, dismissal and other changes to the CRO requires the prior approval of the board of directors.

On the same date, the BSP also issued Circular No. 972, prescribing the Enhanced Guidelines in Strengthening Compliance Frameworks for BSFIs, and requiring the appointment of a Chief Compliance Officer (“**CCO**”). The CCO is tasked to oversee the identification and management of the BSFI’s compliance risk and shall supervise the compliance function staff. Additionally, the board of directors should ensure that a compliance program is defined for the BSFI and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by a non-executive director, shall oversee the compliance program.

On 4 January 2018, BSP Circular No. 989 was issued providing the Guidelines on the Conduct of Stress Testing Exercises. Stress testing is a tool to evaluate the potential effects of specified changes in risk factors. The Board of Directors must consider the results in capital and liquidity planning and setting risk appetite, among others. Banks have a period of two years from effectivity date to gradually change their stress testing practices until it is in compliance with the circular’s requirements.

On 6 September 2019, the BSP issued Circular No. 1048, setting forth the Guidelines and Procedures Governing the Consumer Assistance and Management System of BSP-Supervised Financial Institutions and amending the MORB and MORNBF. It states that the Board of Directors is primarily responsible for approving and overseeing the implementation of the institution’s consumer protection risk management system. Senior management is responsible for ensuring that the institution’s practices are aligned with approved consumer protection policies and risk management system. The Circular likewise amends the consumer protection standards of conduct.

On 18 February 2020, the BSP issued Circular No. 1076, which amends the enumeration of persons permanently and temporarily disqualified to become directors and officers. It further modifies the procedures applicable to those directors and officers who are considered disqualified.

On 8 April 2021, BSP issued Circular No. 1112, which provides the amendments to the Operational Risk Management of BSP-supervised financial institutions (BSFIs). The BSP recognizes that one of the major sources of operational risk is “people risk”. The BSP mandates BSFIs to be stringent in its recruitment and selection process and in the performance management of its personnel. In connection with this circular, the Human Resource Department of BSFIs shall require all those who passed the initial stage of pre-employment screening to accomplish the Authorization Form for Querying (AFQ) the Bangko Sentral Records.

On August 23, 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank’s investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

On 28 November 2022, the BSP issued Circular No. 1160, series of 2022 which provides for a framework for Bangko Sentral-Supervised Institutions (“**BSIs**”) to manage risks and potential harms to Financial Consumers and institutionalize consumer protection. This framework applies to all financial products created, developed, offered, or marketed by a BSI. Thus, BSIs must comply with the framework by (1) having a consumer protection risk management system (2) establishing board and senior management oversight; (3) maintaining consumer protection standards of conduct; and (4) providing appropriate design and delivery of financial products and services.

Regulations with respect to bank operations

A universal bank, such as the Bank, may open branches or offices within or outside the Philippines subject to the prior approval by the BSP. A bank and its branches and offices shall be treated as one unit. A bank, with prior approval of BSP, may likewise use any of its branches as outlets for presentation and/sale of financial products of its allied undertakings or investment house units.

The Monetary Board shall prescribe the minimum ratio which the net worth of a bank must bear to its total risk assets which may include contingent accounts. In connection thereto, the Monetary Board may require that the ratio be determined on the basis of the net worth and risk assets of a bank and its subsidiaries, financial or otherwise, and prescribe the composition and the manner of determining the net worth and total risk assets of banks and their subsidiaries. To ensure compliance with the set minimum ratio, the Monetary Board may limit or prohibit the distribution of net profits by such bank and require that such net profit be used to increase the capital accounts of the bank until the minimum requirement has been met. It may also restrict or prohibit acquisition of major assets and the making of new investments by the bank.

A universal bank has the authority to exercise and perform i) activities allowed for commercial banks; ii) powers of an investment house; and iii) to invest in non-allied enterprise.

On 7 February 2019, the BSP issued Circular No. 1031, setting forth additional guidelines for the classification of licenses/authorities based on the types of licenses issued for permissible activities; and providing for corresponding amendments to the licensing requirements of the BSP. The Circular provides that a Type C license is required for the issuance of bonds and commercial paper.

On 22 February 2019, the BSP issued Circular No. 1033, which governs electronic payment and financial services (“**EPFS**”) offered by BSFIs. EPFS are classified as basic EPFS, which are limited to services allowing only receipt of funds or access to information, and advanced EPFS, which enable customers to send funds and initiate other financial transactions. BSFIs intending to offer advanced EPFS must obtain a Type A/B license, while those intending to offer only basic EPFS must obtain a Type C license. Once granted a license, a BSFI must comply with the regulations set forth in the Circular.

On 25 July 2019, the BSP issued Circular No. 1042 regarding the Guidelines on Investment Activities of BSP-Supervised Financial Institutions. These cover all of a BSFI’s investments in the trading and banking books. It provides the fundamental elements of a BSFI’s risk management framework as well as the supervisory expectations on the management of major risks that are inherent in investment activities.

On 7 February 2023, the BSP issued Circular No. 1166, which amended the Manual of Regulations for Banks and Manual of Regulations for Non-Bank Financial Institutions. Particularly, it made changes to the rules on the issuance of e-money and operations of e-money issuers in the Philippines (including rules on liquidity, capitalization, load limit, and guidelines on reporting and sanctions). The new guidelines set forth in this BSP Circular covers BSFIs that issue E-money and engage in E-money business in the Philippines. E-money issued under closed-loop electronic wallet systems is not covered by the guidelines.

Capital adequacy requirements and reserve requirements

In July 2001, the Philippines adopted capital requirements based on the Basel Capital Accord.

BSP Circular No. 538, which took effect on 1 July 2007, serves as the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the BCBS containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers and short and medium-term quantitative liquidity ratios. To align with international standards, the BSP issued BSP Circular No. 709 effective 1 January 2011, which adopted part of the BCBS’s eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and quasi-banks as Hybrid Tier 1 capital and Tier 2 capital.

In January 2012, the BSP announced that the Philippine’s universal and commercial banks, including their subsidiary banks and quasi-banks, were required to adopt in full the capital adequacy standards under Basel III which took effect from 1 January 2014. It aims to replace Basel II, further strengthen the local bank’s loss

absorption capacity and encourage banks to rely more on core capital instruments like Common Equity Tier 1 and Tier 1 issues.

BSP Memorandum No. M2012-002 outlines BSP's proposed new minimum ratios and conservation buffers. The revised risk-based capital adequacy framework (which will also cover risk measurement enhancement and provisions concerning the use of third-party credit assessment agencies) took effect on 1 January 2014. In March 2012, the BSP also circulated a discussion paper providing draft guidelines for Basel III implementation in the Philippines starting 1 January 2014. Philippine banks were invited to comment on the discussion paper until June 2012, after which the BSP finalized the guidelines for Basel III in the Philippines. Notable provisions include: (i) new categorization of the capital base with Tier 1 being composed of CET1 capital and Additional Tier 1 ("AT1") capital and elimination of the subcategories of Tier 2 capital; (ii) revised eligibility criteria for the different categories of regulatory capital; (iii) regulatory adjustments to be deducted from CET1 in a full deduction approach; (iv) higher minimum capital requirements; (v) loss absorbency of regulatory capital at the point of non-viability; (vi) introduction of a framework to promote the conservation of capital and the build-up of adequate buffers above the minimum that can be drawn down in times of periods of stress; and (vii) additional disclosure requirements.

On 21 September 2012, BSP Circular No. 768 was issued, which provides, among others, that Hybrid Tier 1 and Lower Tier 2 capital must have loss absorption features providing that the instrument would be written off or converted into common equity upon the occurrence of a trigger event determined by the BSP.

Local banks were allowed one full year of transitioning to the new guidelines prior to the effective date of the new standards in 2014, marking an accelerated implementation compared to the Basel Committee's staggered timeline that stretches from January 2013 to January 2017. On 15 January 2013, the BSP issued the implementing guidelines for the adoption on 1 January 2014 of the revised capital standards under Basel III for universal and commercial banks.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for CET1 capital and Tier 1 capital in addition to the CAR. The BSP maintained the minimum CAR at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum Tier 1 capital ratio of 7.5%. The new guidelines also introduced a capital conservation buffer of 2.5% which shall be made up of CET1 capital.

In addition, banks which issued capital instruments from 2011 were allowed to count these instruments as Basel III-eligible until end of 2015. However, capital instruments that are not eligible in any of the three components of capital were derecognized from the determination of the regulatory capital on 1 January 2014.

Under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve during a particular week on an average basis, it must pay a penalty to the BSP on the amount of any deficiency. Under BSP Memorandum No. 2020-011, as amended by BSP Memorandum No. 2020-025, the maximum penalty that may be imposed for reserve deficiencies were relaxed as part of the measures to provide operational relief to BSFIs affected by measures to manage the COVID 19 situation.

Under BSP Circular No. 732 issued on 3 August 2011, as further amended by BSP Circular No. 753 issued on 29 March 2012, BSP Circular No. 830 issued on 3 April 2014, BSP Circular No. 832 issued on 27 May 2014, BSP Circular No. 997 issued on 15 February 2018, BSP Circular No. 1004 issued on 24 May 2018, BSP Circular No. 1041 issued on 29 May 2019, BSP Circular No. 1054 issued on 11 October 2019, BSP Circular No. 1056 issued on 22 October 2019, BSP Circular No. 1063 issued on 3 December 2019, BSP Circular No. 1082 issued on 31 March 2020, and BSP Circular No. 1092 issued on 31 July 2020, universal and commercial banks are required to maintain regular reserves of: (a) 12% against demand deposits, negotiable order of withdrawal accounts, savings deposit (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits, long-term non-negotiable tax-exempt certificates of time deposits, deposit substitutes, peso deposits lodged under due to foreign banks, and peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank); (b) 0% against deposit substitutes evidenced by repossession agreements covering government securities that are transacted in an organized market under the Government Securities Repo Program, interbank call loan transactions, and basic deposit accounts; (c) 4% against long-term negotiable certificates of time deposits; and (d) 3% against bonds.

On 29 October 2014, the Monetary Board approved the guidelines for the implementation of higher capital requirements on DSIBs by the BSP under Basel III. Banks deemed DSIBs by the BSP are required to maintain

capital surcharges to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the DSIBs fail. The assessment started in 2014 with the BSP informing banks confidentially of their DSIB statuses in 2015. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the DSIBs will have varying levels of additional loss absorbency requirements ranging from 1% to 2.5%. Aside from the added capital pressure, DSIBs may be put at an undue disadvantage compared to Global Systemically Important Banks (GSIBs) given that this framework was patterned for regional/global banks and thus may not be appropriate for local banks. The phased-in compliance started on 1 January 2017 before becoming fully effective on 1 January 2019. On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by DSIBs which shall form part of the DSIBs' ICAAP submitted to the BSP every 31st of March of each year. The recovery plan identifies the course of action that a DSIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the DSIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document, which includes the first recovery plan, was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratios (calculated by dividing banks' Tier 1 capital over its total on-book and off-book exposure). On 9 June 2015, the BSP issued Circular No. 881 amending the relevant provisions of the previously issued guidelines. Under the BSP Circular No. 881, universal and commercial banks are required to maintain a minimum leverage ratio of 5%, which is more stringent than the 3% minimum leverage ratio under Basel III by 1 January 2017 (which compliance period was extended to 1 January 2018 based on BSP Circular No. 943 issued in 2017). The guidelines also provided for a monitoring period up to end of 2016 during which banks were required to submit periodic reports. However, sanctions were not imposed on banks whose leverage ratios fell below the required 5% minimum during the period. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to an increasing regulatory burden on banks. Further, local banks face new liquidity requirements under Basel III, namely, the LCR and the NSFR. The LCR requires banks to hold a sufficient level of HQLAs to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks' ability to absorb shocks and minimize negative spill-overs to the real economy, compliance with these ratios may further increase competition among banks for deposits as well as HQLAs.

On 22 January 2018, the BSP issued Circular No. 990 which approved the extension of the Basel III Leverage Ratio monitoring period from 31 December 2017 to 30 June 2018, and set new deadlines for the submission of the reporting and disclosure requirements. The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on 1 July 2018.

In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks were required to commence reporting their LCR to the BSP. On 1 January 2018, the LCR threshold that banks are required to meet is 90%, which will be increased to 100% commencing on 1 January 2019. On 15 March 2019, BSP Circular No. 1035 was issued, requiring covered banks to publicly disclose information related to the LCR in single currency and on solo and consolidated bases starting 2019 for universal and commercial banks. It likewise amended the method of LCR calculation.

The BSP issued BSP Circular No. 1007 and BSP Circular No. 1034 in 6 June 2018 and 15 March 2019, respectively, providing the guidelines on the adoption of the Basel III Liquidity Framework on Liquidity Standards – Net Stable Funding Ratio. The guidelines require that covered entities maintain an NSFR of at least 100% at all times. The framework applies to all universal and commercial banks (starting 1 January 2019), their subsidiary banks, and quasi-banks (starting 1 January 2020). The internationally agreed start date for the phase-in of liquidity requirements was as of 1 January 2015. The Circular provides for an observation period until 31 December 2018 for universal/commercial banks, during which NSFR Reports must be submitted and should a covered entity be unable to meet the minimum NSFR for a period of two consecutive weeks, it must immediately adopt a board-approved stable funding build-up plan.

On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' Internal Capital Adequacy Assessment Process ("**ICAAP**"); submitted to the BSP every 31st of March of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the D-SIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document which includes the first recovery plan was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year.

In addition, Basel III capital rules for banks include setting up a Countercyclical Capital Buffer ("**CCyB**") wherein banks build up the required level of capital during boom times and draw down on the buffer in the event of an adverse turn in the cycle or during periods of stress, thus helping to absorb losses. The CCyB will require banks to hold additional common equity or other fully loss absorbing capital in amounts ranging from 0% to 2.5% of the risk-weighted assets. The credit-to-GDP gap, defined as the difference between the credit-to-GDP ratio and its long-term trend, has been chosen as the Early Warning Indicator ("**EWI**") for activating the CCyB. However, some economists have raised the issue that the credit-to-GDP gap is not the best EWI for banking crises or system vulnerabilities, especially for emerging markets (including the Philippines). Under the Bank of International Settlements ("**BIS**"), the CCyB is being phased in beginning on 1 January 2016 and will become fully effective on 1 January 2019.

On 6 December 2018, the BSP issued Circular No. 1024 which adopted the CCyB. For all UBs and KBs, with respect to the CET1 requirement, in addition to the minimum capital ratios, the following capital buffers shall likewise be imposed: (a) Capital conservation buffer ("**CCB**") of 2.5%; and (b) CCyB of 0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement. Decreases, on the other hand, shall be effective immediately.

In October 2014, the BSP issued BSP Circular No. 855 which provides for new guidelines on sound credit risk management practices. The circular mandates banks to establish appropriate credit risk strategies and policies, processes and procedures including cash flow-based credit evaluation processes. The circular also mandates tighter provisioning guidelines. These are seen to increase costs as banks may have to upgrade their risk management systems and provisioning requirements.

Additionally, BSP Circular No. 855 sets the collateral value ("**CV**") for a loan backed up by real estate to only 60% of its appraised value. Banks will still be allowed to lend more than 60% of the CV; however, the portion above 60% will be considered unsecured, thus requiring banks to set up loan loss provisions accordingly. The CV ruling should not be mistaken for the loanable value ("**LV**"), which is the loan amount extended by banks to its borrowers. The current industry practice is a loan-to-value ("**LTV**") ratio of 70%-80%, which some banks may continue to grant provided that they have strict and consistent lending standards, adequate capital buffer and provisions. This new ruling, along with other BSP regulations intended to avert a property bubble, could result in an overall slowdown in lending to the real estate sector as banks adjust to these rulings.

To better monitor the banking industry's exposure to the property sector, the BSP in September 2012 approved guidelines that effectively widened the scope of banks' real estate exposures ("**REEs**") to include mortgages and loans extended to individuals to finance the acquisition and construction of residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included under the new guidelines. Banks were required to submit the expanded report starting December 2012.

Further, on 27 June 2014, the BSP issued Circular No. 839 requiring banks to undergo real estate stress test ("**REST**") while setting prudential limits for banks' REEs to ensure that they have adequate capital to absorb potential losses to the property sector. Universal and commercial banks as well as thrift banks must meet a CAR of 10% of qualifying capital after adjusting for the stress test results. Further, universal and commercial banks and their thrift bank subsidiaries are required to maintain a level of CET1 capital that is at least 6% of qualifying capital after factoring in the stress scenario. In addition, banks are mandated to submit quarterly report of their real estate exposures, in line with the new REST capital requirements.

On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 23 November 2017, the BSP issued Circular No. 983 that prescribes the reduction in the reserve requirement rate on repurchase transactions, as well as sets forth the features of the repurchase program that shall be eligible for the zero-reserve rate requirement. Deposit substitutes evidenced by repurchase agreements covering government securities that are transacted in an organised market under the Government Securities Repo Program shall be subject to the reserve requirement of 0% beginning the first week of December 2017.

On 23 April 2020, the BSP modified Section 252 (on composition of required reserves) of the MORB through Circular No. 1083. On 27 May 2020, Section 252 was further amended by Circular No. 1087. It provides allowable modes of alternative compliance with required reserves against deposit and deposit substitute liabilities, subject to certain conditions. These modes include certain peso-denominated loans that are granted to micro-, small- and medium enterprises as well as certain peso-denominated loans granted to large enterprises. The required reserves and the alternative modes of compliance in the current period (reference reserve week) shall be computed based on the corresponding levels of deposit and deposit substitute liabilities of the prior week. The use of the foregoing loans as allowable alternative compliance with the reserve requirements shall be available to banks until 31 December 2021.

Pursuant to BSP Memorandum No. M 2020-029, issued on 23 April 2020, MSME loans that are utilized as alternative compliance with reserve requirements shall be temporarily reported by Universal Banks under Investments in bonds and Other Debt Instruments.

On 28 April 2020, the BSP issued Memorandum No. M-2020-034 which relaxed the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks. Banks' exposure to qualified MSMEs, those that meet the criteria and the current MSME exposures that do not qualify as a highly diversified MSME portfolio, will only be assigned a credit risk weight of 50%, down from 75% previously. The foregoing relaxation in the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks shall apply until 30 June 2023, pursuant to Memorandum No. M-2022-041 issued by the BSP on 23 September 2022.

Liquidity requirements

Local banks face new liquidity requirements, namely, the LCR and the NSFR, under Basel III. The LCR requires banks to hold sufficient level of HQLAs to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks' ability to absorb shocks and minimize negative spill over to the real economy, compliance with these ratios may also further increase competition among banks for deposits as well as HQLAs.

In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Starting 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which was increased to 100% commencing on 1 January 2019. On 8 February 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi-banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases.

On 15 March 2019, BSP issued BSP Circular No. 1035 which introduced certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework. including the (i) extension of the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adoption of the 70% LCR floor for subsidiary banks and quasi-banks during the observation period, and (iii) amendment of the formula for minimum liquidity ratio. The subsidiary banks and quasi-banks of universal and commercial banks are required to comply with the minimum LCR of 100% starting 1 January 2020.

On 6 June 2018, the BSP issued BSP Circular No. 1007 which sets out the guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The guidelines require that covered entities maintain an NSFR of at least 100% at all times. The framework applies to all universal and commercial banks, their subsidiary banks, and quasi-banks. The Circular provides for an observation period until 31 December 2018, during which NSFR

Reports must be submitted and should a covered entity be unable to meet the minimum NSFR for a period of two consecutive weeks, it must immediately adopt a board-approved stable funding build-up plan. On 15 March 2019, the Monetary Board approved the extension of the observation period for the NSFR of the subsidiary banks and quasi banks of universal and commercial banks until 31 December 2019, moving the effectivity dates of said ratios to 1 January 2020. During the extended observation period, subsidiary banks and quasi-banks of universal and commercial banks are required to comply with a 70% LCR and NSFR, which shall increase to 100% on 1 January 2020. The Monetary Board also approved enhancements to the LCR and minimum liquidity ratio guidelines, including netting of cash inflows and outflows to and from the same derivative counterparty for the LCR framework, and counting interbank placements as eligible liquid assets and adjusting qualifying liabilities through conversion factors to retail current and regular savings deposits worth ₱500,000 and below and certain liability accounts. The internationally agreed start date for the phase-in of liquidity requirements is 1 January 2015.

On 13 February 2020, the BSP issued Memorandum No. M-2020-003 which provided guidelines on the electronic submission of the Basel III Net Stable Funding Ratio (**NSFR**) Report and Liquidity Coverage Ratio Report (**LCR**). It states that all subsidiary banks and quasi-banks must observe the guidelines for the live implementation of the NSFR and LCR reports beginning reporting period ended 31 January 2020, in line with BSP Circular Nos. 1034 and 1035 both dated 15 March 2019 on the Amendments to the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio and the Amendments to the Basel III Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework.

On 4 May 2020, the BSP issued BSP Memorandum Circular No. M-2020-039, which allows universal and commercial banks, and their subsidiary banks and quasi-banks, which have built up their CCB and LCR buffer, to utilize the same during this state of health emergency, subject to the following:

- (A) the bank or quasi-bank which draws down its 2.5% minimum CCB will not be considered in breach of the Basel III risk-based capital adequacy framework but will be restricted from making distributions in the form of dividends (in the case of banks incorporated and established under Philippine laws) or, profit remittance (in the case of a foreign bank branch), share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff; and
- (B) the bank or quasi-bank may draw on its stock of liquid assets to meet liquidity demands to respond to the current circumstances, even if this may cause its LCR to fall below the 100% minimum requirement. In the event the bank or quasi bank has recorded a shortfall in the stock of its HLA for three banking days within any two-week rolling calendar period, thereby causing the LCR to fall below the 100%, such bank or quasi bank must notify the BSP of such a breach on the banking day immediately following the occurrence of the third liquidity shortfall.

Banks and quasi-banks will be given a reasonable time period to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic. Meanwhile, non-compliance with the minimum CAR and NSFR requirements as a result of the COVID-19 pandemic will be handled on a case-by-case basis by the BSP.

Credit risk management

In October 2014, the BSP issued Circular No. 855 which provides for new guidelines on sound credit risk management practices. BSP Circular No. 855 mandates banks to establish appropriate credit risk strategy and policies, processes and procedures including cash flow-based credit evaluation process, and tighter provisioning guidelines. These are seen to increase costs as banks may have to upgrade their risk management systems and provisioning requirements.

Additionally, BSP Circular No. 855 sets the collateral value (**CV**) for a loan backed up by real estate to only 60% of its appraised value. Banks will still be allowed to lend more than 60% of the CV; however, the portion above 60% will be considered unsecured, thus requiring banks to set up loan loss provisions accordingly. The CV ruling should not be mistaken for the loanable value, which is the loan amount extended by banks to its borrowers. The current industry practice is a LTV ratio of 70%-80%, which some banks may continue to grant provided that they have strict and consistent lending standards, adequate capital buffer and provisions. This new ruling, along with other BSP regulations intended to avert a property bubble, could result in an overall slowdown in lending to the real estate sector as banks adjust to these rulings.

To better monitor the banking industry's exposure to the property sector, the BSP in September 2012 approved the guidelines that effectively widened the scope of banks' real estate exposures to include mortgages and loans extended to the following: individuals to finance the acquisition/construction of residential real estate for own occupancy as well as land developers and construction companies for the development of socialised and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included under the new guidelines. Banks were required to submit the expanded report starting end-December 2012.

Further on 27 June 2014, the BSP issued Circular No. 839 requiring banks to undergo real estate stress tests while setting prudential limits for banks' real estate exposures to ensure that they have adequate capital to absorb potential losses to the property sector. Universal and commercial banks as well as thrift banks must meet a capital adequacy ratio of 10% of qualifying capital after adjusting for the stress test results. Further, universal and commercial banks and their thrift bank subsidiaries are required to maintain a level of CET1 capital that is at least 6% of qualifying capital after factoring in the stress scenario. In addition, banks are mandated to submit quarterly report of their real estate exposures, in line with the new real estate stress test capital requirements.

On 10 October 2017, the BSP issued BSP Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 23 November 2017, the BSP issued BSP Circular No. 983 that prescribes the reduction in the reserve requirement rate on repurchase transactions, as well as sets forth the features of the repurchase program that shall be eligible for the zero-reserve rate requirement. Deposit substitutes evidenced by repurchase agreements covering government securities that are transacted in an organised market under the Government Securities Repo Program shall be subject to the reserve requirement of zero percent (0%) beginning the first week of December 2017.

On 20 August 2020, the BSP issued Circular No. 1093 which amends the real estate limits of banks. The previous limit of 20% on real estate exposure of universal and commercial banks had been increased to 25%. The REST Limit has also been amended to apply to the following real estate exposures: commercial real estate loans, investment in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, for purposes of financing real estate activities, and investments in equity securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Under the Circular, the manner of computing the REST Limit was revised to remove residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing which was included in the previous regulations. The real estate exposures shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use.

On August 23, 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

Credit Quotas for Agriculture, Fisheries and Rural Development Financing

Republic Act No. 11901 or The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022 ("RA 11901"), which lapsed into law on July 28, 2022, repealed Republic Act No. 10000 or The Agri-Agra Reform Credit Act of 2009 ("Agri-Agra Law").

RA 11901 provides that all banking institutions, whether government or private, except newly established banks for a period of five (5) years from the date of commencement of the banks' operations, shall set aside a credit quota, or a minimum mandatory agricultural and fisheries financing requirement of at least twenty-five percent (25%) of their total loanable funds. The law gives more flexibility to the banks in extending credit to the agriculture

and agrarian reform sectors as the law removed the required allocation of credit between the agrarian reform beneficiaries (10%) and agricultural beneficiaries (15%) under the Agri-Agra Law.

The law also provides that banks which are unable to directly lend to rural community beneficiaries may invest in debt and equity securities, undertake agricultural value chain financing, and grant agri-business loans to fund agricultural and community-enhancing activities, among others.

Limitations on Operations

The Single Borrower's Limit

Consistent with the national interest, the total amount of loans, credit accommodations and guarantees that may be extended by a bank to any person, partnership, association, corporation or other entity shall at no time exceed 25% of the net worth of such bank. The basis for determining compliance with the single borrower's limit ("SBL") is the total credit commitment of the bank to or on behalf of the borrower. The total amount of loans, credit accommodations and guarantees above may be increased for specific circumstances as laid out in the relevant provision of the MORB.

BSP Circular No. 779 issued on 9 January 2013 and BSP Circular No. 908 issued on 14 March 2016, amended the MORB provisions on SBL. The amendments allowed for increases (on top of the 25% as already mentioned) on the amount of loans, credit accommodations and guarantees that a bank may issue to a borrower. The following are the increases that are conditional: (a) an additional 10% of the net worth of the bank as long as the additional liabilities are secured by shipping documents, trust or warehouse receipts or other similar documents which cover marketable, non-perishable goods which must be fully covered by insurance, (b) an additional 25% of the net worth of the bank provided that: (i) the additional loans, credit accommodations and guarantees are used to finance the infrastructure and/or development projects under PDP/PIP; (ii) these additional liabilities should not exceed 25% of the net worth of the bank; and (iii) the additional 25% shall only be allowed for a period of six years from 6 December 2010; (c) an additional 15% of the net worth of the bank provided that the additional loans, credit accommodations and guarantees are used to finance oil importation of oil companies which are not subsidiaries or affiliates of the lending bank which is also engaged in energy and power generation; and (d) an additional 25% of the net worth of the bank, provided that (i) the additional loans, credit accommodations and guarantees are granted to entities, which act as value chain aggregators of the lending banks' clients, and/or economically-linked entities that are also actors/players in the value chain, (ii) that the additional twenty-five percent (25%) will apply only to non- DOSRI/related party transaction loans, and (iii) that such additional twenty-five percent (25%) shall only be for a period of three (3) years, subject to review after said period.

The SBL limitations shall not apply to (a) loans and other credit accommodations secured by obligations of the BSP or of the Government; (b) loans and other credit accommodations fully guaranteed by the Government as to the payment of principal and interest; (c) loans and other credit accommodations secured by U.S. Treasury Notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted rating agencies; (d) loans and other credit accommodations to the extent covered by the hold-out on or assignment of, deposits maintained in the lending bank and held in the Philippines; (e) loans, credit accommodations and acceptances under letters of credit to the extent covered by margin deposits; and (f) other loans or credit accommodations which the Monetary Board may from time to time specify as non-risk items.

On 5 July 2017, the BSP issued BSP Circular No. 965 approving the guidelines on the exclusion from the single borrower's limit of banks' and quasi-banks' short-term exposures to clearing and settlement banks arising from payment transactions pertaining to fund transfer services, check clearing, foreign exchange trades, security trades, security custody services, and other short-term payment transactions.

On 30 April 2018, the BSP issued BSP Circular No. 1001 which provided for a separate individual limit of 25.0% of the net worth of the lending bank for loans, credit accommodations and guarantees granted by a bank to an entity for the purpose of project finance. The applicability of the separate individual limit shall be subject to the following conditions: (a) the unsecured portion shall not exceed 12.5% of the net worth of the lending bank when the project is already operational; (b) such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government; (c) the lending bank shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which

may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project document; (d) the lending bank shall consider its total project finance exposures in complying with the guidelines in managing large exposures and credit risk concentrations; (e) the subsidiary or affiliate is not a related interest of any of the director, officer, and/or stockholder of the lending bank; and (f) the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall be subject to the aggregate limits for related party transactions.

On 19 March 2020, BSP issued BSP Memorandum No. M-2020-011 which temporarily adjusted the SBL ceiling to 30% as a response to the COVID-19 situation. The adjusted ceiling is effective for a period of six months from 19 March 2020.

On 22 July 2020, the BSP issued Memorandum Circular No. 1091, which excluded debt securities held by market makers from the SBL for a period of ninety (90) days from the date of acquisition, if acquired from 1 August 2020 to 31 July 2021, and not exceeding sixty (60) days, if acquired after 1 August 2021. On 5 January 2023, the BSP issued Circular No. 1164 which provided for minimum operational requirements for credit risk transfer agreements to be excluded from the total credit commitment of a bank to a borrower in reckoning compliance with the SBL.

Limitation on DOSRI Transactions

No director or officer of any bank shall directly or indirectly, for himself or as the representative or agent of others, borrow from such bank nor shall he become a guarantor, endorser or surety for loans from such bank to others, or in the manner be an obligor or incur any contractual liability to the bank except with the written approval of the majority of all the directors of the bank, excluding the director concerned.

After due notice to the Board of Directors of the bank, the office of any officer or director who violates the DOSRI limitation may be declared vacant and such erring officer or director shall be subject to the penal provisions of the New Central Bank Act. The DOSRI account shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the bank. The limitation excludes loans, credit accommodations and guarantees secured by assets which the Monetary Board considers as non-risk.

On 2 June 2016, the Monetary Board approved the revisions to prudential policy on loans, other credit accommodations, and guarantees granted to DOSRIs. The Monetary Board approved the exclusion of loans, other credit accommodation and guarantees granted by a bank to its DOSRI for the purpose of project finance from the 30.0% unsecured individual ceiling during the project gestation phase, provided, that the bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

Any director, officer or stockholder who, together with his related interest, contracts a loan or any form of financial accommodation from: (1) his bank or (2) from a bank (a) which is a subsidiary of a bank holding company of which both his bank and the lending bank are subsidiaries or (b) in which a controlling proportion of the shares is owned by the same interest that owns a controlling proportion of the shares of his bank, in excess of 5% of the capital and surplus of the bank, or in the maximum amount permitted by law, whichever is lower, shall be required by the lending bank to waive the secrecy of his deposits of whatever nature in all banks in the Philippines. Any information obtained from an examination of his deposits shall be held strictly confidential and may be used by the examiners only in connection with their supervisory and examination responsibility or by the BSP in an appropriate legal action it has initiated involving the deposit account.

On 23 June 2016, the BSP issued BSP Circular No. 914, series of 2016 amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. BSP Circular No. 914 has raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the Philippine Development Plan/Public Investment Program ("**PDP/PIP**") needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to conditions. Further, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

As a general rule, loan and other credit accommodation against real estate shall not exceed 60% of the appraised value of the real estate security plus 60% of the appraised value of the insured improvements, and such loans may be made to the owner of the real estate or to his assignees, except for the following which shall be allowed a maximum value of 70% of the appraised value of the insured improvements: (a) residential loans not exceeding ₱3.5 million to finance the acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government's "National Shelter Programme", such as the Expanded Housing Loans Programme of the Home Development Mutual Fund and the mortgage and guaranty and credit insurance programme of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial position and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the title-holder of the unencumbered chattels and intangible properties or his assignee.

On 27 October 2017, the BSP issued BSP Circular No. 978, which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding loans, other credit accommodations and guarantees granted to banks' subsidiaries and affiliates. BSP Circular No. 978 excluded the following in determining compliance with the ceilings provided under BSP Circular No. 914: (1) Loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) Interbank call loans; and (3) The portion of loans and other credit accommodations covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

On 23 December 2020, the BSP issued BSP Circular No. 1107, wherein the Monetary Board approved the prudential requirements for designated clearing and settlement banks for purposes of compliance with DOSRI regulations, as well as foreign currency deposit unit (FCDU) asset cover and minimum capital requirements. The Monetary Board approved the exclusion of terms loans, other credit accommodations and guarantees by Interbank call loan transactions, and short-term exposures of designated clearing and settlement bank to other financial institutions that own or control directly or indirectly such clearing and settlement bank, pursuant to its function as designated clearing and settlement bank. Short-term exposures shall cover payment transactions pertaining to fund transfer services, check clearing, foreign exchange trades, security trades, security custody services, and other short-term payment transactions that pass through a clearing and settlement account. An exposure is considered short-term if the placement of funds into a clearing and settlement account does not exceed five (5) banking days. The designated clearing and settlement bank shall adopt appropriate control measures to ensure that the account opened in financial institutions that own or control directly or indirectly such clearing and settlement bank is maintained exclusively for facilitating the clearing and settlement of short-term transactions, and said account is not subject to a minimum balance requirement.

Regulatory Relief for BSP Supervised Financial Institutions (BSFIs) affected by the COVID-19 disease

Recognizing the potential significant impact of the COVID-19 disease on the operations of BSFIs in terms of risks related to exposures to borrowers and/or industries or businesses severely disrupted or affected by the COVID-19 as well as disruption in operations due to measures implemented to control the spread of virus such as lockdowns, localized work suspension, heightened health and safety risks faced by BSFIs' employees and customers, the BSP issued the following memoranda:

On 14 March 2020, the BSP issued BSP Memorandum No. M-2020-008, as amended by BSP Memorandum No. M-2020-032, granting temporary regulatory and rediscounting relief measures to BSFIs. The relief measures include: (i) exclusion from the computation of past due ratio of the loans of borrowers in affected areas for a period of one (1) year, (ii) non-imposition of monetary penalties for delays incurred in the submission of all supervisory reports, (iii) staggered booking of allowance for credit losses over a maximum period of five years for all types of credits extended to individuals and businesses directly affected by COVID-19, (iv) moratorium, without penalty, on monthly payments due to the BSP, and (v) non-imposition of penalties on legal reserve deficiencies from reserve week following 8 March 2020 up to six (6) months thereafter. BSFIs may also apply for a 60-day grace period to settle the outstanding rediscounting obligations with the BSP and to restructure the outstanding rediscounted loans of their end-user borrowers affected by COVID-19. Prior to availment, a BSFI must submit to the BSP (i) a letter-notification stating its intention to avail of the regulatory relief package,

specifying the relief measures to be availed of, and (ii) a resolution of the board of directors authorizing such BSFI to avail of the regulatory relief package.

On 19 March 2020, the BSP issued BSP Memorandum No. M-2020-11, as amended by BSP Memorandum No. M-2020-025, providing additional operational relief for BSFIs affected by measures to manage the COVID-19 situation and its health and safety risks. Such additional operational relief measures includes the following: (i) increase in the single borrower's limit; (ii) relaxation in the maximum penalty that may be imposed for reserve deficiencies; (iii) relaxation of the notification requirements related to changes in banking hours; (iv) relaxation of the notification requirements on the temporary closure of bank branch/branch-lite units and BSFI office/service units; (v) relaxation in the regulations governing the submission of reports and other documents to the BSP Financial Supervision Sector; and (vi) extension of period of compliance with BSP supervisory requirements.

On 8 April 2020, the BSP issued BSP Memorandum No. M-2020-022, which provides the guidelines for the reclassification by a BSP-supervised financial institution ("BSFI") of debt securities, as part of the relief measures extended by the BSP in light of the COVID-19 pandemic. Debt securities recorded under the "Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss" and "Financial Assets Measured at Fair Value Through Other Comprehensive Income" accounts may be reclassified to the "Debt Securities Measured at Amortized Cost" account. Debt Securities recorded under the "Financial Assets Held for Trading" account may likewise be reclassified to the "Debt Securities at Amortized Cost" account, but only if such debt securities shall no longer be used for trading purposes. The reclassification of debt securities shall be done all at the same time, and only from 1 March 2020 to 30 September 2020. BSFIs may retrospectively reclassify debt securities measured at fair value until 30 April 2020, and may value date the reclassification as of any day from 1 March 2020 to 30 April 2020. Reclassifications made after 30 April 2020 shall take effect only from the date such reclassification is made. BSFIs reclassifying debt securities shall submit a report using the format prescribed in Annex A of the memorandum. However, BSFIs retrospectively reclassifying debt securities that have submitted prudential reports to the BSP need not re-submit the same for the affected reporting periods.

Banking Regulation and Supervision

Issuance of Securities

On 9 August 2018, the BSP issued BSP Circular No. 1010, amending BSP Circular No. 975, series of 2017. Under the said circular, a bank/QB may issue bonds and/or commercial papers ("CPs") without prior BSP approval, provided it complies with the following criteria: (i) the bank must have a CAMELS composite rating of at least "3" and a "Management" rating of not lower than "3" and QB must have a RAS rating of at least "Acceptable"; (ii) the bank/QB has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system; and (iii) the bank/QB has complied with directives and/or is not subject of specific directives and/or enforcement actions by the BSP.

U/KBs and QBs only need to submit a certification of compliance with the prudential criteria and other supporting documents reflecting that the debt issuance has undergone the required process of approval by the board of directors and that it has been considered in the overall funding plan of the institution. In addition, U/KBs and QBs should submit a written undertaking to enroll and/or trade the bonds in a market that is organized in accordance with the SEC rules and regulations.

Under the circular, the BSP prohibits the issuing bank/QB, including its related parties, except its trust departments or trust entities, from holding and acting as a market maker of the bank's/QB's listed bonds or CPs to prevent possible undue price influence and backdoor pre-termination. Likewise, the registry bank, including the underwriter/arranger of the issuance, is required to be an independent third party.

On 15 November 2019, BSP Circular No. 1059 amended the Manual imposing an indefinite moratorium on the issuance of long-term negotiable certificates of time deposit (LTNCTDs) beginning 1 January 2021. LTNCTDs that have been approved but remain unissued as of 31 December 2020 may still be issued, provided that this is done within the period allowed by the BSP. Requests for authority to issue LTNCTDs will only be accepted by the appropriate supervising department of the BSP until 30 September 2020.

On 26 November 2019, the BSP issued BSP Circular No. 1062 to amend the requirements on the issuance of long-term negotiable certificates of time deposit, bonds and commercial papers. Accordingly, for the issuance of bonds and commercial papers, a universal or commercial bank that is a related party of the issuing bank may serve as the underwriter or arranger of the issuance provided: (a) that there are other third-party underwriters or arrangers that are not related in any manner to the issuing bank; (b) that the objective conduct of the due diligence review

is not undermined; and (c) that the appropriate safeguards and controls as provided under Section 136 of the MORB on related party transactions shall be instituted to prevent conflict of interest on the said arrangement.

The BSP further clarified in BSP Memorandum No. M-2020-001 that the prohibition of related entities from holding an issuing banks listed or traded bonds is meant to prevent certain parties from obtaining undue advantage when transacting in the subject debt instruments. Accordingly, “related parties” as used in BSP Circular No. 1062 only refers to those who are in possession or have access to material and non-public information affecting the pricing and marketability of the issuance or that substantially impacts an investor’s decision to buy or sell the security once the same is disseminated to the public.

Limitation on Investments

The total investment of a universal bank in equities of allied and non-allied enterprises shall not exceed 50% of its net worth. Moreover, the equity investment in any one enterprise whether allied or non-allied, shall not exceed 25% of the net worth of the universal bank. Net worth for this purpose is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by BSP. The Monetary Board must approve such acquisition of equities.

A universal bank can own up to 100% of the equity in a thrift bank, a rural bank or a financial or non-financial allied enterprise. A publicly listed universal bank, such as the Bank, may own up to 100% of the voting stock of only one other universal or commercial bank. However, with respect to non-allied enterprise, the equity investment in such enterprise by a universal bank shall not exceed 35% of the total equity in the enterprise nor shall it exceed 35% of the voting stock in that enterprise.

A bank’s total investment in real estate and improvements including bank equipment shall not exceed 50% of the combined capital accounts. Further, the bank’s investment in another corporation engaged primarily in real estate shall be considered as part of the bank’s total investment in real estate, unless otherwise provided by the Monetary Board.

The limitation stated above shall not apply with respect to real estate acquired by way of satisfaction of claims. However, all these properties must be disposed by the bank within a period of five years or as may be prescribed by the Monetary Board.

Prohibition to act as Insurer

A bank is prohibited from directly engaging in insurance business as the insurer

Permitted Services

In addition to the operations incidental to its banking functions, a bank may perform the following services:

- Receive in custody funds, documents and valuable objects;
- Act as financial agent and buy and sell, by order of and for the account of their customers, shares evidences of indebtedness and all types of securities;
- Make collections and payments for account of others and perform such services for their customers as are not incompatible with the banking business;
- Upon prior approval of the Monetary Board, act as the managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; and
- Rent out safety deposit boxes.

BSP Circular No. 1049, Series of 2019, implementing Republic Act No. 11127 or The National Payment Systems Act, allows banks to operate as an Operator of Payment Systems (“OPS”). It may register as an OPS by notifying the BSP of its activities as an OPS.

An OPS is a person that performs any of the following functions;

- Maintains the platform that enables payments or fund transfers, regardless of whether the source and destination accounts are maintained with the same or different institutions;
- Operates the system or network that enables payments or fund transfers to be made through the use of a payment instrument;
- Provides a system that processes payments on behalf of any person or the government; and
- Such other activities similar to the foregoing.

BSP Circular No. 1003, issued on 16 May 2018, outlined the Guidelines on the Establishment and Operations of Bank and Non-Bank Credit Card Issuers to implement Republic Act No. 10870, also known as the Philippine Credit Card Industry Regulations Law.

Anti-Money Laundering Act

The Framework for Basic Deposit Accounts, found in BSP Circular No. 992 dated 1 February 2018, was issued, with a view towards promoting account ownership among the unbanked by imposing no minimum maintaining balance and an opening amount of not more than ₱100.00. It also supports the National Retail Payments System (“NRPS”), which aims to promote resort to digital payments in the country.

The NRPS has implications on a bank’s compliance with the AMLA, as amended, which requires covered institutions such as banks including their subsidiaries and affiliates, to provide for customer identification, record keeping and reporting of covered and suspicious transactions. This relationship between the NRPS and the AMLA was dealt with in Memorandum No. M-2018-021 issued 10 August 2018.

On 15 February 2013, Republic Act No. 10365, which took effect on 7 March 2013, expanded the Anti-Money Laundering Act covered institutions and crimes. The revised implementing rules and regulations were published on the 23rd and 24th of December 2016.

Covered transactions are single transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one banking day.

Suspicious transactions are transactions with covered institutions such as a bank, regardless of the amount involved, where any of the following circumstances exists:

- There is no underlying legal or trade obligation, purpose or economic justification;
- The customer or client is not properly identified;
- The amount involved is not commensurate with the business or financial capacity of the client;
- The transaction is structured to avoid being the subject of reporting requirements under the AMLA;
- There is a deviation from the client’s profile or past transaction;
- The transaction is related to an unlawful activity or offence under the AMLA;
- Similar or analogous transactions to the above.

Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five years from date of transaction/closure of account shall be subject to a penalty of six months to one-year imprisonment and/or fine of ₱500,000.00

Malicious reporting of completely unwarranted or false information relative to money laundering transaction against any person is punishable by six months to four years imprisonment and a fine of not less than ₱100,000.00 and not more than ₱500,000.00.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity, the media, the fact that a covered or suspicious transaction has been reported or is about to be reported, the contents of the report, or any information relating to such report. Neither may such

report be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. A violation of this rule is deemed a criminal act.

Money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

- a. transacts said monetary instrument or property;
- b. converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property
- c. conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
- d. attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c);
- e. aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b) or (c) above; and
- f. performs or fails to perform any act as a result of which the person facilitates the offense of money laundering referred to in paragraphs (a), (b) or (c) above.

Money laundering is also committed by any covered person who, knowing that a covered or suspicious transaction is required under this Act to be reported to the Anti-Money Laundering Council (“**AMLC**”), fails to do so. Under AMLA, banks, as covered persons, are required to report to the AMLC all covered transactions and suspicious transactions within a period of five working days from occurrence thereof, unless the AMLC prescribes a different period not exceeding 15 working days. The Court of Appeals of the Philippines (“**Court of Appeals**”), upon verified ex-parte application by the AMLC and after determination that probable cause exists that any monetary instrument or property is in any way related to an unlawful activity as defined in the AMLA, has the authority to issue a freeze order which shall be effective immediately, and which shall not exceed six months depending upon the circumstances of the case.

BSP Circular No. 495 issued on 20 September 2005, as amended by BSP Circular No. 527 issued on 28 April 2006, required all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by 14 October 2007. The said system should, at the minimum, be able to detect and raise to the bank’s attention, transactions and/or accounts that qualify either as “covered transactions” or “suspicious transactions” as defined under AMLA.

BSP Memorandum No. M-2012-017 issued on 4 April 2012, as affirmed by BSP Circular No. 950 issued on 15 March 2017 likewise requires all covered banking institutions to comply with the anti-money laundering risk rating system (“**ARRS**”), a supervisory system that aims to ensure that mechanisms to prevent money laundering and terrorist funding are in place and effectively implemented in banking institutions. Under the ARRS, each institution is rated based on the following factors: (a) efficient board of directors and senior management oversight; (b) sound anti-money laundering policies and procedures embodied in a money laundering and terrorist financing prevention program duly approved by the board of directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Circular No. 950, further provides for specific requirements on having a risk-based approach to customer identification by covered institutions, an ongoing monitoring of customers, accounts, and transactions, and a policy of non-discrimination against certain types of customers.

In July 2017, Republic Act No. 10927 was signed into law, and it further expanded the coverage of AMLA to include casinos for a single casino cash transaction involving an amount in excess of ₱5.0 million or its equivalent in any other currency. Furthermore, the law provides that: (a) a freeze order issued by the Court of Appeals pursuant to an *ex parte* petition by the AMLC shall be effective immediately and such effective period shall not exceed six months and if no case is filed against a person whose account has been frozen within the period determined by the Court of Appeals (but not exceeding six months), the freeze order shall be deemed automatically lifted, provided, that a freeze order is without prejudice to an asset preservation order which the relevant trial court may issue upon the same assets; and (b) a freeze order or asset preservation order shall be limited only to the amount of cash or monetary instrument or value of property which the court finds probable cause to consider such property as proceeds of the predicate crime.

Institutions that are subject to AMLA are also required to establish and record the identities of their clients based on official documents. In addition, all records of transactions are required to be maintained and stored for a minimum of ten years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure.

On 20 April 2018, the AMLC issued AMLC Letter No. AMLET-18-03, providing for Operational Guidelines in the Conduct of the 2018 Third Round Mutual Evaluation of the Philippines (“**Guidelines**”). The Guidelines aim to (a) create an inter-agency Mutual Evaluation Working Group and sub-working groups; (b) enumerate the functions and obligations of the member-agencies with respect to the Mutual Evaluation process; (c) outline the Mutual Evaluation process and provide guidance as to the different components of the process; (d) provide timelines for the Mutual Evaluation process and Mutual Evaluation-related activities; (e) enumerate effects of a “non-compliant” or “poor” Mutual Evaluation; and (f) lay down the framework towards the adoption of a national anti-money laundering/counter-financing of terrorism (“**AML/CFT**”) Strategy. The Guidelines are addressed to all participating government agencies and other entities.

The Mutual Evaluation is a government-wide concern as what will be assessed is the compliance of the Philippines with the Financial Action Task Force Forty Recommendations and the effectiveness of its AML/CFT regime. The entire Mutual Evaluation process spans two (2) years and will require the support and active participation of various government agencies, including supervisory authorities, law enforcement agencies, and public and private stakeholders. The Philippines will be evaluated by a pool of experts from Financial Intelligence Units from other member-jurisdictions of the Asia-Pacific Group on Money Laundering (“**APG**”), pursuant to the APG’s membership rules.

On 26 November 2018, the BSP issued BSP Circular No. 1022 where the BSP recognized the Philippine Identification System (PhilSys) ID card as an official document for financial transactions. The BSP also included a person’s PhilSys number as part of the minimum information to be collected by financial institutions before carrying out a transaction and allowed the use of information and communication technology to “capture and record” personal data of customers.

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

Financial Institutions Strategic Transfer Act

Republic Act No. 11523 or the financial institutions strategic transfer (FIST Act) defines a financial institutions strategic corporation (FISTC) as a corporation organized under the laws of the Philippines that is authorized to invest in the NPAs (*i.e.*, non-performing loans and real and other properties acquired by financial institutions) of credit-granting institutions, such as banks, financing companies, investment houses, lending companies, insurance companies, accredited microfinance nongovernmental organizations, government financial institutions, government-owned or controlled corporations, other institutions licensed by the BSP to perform quasi-banking functions and credit-granting activities, and engage in other related activities. Pursuant to the FIST Act, NPAs of financial institutions may be transferred to a FISTC after notice to but without the consent of the borrower. Such transfers from financial institutions to FISTCs and those from a FISTC to a third party, dation in payment by a borrower, a third party in favor of a financial institution or in favor of a FISTC are exempt from the following taxes:

- (a) Documentary stamp tax on such transfer of NPAs and dation in payment under the Tax Code;
- (b) Capital gains tax imposed on the transfer of lands and/or other assets treated as capital assets as defined under Section 39(A)(1) of the Tax Code;
- (c) Creditable withholding income taxes imposed on the transfer of land and/or buildings treated as ordinary assets pursuant to Revenue Regulations No. 2-98, as amended;
- (d) Value-added tax on the transfer of NPAs, or gross receipts tax, whichever is applicable.

All sales or transfers of NPAs from a financial institution to a FISTC or transfers by way of dation in payment by the borrower or by a third party to a financial institution shall be entitled to the privileges enumerated herein for a period of not more than two years from the effectivity of the fist law.

Transfers from a FISTC to a third party of NPAs acquired by the FISTC within such two-year period, or within such extended period, or transfers by way of dation in payment by a borrower to a FISTC shall enjoy the privileges enumerated above for a period of not more than five years from the date of acquisition by the FISTC. Properties acquired by a FISTC from government financial institution or government operated and controlled corporations which are devoted to socialized or low-cost housing shall not be converted to other uses.

The provisions of these Rules shall be applicable to assets that have become non-performing on or before 31 December 2022.

The BSP issued Circular No. 1117 Series of 2021 implementing the FIST Act. It provides for the guidelines governing the sale/transfer and investment transactions of banks, and other institutions licensed by the BSP to perform quasi-banking functions and credit-granting activities pursuant to the FIST Act. The Circular sets out the provisions that the BSFIs must comply with in the sale/transfer transactions of non-performing assets for purposes of availing the tax exemptions and incentives/privileges under the FIST Act.

On 17 November 2021, the AMLC issued Regulatory Issuance No.8 providing for the guidelines on the preservation, management, and disposal of assets subject of a freeze order, asset preservation order, and judgment of forfeiture.

Data Privacy Act

Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012 (“**Data Privacy Act**”), was signed into law on 15 August 2012, to govern the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System (“**ICT**”), which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law provides that it does not apply to information necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the Data Privacy Act and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The Data Privacy Act seeks to protect the confidentiality of “personal information”, which is defined as “any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual.” The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on “personal information controllers” and “personal information processors”. It also provides for penal and monetary sanctions for violations of its provisions.

Electronic Banking Operations

The BSP has prescribed prudential guidelines in the conduct of electronic banking, which refers to systems that enable bank customers to avail themselves of a bank’s products and services through a personal computer (using direct modem dial-in, internet access, or both) or a telephone. Applicant banks must prove that they have in place a risk management process that is adequate to assess, control, and monitor any risks arising from the proposed electronic banking activities.

On 1 September 2006, the BSP released new guidelines on the protection of electronic banking customers. These guidelines set specific requirements in the following areas: (a) oversight by a bank's board of directors, and other concerned officers over its electronic banking activities; (b) the development of a risk management policy and internal controls over its electronic banking activities; (c) the implementation of a consumer awareness program for the customers of banks; (d) development of policy on disclosures and transparencies, and the availability of electronic banking service; and (e) the development of complaint resolution procedure for unauthorized transactions in electronic banking.

Private domestic banks with a BSP-approved electronic banking facility may accept payment of fees and other charges of a similar nature for the account of the departments, bureaus, offices and agencies of the government as well as all government-owned and controlled corporations. The funds accepted shall be treated as deposit liabilities subject to existing regulations on government deposits and shall not exceed the minimum working balance of such government entities.

BSP Circular No. 808, dated 22 August 2013, required BSP-supervised institutions to migrate their entire payment network to the more secure Europay, MasterCard and Visa ("EMV") chip-enabled cards. In 2014, BSP Circular No. 859 set out the EMV Implementation Guidelines, which shall govern the implementation for debit cards in any card-accepting devices/terminals. The deadline set for compliance with the migration to the EMV was initially set for 1 January 2017. However, pursuant to BSP Memorandum No. M-2017-019 issued on 9 June 2017, BSFIs are required to fully comply with the EMV requirement by 30 June 2018. Failure to do so is considered a serious offense and will subject these institutions to monetary sanctions provided under relevant provision of the BSP Manual.

On 22 February 2019, the BSP issued Circular No. 1033, which provides for amendments to the MORB on electronic banking services and other electronic operations. The amendments mainly take into account the developments in electronic payment and financial services.

On 2 December 2020, the BSP issued BSP Circular No. 1105 which provides the guidelines on establishment of digital banks. While digital banks have no physical branch or sub-branch or branch-lite unit, digital banks are required to maintain a principal or head office in the Philippines to serve as the main point of contact for stakeholders, including the BSP and other regulators. Pursuant to the accelerated digitalization in the financial industry, the BSP issued Memorandum No. M-2022-016 on 22 March 2022, which provides the controls and processes supporting the operation, connectivity, and endpoint security of Application Programming Interface (API) and the good practices for API management.

On 21 January 2022, the BSP issued BSP Circular No. 1135, providing for the Guidelines on the Settlement of Electronic Payments Under the National Retail Payment System (NRPS) Framework. This is in line with the BSP's goal to ensure the efficiency of payment systems in the country. In line with this, the Bangko Sentral requires BSP-Supervised Financial Institutions participating in an Automated Clearing House (ACH) for electronic payments to ensure that the ACH provides certainty of settlements of the multilateral clearing obligations of the clearing participants.

The Financial Products and Services Consumer Protection Act

Republic Act No. 11765 or the Financial Products and Services Consumer Protection Act (FCPA) was signed into law on 6 May 2022. The Act expands the powers of financial regulators such as the BSP and imposes duties on financial service providers such as banks. Violation of the Act will result in the imposition of enforcement actions from the BSP, penalties and/or administrative sanctions. On 28 November 2022, the Monetary Board issued Circular No. 1160, Series of 2022, which provides for the implementing guidelines of FCPA. According to the Circular, banks must meet the following standards in dealing with financial consumers:

- (a) Disclosure and Transparency;
- (b) Protection of Client Information;
- (c) Fair Treatment;
- (d) Effective Recourse; and
- (e) Protection of Consumer Assets against Fraud and Misuse

Pursuant to the FCPA, the BSP may, in addition to the enforcement actions under the MORB, restriction the ability of banks to collect excessive or unreasonable interests, fees or charges, including other interests, fees and charges that are covered under Republic Act No. 10870, otherwise known as the "Philippine Credit Card Industry

Regulation Law”, and order requiring accounting and disgorgement of profits obtained, or losses avoided, as a result of a violation of the FCPA, its IRR and other existing laws, rules, and regulations under its jurisdiction, including reasonable interest.

Guidelines for Virtual Asset Service Providers (VASP) in the Philippines

On 26 January 2021, the BSP issued Circular No. 1108, relating to the Guidelines for Virtual Asset Service Providers (VASP) in the Philippines, which amends in its entirety Section 902-N of the Manual of Regulations for NonBank Financial Institutions (MORNBFI). In particular, Section 902-N on Virtual Currency Exchanges shall be replaced by VASP, as the BSP recognizes that once fiat currency is exchange or converted into a virtual asset, the same becomes easily transferrable, facilitating expedient movement or transfer of funds and payment services, among others. As such, VASPs were considered as money service businesses which were subject to the regulatory authority and examination powers of the BSP. Under said guidelines, the covered entities are required to secure a Certificate of Authority to operate as a Money Service Business and are required to observe the capitalization requirements of either ₱50.0 Million or ₱10.0 Million, for VASPs with or without safekeeping and/or administration services as define in said Circular, respectively.

On 25 April 2019, the SEC issued Memorandum Circular No. 10-2019 regarding the Rules on Material Related Party Transactions for Publicly-Listed Companies (SEC MC 10-2019). Under SEC MC 10-2019, when the related party transactions amount to 10% or higher of a company’s total assets, it is considered a material related party transaction and is disclosable and reportable to the SEC.

Related Party Transactions

BSP Circular No. 895 issued on 14 December 2015 provides for the guidelines on related party transactions of banks and their non-bank financial subsidiaries and affiliates. The guidelines highlight that while transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher standards should be applied to protect the interests of all stakeholders. It is emphasized that related party transactions are generally allowed for as long as these are done on an arm’s length basis referring to the process involved in handling the transaction as well as the economic terms of the transaction.

Under the guidelines, the board, as an oversight body, shall have overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The board is expected to approve an overarching policy on the handling of related party transactions that should cover the scope of its related party transactions policy, guidelines in ensuring arm’s length terms, management of conflicts of interest, materiality thresholds and limits, whistle blowing mechanisms, and restitution of losses and other remedies for irregular related party transactions. Further, banks that are part of conglomerates are required to create a related party transactions committee responsible for the continuing identification and review of existing relations between and among businesses and counterparties, and for ensuring that related party transactions are processed in the regular course of business and are priced fairly. The guidelines now explicitly require that the annual reports adequately disclose relevant information on the governance of related party transactions and specific details of exposures to related parties.

BSP Circular No. 969, dated 22 August 2017, further codified the BSP’s thrust to strengthen oversight over related party transactions by enhancing corporate governance guidelines which includes improvement of the duties and responsibilities of the related party transactions committee of BSP supervised financial institutions.

On 25 April 2019, the Philippine SEC issued Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly Listed Companies), mandating additional disclosure/ reportorial requirements for material related party transactions (**MRPTs**) amounting to 10% or higher of a publicly listed company’s total assets. The circular requires all publicly listed companies to submit to the Philippine SEC a policy on MRPTs. Advisement Reports on MRPTs shall also be filed with the Philippine SEC in accordance with the circular within three calendar days after the execution of a covered transaction. Finally, a summary of MRPTs entered into by the company during the reporting year shall be disclosed in the company’s Integrated Annual Corporate Governance Report (I-ACGR) submitted annually every May 30.

Taxation for Banks

Banks are subject to regular corporate income tax, based on their taxable income at a tax rate of 25%.

Taxable net income refers to items of income specified under Section 32 (A) of the Tax Code less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

Beginning 1 July 2020 and until 30 June 2023, a minimum corporate income tax (“**MCIT**”) rate equivalent to 1% of the gross income of a bank is payable beginning on the fourth year of operations of the bank only if the MCIT is greater than the regular corporate income tax, provided that after 30 June 2023, the rate of MCIT shall be 2% of the gross income as of the end of the taxable year. Any excess MCIT paid over the regular corporate income tax can be carried forward as a tax credit for the three immediately succeeding years. For purposes of MCIT, the bank’s gross income means: (a) gross receipts less sales returns, allowances, discounts and cost of services, including interest expense; and (b) income derived from other businesses except income exempt from income tax and income subject to final tax.

Net operating loss carry-over (“**NOLCO**”) can be claimed as deduction against taxable income within three years after NOLCO is incurred. NOLCO incurred for the taxable years 2020 and 2021 can be carried over as a deduction against taxable income for the next 5 consecutive taxable years pursuant to Section 4(bbbb) of the Bayanihan 2 Act and as implemented under RR No. 25-2020.

Since banks are in the regular business of lending, interest income derived by banks which is generally considered passive income by non-banks, is considered ordinary income of banks subject to 25% corporate income tax. Banks may also claim interest expense as tax deduction if such expense complies with the requirements laid down in the Tax Code and Revenue Regulations No. 13-00. The amount of interest expense which banks may claim as tax deduction shall be reduced by an amount equal to 20% of the banks’ interest income that is subject to final tax.

The Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

- An individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank;
- A corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Pursuant to Revenue Regulations No. 05-99 (as amended by Revenue Regulations No. 25-02), in order for banks to claim bad debts as tax deductions, they must secure a certification from the BSP that the accounts are worthless and can be written off, subject to the final determination by the BIR that bad debts being claimed by the banks are worthless and uncollectible. However, on 29 October 2014, the BSP issued Circular No. 855 which provides that notice of write-off of problem credits shall be submitted in the prescribed form to the BSP through the appropriate Central Point of Contact within thirty (30) business days after every write-off with a sworn statement signed by the President of the financial institution or officer of equivalent rank that write-off did not include transactions with DOSRI and was undertaken in accordance with board-approved internal credit policy. Based on the said circular, a notice to the BSP would suffice, and that BSP approval with respect to a write-off of a bad debt not related to a DOSRI transaction, is no longer required.

The banks’ passive income such as interest income earned from bank deposits is subject to final withholding tax.

Banks are subject to percentage tax or Gross Receipt Tax (“**GRT**”), which is a tax levied on the gross receipts of banks and non-bank financial intermediaries. On 13 June 2016, the BIR issued Revenue Memorandum Circular No. 62-2016 (“**RMC 62-2016**”) seeking to clarify the tax treatment of the GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income and should itself be subject to a GRT of 7%.

Real and Other Properties Acquired (“**ROPA**”) of banks are considered as ordinary assets. The income derived from their sale is subject to the regular corporate income tax. Moreover, real properties are subject to a 6% creditable withholding tax based on the highest among the zonal value, market value in the tax declaration or selling price, which shall be withheld by the buyer and can be used as a credit against the bank’s taxable income in the year that the gain is realised.

The Tax Code provides for a final tax at fixed rates for the amount of interest, yield or benefit derived from deposit substitutes which shall be withheld and remitted by the payor of the said interest, yield or benefit. This rule does not apply to gains derived from trading, retirement or redemption of the debt instrument which is subject to regular income tax rates, except for bonds, debentures or other certificate of indebtedness with maturity of more than five years.

To be considered as a deposit substitute, the debt instrument must have been issued or endorsed to twenty (20) or more individuals at any one time at the time of the original issuance in the primary market or at the issuance of each tranche in the case of instruments sold or issued in tranches.

Interbank call loans with a maturity period of not more than five days and used to cover deficiency in reserves against deposit liabilities are not considered deposit substitutes and are not subject to documentary stamp tax (“**DST**”).

FCDU transactions with non-residents of the Philippines, offshore banking units (“**OBUs**”), FCDUs of local banks and branches of foreign banks (*i.e.*, offshore income) are tax-exempt, while interest income from foreign currency loans granted to residents other than OBUs or other depository banks under the expanded system is subject to 10.0% final tax. All other income of FCDU is taxable at regular corporate income tax of 25%.

On 19 December 2017, the President of the Philippines signed into law the Package 1 of the Comprehensive Tax Reform Program (“**CTRP**”) or the Tax Reform for Acceleration and Inclusion or Republic Act No. 10963 (“**TRAIN Law**”) which took effect on 1 January 2018. The TRAIN Law amends certain provisions of the Tax Code. The relevant changes of the TRAIN Law are incorporated in the section titled “Philippine Taxation” beginning page 165 of this Offering Circular.

In early September 2018, the Philippine House of Representatives passed on second reading House Bill No. 8083, or the Tax Reform for Attracting Better and High-quality Opportunities bill, representing the second tranche of the current administration’s tax reform initiative.

On 14 February 2019, the President signed into law the Tax Amnesty Act of 2019 or Republic Act No. 11213 (“**Tax Amnesty Law**”), which was intended to complement the provisions of the TRAIN Law. However, following the President’s veto of the provisions granting general tax amnesty for all unpaid national internal revenue taxes for taxable year 2017 and prior years, the current Tax Amnesty Law only grants estate tax amnesty for estates of decedents who died on or before 31 December 2017 and whose estate taxes have remained unpaid or have accrued as of 31 December 2017 and tax amnesty on delinquencies covering all national internal revenue taxes for taxable year 2017 and prior years. Congress, by two-thirds vote of all Members of each House, voting separately, may pass the vetoed provisions over the President’s veto. In which case, the vetoed provisions will become law.

Meanwhile, the second package of the tax reform package, formerly known as CITIRA, and now referred to as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) bill, was passed by the Philippine House of Representatives on 13 September 2019 and was approved by the Ways and Means Committee of the Philippine Senate on 19 February 2020. On 24 February 2021, CREATE was transmitted to the Office of the President for his approval. On 9 March 2020, the bill was also certified as urgent by Philippine President Rodrigo Duterte.

On 26 March 2021, the President signed into law the CREATE Law, lowering the corporate income tax and rationalizing fiscal incentives granted to investors. Under the CREATE Law, the corporate income tax rate for domestic corporations considered as MSMEs under the CREATE Law, shall be taxed at 20%; the income tax rate for other domestic and resident foreign corporations was reduced to 25%; the income tax rate of nonresident foreign corporations was reduced to 25%; the MCIT rate was reduced to 1%, instead of 2%, until 30 June 2023; and the provisions for improperly accumulated earnings tax was repealed. For incentives, the total period of incentive alignment has been increased to 17 years, while other incentives will depend on the industries defined by the National Economic and Development Authority and ability to generate jobs.

In light of the COVID-19 pandemic, the Package 2 of the CTRP was recalibrated to address the needs of businesses, particularly those suffering financial difficulties, and to attract more investments in the Philippines. The recalibrated CITIRA Bill was renamed to the Corporate Recovery and Tax Incentives for Enterprises Act (“**CREATE Bill**”). Key amendments include (1) an immediate 5% reduction in the corporate income tax rate starting July 2020, (2) for non-large taxpayer with losses incurred in 2020, an extended application of the net operating loss carryover (“**NOLCO**”) for up to five years, from the current three year-NOLCO, (3) maintaining

the status quo for registered business activities enjoying the 5% gross income earned incentive. On March 26, 2021, former President Rodrigo Duterte signed the CREATE Bill into law (now referred to as “**CREATE**”).

Package 4 of the CTRP, or the PIFITA Bill, is a proposed tax reform measure currently transmitted by the House of Representatives to and pending before the Senate. The proposal aims to: (1) reduce the number of final withholding tax rates on interest income, (2) unify tax rates on passive income, at 15.0% for interest income, dividends, and capital gains, (3) harmonize business taxes on financial intermediaries, (4) remove the tax on Initial Public Offerings which is deemed detrimental to the capital market development, and (5) rationalize DST to promote capital mobility by gradually decreasing the stock transaction tax from 0.6% in 2020 to 0.0% by the year 2026 and a temporary imposition of a 0.1% transaction tax on listed and traded debt instruments at the Philippine Dealing Exchange (PDEx), which will also be removed by 2026. Further, documents which are non-monetary in nature will also be exempted from DST. The measure also proposes the adoption of a single gross receipt tax (“**GRT**”) rate of 5% imposed on banks, quasi-banks, and certain non-bank financial intermediaries. The distinction between lending and non-lending income, as well as the maturity of the instrument, will be removed. On 9 September 2019, the House of Representatives approved on third and final reading its version of the PIFITA Bill or House Bill No. 304. As of date, the PIFITA Bill is currently pending with the Senate Ways and Means Committee and is undergoing committee hearings.

The other tax reform packages that the government hopes to implement include tax amnesty (estate, general), as well as “sin” (e.g., alcohol, gaming), property, passive income and financial intermediaries, and luxury taxes. The fourth package under the CTRP relating to passive income and financial intermediaries proposes to impose (i) a single final withholding tax rate of 15% on interest income regardless of currency, maturity, issuer and other differentiating factors, (ii) a single rate of 15% on interest income, dividends and capital gains, (iii) a single gross receipt tax of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), regardless of the maturity of the instrument, except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (v) gradually reduce the stock transaction tax until it reaches zero by 2026 and removal of the transaction tax on listed and traded debt instruments by 2026, and exemption of non-monetary documents from DST.

During the first State of the Nation Address of President Marcos, Jr., he mentioned House Bill No. 304 or the Passive Income and Financial Intermediary Taxation Act or PIFITA Bill as one of his administration’s priority bills. PIFITA Bill seeks to reform the taxation of capital income and financial services by redesigning the financial sector taxation into simpler, fairer, more efficient, and a revenue neutral tax system. It also represents to adopt a regionally competitive tax system. The bill proposes to reduce the cost of raising capital and debt by reducing the number of tax bases and rates applicable to passive income and financial intermediaries. In sum, the bill aims for the following reforms: (i) reduction in the number of final withholding tax rates; (ii) unification of tax rates on passive income; (iii) harmonization of business taxes on financial intermediaries; (iv) removal of initial public offering (IPO) tax; and (v) rationalization of DST.

As it stands, the PIFITA Bill is still going through committee hearings before the Senate as it has already been passed and approved on third reading before the House of Representatives. There are also numerous bills on the PIFITA currently pending within the Senate (ongoing committee hearings).

Revised Corporation Code

Republic Act No. 11232 or the Revised Corporation Code (“**Code**”) was signed into law on 20 February 2019 and became effective on 23 February 2019. Among the salient features of the Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Securities and Exchange Commission (“**Commission**”) that it elects to retain its specific corporate term under its current Articles of Incorporation.
- A corporation vested with public interest must submit to its shareholders and to the Commission an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director or trustee.

- Banks, quasi-banks, pawnshops, non-stock savings and loan associations (“NSSLA”), and corporations engaged in money service business, preneed trust and insurance companies, and other financial intermediaries, must have at least 20% independent directors in the Board, in accordance with the Securities and Regulation Code. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Commission.
- The Code allows the creation of a “One Person Corporation”. However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others, from being incorporated as a One Person Corporation.
- Material contracts between a corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
- The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.
- As to amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such by-laws or amendments are in accordance with law, must be submitted.
- A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Commission approves any merger or consolidation, or any voluntary dissolution.
- In case of transfer of shares of listed corporations, the Commission may require these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring, creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

Other Regulations

Set out below are other regulations applicable to banks operating in the Philippines:

Implementation of Basel III Framework on Liquidity Standards. On 10 March 2016, the BSP issued BSP Circular No. 905, which provided guidelines for the implementation of Basel III framework on Liquidity Standards as it relates to LCR and Disclosure Standards. The Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Beginning on 1 January 2018, the LCR threshold that banks will be required to meet will be 90.0%, which will be increased to 100.0% commencing on 1 January 2019. On 3 November 2017, the BSP issued BSP Circular No. 981, which amended the guidelines on liquidity risk management. The banks have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that banks complete a gap analysis of the requirements in BSP Circular No. 981 vis-à-vis their existing risk management systems by 31

March 2018, the result of such gap analysis shall be documented and made available for review of the BSP. On 8 February 2018, the BSP issued BSP Circular No. 996, which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi-banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases. On 15 March 2019, the BSP issued Circular No. 1035, which extended the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks and adopted a 70% LCR floor for subsidiary banks and quasi-banks during the observation period.

Implementation of Basel III Framework for Dealing with Domestic Systemically Important Banks (DSIBs). On 29 October 2014, the BSP issued BSP Circular No. 856, which provided the guidelines for implementing the Framework for dealing with D-SIBs under Basel III. Banks deemed as D-SIBs by the BSP will be imposed with capital surcharge to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. Under BSP Circular No. 1051, issued on 27 September 2019, to determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1% to 2.5%. Aside from the added capital pressure, D-SIBs may be put at an undue disadvantage compared to Global Systemically Important Banks ("G-SIBs") given that this framework was patterned for regional/global banks and which may not thus be appropriate for local banks. The phased-in compliance started on 1 January 2017 and will become fully effective on 1 January 2019. On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' ICAAP submitted to the BSP every March 31st of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the D-SIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document, which includes the first recovery plan, was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year.

Regulations Governing the Derivatives Activities of Banks. In line with the policy of the BSP to support the development of the Philippine financial market by providing banks and their clients with expanded opportunities for financial risk management and investment diversification through the prudent use of derivatives, BSP Circular No. 594 was issued by the BSP in January 2008 amending the existing regulations governing the derivatives activities of banks and trust entities. Furthermore, BSP Circular No. 688 issued by the BSP in May 2010 prescribes guidelines on the determination of the credit risk-weighted assets for banks that will engage in derivatives activities as end-users for hedging purposes and/or under limited-use authority. The BSP also issued BSP Circular No. 891 on 9 November 2015 amending the sales and marketing guidelines for derivatives under the Manual. Banks must ensure that the financial products (e.g., debt and equity securities, hybrid securities, derivatives, securitization structures and similar products with substantial investment characteristics) it recommends to a client are appropriate for that client through a client suitability process which involves obtaining client information, classifying a client according to financial sophistication and risk tolerance, and conducting a suitability review. Any informational or promotional presentation must be undertaken only by personnel who are knowledgeable on the products involved and are qualified based on qualification standards established by the bank. Any disclosures regarding its products and services must meet the bank's standards to ensure that its clients understand the nature of the financial transaction. The BSP may bring about timely corrective actions and impose sanctions on the bank and responsible persons, which may include warning, reprimand, suspension, removal, and disqualification of concerned directors, officers, and employees. In February 2017, BSP issued Memorandum No. M-2017-004 advising all banks and quasi-banks that cross-border derivative transactions involving non-centrally cleared derivatives shall be subject to margin requirements pursuant to the policy framework adopted by the BCBS and the International Organization of Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in time of stress. Variation margin requirements were phased in from 1 September 2016 to 1 March 2017 while initial margin requirements are being phased in from 1 September 2016 to 1 September 2020. As an initial step, banks and quasi-banks should make a determination of the transactions that will be subject to margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the pertinent

legal and operational arrangements. The Bank expects increased competition in the swaps and other derivative transactions allowed under the regulations. The Bank has already obtained its limited dealer authority for Foreign Exchange Forwards (including non-deliverables), Foreign Exchange Swaps, Interest Rate Swaps, Cross Currency Swaps, Forward Rate Agreements, as well as for European Foreign Exchange, Interest Rate, Bond and Swap Options.

Guidelines on Voluntary Surrender of a Banking License. BSP Circular No. 1050 dated 18 September 2019 amended the rules on voluntary liquidation in the Manual by formulating guidelines in the event that a bank decides to surrender its banking license either with a view to proceed to voluntary dissolution and liquidation or with the intention to convert into a non-bank entity. The circular lays down the criteria that the BSP must consider in deciding whether to approve the surrender of a bank's banking license. The circular also outlines the application procedure for the cessation of a bank's operations and the documents that the bank must submit to the BSP in support of its application. Once the bank has received notice of the BSP's approval of its voluntary surrender of its banking license, the bank shall immediately cease its operations.

Amendments to unit investment trust fund (UITF) Regulations. In September 2004, the BSP issued BSP Circular No. 447 (as amended by BSP Circular No. 675 (2009), BSP Circular No. 676 (2009), Memorandum No. M-2010-033 (2010), BSP Circular No. 767 (2012), BSP Circular No. 852 (2014), BSP Circular No. 876 (2015) and BSP Circular No. 907 (2016)), which provided guidelines for the launching and offering of new products to be known as UITFs, and was intended to completely phase out common trust funds or convert them into UITFs within two years from the date of the circular. UITFs are open-ended pooled trust funds denominated in any acceptable currency that are to be operated and administered by trust entities. Eligible assets of UITFs include bank deposits, securities issued by or guaranteed by the Government or the BSP, tradable securities issued by the government of a foreign country, exchange listed securities, marketable instruments that are traded in an organized exchange, loans traded in an organized market, loans arising from repo agreements which are transacted through an exchange recognized by the Philippine SEC and such other tradable investments outlets/categories as the BSP may allow. These assets are subject to mark-to-market valuation on a daily basis. The stated objective of the BSP is to align the operation of pooled funds with international best practices and enhance the credibility of pooled funds to investors. In January 2008, the BSP issued BSP Circular No. 593 to improve risk disclosure on investing in UITFs, by requiring banks to conduct a client suitability assessment to profile the risk-return orientation and suitability of the client to the specific type of UITF that he wants to participate in, and to update the client's profile at least every three years. The Bank has joined with the BSP in this endeavour to guide clients in choosing investment outlets that are best suited to their objectives, risk tolerance, preferences and experience. In December 2009, the BSP issued BSP Circular No. 676 allowing cross-currency investment for Peso trust, other fiduciary and investment management accounts, including Peso UITFs. In September 2012, the BSP issued BSP Circular No. 767 to include investments by UITFs in units/ shares in collective investment schemes as an allowable investment and recognizing UITF structures such as feeder funds and fund-of-funds. On 21 October 2014, the BSP issued Circular 852, amending the UITF Regulations. Through this circular, the BSP strengthened the disclosure requirements for UITFs by prescribing the use of the Key Information and Investment Disclosure Statement and online posting of UITF information via a website. On 10 March 2016, the BSP issued BSP Circular No. 907 to amend certain exposure limits, and allowable investment and valuation on UITFs invested in feeder fund and fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (e.g., target fund, exchange-traded funds), subject to such target fund not being structured or similarly structured as a feeder fund or a fund-of-funds. On 14 March 2018, BSP issued BSP Circular No. 999 which further amended the allowable investment and valuation of UITFs invested in feeder fund or fund-of-funds. Under the circular, offshore/global funds which use financial derivatives for efficient portfolio management (EPM) may be allowed as target fund, provided that financial derivatives are not extensively or primarily used as an investment strategy of the target fund and that the risk level of the target fund remain consistent with the objective and risk profile of the investor fund. Alternatively, the target fund shall comply with the relevant regulatory requirements of its home jurisdiction as regards the use of financial derivatives for EPM. On 5 September 2022, the BSP issued BSP Circular No. 1152, further amending the UITF Regulations. Under said circular, the BSP provided the requirements and procedure for the creation of a UITF which may require either prior approval from, or notification with, the BSP, as well as the procedure for any subsequent amendment of key features of a fund. Further, the BSP also amended, among others, the operating and accounting methodology of a UITF, the manner by which the fund is operated, depending on the fund classification, and the minimum disclosure requirements to be contained in the KIIDS, the Participating Trust Agreement, and other marketing materials pertaining to a UITF.

Limit on Real Estate Loans of Universal Banks. In February 2008, the BSP issued BSP Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans and

amending the inclusions and exclusions to be observed in the computation. On 10 October 2017, the BSP issued BSP Circular No. 976, which approved amendments to the expanded report on the real estate exposure of banks and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20.0% limit on real estate loans. On 20 August 2020, the BSP issued Circular No. 1093, expanding the real estate loan limit for UKBs from 20% to 25%.

Exemption of Paired ROP Warrants from Capital Charge for Market Risk. In connection with the Government's Paired Warrants Program, the BSP issued BSP Circular No. 605 in March 2008 exempting warrants paired with ROP Global Bonds from capital charge for market risk to the extent of a bank's holdings of bonds paired with warrants equivalent to not more than 50.0% of total qualifying capital. The Bank holds such investments which give it additional flexibility for capital deployment.

Guidelines on Securities Borrowing and Lending Transactions. Guidelines by the PSE on SBL govern SBL transactions between local/foreign borrowers and local/foreign lenders. BSP Circular No. 611, series of 2008, provides guidelines on SBL transactions in the PSE involving borrowings by foreign entities of PSE-listed shares from local investors/lenders. In May 2008, the BSP Monetary Board authorized the issuance of BSP Registration Documents to cover the PSE-listed shares of stock borrowed by foreign entities from local investors and lenders. This will allow foreign borrowers to purchase foreign exchange from the banking system for remittance abroad using the Peso sales proceeds of the borrowed shares including the related income from the SBL transaction, such as rebates or shares in the income earned on the reinvestment of the cash collateral, interest and dividends earned on the Peso denominated government securities and PSE-listed shares used as collateral.

Reclassification of Financial Assets between Categories. The BSP issued BSP Circular No. 628 dated 31 October 2008, amending BSP Circular No. 626 dated 23 October 2008 and the Resolution of the Monetary Board No. 1423 dated 30 October 2008, which approved the guidelines governing the reclassification of financial assets between categories. Financial Institutions shall be allowed to reclassify all or a portion of their financial assets from "held for trading" or "available for sale" categories to the "available for sale" or "held to maturity" or "unquoted debt securities classified as loans" categories effective 1 July 2008. Any reclassification made in periods beginning on or after 15 November 2008 shall take effect from the date when the reclassification is made. On 10 January 2011, the BSP issued BSP Circular No. 708 which provide the guidelines governing the implementation of PFRS 9 (Financial Instruments). Under this circular, a financial institution shall only be allowed to reclassify financial assets when, and only when, a financial institution changes its business model for managing financial assets, which is expected to be very infrequent and must be determined as a result of external and internal changes that are significant to the financial institution's operations and demonstrable to external parties. Further, such change in business model must be approved by the board and is documented. Reclassifications other than due to change in business model are not permitted.

The BSP issued BSP Memorandum No. M-2020-022 dated 8 April 2020 which approved the guidelines governing the reclassification of debt securities that are measured at fair value to the amortized cost category as part of the relief measures extended by the BSP in light of the COVID-19 pandemic. A BSFI is allowed to reclassify its investments in debt securities that are booked under a fair value category to the amortized cost category, except for debt securities that are part of assets under management of a trust entity. The reclassification of debt securities shall be done all at the same time, and only from 1 March 2020 to 30 September 2020. BSFIs may retrospectively reclassify debt securities measured at fair value until 30 April 2020, and may value date the reclassification as of any day from 1 March 2020 to 30 April 2020. Reclassifications made after 30 April 2020 shall take effect only from the date such reclassification is made. BSFIs shall not restate any recognized gains, losses (including impairment gains or losses) or interest prior to the effective date of reclassification. Adoption of the foregoing alternative accounting treatment in the audited financial statements of a BSFI will warrant a qualified opinion from the external auditor, if deemed to have a material effect on the financial statements.

Rules and Regulations on the Mandatory Allocation for Agriculture and Agrarian Reform Credit. In July 2011, the BSP issued BSP Circular No. 736 as a component of the Implementing Rules and Regulations of the Republic Act No. 10000 or the Agri-Agra Reform Credit Act. Aside from retaining the mandatory credit allocation, it also rationalizes the modes of compliance. In addition to direct compliance through loans to qualified borrowers, a list of alternative compliance mechanisms is also provided. On 18 July 2018, the BSP issued BSP Circular No. 1009, series of 2018 further amending the Rules and Regulations on the Mandatory Credit Allocation for Agriculture and Agrarian Reform Credit. However, on 28 July 2022, Republic Act No 11901 or the Agricultural, Fisheries, and Rural Development Financing Enhancement Act of 2022 ("Agri-Agra Law") lapsed into law. The Agri-Agra Law formally repealed Republic Act No. 10000. According to the Agri-Agra Law, financing institutions must offer loans and investments "to finance activities that shall enhance productivity and increase income of an

agricultural and fisheries household, thereby promoting agricultural sector productivity and competitiveness, as well as sustainable development of rural communities.” The law mandates banking institutions to design and offer financial products and services that suit their agricultural clients’ specific requirements. Specifically, all banking institutions, regardless of whether they are government-owned or private, with the exception of newly established banks, shall allocate a credit quota or a minimum mandatory agricultural and fisheries financing requirement (at least 25% of their total loanable funds).

Valuations of Government Securities Held by Banks. In October 2013, the BSP amended the rules on valuations of government securities held by banks to reflect actual market rates, with the guideline applying to both benchmark and non-benchmark securities. Under BSP Circular No. 813, the weighted average of done or executed deals shall be used as the basis for valuation. In the absence of weighted average done deals for benchmark bonds, the simple average bids shall be used. In the absence of both weighted done deals and simple average bids for non-benchmark securities, interpolated yields derived from reference rates in accordance with BSP approved guidelines shall be used.

Segregation of Customer Funds and Securities Received by Banks. On 14 August 2015, the BSP issued BSP Circular No. 885 requiring the segregation of customer funds and securities received by banks in the performance of their securities brokering functions. Banks are required to institute adequate risk management systems and controls to ensure protection of customer funds and securities, proper segregation of functions, and prevention of conflict of interest situations that may arise in the conduct of securities brokering activities within the bank. Banks must also make and keep current books and records relating to customer funds and securities and submit monthly reportorial requirements.

Creation of Personal Management Trust. On 18 August 2016, the BSP issued BSP Circular No. 920 allowing for the creation of the personal management trust (“**PMT**”), which is a living trust arrangement that seeks to meet the estate planning and asset management needs of individuals. The trustor may or may not nominate a third-party beneficiary. It is supposed to serve as a more flexible tool in the management of an individual’s financial affairs. Upon the effectivity of the circular, all living trust accounts (“**LTAs**”) were discontinued and all those that remained valid were automatically considered as PMT.

Clearing of Checks via Electronic Presentment. On 7 September 2016, the BSP issued BSP Circular No. 924, amending the MORB in view of the clearing of checks via electronic presentment, which shall be implemented by the PCHC. On 20 January 2017, the BSP began the electronic clearing of checks. Under this new system, only digital images of the checks and their electronic payment information shall be required to be transmitted to the paying bank. The clearing time was reduced to just one banking day, as against three banking days previously, since no physical delivery of checks will be needed.

Effective Reporting System Generation and Timely Submission of Reports. On 26 June 2017, the BSP amended the MORB through BSP Circular No. 963, series of 2017, which issuance instituted governance processes in accordance with the BSP’s expectation that banks establish an effective reporting system generation and timely submission of reports. Said reports must be comply with those standards prescribed by the BSP, and those banks that fail to do so (i.e., files an erroneous report, delayed report, or did not submit at all) are meted with certain sanctions that can be aggravated by habitual violations. It further provided that banks had until 31 December 2017 to make the necessary preparations to their systems and processes in order to comply with the new provision. Its full implementation started on 1 January 2018.

Adoption of National Retail Payment System (NRPS) Framework. On 6 November 2017, in line with BSP’s adoption of the NRPS framework consistent with its regulations on risk management, the BSP issued Circular No. 980, which requires BSFIs to ensure that the retail payment systems they participate in demonstrate sound risk management and effective and efficient interoperability. The NRPS framework covers all retail payment-related activities, mechanisms, institutions and users. Under this framework, sound governance shall be performed by a payment system management body (“**PSMB**”), which is duly recognized and overseen by BSP. In the absence of a PSMB, the functions of providing sound governance to the retail payment system participated in by BSFIs shall be discharged by BSP.

Guidelines on Liquidity Risk Management. On 3 November 2017, the BSP issued Circular No. 981, amending the guidelines on liquidity risk management and the related amendments to the MORB. Among the highlights of the said changes were the additional guidelines relative to Foreign Currency Management, Intraday Liquidity Management, Intragroup Liquidity Management, Collateral Management, Liquidity Stress Testing, Contingency Funding Plans, Factors to Consider in Developing a Funding Strategy, and Factors to Consider in Developing

Cash Flow Projections. Banks shall have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that they complete a gap analysis of the requirements of the said BSP Circular vis-a-vis their existing risk management systems by 31 March 2018. On 1 January 2018, the LCR threshold that banks are required to meet is 90%, which will be increased to 100% commencing on 1 January 2019. On 6 June 2018, the BSP issued BSP Circular No. 1007 providing the guidelines on the adoption of the Basel III Liquidity Framework on Liquidity Standards – Net Stable Funding Ratio. The guidelines require that covered entities maintain an NSFR of at least 100% at all times. The framework applies to all universal and commercial banks, their subsidiary banks, and quasi-banks.

Enhanced Guidelines in Information Security Management. On 9 November 2017, BSP issued Circular No. 982, providing enhanced guidelines on information security risk management of BSFIs in view of the rapidly evolving technology and cyber-threat landscape in which they operate. The amendments highlight the role of the BSFIs' board and senior management in spearheading sound information security governance and strong security culture within their respective networks. Likewise, BSFIs are mandated to manage information security risks and exposures within acceptable levels through a dynamic interplay of people, policies, processes, and technologies following a continuing cycle (i.e. identify, prevent, detect, respond, recover and test phases). The new guidelines also recognize that BSFIs are at varying levels of cyber-maturity and cyber-risk exposures which may render certain requirements restrictive and costly vis-à-vis expected benefits. Thus, the IT profile classification has been expanded from two to three, namely: "Complex," "Moderate" and "Simple" to provide greater flexibility in complying with the requirements

Guidelines on the Conduct of Stress Testing Exercises. On 4 January 2018, BSP issued Circular No. 989, which defined minimum prudential requirements on stress testing and supplement the relevant provisions on stress testing provided under the risk management guidelines that were earlier issued by BSP. It provides that a board of directors should consider the results of stress testing exercises in capital and liquidity planning, in setting risk appetite, and in planning for business continuity management, and, in the case of DSIBs, in developing recovery plans. These expectations are consistent with the earlier issued guidelines on corporate governance under Circular No. 969.

Amendments to the Basic Security Deposit Requirements. On 1 March 2018, the BSP issued Circular No. 998, clarifying the guidelines on the basic security deposit requirements. The circular provides that, as security for the faithful performance of its trust and other fiduciary duties, the basic security deposit shall be at least one percent (1%) of the book value of the total trust, other fiduciary and investment management assets, and at no time shall be less than P500,000.00; further, as security for the faithful performance of its investment management activities, the basic security deposit shall be at least one percent of the book value of the total investment management assets, and at no time less than P500,000.00. The Circular also prescribes the methodology in determining compliance with the basic security deposit for the faithful performance of trust and other fiduciary business and investment management activities, and amends the compliance period to require banks, that are authorized to engage in trust and other fiduciary business and investment management activities, to comply with the basic security deposit requirement on a quarterly basis, as well as, at the time of withdrawal, replacement or redemption of the government securities deposited with the BSP within the quarter period. On 15 February 2019, the BSP issued Circular No. 1032, which provides for amendments on the administration of compliance with the basic security deposit requirements.

Reserves against trust and other fiduciary accounts (TOFA). BSP Circular No. 1025 dated 13 December 2018 provides that in addition to the basic security deposit, banks authorised to engage in trust and other fiduciary business shall maintain reserves on TOFA-Others, except accounts held under (1) administratorship; (2) trust under indenture; (3) custodianship and safekeeping; (4) depository and reorganisation; (5) employee benefit plans under trust; (6) escrow; (7) personal trust (testamentary trust); (8) executorship; (9) guardianship; (10) life insurance trust; (11) pre-need plans (institutional/individual); (12) Personal Equity And Retirement Account (PERA); (13) legislated and quasi-judicial trust; and (14) specialised institutional accounts under trust.

Guidelines on the Management of Interest Rate Risk in the Banking Book (IRRBB) and Market Risk Management. BSP Circular No. 1044 dated 6 August 2019 approved the adoption of guidelines for managing IRRBB and amendments to the guidelines on market risk management. Under the circular, all banks and quasi-banks must adequately identify their IRRBB exposures, take appropriate steps to measure, monitor and control the risk, and ensure that the IRRBB management system is integrated into the overall risk management framework and strategic business planning process. The circular also requires active board and senior management oversight. The BSP will evaluate the adequacy and effectiveness of the IRRBB management framework, taking into account the size, complexity and nature of a bank or quasi-bank's business.

BSP Circular 1067 dated 13 December 2019 approved the minimum disclosure requirements on IRRBB and required the following disclosures in the bank's annual reports:

- (a) A description of how the bank defines IRRBB for purposes of risk control and measurement;
- (b) A description of the bank's overall IRRBB management and mitigation strategies;
- (c) The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB;
- (d) A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value and/or in earnings;
- (e) A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment; and
- (f) A high-level description of key modelling and parametric assumptions used in IRRBB measurement.

Guidelines on the Adoption of PFRS 9. On 14 August 2018, the BSP issued BSP Circular No. 1011, which provides guidelines on the adoption of PFRS 9. The Circular provides that where there are differences between the BSP regulation and PFRS 9, as when more than one option is allowed or certain limits are prescribed, then the option or limit prescribed by the BSP should be adopted. The circular further provides that with respect to the preparation of prudential reports, banks should adopt in all respect the PFRS, except in the following cases:

(1) in preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries shall be consolidated with the financial statements of the parent bank on a line-by-line basis, while insurance and non-financial allied subsidiaries shall be accounted for using the equity method. Investments in financial/non-financial allied/non-allied associates and joint ventures shall be accounted for using the equity method in accordance with the provisions of PAS 28.

In preparing solo/separate financial statements, investments in financial/nonfinancial allied/non-allied subsidiaries/associates, including insurance subsidiaries/associates, shall be accounted for using the equity method as described in PAS 28.

(2) banks shall recognize adequate and timely allowance for credit losses at all times. In this respect, banks shall adopt the principles provided under the enhanced standards on credit risk management in measuring credit losses in the BSP Manual.

Currency Rate Risk Protection program (CRPP Facility) and the Implementing Guidelines. On 24 September 2018, and 5 October 2018, the BSP issued Circular No. 1014 and 1015, respectively, revising the guidelines on the CRPP Facility. The CRPP Facility is a non-deliverable USD/PHP forward contract between BSP and a universal/commercial bank in response to the request of bank clients desiring to hedge their eligible foreign currency obligations. Transactions under the CRPP facility are considered part of banks' Generally Authorized Derivatives Activities. Under the CRPP Facility, only the net difference between the contracted forward rate and the prevailing spot rate shall be settled in pesos at maturity of the contract. Should the eligible obligation be denominated in a foreign currency other than the USD, the CRPP contract shall be denominated in USD equivalent using the exchange rate indicated in the BSP Reference Exchange Rate Bulletin on deal date. The BSP shall have supervisory enforcement actions or right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the guidelines. Any violation of the guidelines, including willful delay in the submission, non-submission and/or willful making of a false or misleading statement in the notarized certification required to be submitted therein to the BSP Sections shall constitute grounds for the imposition on the bank of penalties.

Marking to market of financial instruments. BSP Circular No. 1021 dated 15 November 2018 provides that financial instruments that are required to be classified and measured at fair value, within the scope of PFRS 9 required to be marked-to-market in accordance with the provisions of PFRS 13 on Fair Value Measurement and the related rules and regulations issued by the Securities and Exchange Commission.

Regulatory treatment of restructured loans for purposes of measuring expected credit losses. On 21 October 2021, BSP issued memorandum no. M-2021-056, providing guidelines on the regulatory treatment of restructured loans for purposes of measuring expected credit losses (ECL), effective until 31 December 2022. The classification of

loans whose terms are modified due to the COVID-19 pandemic under Stage 1, 2, or 3, for purposes of determining ECL shall be based on the assessment of the extent of financial difficulty of the borrowers and their ability to fully pay the loan based on the revised terms. Loans that have been restructured to support borrowers that are experiencing financial difficulties due to the COVID-19 pandemic should not automatically be considered as credit-impaired that will warrant the classification of the accounts as non-performing.

Sustainability Finance Framework. On 29 April 2020, the BSP added Section 153 to the MORB through Circular No. 1085. This implements a Sustainable Finance Framework applicable to all banks, expecting them to integrate sustainability principles in environmental and social risk areas.

Ceiling on Interest or Finance Charges for Credit Card Receivables. On 24 September 2020, the BSP issued Circular No. 1098 which provides for a ceiling on annual interest rates of 24%, except credit card instalment loans which shall be subject to a monthly add-on rate not exceeding 1%. For credit card cash advances, aside from the foregoing applicable maximum interest rate caps, no other charge or fee shall be imposed or collected apart from the processing fee in the maximum amount of ₱200 per transaction. Further, the rate of interest and other charges on any loan or forbearance of any money, goods or credits regardless of maturity and whether secured or unsecured shall not be subject to any regulatory ceiling, except for the interest or finance charges imposed on credit card receivables, including cash advances and instalment purchases and the maximum processing fee for credit card cash advances.

Amendments to the Regulations on Investment Management Activities. The BSP issued Circular No. 1109 Series of 2021, which reduced the minimum size of an account under investment management. It further allows the commingling of funds subject to certain conditions and expanded the securities eligible under as investment outlet for commingled funds. Previously, the minimum size of an investment management account was ₱1.0 million. Under the Circular, BSP -Supervised Financial Institutions (BSFIs) may determine the minimum amount that should be maintained by a client in an investment management account (IMA), which shall be at least ₱100,000.00. Moreover, prior to this Circular, commingling of IMAs was not allowed except for the purpose of investing in government securities or in duly registered commercial papers. Under the Circular, funds from IMAs may be commingled subject to the following conditions:

- a. The investment of each of the IMAs in the commingled fund shall at least be ₱100,000.00;
- b. The commingled funds shall only be invested in (i) securities directly issued by the Philippine National Government, (ii) exchange-traded equities and fixed income securities and commercial papers registered with the SEC, (iii) securities issued by banks incorporated in the Philippines, except those issued through the trust units, or (iv) securities issued by other sovereigns that are exempt from registration under Section 9(b) of the Securities Regulation Code;
- c. The commingling of funds and the manner of termination of the same shall be specifically agreed in writing by the clients. The investment manager should ensure that the agreement to commingle funds with other IMAs is legally binding and enforceable. Furthermore, the risks associated with commingling of funds, such as market liquidity risk, shall be fully disclosed to the clients;
- d. The investment manager shall determine that it possesses the operational capability to manage the accounts participating in commingled funds. In doing so, the investment manager shall undertake an assessment taking the following into consideration: (i) sufficiency of personnel handling commingled IMAs; (ii) capability of existing systems to accurately and readily identify the allocation of each investor in a commingled fund and generate the following information on a per IMA basis, at a minimum: accruals, coupons received, dividends received, market-to-market gains or losses and required reports; and (iii) ability to conduct periodic reconciliation of relevant records; and
- e. The maximum number of IMAs that can be commingled into one fund shall be determined by the investment manager based on its own operational capability to commingle IMAs.

Amendments to the Rules on Cross-Border Transfer of Local and Foreign Currencies. The BSP issued Circular No. 1146 Series of 2022 which allows a person to import or export, or bring into or take out of the Philippines, or electronically transfer legal tender Philippine notes and coins, checks, money order and other bills of exchange drawn in peso against banks operating in the Philippines in an amount not exceeding ₱50,000.00 without prior authorization by the BSP. In excess of such ₱50,000.00 limit, a prior written authorization from the BSP is required. In case of physical cross-border transfer of Philippine currency, there must be a declaration of the whole amount brought into or taken out of the Philippines. For foreign currency, a person who brings into or takes out

of the Philippines foreign currency or other foreign-currency denominated bearer monetary instruments in excess of \$10,000.00 or its equivalent must declare the whole amount brought into or taken out of the Philippines.

Implementation of Republic Act No. 11523 or the FIST Act. The BSP issued Circular No. 1117 Series of 2021 implementing the FIST Act. It provides for the guidelines governing the sale/transfer and investment transactions of banks, and other institutions licensed by the BSP to perform quasi-banking functions and credit-granting activities pursuant to the FIST Act. The Circular sets out the provisions that the BSFIs must comply with in the sale/transfer transactions of non-performing assets for purposes of availing the tax exemptions and incentives/privileges under the FIST Act.

Amendments to the Rules on Cross-Border Transfer of Local and Foreign Currencies. The BSP issued Circular No. 1146 Series of 2022 which allows a person to import or export, or bring into or take out of the Philippines, or electronically transfer legal tender Philippine notes and coins, checks, money order and other bills of exchange drawn in peso against banks operating in the Philippines in an amount not exceeding ₱50,000.00 without prior authorization by the BSP. In excess of such ₱50,000.00 limit, a prior written authorization from the BSP is required. In case of physical cross-border transfer of Philippine currency, there must be a declaration of the whole amount brought into or taken out of the Philippines. For foreign currency, a person who brings into or takes out of the Philippines foreign currency or other foreign-currency denominated bearer monetary instruments in excess of \$10,000.00 or its equivalent must declare the whole amount brought into or taken out of the Philippines.

Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables. On January 19, 2023, the BSP issued Circular No. 1165 which provides that banks may now impose an interest or finance charge which shall not exceed an annual interest rate of thirty-six percent (36%) on all credit card transactions. This issuance supersedes BSP issued Circular No. 1098 issued on 24 September 2020, imposing a twenty-four (24%) interest per year cap on all credit card transactions.

Conduct of Customer Due Diligence. On March 30, 2023, the BSP issued Circular No. 1170 which provides for amendments to existing rules on the conduct of customer due diligence by banks and non-banks. This includes “Know Your Customer” or e-KYC guidelines on the use of digital IDs and other minimum information or documents required for customer identification. BSP defines “e-KYC” as the use of electronic or digital methods in customer identification and verification process. In conducting customer due diligence, a risk-based approach shall be undertaken depending on the type of customer, business relationship, nature of the product, or transaction/activity.

PHILIPPINE TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Securities. The following is a general description of certain Philippine tax aspects of the Securities. It is based on the laws, regulations, and administrative rulings in force as of the date of this Offering Circular and is subject to any changes in law or regulation occurring after such date, which changes can be made on a retroactive basis. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the Securities. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Securities or of any person acquiring, selling or otherwise dealing with the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers should consult their tax advisors as to the laws of other applicable jurisdictions and the specific tax consequences of acquiring, holding, and disposing of the Securities , including the effect of any state or local taxes, under the tax laws applicable in the Philippines and each country of which they are residents.

As used in this section, the term “resident alien” refers to an individual whose residence is within the Philippines but who is not a citizen of the Philippines; a “non-resident alien” is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien doing business in the Philippines.” A “resident foreign corporation” is a foreign corporation engaged in trade or business within the Philippines. The term “foreign” when applied to a corporation means a corporation which is not domestic while the term “domestic” when applied to a corporation means a corporation created or organized in the Philippines or under its laws.

As used in this section, the term “resident alien” refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines while the term “non-resident alien” means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who stays in the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien doing business in the Philippines”; otherwise, such non-resident alien is considered a “non-resident alien not engaged in trade or business within the Philippines”. A “resident foreign corporation” is a foreign corporation engaged in trade or business in the Philippines and a “non-resident foreign corporation” is a foreign corporation that is not engaged in trade or business within the Philippines. The term “non-Philippine holders” refers to beneficial owners of the Securities who are (1) non-resident aliens not engaged in trade or business within the Philippines or (2) non-resident foreign corporations.

Philippine Taxation

The following is a general description of certain Philippine tax aspects of the Securities. It is based on the present provisions of the National Internal Revenue Code of 1997, as amended by Republic Act No. 10963 or the TRAIN Law and Republic Act No. 11534 or the CREATE Law (the “**Tax Code**”), the regulations promulgated thereunder and judicial and ruling authorities in force as of the date of this Offering Circular, all of which are subject to changes occurring after such date, which changes could be made on a retroactive basis.

The CREATE Law was signed into law by then President Duterte on 26 March 2021 and took effect on 11 April 2021 (with effective dates on specific provisions). The key provisions of CREATE Law include, but not limited to, reduction of regular corporate income tax rate from 30% to 25% (or 20% for corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00 excluding land on which the office, plant, and equipment are situated) effective 01 July 2020; reduction of minimum corporate income tax rate from 2% to 1% for 01 July 2020 until 30 June 2023, thereafter, the rate will revert to 2%; reduction of income tax (final tax) rate on payments to non-resident foreign corporations from 30% to 25% effective 01 January 2021; and repeal of improperly accumulated earnings tax (IAET).

Taxation of Interest Income

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. The tax treatment of interest generally depends on the type of instrument from which the interest arises and whether the class of taxpayer receiving the interest is a resident or a non-resident for Philippine tax purposes. Interest on debt instruments arising from borrowing from the public (which for this purpose means more than nineteen lenders), long-term deposits or investment certificates, currency bank deposits, trust funds and similar instruments is generally subject to a 20% final withholding tax if received by Philippine citizens, resident aliens, non-resident aliens engaged in trade or business within the Philippines, domestic corporations and resident foreign corporations (all of which may generally be considered as “residents” in respect of taxation of Philippine-sourced income). Interest on debt instruments not covered by the foregoing instruments received by the same categories of residents will form part of their taxable income and will be subject to ordinary income tax rates (at graduated rates from 0% – 35% for individuals; 25% regular corporate income tax; 20% corporate income tax for domestic corporations with net taxable income not exceeding ₱5 million and total assets (excluding land on which the corporation’s office, plant, and equipment are situated) not exceeding ₱100 million; or, beginning 1 July 2020 and until 30 June 2023, an MCIT equivalent to 1%, provided that after 30 June 2023, the rate of the MCIT shall be 2% of the gross income as of the end of the taxable year, as the case may be, for domestic and resident foreign corporations), subject to the withholding by the issuer of an amount equivalent to 15% of such interest, which shall be creditable against the income tax liability of the resident for the relevant taxable year.

Interest on debt instruments received by non-residents will generally be subject to final withholding tax at the rate of (i) 25%, if the holder is a non-resident alien not engaged in trade or business within the Philippines, or (ii) 20%, if the holder is a non-resident foreign corporation on the assumption that the debt instrument is a “foreign loan” granted by such non-resident foreign corporation. “Foreign loans/borrowings” arise when a non-resident creditor lends funds (regardless of currency denomination) directly to a resident debtor, and are evidenced by documents that are not negotiable.

The tax withheld constitutes a final settlement of Philippine tax liability in respect of such interest income earned by the non-resident individual not engaged in trade or business within the Philippines or by the non-resident foreign corporation. The tax rates for non-residents are subject to the applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident noteholder.

The interest income received by individuals and corporations is subject to the tax arbitrage rule wherein the allowable deduction of interest expenses is reduced by 20% of the interest income subjected to final tax. The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

The Bank, as required by the Tax Code, will withhold and make payment of the applicable withholding tax described above.

Early Redemption Option

Under the Terms and Conditions, if any payment of principal or interest due under the Securities 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 on or 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 Securities on any Interest Payment Date before Maturity Date at the Early Redemption Amount.

We suggest that the investor seek its own tax advisors to determine its tax liabilities or exposures given that the Bank does not have gross-up obligations in case of changes in any applicable law, rule or regulation or in the terms and/or interpretation or administration thereof or a new applicable law should be enacted, issued or promulgated, which shall subject payments by the Bank to additional or increased taxes, other than the taxes and rates of such taxes prevailing as of the Issue Date.

Tax-Exempt Status

For claims of tax exemption, BIR Revenue Memorandum Circular No. 8-2014 mandates the Bank, as a withholding agent, to require from individuals and entities claiming tax exemption a copy of a valid, current, and subsisting tax exemption certificate or ruling before payment of the related income. The tax exemption certificate or ruling must explicitly recognize the tax exemption, as well as the corresponding exemption from withholding tax. Failure on the part of the taxpayer to present the said tax exemption certificate of ruling shall subject him to the payment of the appropriate withholding taxes due on the transaction.

The Holder must also submit such other documentary requirements as may be reasonably required under the relevant Pricing Supplement, the RPAA or by the Registrar, the Bank and the Selling Agents as proof of the Eligible Holder's tax-exempt status or as may be required under the applicable regulations of the relevant taxing or other authorities.

If the Bank withheld taxes, or withheld the regular rate of tax imposed pursuant to the Tax Code on interest, the concerned Holder may file a claim for a refund from the BIR on the basis of a tax exemption or applicable tax treaty.

Value-Added Tax

Gross receipts arising from the sale of the Securities in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less acquisition cost of the Securities sold. On the other hand, the term "dealer in securities" means a merchant of stock or securities, whether an individual, partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Securities by banks and non-bank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

If the PIFITA Bill is passed into law, a single gross receipt tax rate of 5% will be imposed on banks, quasi-banks, and certain non-bank financial intermediaries. The distinction between lending and non-lending income, as well as the maturity of the instrument, will be removed.

Documentary Stamp Taxes

DST is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Securities, at the rate of ₱1.50 for every ₱200.00, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The DST is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Bank for its own account.

Taxation on Gains upon the Sale or Other Disposition of the Securities

Income Tax

Any gain realized from the sale, exchange or retirement of Securities will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to ordinary income tax rates.

If the Holder is a Philippine citizen, resident alien, or non-resident alien engaged in trade or business in the Philippines, and considers the Securities as ordinary assets, gains shall be taxed based on the following graduated tax schedule:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	22,500 plus 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	102,500 plus 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	402,500 plus 30% of the excess over ₱2,000,000
Over ₱8,000,000	2,202,500 plus 35% of the excess over ₱8,000,000

Gains on sale of the Securities held by domestic or resident foreign corporations shall be subject to a 30% income tax.

If the Securities are sold by a seller, who is an individual and who is not a dealer in securities, who has held the Securities for a period of more than twelve (12) months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income.

Any gains realized by non-residents on the sale of the Securities may be exempt from Philippine income tax under an applicable tax treaty subject to such other documentary requirements as may be reasonably required under the rules and regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Securities shall be subject to an estate tax which is levied on the net estate of the deceased at a uniform rate of 6%. A Holder shall be subject to donor's tax based on the transfer of the Securities by gift at a uniform rate of 6% on the basis of the total gifts in excess of ₱250,000.00 made during a calendar year for both individuals and corporate holders, whether the donor is a stranger or not.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, in respect of the Securities, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Securities are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Securities exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes. However, a sale, exchange, or other transfer made in the ordinary course of business (a transaction which is bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Documentary Stamp Tax

No DST is imposed on the subsequent sale or disposition of the Securities, trading of the Securities in a secondary market or through an exchange. However, if the transfer constitutes a renewal of the Securities, documentary stamp tax is payable anew.

Taxation outside the Philippines

The tax treatment of non-resident Holders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such Holder's particular situation. This Offering Circular does not discuss the tax considerations on such non-resident Holders under laws other than those of the Philippines.

DISTRIBUTION AND SALE

Method of Distribution

The Securities are being issued subject to the Terms and Conditions, as well as BSP Circular No. 975, series of 2017 and BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), BSP Memorandum No. M-2020-001, and other related circulars and issuances, as may be amended from time to time. The issuance of the Securities is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) of the said law.

The Securities are being issued by the Bank with Philippine Commercial Capital, Inc. and SB Capital Investment Corporation as Joint Lead Arrangers, and to the extent allowed under the Philippine laws and regulations, the Bank, as Selling Agents, the relevant entity named as trustee per Tranche or Series of the Securities as Trustee and Philippine Depository & Trust Corp. as Registrar and Paying Agent.

No action has been or will be taken by the Bank or the Joint Lead Arrangers in any jurisdiction (other than the Philippines), that would permit a public offering of any of the Securities, or possession or distribution of this Offering Circular, or any amendment or supplement thereto issued in connection with the offering of the Securities, in any country or jurisdiction where action for that purpose is required.

The Joint Lead Arrangers are required to comply with all laws, BSP rules and directives as may be applicable in the Philippines, including without limitation any BSP rules issued by the BSP, in connection with the offering and purchase of the Securities and any distribution and intermediation activities, whether in the primary or secondary markets, carried out by or on behalf of the Joint Lead Arrangers in connection therewith.

All the requirements under BSP Circular No. 1010, as amended by BSP Circular No. 1062, have been complied with. While SB Capital Investment Corporation, as a Joint Lead Arranger, has an affiliate relationship with the Bank, (i) there is another Joint Lead Arranger, Philippine Commercial Capital, Inc. which is a third-party in relation to the Bank, (ii) the objective conduct of the due diligence review is not undermined; and (iii) the appropriate safeguards and controls on related party transactions have been instituted to prevent conflict of interest.

The Registrar and Paying Agent and Trustee are third-parties in relation to the Bank, such that, (i) they have no subsidiary/affiliate relationship with the Bank; (ii) they are not related in any manner to the Bank as would undermine their independence.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Selling Agents or any affiliate of the Selling Agents is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Selling Agent or its affiliate on behalf of the Bank in such jurisdiction.

The Securities are newly issued securities for which there currently is no market. Philippine Commercial Capital Inc. (the “**Market Maker**”) has committed to provide live bids good for the minimum denomination under the Terms and Conditions, and a cumulative trading commitment per trading day, as required under PDEX Trading Rules, Conventions, and Guidelines. The Joint Lead Arrangers are not obligated to make a market for the Securities. Accordingly, no assurance can be given as to the development or liquidity of any market for the Securities.

Applications to Purchase of the Securities during the Offer Period

Applicants may purchase the Securities during the Offer Period by submitting fully and duly accomplished Application to Purchase (“**ATP**”) forms, in triplicate, together with all the required attachments and the corresponding payments to the Selling Agent from whom such application was obtained no later than 12:00 noon of the last day of the Offer Period. ATPs received after said date or without the required attachments will be rejected. Only ATPs which are accompanied by payment in the form of personal or manager’s checks made out to the order of “Security Bank Corporation,” debit instructions or such other forms of instructions that are acceptable to the relevant Selling Agent and which cover the entire purchase price shall be accepted. In addition to duly executed ATP forms, each applicant shall submit the following documents to the Selling Agents:

Documents to be provided by individuals

- a clear copy of any one of the following valid identification cards (“ID”) bearing a signature and recent photo: passport, driver’s license, company ID, Social Security System Card, Government Service Insurance System e-Card or Senior Citizen’s Card, and company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC, or Insurance Commission, or such other ID and documents as may be required by or acceptable to the relevant Selling Agent;
- two (2) fully-executed PDTC specimen signature cards in the form attached to the ATP;
- duly accomplished client sustainability assessment forms;
- for aliens residing in the Philippines or non-residents engaged in trade or business in the Philippines, consularized or apostilled proof of tax domicile issued by the relevant tax authority of the Eligible Holder; and
- such other documents as may be reasonably required by the relevant Selling Agent or the Registrar in implementation of its internal policies regarding “knowing your customer” and anti-money laundering.

Documents to be provided by corporate and institutional applicants

- one (1) copy, certified by the SEC (or equivalent regulatory body) or Corporate Secretary of the applicant of the SEC Certificate of Registration, Articles of Incorporation and By-Laws or equivalent charter or constitutive documents of the applicant, as amended to date;
- one (1) copy, certified by the Corporate Secretary or other appropriate officer of the applicant of the resolutions adopted by the applicant’s Board of Directors or equivalent body authorizing the applicant to purchase the Securities and certifying the names and specimen signatures of the applicant’s duly authorized signatories for that purpose;
- two (2) fully executed PDTC specimen signature cards of the authorized signatories duly authenticated by the Corporate Secretary in the form attached to the Application to Purchase, together with a copy of at least one (1) valid ID of the authorized signatories;
- a list, certified by the Corporate Secretary of the applicant, of the natural persons who are the ultimate beneficial owners of the applicant; and
- such other documentary requirements as may be reasonably required by the Selling Agents in implementation of its internal policies regarding “knowing your customer” and anti-money laundering.

Additional documents to be provided by Tax-Exempt Holders

- a current and valid certified true copy of the tax exemption certificate, ruling, or opinion issued by the BIR, confirming the Eligible Holder’s exemption from taxation of interest on fixed income securities;
- Original of the duly notarized declaration executed by (1) the corporate secretary or any authorized representative of such Eligible Holder, who has personal knowledge of the exemption based on his official functions, if the Eligible Holder purchases the Securities for its account, or (2) the trust officer, if the Eligible Holder is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Bonds pursuant to its management of tax-exempt entities, warranting its tax-exempt status, undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of its tax exemption, and agreeing to indemnify and hold the Bank and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding, substantially in the form attached as Schedule 5 or 5-A to the Registry and Paying Agency Agreement; and

- such other documentary requirements as may be reasonably required under the relevant Pricing Supplement, the RPAA or by the Registrar, the Bank and the Selling Agents as proof of the Eligible Holder's tax-exempt status or as may be required under the applicable regulations of the relevant taxing or other authorities.

In addition, the Arranger, the Selling Agents or PDEX Trading Participants may each request such other documents from a proposed Holder in order to establish that he/she/it is an Eligible Holder and is not a Prohibited Holder and his/her/its exemption from taxation of interest income from fixed income securities, or to comply with applicable requirements of the AMLA or the BSP Rules.

Allocation and Issue of the Securities

Applications to purchase of the Securities shall be subject to the availability of the Securities and acceptance by the Bank. The Joint Lead Arrangers, in consultation with the Bank, may accept, reject, scale down or reallocate any application to purchase of the Securities applied for.

In the event that payment supporting any ATP is returned by the drawee bank for any reason whatsoever, the ATP shall be automatically cancelled and any prior acceptance of the ATP shall be deemed revoked. If any ATP is rejected or accepted in part only, the corresponding portion of the tendered purchase price will be returned without interest by the relevant Selling Agent.

On the Issue Date, the Selling Agents shall, on behalf of the Bank, accept the relevant ATPs. The acceptance of an ATP shall ipso facto convert such ATP into a purchase agreement between the Bank and the relevant Holder.

The Registrar shall rely solely on the Sales Report submitted by the Selling Agents in its preparation of the Registry and the issuance of the Registry Confirmation for each Holder. Within seven (7) Banking Days from the Issue Date, the Registrar shall distribute the Registry Confirmations directly to the Holders in the mode elected by the Holder as indicated in the Sales Report.

Transactions in the Secondary Market

All secondary transfers of the Securities shall be coursed through or effected using the trading facilities of the Exchange, subject to compliance with the applicable rules of such Exchange and the payment by the Holder of applicable fees to the Exchange and the Registrar and Paying Agent. All transfers of the Securities shall only be effective upon the receipt by the Registrar of a duly accomplished Trade-Related Transfer Form or Non-Trade Related Transfer Form (as applicable) in the forms attached to the Registry and Paying Agency Agreement or other relevant PDEX Trading Participant and other required documentation and the registration and recording by the Registrar of such assignment or transfer in the Registry; provided, that no such registration and recording shall be allowed during the Closed Period.

The date of registration as appearing in the Registry shall be treated as the date of transfer with such transfer and issuance of the Registry Confirmation to be made, in any case only upon, and within five (5) Banking Days from, the presentation of the following documents:

- the relevant Registry Confirmation;
- Tax Exempt/Treaty Documents, if applicable, in accordance with the Terms and Conditions;
- the relevant Trade-Related Transfer Form or Non-Trade Related Transfer Form, as the case may be, duly accomplished by the transferor Holder and endorsed by the relevant PDEX Trading Participant, substantially in the form agreed upon between the Bank and the Registrar;
- the Investor Registration Form duly accomplished by the transferee Holder and endorsed by the relevant PDEX Trading Participant, in the form agreed upon between the Bank and the Registrar;
- written consent of the transferee Holder to be bound by the terms of the Securities and the Registry Rules, in the form agreed upon between the Bank and the Registrar; and
- such documents as may be reasonably required by the Registrar to be submitted by the transferee Holder in support of the transfer or assignment of the Securities in its favor.

Where the Securities become listed on PDEX, all trade transactions must be coursed through PDEX in accordance with the PDEX Rules and conventions.

Transfers of the Tranche of the Securities made in violation of the restrictions on transfer under the Terms and Conditions shall be null and void and shall not be registered by the Registrar.

Interest and Principal Payment

On the relevant Payment Date, the Paying Agent shall, upon receipt of the corresponding funds from the Bank, make available to the Holders the amounts net of taxes and fees (if any), by way of direct credits to the bank accounts through the identified Cash Settlement Banks by the Holders as reflected in the Sales Report.

Schedule of Registry Fees

The Registrar and Paying Agent shall be entitled to charge the Holders and/or their counterparties such reasonable fees as the Registrar and Paying Agent shall prescribe in connection with the services that the Registrar and Paying Agent shall perform, such as, but not limited to, the opening and maintaining of accounts in favor of the Holders, the maintenance of the records of the Holder in the Registry, the issuance, cancellation, and replacement, when proper, of the Registry Confirmations, and the transfers of the Securities from a purchaser or seller/transferor of the Securities.

Transfer Fees in the Secondary Trading

1. Transfer Fee of ₱100.00 to be paid each by the transferring Holder and the buyer/transferee prior to the registration of any transfer of the Securities in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer. For transfers from a registry account to the depository, the full charge of ₱200.00 per transfer shall be charged to the transferring Holder.
2. Account Opening Fee of ₱100.00 to be paid upfront by a transferee who has no existing account in the Registry
3. Such transaction fees as PDTC shall prescribe for effecting electronic settlement instructions received from the PDSClear System if so duly authorized by a Holder

Transfer Fees due to Non-Trade Transactions

1. Transaction Fee of ₱100.00 to be paid each by the transferring Holder and the requesting party prior to the registration of any transfer of the Securities in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer.
2. Transaction Fee of ₱500.00 per side plus legal cost, for non-intermediated transfers (e.g. inheritance, donation, pledge).

Other Fees charged to the Holder

These fees pertain to instances when PDTC is requested to undertake the printing of non-standard reports for the Holders for which appropriate fees are charged to cover the related overhead costs. The fee may vary depending on the type of report, as follows:

1. Fee of ₱200.00 to be paid upon each application for a certification request of holding.
2. Fee of ₱50.00 to be paid upon each application for a monthly statement of account (in addition to the quarterly statement of account to be issued by the Registrar to each Holder free of charge).
3. Fee of ₱50.00 to be paid upon application for the issuance of a replacement Registry Confirmation for reasons such as mutilated, destroyed, stolen or lost.
4. The fee for Special Reports varies depending on request.
 - a. Report without back-up file restoration is subject to a fee of ₱100.00 per request, plus ₱20.00 per page.

- b. Report requiring back-up file restoration is subject to a fee of ₱300.00 per request, plus ₱20.00 per page

LEGAL MATTERS

Certain Philippine legal matters in connection with the Offer have been passed upon for the Bank by Picazo Buyco Tan Fider & Santos, Manila, Philippines, the independent legal counsel of the Bank, and for PCCI Capital and SB Capital by SyCip Salazar Hernandez & Gatmaitan.

The aforesaid counsels have no shareholdings in the Bank, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Bank, in accordance with the standards or independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

The aforesaid legal counsels have not acted and will not act as promoter, underwriter, voting trustee, officer or employee of the Bank.

INDEPENDENT AUDITORS

The financial statements of the Bank as of the three years ended 31 December 2022, 2021 and 2020, respectively, were audited by Sycip Gorres Velayo & Co., independent auditors.

PARTIES TO THE OFFER

The Issuer

Security Bank Corporation

Security Bank Centre
6776 Ayala Avenue
Makati City, Philippines

The Sole Bookrunner

Philippine Commercial Capital, Inc.

6th Floor PCCI Corporate Centre
118 L.P. Leviste St. Salcedo Village,
Makati City, Philippines

The Joint Lead Arrangers

Philippine Commercial Capital, Inc.

6th Floor PCCI Corporate Centre
118 L.P. Leviste St. Salcedo Village,
Makati City, Philippines

SB Capital Investment Corporation

18th Floor Security Bank Centre
6776 Ayala Avenue
Makati City, Philippines

Legal Counsel to the Bank

Picazo Buyco Tan Fider & Santos
Penthouse, Liberty Center – Picazo Law
104 H.V. dela Costa Street
Salcedo Village
Makati City, Philippines

Legal Counsel to the Joint Lead Arrangers

SyCip Salazar Hernandez & Gatmaitan
SyCipLaw Center
105 Paseo de Roxas
Makati City, Philippines

Independent Auditors

Sycip Gorres Velayo & Co.

6760 Ayala Avenue
1226 Makati, Philippines

INDEX TO FINANCIAL STATEMENTS

**AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022 AND 2021 AND FOR THE YEARS
ENDED 31 DECEMBER 2022, 2021 AND 2020**



April 14, 2023

MS. ALEXANDRA D. TOM WONG
OIC, Disclosure Department
Philippine Stock Exchange, Inc.
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

ATTY. MARIE ROSE M. MAGALLEN-LIRIO
Head, Issuer Compliance and Disclosure Department
Philippine Dealing & Exchange Corp.
29F BDO Equitable Tower
8751 Paseo de Roxas, Makati City

DIRECTOR VICENTE GRACIANO P. FELIZMENIO, JR
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, 2022.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Eduardo M. Olbes".

EDUARDO M. OLBES
Chief Financial Officer

A small, stylized handwritten mark or signature in blue ink.

A small, stylized handwritten mark or signature in blue ink.

COVER SHEET

6	0	3	0							

SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. Street City/Town/Province)

Charles Malvin T. Ching
(Contact Person)

(Contact Person)

8888-7667
(Company Telephone Number)

(Company Telephone Number)

1 2 **3 1**
Month Day
 (Fiscal Year)

Month Day
(Fiscal Year)

1	7	-	A	

(Form Type)

(Form Type)

0	4	2	5
<i>Month</i>		<i>Day</i>	
(Annual Meeting)			

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Corporate Finance Dept.
Dept. Requiring this Doc.

Dept. Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

2,151
Total No. of Stockholders

Total No. of Stockholders

Domestic Foreign

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number									

File Number

LCU

LCU

Document ID

Document ID

Cashier

Cashier

STAMPS

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. **For the fiscal year ended December 31, 2022**
2. SEC Identification Number **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 **P33.54 billion**. The price used for this computation is the closing price as of March 31, 2023 which is **P92.0** for common shares and **P0.10** par value for voting preferred shares.

TABLE OF CONTENTS

Part I – BUSINESS AND GENERAL INFORMATION

Item 1	Business	1
Item 2	Properties	14
Item 3	Legal Proceedings	15
Item 4	Submission of Matters to a Vote of Security Holders	15

Part II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5	Market for Issuer's Common Equity and Related Stockholder Matters	15
Item 6	Management's Discussion and Analysis or Plan of Operation	17
Item 7	Financial Statements	27
Item 8	Information on Independent Accountant and Other Related Matters	27

Part III – CONTROL AND COMPENSATION INFORMATION

Item 9	Directors and Executive Officers of the Issuer	28
Item 10	Executive Compensation	47
Item 11	Security Ownership of Certain Beneficial Owners and Management	47
Item 12	Certain Relationships and Related Transactions	51

Part IV – CORPORATE GOVERNANCE

Item 13	Corporate Governance	51

Part V – EXHIBITS AND SCHEDULES

Item 14	Exhibits and Reports on SEC Form 17-C	60

SIGNATURES	62

INDEX TO EXHIBITS	63

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES	76

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 are located at the Security Bank Centre, 6776 Ayala Avenue, Makati City, Metro Manila, Philippines.

As of December 31, 2022, based on the Published Balance Sheet report, Security Bank ranked as the 8th largest in total assets and 7th largest in capital funds (₱879 billion and ₱124 billion, respectively), among private domestic universal banks (PDUBs) in the Philippines. Security Bank ranked 6th largest in market capitalization among listed PDUBs in the Philippines as of end-2022. The Bank's strategy, execution and results are guided by its strong focus on shareholder value.

Security Bank's major businesses include wholesale banking, retail 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 316 branches all over the country as of year-end 2022.

Security Bank ended the year 2022 with a net income of ₱10.6 billion and a return on equity of 8.42%. Total loans and receivables increased by 12.05% to ₱502.6 billion and deposits increased by 15.71% to ₱605.8 billion as of year-end 2022. Net interest income increased by 6.52%. The net interest margin in 2022 was 4.23%. Other Income increased to ₱10.4 billion mainly due to increase in foreign exchange gain and service charges, fees and commissions tempered by decrease in trading and securities gains. The cost-to-income ratio was 57.80%. The Bank ended the year with total assets of ₱842.3 billion for a 20.39% year-on-year growth rate. Return on assets was 1.37%.

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 Bank's principal business activities are organized as follows: Wholesale Banking Segment, Retail Banking Segment, Financial Markets Segment, and All Other Segments.

Wholesale Banking Segment - this segment addresses the corporate, institutional, and public sector markets and commercial clients. Services include relationship management, lending and other credit facilities, trade, cash management, deposit-taking and leasing services provided by the Group. It also provides structured financing and advisory services relating to debt and equity capital raising, project financing, and mergers and acquisitions advisory. The Group's equity brokerage operations are also part of this segment.

The Wholesale Banking segment constitutes 34.1% of total revenues in 2022.

Retail Banking Segment - this segment serves individual, retail and small businesses. It covers deposit-taking and servicing, consumer loans, credit card facilities and bancassurance.

The Retail Banking Segment makes up 51.6% of the Group's total revenue in 2022.

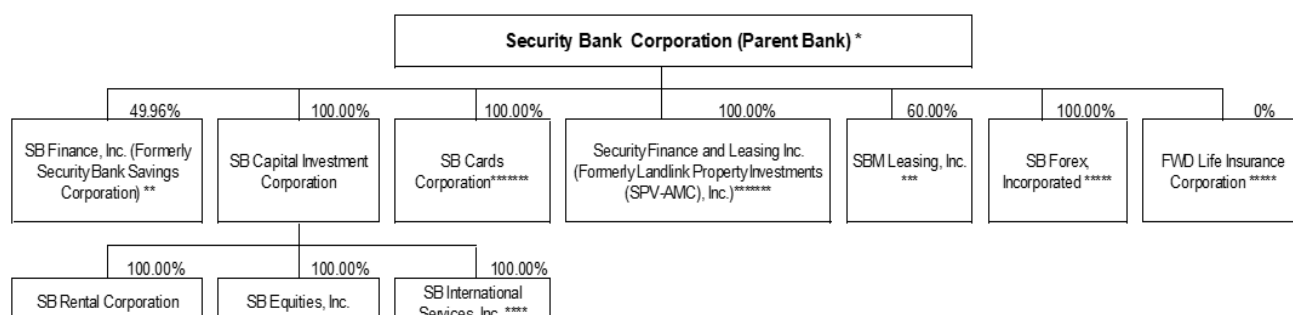
Financial Markets Segment - this segment focuses on providing money market, foreign exchange, financial derivatives, securities distribution, asset management, trust and fiduciary services, as well as the management of the funding operations for the Group.

The Financial Markets segment represents 6.4% of the Group's 2022 total revenue.

All Other Segments - this segment includes but not limited to branch banking and other support services. Other operations of the Group comprise the operations and financial control groups.

All Other Segments make up 8.5% of the Group's total revenue in 2022.

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 regulatory agencies.

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

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

***** With BOD approval to shorten corporate term on December 31, 2023.

SB Finance, Inc. (SBFI), 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 SBFI 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 SBFI shares to Krungsri. Accordingly, SBFI ceased to be a subsidiary of the Bank. The financial statements of SBFI were deconsolidated from the consolidated financial statements of the Group. Under the JVA, the parties agreed to use SBFI 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 SBFI.

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.

2022 was a stellar year for SB Capital in terms of operational performance as the company undertook and participated in a number of notable and trailblazing capital market issuances during the year despite the May 2022 national elections, the geo-political uncertainties concerning the Russia-Ukraine war as well as the challenges posed by record high inflation and increasing interest rates.

During the year, SB Capital participated in joint lead capacities in numerous landmark and large-ticket corporate bond offerings of some of the country’s leading and top-tier corporations to include: SM Investments Corporation (₱15.0 billion in February 2022); San Miguel Corporation (₱30.0 billion in March 2022); Aboitiz Power Corporation (₱10.0 billion in March 2022); SM Prime Holdings, Inc. (₱30.0 billion in April 2022); Ayala Land, Inc. (₱12.0 billion and ₱33.0 billion in May 2022 and July 2022, respectively); Ayala Corporation (₱15.0 billion in May 2022); SMC Global Power Holdings Corp. and Robinsons Land Corporation (₱40.0 billion and ₱15.0 billion, respectively, in August 2022).

SB Capital also participated in several maiden bond issues during 2022 such as: Megawide Construction Corporation (₱4.0 billion in August 2022); ACEN Corporation (₱10.0 billion in September 2022); and Cebu Landmasters, Inc. (₱5.0 billion in October 2022).

SB Capital was also a joint lead underwriter and joint bookrunner for San Miguel Corporation’s ₱60.0 billion retail corporate bond offer in December 2022, the largest local corporate retail bond issuance to date. SB Capital also acted as issue manager, lead underwriter and bookrunner for the Alsons Consolidated Resources Inc.’s ₱620.0 million short-term commercial paper in December 2022.

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 ₱457.8 billion and ₱420.4 billion retail treasury bonds issuances in March and September 2022, respectively.

In addition, SB Capital arranged or co-arranged a series of privately placed corporate notes and syndicated loan facilities during the year for companies such as Nuevo Solar Energy Corp.’s ₱2.4 billion project finance loan facility (as mandate lead arranger and bookrunner); Vista Land & Lifescapes, Inc.’s ₱6.0 billion corporate notes facility (as mandate lead arranger and bookrunner); PrimeWater’s notes tap facilities aggregating to ₱1.285 billion (as issue manager and mandate lead arranger and bookrunner); MIDC’s ₱27.0 billion

syndicated term loan facility (as co-arranger); and Ovialand, Inc.'s ₱600.0 million corporate notes (as mandate lead arranger and bookrunner).

Furthermore, SB Capital participated in landmark equity issuances during the year consisting of initial public offerings (IPO) of the following companies:

- (i) as Sole Issue Manager, Underwriter and Bookrunner for the ₱1.375 billion IPO of CTS Global Equity Group, Inc. in April 2022; and
- (ii) as Joint Lead Underwriter and bookrunner for the ₱4.8125 billion real estate investment trust (REIT) IPO of VistaREIT, Inc. in June 2022.

SB Capital also rendered advisory services involving joint venture partnerships, sale of assets/business as well as financial advisory services relating to a client's IPO preparations.

In 2022, SB Capital garnered awards and recognitions for its completed deals from prestigious and reputable award giving bodies for the following transactions:

- (i) Best Local Currency Bond Deal of the Year – *Alpha Southeast Asia*, 2022 from Alpha Southeast Asia for SMC Global Power Holdings Corporation's ₱40.0 billion fixed rate bonds where SB Capital was a joint lead underwriter and bookrunner;
- (ii) Best Green Bonds of the Year in the Philippines – *Alpha Southeast Asia*, 2022 from Alpha Southeast Asia for ACEN Corporation ₱10.0 billion ASEAN Green Bond where SB Capital was a joint lead underwriter and bookrunner;
- (iii) Innovative Deal of the Year in Philippines – *Corporate Investment and Banking Awards* 2022 from Asian Banking and Finance for Ayala Land, Inc.'s ₱10.0 billion fixed rate bonds where SB Capital was a joint lead underwriter and bookrunner;
- (iv) Best Transition Bonds – Triple A Country Awards, 2022 from *The Asset* for SMC Global Power Holdings Corporation's ₱40.0 billion fixed rate bonds where SB Capital was a joint lead underwriter and bookrunner;
- (v) Best New Bonds – Triple A Country Awards, 2022 from *The Asset* for Cebu Landmasters Inc.'s ₱5.0 billion fixed rate bonds where SB Capital was a co-lead underwriter;
- (vi) Best Local Currency Green Bonds - Triple A Sustainable Capital Markets Awards, 2022 from *The Asset* for ACEN Corporation ₱10.0 billion ASEAN Green Bond where SB Capital was a joint lead underwriter and bookrunner; and
- (vii) Top 4 Corporate Issue Managers/Arrangers award (Investment House Category) for 2021 during the 2022 PDS Annual Awards.

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 in which its 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 18th overall among domestic brokerages in the country in terms of volume turnover according to the Philippine Stock Exchange (PSE).

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. (SBMLI, 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%). SBMLI 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 SBFI. The operations for this subsidiary were suspended in 2008. The corporate term of SBFI 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 was incorporated on September 17, 2004 and has not started commercial operations.

(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, 2022, Security Bank had a network of 316 branches, 183 branches of which are strategically located in Metro Manila and 133 situated outside Metro Manila.

The Bank also has 663 ATMs which are part of the Bancnet consortium as of December 31, 2022. Of this, 348 are on-site while 315 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 2022, the industry experienced intensified competition alongside increased customer service standards.

There are total of 22 universal banks in the Philippine banking system, of which 13 are domestic private universal banks, 3 are government banks and 6 are branches/subsidiaries of foreign banks, as of March 2023. 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 ₱2.46 trillion and capital funds of at least ₱297 billion. The other eight banks are clustered in the category where asset size is between P124 billion to ₱1.22 trillion, and capital funds are between P16 billion to ₱159 billion.

Security Bank has distinguished itself against competition in its 71 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
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
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

	2022	2021	2020
Cost (in '000)	₱1,098,153	₱896,901	₱389,446
Ratio to Revenues	2.77%	2.44%	0.77%

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, improve management information preparation and delivery, and result to alternative customer channels, efficient business communications, and more 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 6,848 in 2021 to 7,338 in 2022.

	2022*	2021*	2020*
Officers	4,766	4,429	4,265
Rank and File	2,572	2,419	2,448
	7,338	6,848	6,713

**Excluding entities not consolidated.*

As of December 31, 2022, 18.36% 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 other 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 shareholders, BOD and Senior 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.

Accordingly, the Board should approve and monitor the overall business strategy of the Bank. The Board reviews and approves the strategic plans in relation to 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.

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. To protect the customers and stakeholders, as well as the opportunities for growth and value creation, the Group's risk management is structured to continuously and effectively address these risks by category where risk is managed primarily via structures of policies, processes and measurement tools established and provided by the RMG for the Bank. The same structures are adapted by the subsidiaries and tailor-fitted 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. In line with BSP Circular 1085, the Bank has also adopted a transition plan to establish its Environmental and Social Risk Management Systems by 2023.

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 Senior 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 Senior 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 Wholesale Credit Risk & Portfolio Monitoring Department (WCRPMD). 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 Risk 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, Market Risk/Liquidity 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:

- 1) Funding Liquidity Risk, the risk that a firm cannot obtain the necessary funds to meet its obligations as they fall due. It stems from the mismatch of asset, liability, exchange contract and contingent commitment maturities.
- 2) 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, 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 protect itself from 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

Aligned with the Basel III Framework, operational risk is defined as the risk of loss due to inadequate or failed internal processes, people, and systems, or from external events. Operational risk addresses processing errors, fraudulent activities, inappropriate behavior of staff, systems failure, inability to deliver products and services to customers, and natural & man-made disasters.

Operational risk management has the following major roles and functions:

- **Policy and Process** – The Operational Risk Management Division develops and implements the measures used by the Bank to manage operational risk. It closely monitors and coordinates with the different business units to track, and to resolve any existing and potential operational issues, and to improve existing procedures and policies to better minimize losses from operational issues.
- **Information Technology and Security Risk Management** – IT and Cyber/ IS Risk Management is designed to govern the overall technology and information security risks of the Bank and its subsidiaries aligning with corporate plans, strategies, and objectives of the Group. Closely working with ITG and CISG and all other relevant functions of the Group, it monitors the key risk levels, assists in process and control improvements to protect information assets, and ensure 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, pandemic crisis, and other crisis events, and ensure that the Bank's operations and core business functions are up and running through disruptive events.

Operational Risk Management Tools

Various tools, programs and methods are being used by Bank in the operational risk management process, including, but not limited to, the following:

- The Risk and Control Self-Assessment (RCSA) and Risk and Control Assessment (RCA) tools are used to identify, assess and monitor current and emerging risks, as well as evaluate the sufficiency and effectiveness of the declared controls;
- Issues and incidents are elevated through the Issue Escalation and Incident Reporting Process; and
- Information is collected and analyzed through a series of Key Risk Indicators and assessed through a Risk mapping process to alert Management and enable timely action on potential issues arising from operational risks.
- Security Standard for Pre-deployed Information Systems (SSPIS) is the tool used to provide an assessment of the security controls that are applicable for new technology projects from design through to deployment.

The performance of the Bank's efforts to manage operational risk is presented on a periodic basis to Senior Management, as well as to the ROC.

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 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 & 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 E&S 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 externally imposed 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 careful 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 and is submitted to the BSP. The document highlights the Bank's medium-term plans, the minimum capital it expects to maintain, capital triggers and contingency plans.

The Finance Committee is primarily responsible for driving the Group's ICAAP, working alongside the ROC and other members of Senior 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 maturing 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 maturing 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 March 23, 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.

Notes and Bonds Payable

In February 2015, the Bank issued US\$300 million senior unsecured notes ("Senior Notes") due on February 3, 2020. The Bank remains in compliance with the terms and conditions of the notes. The Parent Company paid the US\$300 million senior unsecured notes on February 3, 2020.

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.

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.

(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 16 June 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.

Of the Bank’s network of 316 domestic branches, the Bank has ownership of the premises where 44 branches are located. The Bank leases the premises occupied by the rest of its branches. 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 2023 branch expansion initiatives.

There are no plans for the acquisition of bank property over the next twelve (12) months.

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 2022 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 08 June 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, 2021	138.80	122.00
Quarter-ended Jun 30, 2021	138.80	117.10
Quarter-ended Sep 30, 2021	127.00	110.60
Quarter-ended Dec 31, 2021	125.40	104.00
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

(2) Holders

The Bank had approximately 1,745 common shareholders and 407 preferred shareholders of 28 February 2023. 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 28 February 2023 are:

Common Shares

	Stockholders Name	No. of Shares	% to Total Voting Shares
1	PCD NOMINEE CORPORATION	182,763,273	10.42%
2	THE BANK OF TOKYO-MITSUBISHI UFJ LTD. (BTMU)	150,708,778	8.59%
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	145,777,790	8.31%
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 (SSS)	20,000,002	1.14%
8	GOODWOOD RESOURCES DEVELOPMENT INC	6,283,322	0.36%

	Stockholders Name	No. of Shares	% to Total Voting Shares
9	JAMES JK HUNG	2,406,708	0.14%
10	SB EQUITIES INC.	1,887,793	0.11%
11	CAROUSEL HOLDINGS INC.	400,000	0.02%
12	MEPCO EMPLOYEES RETIREMEN	331,709	0.02%
13	RAFAEL F. SIMPAO, JR.	217,296	0.01%
14	SB EQUITIES INC. FAO L00	175,902	0.01%
15	CENTRAL COLLEGES OF THE PHILIPPINES	159,214	0.01%
16	BEE BEE S. CHUA	138,212	0.01%
17	ELECTRONIC TELEPHONE SYSTEM IND. INC.	117,936	0.01%
18	ERNST BEHRENS	82,926	0.00%
19	EDWIN FRANCIS L. TAN	72,000	0.00%
20	ERIC RUBEN L. TAN	72,000	0.00%

Preferred Shares

	Stockholders Name	No. of Shares	% to Total Voting Shares
1	FREDERICK Y. DY	294,207,671	16.78%
2	DANIEL S. DY	256,951,638	14.65%
3	THE BANK OF TOKYO-MITSUBISHI UFJ LTD. (BTMU)	200,000,000	11.41%
4	ASIASEC EQUITIES INC.	95,996,204	5.47%
5	ALBERTO S. VILLAROSA	41,000,000	2.34%
6	SOCIAL SECURITY SYSTEM	37,644,497	2.15%
7	ANASTASIA Y. DY	33,000,000	1.88%
8	GOODWOOD RESOURCES DEVELOPMENT INC.	21,014,591	1.20%
9	GERALDINE S. DY	17,329,149	0.99%
10	SB EQUITIES INC.	12,252,527	0.70%
11	SCB OBO SSBTC FUND JY63 ACCT 000260706069	3,771,656	0.22%
12	SB EQUITIES INC.	3,200,000	0.18%
13	SB EQUITIES INC.	2,184,329	0.12%
14	BPI SECURITIES CORPORATION	2,150,799	0.12%
15	HSBC OBO A/C 026-100297-557	1,846,813	0.11%
16	ABACUS SECURITIES CORPORATION	1,771,202	0.10%
17	ASIASEC EQUITIES INC.	1,524,917	0.09%
18	HSBC MANILA OBO A/C 000-595686-550	1,400,000	0.08%
19	SCB OBO SSBTC FUND JX7D ACCT 000260706027	1,267,172	0.07%
20	SCB OBO RBC INVESTOR SERVICES TRUST CLIENT	1,260,000	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 16, 2021	April 29, 2021
1.50	1.130 billion	November 10, 2021	November 24, 2021
1.50	1.130 billion	April 12, 2022	April 28, 2022
1.50	1.130 billion	November 10, 2022	November 24, 2022

Preferred Shares

Dividend Per Share	Total Dividend Amount	Record Date	Payment Date
₱0.004805	₱1.91 million	March 18, 2021	April 5, 2021
0.0039	2.35 million	June 28, 2021	July 12, 2021
0.004805	1.91 million	March 18, 2022	April 1, 2022
0.0039	2.35 million	June 22, 2022	July 11, 2022

Security Bank has adopted dividend policy that will enable the Bank to weather the uncertainties and volatilities in the market; comply with the tighter 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 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 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, 2022 and 2021, and for the three years ended December 31, 2022, 2021 and 2020 as audited by SGV, independent public accountants.

(in million pesos)

Key Statement of Financial Position Data:

	As of December 31,		
	2022	2021	2020
Total Assets	842,291	699,617	652,851
Total Deposit Liabilities	605,837	523,589	440,411
Loans and Receivables (net)	502,617	448,584	438,852
Total Liquid Assets	313,492	230,454	192,289
Total Earning Assets	753,338	629,053	608,927
Total Equity	125,848	125,070	123,306

(in million pesos)

Key Statements of Income Data:

	For the Years Ended December 31		
	2022	2021	2020
Interest Income	36,755	32,903	40,353
Interest Expense	7,509	5,447	9,703
Net Interest Income	29,246	27,456	30,650
Other Income	10,389	9,354	19,723
Operating Expenses	22,909	21,284	19,701
Provision for Credit and Impairment Losses	2,841	5,265	26,418
Provision for (Benefit from) Income Tax	3,330	3,345	(3,179)

(in million pesos)

Key Statements of Income Data:

	For the Years Ended December 31		
	2022	2021	2020
Net Income	10,556	6,917	7,432
Attributable to Minority Interest	—	—	—
Attributable to Equity Holders of the Parent Company	10,556	6,917	7,432
Earnings per Share (weighted/adjusted)	₱14.00	₱9.17	₱9.86

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		
	2022	2021	2020
<u>Capital Adequacy</u>			
Capital to Risk Assets Ratio	16.60%	19.75%	20.09%
<u>Asset Quality</u>			
Non-performing Loan (NPL) Ratio	1.05%	1.47%	1.97%
Non-performing Loan (NPL) Cover	101.12%	92.67%	115.47%
<u>Profitability</u>			
Return on Average Equity	8.42%	5.57%	6.16%
Net Interest Margin	4.23%	4.43%	4.71%
Cost to Income	57.80%	57.82%	39.11%
<u>Liquidity</u>			
Liquid Assets to Total Assets	37.22%	32.94%	29.45%

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	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Capital Accounts}}$
Net Interest Margin	$\frac{\text{Net Interest Income} \times 100}{\text{Average Interest Earning Assets}}$

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 Securities Purchased Under Resale Agreements (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 corporate bonds and government securities 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 SBM Leasing, Inc. (SBML) and 49.96% interest in SBFi. 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 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 Securities Sold Under Repurchase Agreements (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 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 Capital Adequacy Ratio (CAR) is 16.60% in December 2022. 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 ₱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 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 11.1% mainly due to 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 SBFI 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 SBFIL. 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 the 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 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 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 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 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 SBFi 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 SBFi 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.

2020 versus 2019 Results of Operations

Financial Position

Total Assets decreased by 17.7% to ₱652.9 billion on account of decreases in Due from BSP, Investment Securities at Amortized Cost, Loans and Receivables – Net, Bank Premises, Furniture, Fixtures, and Equipment – Net, Assets of a Disposal Group Classified as Held for Sale, and Other Assets tempered by increases in Cash and Other Cash Items, Due from Other Banks, Interbank Loans Receivable and SPURA, Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through Other Comprehensive Income, Equity Investments in Subsidiaries, Associates and Joint Venture, Investment Properties – Net, and Deferred Tax Assets, Intangible Assets,

Increase in **Cash and Other Cash Items** by ₱3.4 billion or 34.7% can be attributed to the Bank's daily operations and decrease in **Due from BSP** by ₱8.7 billion or 15.6% is due to asset-liability management. **Due from Other Banks** increased by 8.2% or ₱0.8 billion due to increased level of working balances with counterparty banks. **Interbank Loans Receivable and SPURA with the BSP** increased by ₱17.6 billion or 1,658.7% due to increased level of placements.

Financial Assets at Fair Value Through Profit or Loss increased by ₱5.9 billion or 120.9% to ₱10.7 billion due to trading related activities of the Bank and reclassification of the Bank's investment portfolio as a result of a change in the business model. **Financial Assets at Fair Value through Other Comprehensive Income** increased by ₱44.0 billion to ₱68.8 billion or 178.1% mainly due to purchases during the year.

Investment Securities at Amortized Cost decreased to ₱23.4 billion by ₱185.6 billion or 88.8% mainly due to disposals of securities held as a result of the change in Bank's business model for managing HTC securities and the reclassification of the remaining securities as discussed above.

Loans and Receivables decreased by 2.2% to ₱438.9 billion from ₱448.6 billion in 2019 primarily attributable to the increase in Group's provisions for credit losses during the year and tightened credit standards.

Increase in **Investments in Subsidiaries and Joint Ventures** is attributed to the accounting of investment in SBFI as a joint venture after the completed sale of 50% outstanding shares of SBFI to Krungsri.

Property, Equipment and Right-of-use Assets decreased by 6.6% to ₱5.5 billion due to depreciation and amortization during the year, while **Investment Properties** increased by 3.0% to ₱1.1 billion due to real and other properties foreclosed during the year.

Deferred Tax Assets increased by 218.0% from ₱2.3 billion as of year-end 2019 due to additional provision for credit losses to ₱7.3 billion in 2020. **Intangible Assets** grew by 3.0% to ₱2.7 billion with the additional software costs during the period.

Disposal Group Classified as Held for Sale decreased to nil amount as a result of the strategic partnership of the Bank with Krungsri. On October 20, 2020, after obtaining regulatory approvals in the Philippines and in Thailand, the Bank completed the sale of 50% outstanding shares of SBFI to Krungsri.

Other Assets decreased by 61.5% to ₱3.6 billion from ₱9.2 billion due to decrease in cash collaterals related to Bank's trading activities.

Total Liabilities decreased by 21.5% or ₱145.2 billion to ₱529.5 billion on account of decreases in all line items namely Deposit Liabilities, Financial Liabilities at Fair Value through Profit or Loss, Derivative Liabilities Designated as Hedges, Bills Payable and SSURA, Acceptances Payable, Margin Deposits, Manager's and Certified Checks Outstanding, Income Tax Payable, Notes and Bonds Payable, Accrued Interest, Taxes and Other Expenses and Liabilities of Disposal Group Classified as Held for Sale and Other Liabilities.

Deposit Liabilities went down by 11.9% from ₱499.6 billion as of year-end 2019 to ₱440.4 billion mainly contributed by the decrease in Time Deposits.

Financial Liabilities at Fair Value through Profit or Loss decreased by 0.5% to ₱1.1 billion attributable to lower valuation of the Bank's derivative liabilities. **Derivative Liabilities Designated as Hedges** decreased to nil from ₱4.9 billion in 2019 due to Bank's termination of its interest rate swap agreements resulted from the discontinuation of hedge accounting. **Bills Payable and SSURA** decreased by 77.5% to ₱21.1 billion due to decrease in the Bank's repo transactions and maturities of short-term borrowings from BSP.

Acceptances Payable decreased by 11.0% to ₱0.4 billion. **Margin Deposits and Cash Letters of Credit** decreased by 93.3% to ₱61.8 million. **Manager's and Certified Checks Outstanding** at ₱3.9 billion decreased by ₱0.3 billion or 6.3%.

Income Tax Payable decreased to ₱61.5 million from year-end 2019's ₱358.4 million due to lower income tax liability for the 4th quarter of 2020 versus the last quarter of 2019. **Notes and Bonds Payable** decreased by ₱2.5 billion or 5.1%, due to maturity of \$300.0 million senior unsecured notes, offset by the issuance of fixed rate bonds during the year. **Accrued Interest, Taxes and Other Expenses** decreased by 18.1% to ₱3.7 billion. **Other Liabilities** went down by 0.4% to ₱13.1 billion.

Total Equity grew by 4.2% to ₱123.3 billion on account of net income during the period. **Surplus** was up by 6.4% due to the net income during the period. **Net Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income of the Parent** increased by 126.4% due to increase in market valuation of outstanding debt securities while that of the **Subsidiaries** decreased by 59.5% due to decrease in market valuation of outstanding equity securities. **Cumulative Foreign Currency Translation** increased by ₱615.0 million.

The **CAR** is 20.09% in December 2020. 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 ₱7.4 billion for the period ended December 31, 2020 from a year ago level of ₱10.1 billion or a decrease of 26.4%. This translates to earnings per share of ₱9.86 from ₱13.40 for the period ended December 31, 2019.

Interest Income ended lower than prior period by 8.7% or ₱3.9 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** grew by 1.2% or ₱0.4 billion due to expansion in 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** decreased by 61.5% or ₱5.7 billion on account of the disposal of securities. **Deposits with Banks and Others** dropped by 20.0% due to decrease in volume of transactions. **Interest income on Financial assets at fair value through profit or loss** grew by ₱1.3 billion on account of reclassification discussed above. Increase in **Interest Income on Interbank Loans Receivables and SPURA with the BSP** by 44.8% or ₱0.1 billion was due to the increase in volume of placements during the period.

Interest Expense decreased by 44.1% or ₱7.7 billion from prior period. **Interest Expense on Deposits** decreased by 50.8% or ₱5.3 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 ₱0.3 billion. **Interest Expense on Subordinated Note, Notes and Bonds Payable, Bills Payable and SPURA and Other Borrowings** dropped by 42.9% or ₱2.5 billion due to maturity of \$300.0 million senior unsecured notes on February 3, 2020 as well as maturity of other bills payable. The Bank also exercised its call option on its ₱10.0 billion 5.375% Unsecured Subordinated Notes in July 2019. **Interest Expense on Lease Liabilities** increased by 8.4% to ₱0.1 billion compared to 2019 on a period-on-period basis.

Net Interest Income increased to ₱30.6 billion, 14.2% or ₱3.8 billion growth compared to 2019 on a period-on-period basis.

Other Income grew to ₱19.7 billion or 177.6% increase mainly due to **Securities Trading Gain** growth to ₱13.4 billion, a ₱11.9 billion increase period-on-period basis. **Foreign Exchange Gains** increased by ₱13.3 million, **Profit from Assets Sold/Exchanged** increased by ₱260.8 million during the period on account of lower gains on acquisition and sale of foreclosed properties. **Miscellaneous Income** increased by ₱1.2 billion mainly due to the completed 50% sale of outstanding shares of SBFCI to Krungsri in 2020. **Service Charges, Fees and Commissions** decreased by ₱0.5 billion or 11.1% due to lower transaction volumes. The decrease in **Share in Net Income of Joint Ventures** by ₱218.8 million is attributable to the Bank's share in the net income of SBML and share in net loss of SBFI during the period.

Operating expenses (excluding provisions for credit and impairment losses) were higher by 13.6% or ₱2.4 billion. **Taxes and Licenses** increased by 4.9%. **Occupancy Costs** decreased by ₱11.7 million. **Compensation and Fringe Benefits** increased by 14.8% while **Provision for Credit Losses** increased by ₱22.3 billion as a result of the Bank's proactive stance toward the current economic environment. **Depreciation and Amortization** increased by 7.6%. **Amortization of Software Costs** and **Miscellaneous Expenses** increased by 19.0% and 19.5%, respectively. **Provision for impairment losses** grew by ₱26.3 million mainly coming from the increase of provision on investment properties.

Benefit from Income Tax amounted to ₱3.2 billion for the period ended December 31, 2020 in comparison to ₱2.3 billion provision for income tax in 2019, due to higher benefit from deferred income tax resulting from additional provision for credit losses.

Total Comprehensive Income for the period ended December 31, 2020 amounted to ₱7.3 billion, decreased by 34.4% compared to ₱11.1 billion in 2019 on a period-on-period basis on account of lower net income and net unrealized gain 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 37.22% in 2022, 32.94% in 2021, and 29.45% in 2020. 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)

	2022	2021	2020
Trust department accounts	₱95,117	₱83,800	₱77,665
Unutilized credit limit of credit card holders	53,159	35,573	40,365
Unused commercial letters of credit	37,521	29,753	21,383
Committed loan line	32,470	22,581	20,309
Outstanding guarantees	900	1,407	2,414
Inward bills for collection	951	353	290
Outward bills for collection	423	83	220
Late Deposit/Payment Received	588	38	372
Financial guarantees with commitment	28	33	65

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 of 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 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

Growth driver continues to be private consumption as well as private investment. We expect both spending and investment momentum will be maintained despite inflation and currency depreciation risks. Risks remain to be elevated inflation, yet this may not deter households with local demand up. Full year growth expected at 6.3%.

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 76).

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)	
	2022	2021
Regular Audit of the Group's Financial Statements	₱11.15	₱12.02
Tax Fees	—	—
Other Fees	9.33	1.7
Total Fees	₱20.48	₱13.72

The fees for the audit of the Group's annual financial statements are ₱11.15 million and ₱12.02 million for 2022 and 2021, 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 and ₱1.7 million in 2022 and 2021, respectively.

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 2023-2024

Name	Position	Date Elected to the Board	Citizenship	Age*
Frederick Y. Dy	Chairman Emeritus	April 4, 1989	Filipino	67
Alberto S. Villarosa	Chairman	October 30, 2002	Filipino	72
Cirilo P. Noel	Director	April 24, 2018	Filipino	65
Diana P. Aguilar	Director	April 26, 2017	Filipino	59
Daniel S. Dy	Director/Group Strategy Head	April 27, 2021	Filipino	36
Alfonso L. Salcedo, Jr.	Director	April 28, 2015	Filipino	67
Sanjiv Vohra	Director/President & CEO	July 1, 2019	Indian	61
Gerard H. Brimo	Independent Director	April 30, 2019	Filipino	71
Enrico S. Cruz	Independent Director	August 1, 2019	Filipino	65
Esther Wileen S. Go	Independent Director	April 27, 2021	Filipino	52
Dr. Jikyeong Kang	Independent Director	April 26, 2017	British	61
Jose Perpetuo M. Lotilla	Independent Director	April 27, 2021	Filipino	65
Napoleon L. Nazareno	Lead Independent Director	April 26, 2017	Filipino	73
Juichi Umeno	Director	New Nominee for Election	Japanese	48
Nobuya Kawasaki	Director	New Nominee for Election	Japanese	50

**Age as of December 31, 2022*

FREDERICK Y. DY, 67, 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), Chairman of City Industrial Corporation (since June 1994) and a Director of Ponderosa Leather Goods Co., Inc. (since May 1980).

ALBERTO S. VILLAROSA, 72, Filipino, was elected Chairman of the Board on April 28, 2015. He was elected to the Board in October 2002 before assuming the position of President and Chief Executive Officer of the Bank on January 5, 2004. Prior to this, he was Senior Executive Vice President and Chief Operating Officer.

He is currently a member of the Executive, Nominations and Remuneration, Restructuring, and Finance Committees. He is a Member of the Society of Fellows of the Institute of Corporate Directors (since July 2006). He was the President of the Bankers Association of the Philippines (from April 2012 to March 2013) and Director (from March 2014 to October 2015). He was the Chairman and Director of SB Capital Investment Corporation (from April 2004 to August 2016), Security Bank Savings Corporation (from February 2012 to May 2015) and SB Rental Corporation (from May 2014 to May 2015). He was the Chairman of SBM Leasing,

Inc. (from July 2011 to May 2014) and a Director of SB Cards Corporation (from December 2012 to June 2013).

Mr. Villarosa has extensive banking experience in the areas of Treasury, Investment Banking, and Consumer Banking. Prior to joining the Bank, he was the Executive Vice President and Treasurer of the Bank of the Philippine Islands (BPI) (from October 1996 to October 2002). During that time, he was a Director in several BPI subsidiaries, including BPI Family Savings Bank, BPI Forex Corporation and BPI Investment Management, Inc. Prior to joining BPI, he was Director/President of Citytrust Securities Corp. (from 1998 to 2003) and was with Citytrust Banking Corporation (from 1987 to 1996) where the last position he held was Executive Vice President/Treasurer and President of Citytrust Investment Philippines. Prior to this, he was a Vice President of Citibank N.A. (from 1984 to 1987).

He graduated with a Bachelor of Science degree in Commerce from the University of San Carlos, Cebu City and earned his Master's degree in Business Management from the Asian Institute of Management.

CIRILO P. NOEL, 65, Filipino, was elected to the Board on April 24, 2018 and appointed as Vice Chairman in April 2020.

He is the Chairman of the Finance Committee and Vice Chairman of the Executive Committee. He is also a member of the Audit and Transformation and Technology Committees.

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

He is also 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 BOD of Philippine Airlines (from 2018 to 2019), PLC PAL Holdings, Inc. (from 2018 to 2019), and PLC-JG Summit Holdings (from 2018 – 2021).

He was recognized as the 2019 Outstanding CPA 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.

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 a member 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, 59, Filipino, was elected to the Board on April 25, 2017. Prior to this, she was a Director of Security Bank Corporation (from November 2010 to April 2016) and was appointed Senior Advisor to the Board (from July 2016 to April 2017).

She is the Chairperson of the Trust Committee and a Member of the Related Party Transaction, and Finance 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 & e-payments, retail and supply chain, education, and property management.

Appointed as one of the Commissioners of the Social Security System (since August 2010).

Ms. Aguilar's concurrent board positions are Chairperson of the Board of Trustees of La Salle Greenhills (since September 2021); Member of La Salle East Asia Boards LEAD Economic Council and LEAD Investment Board (since August 2020); Member of De La Salle Philippines Investment Committee (since July 2018); Member of De La Salle-College of Saint Benilde, Inc. Executive Finance Committee of the Board (since July 2020); Board of Trustees of De La Salle Medical and Health Science Institute (since October 2020). 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); 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).

Her past board positions include Chairperson of Finance Committee and Treasurer of La Salle Greenhills (from September 2019 to 2021); Director of PXP Mining Corporation (from 2019 to 2021); Director of Wenphil Corporation (from 2012 to 2019); Director of Electronic Commerce Payments, Inc., (from 2004 to 2019); Director of Ionics, Inc., (from 2016 to 2019); Treasurer of De La Salle Santiago Zobel (from 2004 to 2017); Director of PXP Energy Corporation (from 2014 to 2017); Director of Phoenix Petroleum Philippines, Inc., (from 2010 to 2013), and Philippine Seven Corporation (from 1999 January 2015).

Ms. Aguilar's academic background is in the fields of International Business, Finance and Computer Science. She earned her Masters' 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, 36, Filipino, was elected to the Board on 27 April 2021.

He is a Senior Vice President and Group Strategy Head. He is a member of the Transformation and Technology and the Executive Committees. He is also a Director of SBFI.

Mr. Dy has held various positions in Security Bank Corporation since he joined in March 2012. As Group Strategy Head, he oversees various divisions, including data engineering, data analytics, data governance, and CRM. For the past decade, Mr. Dy has worked at the intersection of business, technology, and data, 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.

ALFONSO L. SALCEDO, JR., 67, Filipino, was elected Director on April 18, 2015. He was the President and Chief Executive Officer of the Bank (from April 28, 2015 to June 30, 2019). He is the Chairman of the Executive and Restructuring Committees. He is also a member of the Corporate Governance, Trust and Risk Oversight Committees.

He is a Director of SB Cards Corporation (since May 2015) and SB Rental Corporation (since May 2015). He was the Chairman of SBFI (from May 2015 to May 2022). He was a Director and Vice Chairman of SB Capital Investment Corporation (from May 2015 to May 2020), a Director of SB Equities, Inc. (from August 2016 to July 2020), and a Trustee of Security Bank Foundation (from April 2015 to February 2020).

Prior to joining the Bank, he was a former executive of the Bank of the Philippine Islands (from 2000 to March 2015), with his last position as Executive Vice President in charge of the Corporate Clients Segment. He

served as President of BPI Family Savings Bank (from 2004 to 2010), BPI Insurance Group (from 2000 to 2004) and Allstate Life Insurance (Philippines) in 1999. He served in the retail banking operations of Citibank Philippines as Country Marketing Director and Retail Bank Business Manager for 10 years before joining BPI. He served as Marketing Director for Nippon Vicks KK (Japan) based in Osaka for 5 years (from 1983-1987). He was a member of the Boards of BPI's subsidiaries and affiliates, specifically: BPI Capital Corporation, BPI Direct Savings Bank, BPI-Philam Life Assurance Corporation, BPI Rental Corporation, BPI Leasing Corporation and Ayala Automotive Holdings Corporation.

He received his AB Economics Honors degree (with honors) from Ateneo de Manila University in 1977 and completed the Advanced Management Program at Harvard Business School in 2006.

SANJIV VOHRA, 61, 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, Finance, Restructuring, and Trust Committees. He is also the Chairman of SBFIL.

He is a Director of the Bankers Association of the Philippines and Philippine Payments Management, Inc. (since 2019). 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 (from 1999 to 2000), Consumer Industry Head, Asia-Pacific at ABN AMRO Bank Singapore (from 2001 to 2002), Managing Director, Head of Corporate Banking (India, Sri Lanka, Bangladesh) at Citigroup India (from 2002 to 2005), Country Executive at Royal Bank of Scotland in India (2013), Head of Corporate Banking (Asia Pacific) at Deutsche Bank (from 2014 to 2017) and Managing Director, Head of Corporate Banking for Asia & Oceania and Co-Head of Investment Banking for Asia & Oceania at MUFG Bank, Ltd. (from 2017 to 2019); as well as experience in the domestic market as Country Head of Citibank Philippines (from 2006 to 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, 71, Filipino, was elected to the Board on April 30, 2019. He is the Chairman of the Audit Committee and a member of the Corporate Governance Committee.

He is the Chairman of PLC-Nickel Asia Corporation (since August 2018) and its subsidiary companies: Cagdianao Mining Corporation (since August 2018), Hinatuan Mining Corporation (since August 2018), Cordillera Exploration Co., Inc. (since August 2018), 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 these companies from 2018 to 2022. 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 to 2003. He was again elected Chairman in 2017 up to 2021, and currently is Vice Chairman.

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

ENRICO S. CRUZ, 65, Filipino, was elected to the Board effective August 1, 2019. He is the Chairman of the Bank's Risk Oversight Committee, Vice Chairman of the Audit Committee and Nominations and Remuneration Committee and member of Finance and Executive (Independent – Non-Voting) Committees.

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, 52, Filipino, was elected to the Board on April, 27 2021. She is the Chairperson of the Transformation and Technology Committee and a member of the Risk Oversight Committee.

She is currently the President and Chief Executive Officer of MediLink Network, an electronic health 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 U.S. Committee for UNICEF.

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

DR. JIKYEONG KANG, 61, British, was elected to the Board on April 25, 2017. She is the Chairperson of the Related Party Transaction and Corporate Governance Committees. She is also the Vice Chairperson for Trust Committee and a member of the Risk Oversight Committee.

Dr. Kang is the President and Dean of the Asian Institute of Management (AIM) and holds the MVP Chair in Marketing. Prior to assuming her post at AIM, Dr. Kang was Director of the DBA Program at Manchester Business School (MBS) from 2010 to 2014. At MBS, she also served as Director of the Postgraduate Centre in charge of their MBA Programs from 2001 to 2007, where she was instrumental in propelling the full-time MBA Program's Financial Times ranking from 4th in the world in 2002 to 2nd in 2007, the highest ranking it has ever achieved. While she was in charge of the MBA Programs, MBS became one of the first schools in the world to earn triple accreditation from AACSB, EQUIS and AMBA.

Dr. Kang is the Chairman of the International Advisory Board of AACSB, the world's largest business education alliance, and on the Board of EFMD, an international 900-member organization of business schools and corporations. She is also an Independent Director of Kesoram Industries, which is part of the B K Birla Group of Companies in India. Dr. Kang is also a board member of Principles for Responsible Management Education (PRME), and GBSN (Global Business School Network), a Council member of Association of Asia-Pacific Business Schools (AAPBS) and a Member of the Global Network for Advanced Management (GNAM). Dr Kang is an International/Global Advisory Council/Board Member of Suleman Dawood School of Business, Lahore University of Management Sciences in Pakistan, Korea University Business School, Yonsei University Business School in Korea, ESADE in Spain, Stockholm School of Economics in Sweden, Hanken School of Economics in Finland, and Insper in Brazil. She is also a fellow of International Academy of Management (IAOM).

Dr. Kang earned her PhD from the University of Minnesota, her Master's degree from Colorado State University, and her Bachelor's degree from Hanyang University, Seoul, Korea.

JOSE PERPETUO M. LOTILLA, 65, Filipino, was elected to the Board on April 27, 2021. He is the Chairman of the Nominations and Remuneration Committee, Vice Chairman of the Corporate Governance and Related Party Transaction Committees.

He is currently an Independent Director of Synergy Grid and Development Philippines, Inc. (since 2019) and Philippine Commercial Capital, Inc. (since 2021). He is also the Chairman of Carabineros Development, Inc., the Corporate Secretary of Amber Kinetics Phils, 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 (from 2012 to 2015). Prior to joining 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 (from 2002 to 2012), SB Capital Investment Corporation (from 2004 to 2012) and Security Finance, Inc. (from 2010 to 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, 73, Filipino, was elected to the Board on April 25, 2017. He is the Vice Chairman of the Transformation and Technology and the Risk Oversight Committees.

He was a Member of the Supervisory Board of Rocket Internet (from 2014 to 2017), Trustee of Philippine Disaster Recovery Foundation, Inc. (from 2013 to 2015) and Ideospace (from 2012 to 2015), President and Trustee of First Pacific Leadership Academy (from 2012 to 2015), and Chairman of the Board of Trustees and Board of Governors of the Asian Institute of Management (from 2011 to 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) (from 2012 to 2015), Digitel Mobile Philippines Inc. (Digitel Mobile) (from 2012 to 2015), Smart Broadband Inc. (from 2005 to 2015) and i-Contacts Corporation (from 2001 to 2015). He was the President and Chief Executive Officer of PLC-Philippine Long Distance Telephone Company (PLDT) (from February 2004 to 2015), PLC-Smart Communications, Inc. (from January 2000 to 2015), Connectivity Unlimited Resources Enterprise, Inc. (from 2008 to 2015), Aces Philippines Cellular Satellite Corporation (from 2000 to 2015), and PLDT Communications and Energy Ventures (2004 to 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 U.S. 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 NOMINEES

JUICHI UMENO, 48, Japanese, is being nominated for election to the Board as Director during the Annual Stockholders' Meeting on April 25, 2023.

Mr. Umeno joined The Bank of Tokyo Mitsubishi, Ltd. in 1996. As Managing Director for MUFG Bank (Europe) N.V. ("MBE"), he is based in Amsterdam, the Netherlands since March 2021. Mr. Umeno is responsible for leading a project management office to promote the entire program of the midterm business plan for MBE ranging from business promotion to cost optimization in order to make the organization financially viable and sustainable.

Prior to the current position, Mr. Umeno's career has been mainly around corporate center fields such as industry research, credit assessment, risk management and corporate planning. Mr. Umeno was assigned in Singapore from 2013 to 2019 and was responsible for strategic, financial planning and governance of the entire Asia region. He also served as a director of MUFG Bank China in charge of risk management from 2020 to 2021.

Mr. Umeno graduated from Waseda University with a Bachelor of Political Science and Economics in 1996.

NOBUYA KAWASAKI, 50, Japanese, is being nominated for election to the Board as Director during the Annual Stockholders' Meeting on April 25, 2023.

Mr. Kawasaki joined The Bank of Tokyo Mitsubishi, Ltd. in 1997. As Executive Officer & Managing Director and Head of Global Commercial Banking Division, he is responsible for promoting collaborations among MUFG and MUFG's invested financial institutions and pursuing inorganic activities for MUFG and invested financial institutions in Pacific Rim area for seven years mainly being based in Singapore.

Prior to the current position, Mr. Kawasaki served as a Managing Director in charge of M&A advisory of the M&A Division of Mitsubishi UFJ Morgan Stanley Securities, one of the major subsidiaries of MUFG.

Mr. Kawasaki graduated from Keio University with a Bachelor of Mechanical Engineering in 1995 and earned a Master of Mechanical Engineering in 1997 from Keio University, Tokyo.

CORPORATE SECRETARY

JOEL RAYMOND R. AYSON, 58, Filipino, was elected Corporate Secretary on July 19, 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 Backtrenmittel Und Apparatebau AG (Philippines), Inc., President of Bristol Technology System, Vice President and Director of Amtel Trading Corporation. He is a Director of Quo Vadis Palawan Resort, Inc., Back Office Superior Services, Inc., Asiamed Inc., Parex Realty Corporation, Trevi Foundation 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 Searesort Corp., Bohol Agro Marine Development Corp., Artbank Holdings, Inc., Tembuli Development Corp., Metropolitan Philippines Resort Corporation and Corporate Secretary of Lapu-Lapu Resort Development, Inc., Bohol Resort Dev., Inc., Lapu-Lapu Resort, Nexlogic Telecommunications, 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. 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 28, 2023

Position	Name	Age	Citizenship
President and Chief Executive Officer	Sanjiv Vohra*	61	Indian
Executive Vice Presidents	Arnold Q. Bengco	50	Filipino
	Leslie Y. Cham	57	Filipino
	Lucose T. Eralil	54	Indian
	Gina S. Go	62	Filipino
	Joselito E. Mape	60	Filipino
	Eduardo M. Olbes	52	Filipino
	John Cary L. Ong	49	Filipino
	Raul Martin A. Pedro	55	Filipino
	Charles M. Rodriguez	58	Filipino
	Takashi Takeuchi*	51	Japanese
Senior Vice Presidents	Jason T. Ang	52	Filipino
	Ronald I. Austria	51	Filipino
	Stephen John Bell	54	British
	Nerissa Gloria C. Berba	53	Filipino
	Marlette P. Brodett	51	Filipino
	Abigail Marie D. Casanova	48	Filipino
	Charles Malvin T. Ching	45	Filipino
	Anna Christina M. Chinjen	51	Filipino
	Aristotle I. Cruz	51	Filipino
	Jonathan C. Diokno	49	Filipino
	Daniel S. Dy*	36	Filipino
	Cristina V. Henson	58	Filipino
	Orencio Andrei P. Ibarra III	49	Filipino
	Yoshimasa Itaka	47	Japanese
	Sohel H. Kanchwala	57	Indian
	Jefferson T. Ko	47	Filipino
	Kim O. Lim	50	Filipino
	Luis Gregorio M. Maloles	54	Filipino
	Yvonne Joanna P. Marcelo	52	Filipino
	Jiri Matousek	35	Czech
	Patrick M. Meneses	48	Filipino
	Juan A. Mestas **	40	Peruana
	Maria Margarita R. Mirabueno	50	Filipino
	Jorge Lindley S. Ong	50	Filipino
	Rahul S. Rasal	55	Indian
	Ma. Patricia N. Tan	48	Filipino
	Dennis M. Tangonan	48	Filipino
	Ricardo G. Torres	61	Filipino
	Hirofumi Umeno	46	Japanese
	Balaji Vijayan	56	Indian
	Price Edward C. Yap	49	Filipino
	John David G. Yap	45	Singaporean
	Malcolm C. Yow	44	Australian

*Member of the BOD

** Also known as Juan Alfredo Mestas Jara

ARNOLD Q. BENGCO, 50, Filipino, is Executive Vice President and Financial Markets Segment Head. He is a member of the Assets and Liabilities and People Empowerment Committees.

Prior to joining the bank, he held the position of Treasury Technical Consultant in Temasek Holdings Singapore (from 2021 to 2023). He also held the position of Emerging Markets FX Head in Barclays Singapore (from 2018 to 2019), Treasury Trading Management Vice President in OCBC Bank Singapore (from 2016 to 2017), Portfolio Manager in Dymon Asia Capital Singapore (from 2013 to 2015), Managing

Director and Asian Currencies Trading Head in Citibank Singapore (from 2007 to 2013), Director Asia NDF (Non-Deliverable Forwards) Head (from 2006 to 2007) and Emerging Markets Trader (from 1999 to 2006) in Citibank NA Singapore, FX trader in Citibank NA Philippines (from 1996 to 1999), and FX Trader in Far East Bank and Trust Co. (from 1992 to 1994).

He graduated with a Bachelor of Science degree in Applied Mathematics (Actuarial Science) from De La Salle University, Manila. He also earned his master's degree in Business Management from Asian Institute of Management.

LESLIE Y. CHAM, 57, 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, and Anti-Money Laundering & Counter Financing of Terrorism, and Occupational Safety and Health Committees.

He was a Director of SBFI, 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 field 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 (from 1997 to 1999), and Vickers Ballas Asset Management LTD PTE (from 1995 to 1997). He was an Assistant Vice President of Citytrust Banking Corporation (from 1987 to 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, 54, Indian, is Executive Vice President and Enterprise Technology and Operations Segment Head.

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 in 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, Mr. Eralil 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, 62, Filipino, is Executive Vice President and Chief Risk Officer of the Bank. She is a member of the Bank's Asset Disposal, Sustainability, Outsourcing and Integrity Committees.

She was the President of Security Bank Savings Corporation (now known as SB Finance, Inc.) (from February 2012 to 2016). Prior to this, she was Chief Risk Officer of the Bank (2006 to 2011) and Head of Remedial Management Division (2000- 2005). Prior to joining the Bank in September 2000, she was connected with Equitable PCIBank where she accumulated 20 years of solid credit experience, having assumed various 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, 60, Filipino, is Executive Vice President and Senior Adviser to the Chairman (since February 1, 2023). He was the Chief Financial Officer from January 2012 to January 31, 2020 and Chief Administrative Officer from February 1, 2020 until December 31, 2022. He is the 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 SBFI (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, 52, 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 Committee and is also a member of the Finance, Assets & Liabilities, 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 is the Chairman of SB Equities, Inc. (since 2010). He is a Director of SB Capital Investment Corporation (since 2010). 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 NA (Philippines) Global Banking Unit (from 2006 to 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 (from 2000 to 2003) and the Investment Banking Division of Bear, Stearns & Co. Inc. in New York (from 1997 to 2000). He 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 BA degree, Major in Economics from the University of California, Berkeley.

JOHN CARY L. ONG, 49, Filipino, is Executive Vice President and Transaction Banking Group/Channel Network Group Head. He is a member of the Assets and Liabilities, People Empowerment and Anti-Money Laundering and Credit Committees. He is the Chairman of SBM Leasing, Inc. (since January 2023), and SB Rental Corporation (since January 2023).

Prior to this, he was Head of Transaction Banking Center of Union Bank of the Philippines (from 2016 to April 2020); Country Head, Treasury and Trade Solutions (from 2013 to 2016) and Client Sales Management Head (from 2011 to 2013) in Citibank NA; Head of Trade Finance and Cash Management for Corporates (from 2006 to 2011); Head of Operations (2005); and Head of Global Markets Operations (from 2003 to 2005) in Deutsche Bank AG Manila; and Senior Banking Consultant in Misys International Banking Systems (from 2000 to 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.

RAUL MARTIN A. PEDRO, 55, Filipino, is Executive Vice President and Special Adviser to the Chairman (February 15, 2023). He is a member of the Sustainability and Credit Committees. He is the Chairman of SB Forex, Inc. (since May 2016). He is the Bank's representative to the Bankers Association of the Philippines' Open Market Committee.

Prior to joining the Bank in November 2005, he was a First Vice President of Equitable PCI Treasury Department, Head of Foreign Fixed Income Trading and Derivatives. He also worked as a Forward FX Trader for Deutsche Bank AG, Manila.

He holds a Master's degree in Business Administration from Rutgers, the State University of New Jersey, USA and a Bachelor of Science degree in Business Administration from the University of the Philippines in Diliman.

CHARLES M. RODRIGUEZ, 58, Filipino, is Executive Vice President and Wholesale Banking Segment Head. He is a member of the Bank's Assets & Liabilities Committee, People Empowerment, Sustainability and the Credit Committee. He is also a Director of SB Capital Investment Corporation (since May 2019).

Prior to joining the Bank in October 2018, he was the Acting CEO and Head of Corporate and Institutional Coverage of ANZ Banking Group Limited (from January 2010 to August 2018). He held various positions in Far East Bank and Trust Company, FEB Investments, Inc., ABN AMRO Bank NV, and Banco De Oro Universal Bank. He has extensive experience in Corporate and Investment Banking.

He graduated with a Master's degree in Business Administration, Major in Finance from the University of Cincinnati, USA and Bachelor of Science degree in Management Engineering from the Ateneo de Manila University, Philippines.

TAKASHI TAKEUCHI, 51, Japanese, was elected to the Board on April 24, 2020 and appointed as Executive Vice President and Alliance Segment Head. He is a member of the Bank's Assets and Liabilities, Risk Oversight, Operational Risk Management Committees (Sub-Committee of Risk Oversight Committee) and Corporate Governance Committees.

Prior to joining the Bank, he was the Deputy Head and Managing Director of Internal Audit Division and Managing Director of Internal Audit for the Americas of MUFG Bank. He was also the Head and Managing Director of Internal Audit Division in Tokyo, Japan (from June 2018 to September 2018); Head of Corporate Banking Department No. 2 and Managing Director Asian Corporate Banking (West) in Los Angeles, USA (from 2014 to 2017); Senior Vice President for Liaison Affairs in San Francisco, USA (from 2011 to 2014); Senior Manager of Public Relations Division in Tokyo, Japan (from 2007 to 2011); Manager of Nagoya Corporate Banking Division No.2 in Nagoya, Japan (from 2003 to 2007); Manager of Corporate Banking Division No.6 in Tokyo, Japan (from 2000-2003); Banking Officer of Spot Desk in European Treasury Office in London, UK (from 1998 to 2000); and Banking Officer in Shinjuku-Chuo Branch in Tokyo, Japan (from 1994 to 1998).

He graduated with a Bachelor's Degree in Liberal Arts from the University of Tokyo, Japan in 1994.

JASON T. ANG, 52, 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 (from 1996 to 2007). Previously, he was with Citytrust Banking Corporation where he held various positions (from 1991 to 1996).

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

RONALD I. AUSTRIA, 51, 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 (from 1999 to 2008), PCI Bank (from 1996 to 1999), Far East Bank and Trust Company (from 1995 to 1996), and Citytrust Banking Group (from 1992 to 1995).

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

STEPHEN JOHN BELL, 54, British, is Senior Vice President, Senior Payment Lead and Division Head of the Channel Network Group.

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

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

NERISSA GLORIA C. BERBA, 53, Filipino, is Senior Vice President and Head of Human Capital Management. She is the Chairman of Occupational Safety and Health Committee and also a member of the Bank's Integrity, Outsourcing, Sustainability and People Empowerment Committees.

Prior to this, she was Senior Vice President and Head of Human Resources of The Hongkong and Shanghai Banking Corporation Limited (from 2018 to 2019); HR Director/Country Head of Deutsche Bank (from 2015 to 2018); HR Leader in Asia in General Electric (from 2010 to 2015); Vice President— Talent Acquisition/Career Management in the Bank of the Philippine Islands (February 2010 to August 2010); Senior Vice President and Head of HR in GE Money Bank (from 2006 to 2010); First Vice President and Senior Human Relationship Manager in Standard Chartered Bank (from 2004 to 2006); Senior Business HR Manager in Philips Electronics and Lighting Inc. (from 2003 to 2004); Associate/Human Resource Manager in Bó Lè Associated Ltd. (from 2000 to 2003); and Human Resource Manager in New Zealand Milk Products, Phils. (from 1999 to 2000).

She graduated with a Bachelor's Degree in Science, Major in Psychology, from Assumption College.

MARLETTE P. BRODETT, 51, 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. (from 2003 to 2004); First Assistant Vice President in Asiatrust Development Bank (from 2000 to 2003); and Branch Head with the Bank of the Philippine Islands (from 1992 to 2000).

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

ABIGAIL MARIE D. CASANOVA, 48, Filipino, is Senior Vice President and SBFI's President and 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, 45, Filipino, is Senior Vice President and Chief Administrative Officer (since January 2023) under Office of the Chief Administrative Office. He is the Vice Chairman of the Asset Disposal Committee. He is also a member of Asset and Liabilities and Outsourcing Committees.

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

He graduated with a Bachelor's Degree of Science major in Management Engineering in Ateneo de Manila University.

ANNA CHRISTINA M. CHINJEN, 51, Filipino, is Senior Vice President and Chief Compliance Officer.

She is the Chairman of the Anti-Money Laundering and Counter Financing of Terrorism Committee, Vice-Chairperson 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 and 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 (from 2017 to 2019), Anti-Money Laundering Lead (from 2016 to 2017), Global Standards Execution Lead (from 2013 to 2016), Chief Risk & Administration Officer (from 2012 to 2013), Strategy, Planning & Business Management (from 2009 to 2012), Vice President for Operations, Solutions and Support (from 2006 to 2009), Assistant Vice President and Relationship Manager (from 2003 to 2006), Head of Implementation – Payments and Cash Management (from 2001 to 2003), Relationship Manager for Non-Borrowing Companies (from 2000 to 2001) and Resident Manager (from 1999 to 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, 51, Filipino, is Senior Vice President and Team Head under Corporate Banking Group.

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

JONATHAN C. DIOKNO, 49, Filipino, is Senior Vice President and Cash Management Head under the Transaction Banking Group of the Bank.

He has extensive exposure in the field 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 (from 2017 to 2019). He served in various positions

in Banco de Oro (from 2001 to 2016), Citibank NA (from 1999 to 2001), Standard Chartered Bank (from 1997 to 1999), and the Bank of the Philippine Islands/Citytrust Banking Corporation (from 1994 to 1997).

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

DANIEL S. DY, 36, Filipino, was elected to the Board on 27 April 2021. He is a Senior Vice President and Group Strategy Head. He is a member of the Transformation and Technology and the Executive Committees. He is also a Director of SBFi.

Mr. Dy has held various positions in Security Bank Corporation since he joined in March 2012. As Group Strategy Head, he oversees various divisions, including data engineering, data analytics, data governance, and CRM. For the past decade, Mr. Dy has worked at the intersection of business, technology, and data, 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.

CRISTINA V. HENSON, 58, 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, 49, Filipino, is Senior Vice President and Treasurer. He is a member of the Assets and Liabilities and Finance Committees.

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 BOD 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, 47, Japanese, is Senior Vice President and 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 (from 2006-2015) and started his career at the Bank of UFJ (from 1999-2005).

He completed his degree in Environmental Engineering from Kyoto University.

SOHEL H. KANCHWALA, 57, Indian, is Senior Vice President and Division Head of the Collections Division.

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

Manila (from 1998-2003); Senior Manager for Saudi American Bank (Citigroup) (from 1994-1997); Manager for Citibank N.A. India (from 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, 47, Filipino, is Senior Vice President and Senior Program Manager of Financial Markets Segment.

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

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

KIM O. LIM, 50, Filipino, is a 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 (from 2013 to 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 (from 2010 to 2011) under Hongkong Shanghai Banking Corporation Savings Bank. He also held the position of District Manager (from 2009 to 2010), Business Manager (from 2007 to 2009), Relationship Officer and OIC (from 2006 to 2007) and Relationship Officer (2006) under Citibank Savings Incorporation, Customer Service Head (from 2003 to 2006), Senior Personal Bank (from 2002 to 2003), Reserved Assistant (from 2000 to 2002), Policy Analyst (2000), Control Assistant (from 1995 to 1999) and Bank Statement Clerk (from 1993 to 1995) under Rizal Commercial Banking Corporation.

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

LUIS GREGORIO M. MALOLES, 54, Filipino, is a 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 field 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 (from 2013 to 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) (from 2004 to 2013). He is a Corporate Banking veteran having held various positions in Asia United Bank (from 2001 to 2004), Banco Santander Philippines, Inc. (from 1999 to 2000), Philippine Commercial International Bank (from 1996 to 1999), Far East Bank and Trust Company (from 1995 to 1996) and Rizal Commercial Banking Corporation (from 1992 to 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, 52, Filipino, is Senior Vice President and Head of Corporate Banking Group. She is a member of the Assets and Liabilities Committee and an alternate member of the 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 to 2000), Assistant Manager in Union Bank of the Philippines (1995 to 1996), and Management Trainee and Pro-Manager in Bank of Commerce (1991 to 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, 35, Czech, is Senior Vice President and Head of the Retail Transformation Group.

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 (from 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, 48, Filipino, is Senior Vice President and Chief Data Officer of Enterprise Data Office under Office of the President.

Prior to joining the Bank, he was the Chief Data and Analytics Officer with MDI Novare (from 2021 to 2022). He also held the position of ASEAN Director of Business Solutions under SAS Institute Singapore (from 2018 to 2021), Senior Engineering Manager under General Motors (from 2012 to 2018), Senior Technical Program Manager under Electronic Arts (from 2010 to 2012), Senior Technical Manager under SUN Microsystems (from 1999 to 2009), Project Manager under Hewlett- Packard (from 1997 to 1999) and Operations Manager under UNILAB (from 1996 to 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, 40, Peruvian, is Senior Vice President and Architecture & Integration Head under Information Technology Group.

Prior to joining the bank, he was the Group Head of Enterprise Architecture and Platform under Group 42, UAE (from 2021 to 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 (from 2017 to 2019), Senior Manager and Digital Architecture under Allied Irish Banks PLC (AIB Bank) Ireland (from 2016 to 2017), Architecture Manager under DELOITTE & TOUCHE EURORE, The Middle East, and Africa (EMEA) (from 2011 to 2016), Regional Director of Microsoft Latam (from 2007 to 2011), Software Architect under Banco Financiero (from 2004 to 2006), Oracle HLR Architect under Sixbell, Chile (from 2002 to 2004) and Senior Software Engineer under SONDA, Peru (from 1999 to 2000).

MARIA MARGARITA R. MIRABUENO, 50, 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 (from 2011 to 2014) and Investment Specialist (from 2004 to 2010). She also held the position of Investment Officer under Chinatrust (Philippines) (from 1999 to 2002), Investment Officer under ALL Asia Capital & Trust Corporation (1998) and Marketing Assistant under Metrobank (from 1993 to 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, 50, Filipino, is Senior Vice President and Head of the Commercial Banking Group effective November 2022. He is a member of the Bank's Credit and Assets & Liabilities Committees.

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 (from 1995 to 2007). He graduated from the University of Santo Tomas with a Bachelor of Science degree in Commerce.

RAHUL S. RASAL, 55, Indian, is Senior Vice President and Retail Banking Segment Head (effective January 2023). He is a member of the 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 (from 2018-2021) and Managing Director at Citibank NA (from 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.

MA. PATRICIA N. TAN, 48, Filipino, is Senior Vice President and Head of Customer Segmentation Group. She is a member of the Assets & Liabilities Committee

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

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

DENNIS M. TANGONAN, 48, Filipino, is Senior Vice President and Cloud Infrastructure Head under Information Technology Group.

Prior to joining the bank, he held the position of Infrastructure and Operations Head for BDO Unibank, Inc. (from 2010 to 2023). He also held the position of Assistant Vice President and Team Lead in Citibank NA Philippines and Citibank NA Singapore (from 2007 to 2009), Assistant Vice President and Team Lead in United Overseas Bank (UOB) Singapore (from 2005 to 2006), Manager 2 and Team Lead in BDO Unibank (from 2000 to 2005), IT Security Officer in Maybank Philippines (from 1991 to 2000), IT Security Administrator in Asiatrust Bank (from 1998 to 1999), and Lead Systems Operator (from 1996-1998).

He graduated with a Bachelor of Science degree in Computer Science from University of Saint Louis, Tuguegarao. He also earned his master's degree in Business Administration from Ateneo de Manila University.

RICARDO G. TORRES, 61, Filipino, is Senior Vice President and Special Projects Head (effective October 2022). 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 (from 1999 to 2003); Manager Systems

Development & Support in United Saudi Bank (from 1994 to 1999); Systems Analyst/Programmer and Project Manager in United Saudi Commercial Bank – SGV Arabia (from 1987 to 1994); and Technical Staff member in SGV Institute of Advanced Computer Technology (from 1985 to 1987).

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

HIROFUMI UMENO, 46, Japanese, is Senior Vice President and MUFG Business Development Head. He is a member of the Sustainability Committee.

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

He earned his degree in School of Policy Studies from KWANSEI GAKUIN University (Hyogo, Japan)

BALAJI B. VIJAYAN, 55, Indian, is Senior Vice President and Retail Credit Risk Management Division Head.

Prior to joining the Bank, he held various positions including Advisor to Retail Risk Directorate of Bank Mandiri-Indonesia (from 2015 to 2020); Director and Risk Head for Middle East-Consumer Bank of Citibank NA-UAE (from 2007 to 2014); Vice President and Risk Head for Bank of Handlowy – Consumer Bank of Citibank NA-Poland (from 2004 to 2007); Vice President and Risk Head in ABN Amro Bank in Taiwan and Indonesia (from 1999 to 2003); Vice President and Credit

Policy Head in Citibank NA-Indonesia (from 1997 to 1999); various positions in Citibank NA-India (from 1990 to 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.

PRICE EDWARD C. YAP, 49, Filipino, is Senior Vice President and Sales Division Head under Treasury 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. (from 2011 to 2015); held various positions in Citigroup, Inc. (from 2000 to 2011); and Solid Bank Corporation (from 1997 to 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.

JOHN DAVID G. YAP, 45, Singaporean, is Senior Vice President and Group Head of Business Banking Segment effective January 2022 (former Micro, Small and Medium Enterprises (MSME) Group). He is a member of the Bank's Assets & Liabilities Committee.

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

He completed his Bachelor of Science, major in Management Information System degree from Ateneo de Manila University. He earned his Master's degree in Business Administration from Nanyang Technological University.

MALCOLM C. YOW, 44, Australian, is Senior Vice President and Retail IT Digital Team Head under Information Technology Group.

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

He graduated with a Bachelor of Science 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 2023 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
2023	₱79,600,000**	₱66,000,000**	₱145,600,000**
2022	67,682,000	60,501,900	128,183,900
2021	63,290,200	72,614,300	135,904,500

*Refers to Messrs. Sanjiv Vohra, Eduardo M. Olbes, Raul Martin A. Pedro, Charles M. Rodriguez and Maria Cristina A. Tingson

**Estimated amount

All officers and directors as a group unnamed:

	Executive Compensation	Bonuses	Total	Directors***
2023	₱4,300,000,000**	₱1,500,000,000 **	₱5,800,000,000 **	₱174,000,000**
2022	3,853,622,854	1,393,484,004	5,247,106,858	144,500,000
2021	3,293,943,688	1,302,979,365	4,596,932,053	–

**Estimated amount

***Amounts included in the total

The directors receive fees, bonuses and allowances that are already included in the amounts stated above, with per diem of ₱22.0 million estimated for 2023, ₱17.3 million per diem paid in 2022 and ₱14.1 million per diem paid in 2021. 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 February 28, 2023 were as follows:

Title of Class	Name, Address or Record Owner / Beneficial Owner and Relationship with Issuer	Name of Beneficial Owners	Citizenship	No. of shares Held	% to Total Voting Shares
Common	THE BANK OF TOKYO MITSUBISHI UFJ, LTD. (BTMU) (now known as MUFG BANK, LTD.)	BTMU (MUFG)	Japanese	150,707,778	8.59%
Preferred				200,000,000	11.41%

Title of Class	Name, Address or Record Owner / Beneficial Owner and Relationship with Issuer	Name of Beneficial Owners	Citizenship	No. of shares Held	% to Total Voting Shares
Common	Marunouchi, Chiyoda-ku, Tokyo, Japan				
	FREDERICK Y. DY 23F Security Bank Centre 6776 Ayala Ave., Makati City	Frederick Y. Dy	Filipino	86,865,273 [*]	4.95%
Preferred				294,207,671	16.78%
Common	PCD NOMINEE CORPORATION GF Makati Stock Exchange Ayala Avenue, Makati City	Various Stockholders Client	Filipino	** 182,763,273	14.14%
Common			Non- Filipino	****145,777,790	8.15%
Common	DANIEL S. DY 18F Security Bank Centre 6776 Ayala Ave., Makati City	Daniel S. Dy	Filipino	30,229,655	1.72%
Preferred				***256,951,638	14.65%

^{*}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 February 28, 2023:

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%
Alberto S. Villarosa	Chairman	Filipino	4,000,003	Direct	0.23%
Cirilo P. Noel	Vice 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 /Group Strategy Head	Filipino	30,229,655*	Direct / Indirect	1.72%
Dr. Jikyeong Kang	Director	British	10	Direct	0.00%
Napoleon L. Nazareno	Director	Filipino	10	Direct	0.00%
Alfonso L. Salcedo, Jr.	Director	Filipino	327,010	Direct	0.02%
Sanjiv Vohra	Director/ President & CEO	Indian	300,010	Direct	0.00%
Jose Perpetuo M. Lotilla	Director	Filipino	3	Direct	0.00%

Name of Beneficial Owner	Position	Citizenship	No. of Shares Held	Nature of Beneficial Ownership	% to Total Voting Shares
Esther Wileen S. Go	Director	Filipino	10	Direct	0.00%
Juichi Umeno	Nominee	Japanese	1	Direct	0.00%
Nobuya Kawasaki	Nominee	Japanese	1	Direct	0.00%

**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%
Charles M. Rodriguez	Executive VP	Filipino	20,000	Direct	0.00%
Abigail Marie D. Casanova	Senior VP	Filipino	2,340*	Indirect	0.00%
Aristotle I. Cruz	Senior VP	Filipino	200	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	294,207,671	Direct	16.78%
Alberto S. Villarosa	Chairman	Filipino	41,000,000	Direct	2.34%
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 February 28, 2023 is 714,129,232 shares or approximately 40.73% 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 February 28, 2023

A. Title of Class: Common Stock

Name of Beneficial Owner	Position	Beginning Balance No. of Shares (as of 3/24/2022)	Movement No. of Shares (from 03/25/2022 to 02/28/2023)	Acquired (A) or Disposed (D)	Ending Balance No. of Shares (as of 02/28/2023)
Frederick Y. Dy	Chairman Emeritus	86,865,273	—	—	86,865,273
Alberto S. Villarosa	Chairman	4,000,003	—	—	4,000,003
Cirilo P. Noel	Vice Chairman	10	—	—	10

Name of Beneficial Owner	Position	Beginning Balance No. of Shares (as of 3/24/2022)	Movement No. of Shares (from 03/25/2022 to 02/28/2023)	Acquired (A) or Disposed (D)	Ending Balance No. of Shares (as of 02/28/2023)
Diana P. Aguilar	Director	10	–	–	10
Gerard H. Brimo	Director	10	–	–	10
Enrico S. Cruz	Director	121,010	17,000	A	138,010
Dr. Jikyeong Kang	Director	10	–	–	10
Napoleon L. Nazareno	Director	10	–	–	10
Alfonso L. Salcedo, Jr.	Director	327,010	–	–	327,010
Sanjiv Vohra	Director/President & CEO	10	300,000	A	300,010
Jose Perpetuo M. Lotilla	Director	3	–	–	3
Esther Wileen S. Go	Director	10	–	–	10
Daniel S. Dy	Director/Group Strategy Head	30,229,655	–	–	30,229,655
Juichi Umeno	Nominee	–	1	A	**1
Nobuya Kawasaki	Nominee	–	1	A	**1

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

Name of Beneficial Owner	Position	Beginning Balance No. of Shares (as of 3/24/2022)	Movement No. of Shares (from 03/25/2022 to 02/28/2023)	Acquired (A) or Disposed (D)	Ending Balance - No. of Shares (as of 02/28/2023)
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
Charles M. Rodriguez	Executive VP	0	20,000	A	20,000
Abigail Marie D. Casanova	Senior VP	2,340*	–	–	2,340
Aristotle I. Cruz	Senior VP	200	–	–	200
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	11,000	5,000	A	16,000

**Shares held by spouse*

B. Title of Class: Preferred Stock

Name of Beneficial Owner	Position	Beginning Balance No. of Shares (as of 3/24/2022)	Movement No. of Shares (from 3/25/2022 To 02/28/2023)	Acquired (A) or Disposed (D)	Ending Balance - No. of Shares (as of 2/28/2023)
Frederick Y. Dy	Chairman Emeritus	294,207,671	–	–	294,207,671
Alberto S. Villarosa	Chairman	41,000,000	–	–	41,000,000
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 32 of the Audited Financial Statements. The Bank is not a subsidiary of any corporation.

For the period ended February 28, 2023, 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 December 7, 2011, the SEC issued SEC Memorandum Circular No. 8 directing all publicly listed companies to participate as respondents in the Corporate Governance (CG) Survey using the CG Scorecard as the survey instrument. Accomplishment of the CG Scorecard entailed doing a self-assessment of the Bank's current corporate governance practices. The Bank submitted the accomplished CG Scorecard on March 28, 2012, to the Corporation Finance Department of the SEC. Out of this exercise, action programs were recommended to match best practices.

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 June 202.

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	12 of 13 meetings	92%
Alberto S. Villarosa	13 of 13 meetings	100%
Cirilo P. Noel	13 of 13 meetings	100%
Diana P. Aguilar	12 of 13 meetings	92%
Gerard H Brimo	13 of 13 meetings	100%
Enrico S. Cruz	13 of 13 meetings	100%
Daniel S. Dy	13 of 13 meetings	100%
Esther Wileen S. Go	13 of 13 meetings	100%
Jose Perpetuo M. Lotilla	12 of 13 meetings	92%
Napoleon L. Nazareno	11 of 13 meetings	85%
Alfonso L. Salcedo, Jr.	13 of 13 meetings	100%
Takasji Takeuchi	13 of 13 meetings	100%
Sanjiv Vohra	13 of 13 meetings	100%
Kenichi Yamato	10 of 10 meetings	100%
Hiroshi Masaki	3 of 3 meetings	100%

Kenichi Yamato was elected to the Board effective April 1, 2022.

Hiroshi Masaki resigned on April 1, 2022.

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 Committee, Trust, Restructuring, Related Party Transactions, Finance and Transformation 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	%
Dr. Jikyeong Kang – Chairperson	12	100%
Atty. Jose Perpetuo M. Lotilla – Vice Chairman	12	100%

Composition	Attendance	%
Alfonso L. Salcedo, Jr.	12	100%
Takashi Takeuchi *	8	100%
Gerard H. Brimo	11	92%
Hiroshi Masaki **	3	100%

*Appointed as member effective April 27, 2022 (vice Director H. Masaki)

** Resigned effective March 31, 2022

Number of meetings in 2022: 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 2021 Integrated Annual Corporate Governance Report
- Reviewed the results of the annual performance assessment of the Board, Board level and Management level Committees facilitated by KPMG
- 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	%
Atty. Jose Perpetuo M. Lotilla – Chairman	12	100%
Enrico S. Cruz – Vice Chairman	12	100%
Alberto S. Villarosa	11	92%

Number of meetings in 2022: 12

The Committee accomplishments include the following:

- Evaluated and recommended new board membership.
- Reviewed and approved senior officer new hires.
- Reviewed and approved various policies as recommended by the People Empowerment Committee relating to employee benefits.
- 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**, 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. Below is the composition of the Committee and attendance of the members:

Composition	Attendance	%
Alfonso L. Salcedo Jr. – Chairman	53	100%
Cirilo P. Noel – Vice Chairman	51	96%
Sanjiv Vohra	46	85%
Alberto S. Villarosa	53	100%
Enrico S. Cruz	53	100%
Rafael F. Simpao – Advisor	52	98 %
Daniel S. Dy – Alternate	0	-

Number of meetings in 2022: 53

The Committee reviewed and approved credit transactions over authority limits of Credit 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	%
Gerard H. Brimo – Chairman	10	100%
Enrico S. Cruz – Vice Chairman	10	100%
Cirilo P. Noel	10	100%

Number of meetings in 2022: 10

The Committee accomplishments include the following:

- Reviewed the performance of the Head of Internal Audit and the External Auditor.
- Reviewed the effectiveness of internal controls including financial, operational and compliance controls and risk management.
- Reviewed the process of preparation of financial statements in compliance with the accounting standards and regulations.
- Monitored outstanding internal and external audit issues including whistleblowing cases.
- Reviewed and approved the Audit Plan in compliance with regulatory requirements.
- Reviewed and approved the non-audit engagements performed by the External Auditor.
- Approved the retention of External Auditor and remuneration of the Head of Internal Audit and key Internal Auditors.
- Approved and endorsed to the Board the results of Audits, Special Reviews and Self-Assessment in compliance with regulatory directives.
- Reviewed the adequacy of the Committee Charter and the Internal Audit Charter

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	%
Enrico S. Cruz - Chairman	13	100%
Napoleon L. Nazareno – Vice Chairman	7	54%
Dr. Jikyeong Kang	11	85%
Diana P. Aguilar	4	100%
Esther Wileen S. Go	12	92%
Alfonso L. Salcedo, Jr.	12	92%
Takashi Takeuchi	13	100%
Cirilo P. Noel *	8	89%

**Appointed as ROC member effective April 26, 2022 (vice Director Diana P. Aguilar)*

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, 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, Insurance renewal, write-off of accounts and documentary requirements for corporate and retail loans.
 - Operational Risk policies relating to Risk and Control Self-Assessment (RCSA), Fraud Risk, Compliance Risk, Information Security Risk, Business Continuity Management Framework, Client Suitability and Appropriateness Assessment and Crisis Management Policy; approval 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 approval 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 task with the oversight and maintenance of 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.

Composition	Attendance	%
Esther Wileen S. Go - Chairperson	11	100%
Enrico S. Cruz	11	100%
Napoleon L. Nazareno	7	64%
Alfonso L. Salcedo, Jr.	11	100%
Takashi Takeuchi	10	91%

Number of meetings in 2022: 11

The Committee accomplishments include the following:

- Performed oversight of Operational Risk Management function, with a focus on IT and Information Security Risks, including review of KRAs and the Key Risk Indicators of those areas, as well as monitoring and evaluation of Information Security updates, particularly in Patch Management, Asset Management / Inventory, Access Management, and Fraud Detection and Prevention.
- Reviewed IT and Fraud Incidents (including Phishing and Vishing) with impact to the Bank's operations, their identified root cause and the action plans formulated to address them.
- Monitored and evaluated the status updates of compliance with relevant standards, especially ISO27001 and NIST.
- Approved the Social Media Framework
- Approved IT Risk Management Policy

The **Trust Committee**, 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	%
Diana P. Aguilar – Chairperson	5	100%
Dr. Jikyeong Kang - Vice Chairperson	5	100%
Alfonso L. Salcedo, Jr.	4	80%
Sanjiv Vohra	4	80%
Maricar R. Lopez	5	100%

Number of meetings in 2022: 5

The Committee accomplishments include the following:

- Convened five (5) TC meetings in 2022 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 2022 Budget, AUM size, Profitability and Changes in Trust Group's Organizational Structure.
 - Amendments and enhancements of Policies in the Trust Operations Manual and the Trust Risk Manual.
 - Offering three (3) new UITF Variants: SB Peso Money Market Fund, SB US Technology and SB ESG Aware Equity Feeder Funds.
 - 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, incentive programs, catch-up plans, new products new regulations and market scanning to help grow the AUM at faster pace.
 - Facing challenges in the business because of market trends, 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	%
Alfonso L. Salcedo, Jr. - Chairman	40	100%
Alberto S. Villarosa	40	100%
Sanjiv Vohra	38	95%

Number of meetings in 2022: 40

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	%
Dr. Jikyeong Kang – Chairperson	12	100%
Atty. Jose Perpetuo M. Lotilla – Vice Chairman	12	100%
Diana P. Aguilar	12	100%

Number of meetings in 2022: 12

The Committee accomplishments include the following:

- Approved updates to the Related Party Transactions Policy which is applicable to SBC and its subsidiaries and affiliate.
- 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 **Finance Committee**, is responsible for the following:

- 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, it 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.
- Approve the sale of ROPOA as recommended by the Acquired Assets Committee for amounts P20 million and above through 2 designated Finance Committee Members
- Approve the Major Expenditures of the bank based on the Major Expenditures Policy (MEP) process for projects with total investment cost of in excess of ₱100 million up to ₱250 million.
- Endorsement to the Board for Major Expenditures of the bank based on the Major Expenditures Policy (MEP) process for projects with total investment cost of in excess ₱250 million.
- Review investor relations activities.
- Review and monitor the Company's debt ratings, dialogue with the credit agencies and bank credit arrangements.

Composition	Attendance	%
Cirilo P. Noel - Chairman	18	100%
Enrico S. Cruz – Vice Chairman	18	100%
Alberto S. Villarosa	18	100%
Sanjiv Vohra	17	94%
Eduardo M. Olbes	18	100%
Diana P. Aguilar *	11	79%
Andre P. Ibarra **	13	93%
Raul Martin A. Pedro ***	4	100%
Joselito E. Mape ***	4	100%

* Appointed as member on April 26, 2022

** Appointed as member in May 2022

*** Committee member from January - April 2022

Number of meetings in 2022: 18

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
- Reviewed and endorsed to the Board, jointly with Risk Oversight Committee, the Bank's ICAAP and Capital Recovery Plan based on BSP prescribed parameters
- 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
- Reviewed quarterly performance strategy execution and subsidiary performance
- Assessed and approved the major expenditures of the Bank on both the strategic and major initiatives
- Approved the Major Expenditures of the bank for projects with total investment cost in excess of ₱100 million up to ₱250 million
- Reviewed and endorsed to the Board projects with total investment cost in excess of ₱250 million
- Reviewed and updated the FINCOM Charter and KRAs
- Approved the Amendment of the Acquired Asset Committee (AAC) Charter (now Asset Disposal Committee)
- Approved and endorsed to the Board the Amendment of the Asset and Liabilities Committee Charter

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.

Composition	Attendance	%
Esther Wileen S. Go – Chairperson	11	100%
Napoleon L. Nazareno – Vice Chairman	8	73%
Cirilo P. Noel	10	91%
Sanjiv Vohra	10	91%
Daniel S. Dy	10	91%
Eduardo M. Olbes	10	91%
Lucose T. Eralil	4	100%

Number of meetings in 2022: 11

The Committee accomplishments include the following:

- Reviewed all major strategy, transformation, and information technology initiatives in terms of strategy, culture, process, leadership, technology, and structure.
- 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 recommended the Board approval the Transformation Roadmap, Information technology Architecture and Strategic Plan.
- Reviewed, approved, and monitored IT policies, procedures, guidelines and standards.
- Reviewed and approved the amendments of the TTC charter.
- Regularly reviewed performance metrics of critical information technology, communications, and network systems.
- Monthly review of performance metrics of critical information technology, communications, and network systems.
- Quarterly review of the Tech Strategic Roadmap.
- Monthly oversight on the strategic and major initiatives approved by the ECB.
- Monthly review and assessment on the implementation and execution of various strategic, transformation and information technology initiatives and projects across the Bank.

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, Acquired Assets Committee, Assets & Liabilities Committee, People Empowerment Committee, Anti-Money Laundering Committee, Integrity Committee and Outsourcing Committee.

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 to it's 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 January 2023, the Bank received a three arrow recognition award as a testament to its performance in the 2021 assessment.

On April 26, 2022, 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 conducted by SGV & Co.

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 63

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 2022 and in the first quarter of 2023:

DATE	ITEM
7/1/2022	Amendment to update data on Hiring of 2 Senior Officers and Promotion of 3 Senior Officers
7/4/2022	Press Release - "Security Bank offers peso bonds "
7/15/2022	Effective Date of Appointment of Officer
7/18/2022	Resignation of Officer
7/20/2022	Press Release - "Security Bank issues PHP16 billion worth of Corporate Bonds due 2024"
8/2/2022	Change in Shareholdings of a Director and Principal Officers
8/8/2022	Effective Date of Appointment of Officer
8/9/2022	Balance Sheet (Consolidated and Bank Proper) as of June 30, 2022
8/11/2022	Notice of Analysts'/Investors' Briefing
8/15/2022	Press Release - "Security Bank net income up 100% to PHP6.2 billion in H1-2022"
8/15/2022	Quarterly Report
8/15/2022	Resignation of Officer
8/30/2022	Hiring of Officer
9/27/2022	Change of Assignment
10/17/2022	Press Release - "Security Bank offers peso bonds."
10/21/2022	Effective Date of Appointment of Officer
10/25/2022	Hiring of Officers
10/25/2022	Cash Dividend Declaration - Common Shares
11/10/2022	Press Release - "Security Bank issues PHP14.6 billion worth of Corporate Bonds due 2024"
11/10/2022	Notice of Analysts'/Investors' Briefing
11/11/2022	Press Release - "Security Bank net income up 77% to PHP8.6 billion in first nine months of 2022"
11/11/2022	Quarterly Report
11/29/2022	Change of Assignment
12/12/2022	Balance Sheet (Consolidated and Bank Proper) as of September 30, 2022
1/4/2023	Retirement of Officer
1/23/2023	Resignation of Officer

DATE	ITEM
1/24/2023	Hiring and Change of Assignment of Officers
1/24/2023	Notice of Annual Stockholders Meeting
1/25/2023	Resignation of Officer
2/6/2023	Balance Sheet (Consolidated and Bank Proper) as of December 31, 2022
2/27/2023	Notice of Analysts'/Investors' Briefing
2/28/2023	Hiring of Officer
2/28/2023	Nomination of Directors for election by shareholders of Security Bank Corporation during the Annual Stockholders Meeting
2/28/2023	Cash Dividend Declaration - Preferred Shares (unlisted)
3/1/2023	Press Release entitled "Security Bank net income up 53% to PHP10.6 billion in 2022"
3/1/2023	Audited Financial Statements Of Security Bank Corporation And Subsidiaries 2022
3/16/2023	Change in the shareholdings of a Director and Principal Officer
3/28/2023	Cash Dividend Declaration - Common Shares
3/28/2023	Hiring and Change of Assignments of Senior Officers

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:



Sanjiv Vohra
Principal Executive Officer / Principal Operating Officer



Eduardo M. Olbes
Principal Financial Officer



Joel Raymond R. Ayson
Corporate Secretary



Milarey M. Wee
Principal Accounting Officer/Comptroller

SUBSCRIBED AND SWORN to before me this 14 APR 2023, affiants exhibiting to me their Passport, as follows:

NAMES	ID NUMBERS	DATE OF ISSUE	PLACE OF ISSUE
Sanjiv Vohra	Z4836868	June 27, 2018	Singapore
Eduardo M. Olbes	P8116670A	July 27, 2018	Manila City
Joel Raymond R. Ayson	P1101504B	March 19, 2019	Manila City
Milarey M. Wee	P2229480B	May 21, 2019	Manila City

Doc. No.: 16;
Page No.: 37;
Book No.: 1;
Series of 2023;



ATTY. HENSON M. MONTALVO, CPA
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
UNTIL DECEMBER 31, 2024
APPOINTMENT No. M-386; ROLL No. 65865
IBP No. 268252; 01/04/2023; PPLM CHAPTER
PTR No. 9567502; 01/04/2023; MAKATI CITY
20/F SECURITY BANK CENTRE, 6776 AYALA AVE., MAKATI CITY

**Index to Exhibits
Form 17-A Item 14**

Exhibit Number	Page
(1) Subsidiaries of the Registrant	64
(2) List of Bank-owned Branches	65
(3) List of Leased Branches	66
(4) Table of Organization	75

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 regulatory agencies.*

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

****With BOD approval to shorten corporate life on December 31, 2023*

Exhibit (2): List of Bank-owned Branches as of December 31, 2022

	Branch	Address
1	Alabang	235 Montillano St., Rotonda Alabang-Muntinlupa MM
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, Parañaque City
7	Binan	National Highway, Barrio San Vicente, Binan, Laguna
8	CDO – Osmena	Sergio Osmena St., Cagayan De Oro City
9	CDO – 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	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
19	General Santos	Lot 1341 Ireneo Santiago Blvd., Gen. Santos City
20	Guadalupe	No. 2185 Magsaysay St., Guadalupe, Makati City
21	Head Office (CCAD)	6776 Ayala Avenue, Makati City
22	Iligan	Quezon Avenue corner Miguel Obach St., Poblacion, Iligan City
23	Kalookan	No. 266 Rizal Avenue Extension, between 5th and 6th Ave., Grace Park, Kalookan City
24	Lipa	CM Recto Avenue, Lipa City, Batangas
25	Malabon	No. 2 Manapat St corner Rizal Avenue extension., Malabon City, MM.
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	Sucab	SBC Bldg., Dr. A. Santos Ave. cor. St. Peter St., Sucab, 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	Tekite	G/F East Tekite Towers, Exchange Road., Ortigas Center, Pasig City
42	Tuguegarao	A. Bonifacio corner Washington Sts., Tuguegarao, Cagayan
43	Zamboanga	Veterans Avenue, Zamboanga City.
44	Ylaya - Tondo	No. 938, Ylaya Street, Tondo, Manila City

**Sta. Rosa – Balibago branch was consolidated last April 2022 with Sta. Rosa branch*

Exhibit (3): List of Leased Branches as of December 31, 2022

Branch		Address	Start of Contract	End of Contract	Lease Term (Years)	Rent for the year ended December 2022 (all in ₱)
Leased Branches						
1	A. Linao-Paco	Units 1644 and 1646 along Angel Linao St., Paco, Manila	10/26/2021	10/25/2026	5	850,716
2	Acropolis	E. Rodriguez Jr. Ave. (C-5), Libis, Quezon City	4/1/2019	3/31/2024	5	3,590,118
3	ADB Avenue	G/F, AIC Empire Tower, ADB Avenue corner Sapphire Road, Ortigas Center, Pasig City	5/1/2022	4/30/2027	3	2,826,885
4	Adriatico - P Faura	1325 M. Adriatico St., manila	10/15/2019	10/14/2024	5	2,894,723
5	Alabang Acacia	G/F Kingston Tower, Acacia Ave., Madrigal Business Park, Alabang, Muntinlupa City	10/15/2021	10/14/2026	5	3,530,140
6	Alabang-Insular	Insular Life Corporate Centre, Insular Life Drive, Filinvest Corporate City, Alabang, Muntinlupa	4/1/2021	3/31/2024	3	4,028,577
7	Alabang - Northgate	Indo-China Drive, Northgate Cyberzone, Filinvest, Alabang, Muntinlupa City	1/1/2021	12/31/2025	5	2,075,643
8	Ali Mall	Level 2 Alimall Phase II, Brgy Socorro, Cubao, Quezon City	10/1/2021	9/30/2022	1	2,279,520
9	Alicia – Isabela	National Highway (Maharlika Highway), Poblacion, Alicia, Isabela	8/1/2021	7/31/2024	3	765,769
10	Angeles - Mc. Arthur Highway	McArthur Highway cor. San Pablo Street, Angeles City, Pampanga	5/1/2018	4/30/2023	5	1,722,546
11	Angeles - Sto. Rosario	292 Sto Rosario Street, Angeles City	8/16/2022	8/15/2023	1	1,935,694
12	Antipolo	CMDL Bldg., Circumferential Road, Brgy. San Roque, Antipolo Rizal	1/1/2022	12/31/2024	3	1,362,452
13	Arnaiz Avenue	920-922 Pasay Road, Makati City	11/15/2019	11/14/2024	5	2,578,130
14	Aseana City	Aseana One Building, Bradco Avenue, Aseana City, Parañaque City	1/15/2021	1/14/2026	5	4,993,596
15	Aseana Square	Units 3 & 4, Aseana Square Building, Macapagal Blvd., Aseana City, Parañaque City	6/15/2022	6/14/2027	5	2,613,982
16	Ayala - Rufino	6797 Ayala Avenue., Makati City	10/1/2022	9/30/2027	5	47,373,952
17	Ayala Alabang	El Molito Bldg., Madrigal Business Park, Madrigal Avenue, Ayala Alabang, Muntinlupa City	6/1/2022	5/31/2027	5	7,505,111
18	Bacolod - Lacson	Ground Floor, Insular Life Building, Lacson corner Galo Street, Bacolod City	7/1/2020	6/30/2025	5	1,335,817
19	Bacolod - Mandalagan	Ground Floor, O Residences, Lacson Street, Mandalagan, Bacolod City	1/1/2021	12/31/2025	5	925,174
20	Baguio BGH Rotonda	CYA Centrum Building, Military Cut-Off Road, Baguio City	5/1/2021	4/30/2024	3	1,055,754
21	Balanga	Capitol Drive near corner Sampaguita St., San Jose Balanga City, Bataan 2100	4/1/2017	3/31/2027	10	805,367
22	Baliwag	D' Eminent Place, Doña Remedios Trinidad Highway Pagala, Baliwag, Bulacan	7/27/2020	7/26/2025	5	2,135,280
23	Balut	No. 49 Honorio Lopez Blvd., corner Rosario Nicasio St., Balut, Tondo, Manila	9/1/2022	8/31/2027	5	1,368,271
24	Bambang	Oroquieta St. corner Bambang, Sta. Cruz, Manila	8/1/2020	7/31/2023	3	1,689,820
25	Banawe - Kitanlad	Nos. 34-36 Banawe corner Kitanlad Sts., Quezon City	6/1/2020	5/31/2025	5	3,513,305
26	Banawe - Malaya	G/F GLC Building, Banawe Ave. cor Malaya Street, Quezon City	10/15/2022	2/28/2023	0.375	2,101,080
27	Banawe - Quezon Ave.	No. 247-249 Banaue Street, Barangay Lourdes, Sta. Mesa Heights, Quezon City	11/16/2022	10/15/2023	1	1,809,469
28	Bangoy - Chinatown	2nd Floor, Yahu Plaza, Bangoy Street, Davao City	4/16/2021	4/15/2026	5	1,666,980
29	Batino - Calamba	G/F City Gold Bldg., Calamba Premier Industrial Park Complex - Batino, Calamba, Laguna	4/3/2018	4/2/2023	5	1,035,586
30	Bel-air	No. 40, Jupiter St., Bel-air, Makati City	9/8/2021	9/7/2024	3	1,447,303
31	Benavidez	1264-66 Benavidez St., Sta Cruz, Manila	9/1/2018	8/31/2023	5	1,307,933

Branch		Address	Start of Contract	End of Contract	Lease Term (Years)	Rent for the year ended December 2022 (all in ₱)
32	BF Parañaque-Aguirre	No. 178 Aguirre Avenue, BF Homes, Parañaque City	7/1/2021	6/30/2026	5	1,924,633
33	BF Resort - Las Piñas	#21 & 23 One Princeway Bldg., BF Resort Drive, BF Resort Village, Las Piñas City	3/16/2022	3/15/2025	3	1,363,185
34	Bicutan	#39 Doña Soledad Ave., Better Living, Parañaque City	12/16/2013	12/15/2023	10	1,046,883
35	Binondo	Nos. 463-469 Ewan Bldg., Quintin Paredes St., Binondo, Manila	5/1/2021	4/30/2026	5	10,998,435
36	Blumentritt	Chinese Gen. Hospital, Blumentritt cor. Aurora Blvd., Sta. Cruz, Manila	9/16/2022	9/15/2027	5	5,302,167
37	Bocaue	McArthur Highway, Wakas Bocaue, Bulacan	2/16/2017	3/15/2027	10	1,070,157
38	Boni Avenue	Unit No. 3 Bonifacio Residences Condo, 612 Boni Ave. corner Sikap Street., Mandaluyong City	12/1/2021	11/30/2023	2	1,521,450
39	Buendia - Dian	Omron Building, No. 40 Buendia Avenue, Brgy. San Isidro, Makati City	8/22/2022	8/21/2027	5	2,520,332
40	Bukidnon Valencia	Sayre Highway, Poblacion, Valencia City, Bukidnon	11/22/2016	11/21/2026	10	1,680,872
41	Butuan	J.C. Aquino Ave., Butuan City, Agusan del Norte	11/2/2021	11/1/2026	5	1,208,110
42	C. Palanca- Quiapo	302 - 304 C. Palanca (Echague) corner P. Gomez Street, Quiapo, Manila	6/15/2022	5/31/2027	5	1,616,913
43	Cabanatuan	Dr. D Building, Del Pilar Street, Cabanatuan City, Nueva Ecija	4/1/2020	3/31/2025	5	1,245,000
44	Cabanatuan - Maharlika	Km 112 Maharlika Highway, Cabanatuan City	6/1/2018	5/31/2023	5	1,502,216
45	Calamba Crossing	National Highway, Crossing, Calamba, Laguna	11/1/2020	10/31/2025	5	2,228,211
46	Calamba LISP	MDC Building, National Highway, Malihan Manoto Subdivision, Brgy. Real, Calamba City	3/1/2016	2/28/2026	10	915,276
47	Calapan	G/F H&M Center Bldg. J. P Rizal St., Brgy. Camilmil, Calapan City, Oriental Mindoro	7/25/2022	7/25/2027	5	1,098,878
48	Caloocan-10th Ave.	Unit 488-490, Rizal Avenue Ext. cor, 10th Avenue, Caloocan City	5/1/2017	4/30/2025	8	1,533,196
49	Caloocan-A. Mabini	GF, One Aster Place, A. Mabini Street, Caloocan City	9/4/2021	9/3/2023	2	1,678,649
50	Capitol Hills	Fairway Residences Condo - Capitol Hills Drive corner Alpha Road, Capitol Hills, Quezon City	10/1/2022	9/30/2027	5	2,664,455
51	Carmelray I	The Junction Strip Mall Wisdom Avenue corner Knowledge Avenue, Carmel Town, Canlubang, Calamba, Laguna	5/1/2021	4/30/2026	5	1,666,800
52	Carmelray II	Unit 4, Admin. Building, Carmelray Industrial Park II, Calamba, Laguna	4/1/2021	3/31/2024	3	1,400,023
53	Carmona	Ground Floor 88 Building, Governor's Drive, Maduya, Carmona, Cavite	7/30/2021	7/29/2026	5	697,631
54	Catarman	G.H. Del Pilar corner Marcos Sts., Catarman, Northern Samar	9/1/2022	8/31/2029	7	658,988
55	Cauayan	#076 Maharlika Highway, Cauayan City, Isabela	7/1/2016	6/30/2026	10	1,087,731
56	CDO - George Town Cybermall	Georgetown Cybermall, Rodolfo Pelaez Blvd., Kauswagan, Cagayan De Oro	8/1/2018	7/31/2023	5	1,996,676
57	CDO - Limketkai	1st Level, East Concourse Annex Bldg., Limketkai Mall, Cagayan de Oro City	8/22/2021	7/31/2024	3	2,351,683
58	Cebu A.S. Fortuna	TPR Building, A.S. Fortuna St., Banilad, Cebu City	4/25/2019	4/24/2024	5	994,284
59	Cebu Business Park	Mindanao Ave., Cebu Business Park, Cebu City	8/15/2022	8/14/2027	5	4,931,028
60	Cebu Danao	Princetown Danao, Juan Luna Street, Danao City, Cebu	3/1/2022	2/29/2024	2	651,166
61	Cebu IT Park	G/F Shops 7 & 8, SKYRISE 4B, Cebu I.T. Park Subdivision Barangay Apas Cebu City	11/21/2020	11/20/2025	5	2,758,800
62	Cebu Mactan	Island Central Mactan IT Complex, Mactan Economic Zone, M.L. Quezon National Highway, Pusok, Lapu-lapu City, Cebu	1/7/2022	1/6/2027	5	1,704,918

Branch		Address	Start of Contract	End of Contract	Lease Term (Years)	Rent for the year ended December 2022 (all in ₱)
63	Cebu Mandaue	Tipolo Square, Mandaue Highway, Tipolo, Mandaue City, Cebu	12/15/2022	12/14/2027	5	1,166,529
64	Cebu Osmeña	Osmeña Boulevard, Cebu City	8/1/2022	7/31/2023	1	2,292,704
65	Cebu Juan Luna	Osmeña Boulevard, Brgy. Señor Santo Niño, Cebu City	3/17/2021	3/16/2023	2	1,101,469
66	Chino Roces - Don Bosco	2224 Chino Roces Avenue cor Don Bosco St., Makati	5/1/2018	4/30/2023	5	2,388
67	Clark - Angeles	Unit 03, Ground Floor, Clark Center 10, Berthaphil III, Jose Abad Santos Avenue, Clark Freeport, Philippines, Clark Freeport Zone, Philippines	5/1/2019	4/30/2029	10	2,388,427
68	Clark - Medical City	100 Gatwick Gateway, Sabah Al-Ahmad, Global Gateway Logistics City, Industrial Estate 5, Clark Freeport Zone, Pampanga	6/16/2020	6/15/2025	5	2,352,046
69	Congressional	Congressional Avenue corner EDSA, Quezon City	12/8/2020	12/7/2025	5	1,704,155
70	Congressional Tower	Congressional Town Center, No. 23 Congressional Avenue, Brgy. Bahay Toro, Quezon City	10/17/2020	10/16/2023	3	1,846,945
71	Connecticut	Northeast Square Bldg., #47 Connecticut Street, Northeast Greenhills, San Juan City	9/1/2022	8/31/2032	10	2,979,220
72	Cotabato City	GF, RO-MA Bldg., #020 Sinsuat Avenue, Poblacion 6, Cotabato City	9/27/2018	9/26/2023	5	1,140,891
73	Cubao	Quezon Theater Bldg., Gen. Roxas St., Araneta Center, Cubao, Quezon City	11/1/2021	10/31/2026	5	2,594,016
74	Dagupan - Lucao	Dagupan-Binmaley Road, Lucao District, Dagupan City, Pangasinan	5/1/2016	4/30/2026	10	1,026,121
75	Dasmariñas - FCIE	Governor's Drive, Dasmariñas, Cavite	10/1/2021	9/30/2024	3	1,680,000
76	Davao - Bajada	BI Zone - Phase 2, J. Laurel Ave., Bajada, Davao City	10/1/2018	10/1/2023	5	2,163,011
77	Davao - Lanang	J.P. Laurel Ave., Insular Village, Phase 2, Lanang, Davao City	7/1/2022	6/30/2027	5	1,363,399
78	Davao - Matina	GF, Plaza Luisa II, Matina IT Park, McArthur Highway, Matina, Davao City	9/27/2018	9/26/2023	5	1,459,379
79	Davao - Rizal	Anda corner Rizal Sts., Davao City	4/1/2022	3/31/2027	5	1,211,962
80	Davao - Toril	Mars Building, Saavedra Street, Toril, Davao City	5/15/2018	5/14/2023	5	923,351
81	Dela Rosa	G/F King's Court II Bldg., 2129 Pasong Tamo cor. Dela Rosa Sts., Makati City	4/1/2018	3/31/2023	5	5,288,452
82	Digos	Poblacion, Digos City	6/1/2018	5/31/2023	5	1,261,620
83	Diliman - Matalino	No. 24 Matalino St., Brgy Central, Dist IV, Quezon City	7/2/2018	7/1/2023	5	2,676,892
84	Dipolog	Quezon Avenue, Dipolog City	8/20/2013	8/19/2023	10	519,220
85	Divisoria	Pasilio A. Ledesma Bldg., No. 853 Tabora St., Binondo, Manila	7/1/2022	6/30/2027	5	1,510,491
86	Divisoria - Sto. Cristo	Sto. Cristo Street, Manila	5/2/2019	5/1/2024	5	1,495,547
87	Don Antonio Heights	Unit 2 L24, B6 Don Antonio Heights, Holy Spirit Drive, Brgy Holy Spirit, Quezon City	8/5/2021	8/4/2026	5	2,624,933
88	Dumaguete	Portal West Bldg., Silliman Ave. cor. Hibbard Avenue, Dumaguete City	2/1/2021	1/31/2024	3	1,614,710
89	E. Rodriguez	Unit No. 6, GF Athens Tower, The Capital Towers, E. Rodriguez Sr. Avenue, Quezon City	4/1/2019	3/31/2024	5	1,857,694
90	E. Rodriguez - New York Ave.	1791 E. Rodriguez Sr. Ave., Near corner New York Street., Quezon City	12/1/2022	11/30/2025	3	1,238,248
91	E. Rodriguez - SLMC	Units 104 to 107 MAB, St. Lukes Medical Center E. Rodriguez Sr. Avenue, Quezon City	6/1/2022	5/31/2027	5	3,499,797
92	Eastwood	Unit LG-3-5 to Unit LG 3-6, Ground Floor, Le Grand 3, E-Commerce Avenue, Eastwood, Quezon City	5/1/2020	4/30/2025	5	3,019,105
93	EDSA Caloocan	512 EDSA near corner Urbano Plata St., Caloocan City	9/16/2019	9/15/2024	5	695,538
94	Elcano	PSA Bldg. Elcano corner San Nicolas St., Binondo, Manila	3/1/2021	2/28/2026	5	2,154,961

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95	Emerald Avenue	G/F, The Taipan Place, Emerald Ave., Ortigas center, Pasig City	9/1/2019	8/31/2024	5	3,161,465
96	Ermita	UN Ave. corner Bocobo & Churucca Sts., Ermita, Manila	7/1/2021	6/30/2026	5	2,057,545
97	España Boulevard	1880 España Boulevard Sampaloc, Manila	7/16/2021	7/15/2026	5	1,983,706
98	Eton Centris	C1-1 Eton Centris, Quezon Avenue corner EDSA, Barangay Pinyahan, Quezon City	1/20/2020	1/31/2025	5	2,299,662
99	Evangelista Quiapo	450 Evangelista cor. Paterno St., Sta. Cruz, Manila	2/15/2012	2/14/2027	15	1,560,000
100	Fairview Commonwealth	B2 L21 Commonwealth Ave., Fairview, Quezon city	10/15/2021	10/14/2024	3	1,654,061
101	Fort - Panorama	Panorama Tower 34th St corner Lane A Bonifacio Global City, Taguig City	6/1/2016	5/30/2026	10	3,821,924
102	Fort Bonifacio - Infinity	G/F, The Infinity Tower, 26th St., Fort Bonifacio Global City, Taguig City, MM.	7/15/2020	7/14/2025	5	3,689,456
103	Fort Bonifacio - NAC Tower	NAC Tower, 32nd Street, Bonifacio Global City, Taguig	3/15/2018	3/14/2023	5	5,078,588
104	Fort Bonifacio - Net Cube	G/F, Net Cube, 3rd Ave. cor. 30th St., E' Square Zone, Fort Bonifacio, Global City, Taguig	9/15/2020	9/14/2025	5	5,454,716
105	Fort Bonifacio - SLMC	G/F Medical Arts bldg., SLMC-Global City, Fort Bonifacio Global City, Taguig	8/1/2019	7/31/2024	5	4,198,276
106	Fort Fairways	G/F, Fairways Tower, McKinley corner 5th Avenue, Bonifacio Global City, Taguig City	5/1/2019	4/30/2024	5	2,110,280
107	Fort Grand Hamptons II	Ground Floor, Grand Hamptons Tower 2, 1st Avenue corner 31st Street, Fort Bonifacio Global City, Taguig City	7/1/2021	6/30/2024	3	1,884,000
108	Fort Icon Showroom	5th Avenue corner 25th Street, Bonifacio Global City, Taguig City, Metro Manila	12/1/2020	11/30/2025	5	4,105,728
109	Fort Triangle Drive	GF Unit 103, The Brilliance Center, 11th Avenue corner 40th Street, BGC, Taguig City	1/1/2020	12/31/2024	5	4,660,400
110	Fort-W City Center	GF-Unit B, W City Center, 7th Avenue cor. 30th Street, Bonifacio Global City, Taguig City	10/16/2016	10/15/2026	10	8,710,943
111	FPIP - Sto. Tomas	Unit 007, G/F Oasis Commercial Center, FPIP – Special Economic Zone, R.S. Diaz Avenue, Brgy. Sta. Anastacia, Sto. Tomas, Batangas	7/14/2021	7/13/2026	5	1,356,505
112	G. Araneta Avenue	No. 128 G. Araneta Avenue. Brgy. Doña Imelda, Quezon City	12/1/2022	11/30/2023	1	1,814,907
113	Gamboa	Luz Building, 116 Gamboa Street, Legazpi Village, Makati City	11/1/2018	10/31/2023	5	2,901,771
114	General Santos National Highway	National Highway corner C.M. Recto St., General Santos City, South Cotabato	9/15/2017	9/14/2027	10	843,562
115	General Trias	G/F Divine Grace Medical Hospital Bypass Road, Brgy. Tejero, Gen. Trias, Cavite	8/15/2022	8/14/2027	5	1,395,803
116	Gil Puyat	Unit 101 A, G/F, Oppen Building, 349 Sen. Gil J. Puyat Avenue, Makati City	2/1/2019	1/31/2024	5	3,827,630
117	Gramercy	G/F Gramercy Residences, Kalayaan Ave., Makati City	2/1/2021	2/1/2023	2	1,798,171
118	Greenhills	G/F Greenhills Mansions, Annapolis St., Greenhills, San Juan, MM.	2/1/2019	1/31/2024	5	3,375,221
119	Greenhills Promenade	Unit No. 107 GF, Greenhills Promenade 3, Greenhills Shopping Center, San Juan City	2/21/2019	2/28/2024	5	3,971,909
120	Greenhills West	Quadstar Bldg., No. 80 Ortigas Ave. Greenhills, San Juan	10/1/2022	9/30/2027	5	2,661,012
121	Guadalupe Commercial Complex	Guadalupe Commercial Complex, EDSA Guadalupe, Makati City	12/1/2021	11/30/2026	5	1,900,784

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122	H.V. Dela Costa	G/F Alpha Salcedo Bldg., HV Dela Costa St., Salcedo Village, Brgy. Bel - air, Makati City	8/25/2019	8/23/2024	5	5,018,538
123	Herrera	G/F Exchange Bldg., No. 107 V.A Rufino Herrera Bolanos & Esteban Sts. Legaspi Village, Makati City	2/19/2018	2/18/2023	5	4,051,314
124	Iloilo Business Park	BPO Building A, Festival Walk, Iloilo Business Park, Iloilo City	8/1/2021	7/31/2026	5	2,290,777
125	Iloilo - General Luna	Insular Life Building, General Luna St., Brgy. San Felix, Molo, Iloilo City	11/1/2020	10/31/2025	5	913,173
126	Iloilo - Iznart	G/F, John A. Tan Bldg., Iznart St., Iloilo City	12/1/2018	11/30/2023	5	1,246,234
127	Iloilo - Jaro	Westwood Building, #422 E. Lopez Street, Brgy. Luna Jaro, 5000, Iloilo City	8/30/2020	8/29/2030	10	3,585,820
128	Iloilo Ledesma	Charly Resources Bldg., corner Ledesma and Quezon Sts., Iloilo City	3/1/2021	2/28/2026	5	2,047,753
129	Imus	G/F LGC Commercial Building, Palico 2, Aguinaldo Highway, Imus Cavite	9/1/2019	8/31/2024	5	1,917,267
130	J. Abad Santos	1839 J. Abad Santos St., Tondo, Manila	9/1/2021	8/31/2026	5	1,260,136
131	Juan Luna - Binondo	514 Juan Luna St., Binondo, Manila	7/1/2019	6/30/2024	5	10,998,435
132	Kabankalan	Milza Arcade 3, J.Y. Perez Highway, Brgy. Talubangi, Kabankalan City, Negros Occidental	4/1/2022	3/31/2027	5	620,857
133	Kalibo	No. 263 Roxas Avenue, Kalibo, Aklan	7/1/2020	6/30/2025	5	768,495
134	Kamias	1418 Kamias Rd. corner Anonas Extension, Sikatuna Village, Q.C.	1/6/2018	1/5/2023	5	1,393,029
135	Karuhatan	G/F, PRDC Building 257 Mc Arthur Highway, Karuhatan, Valenzuela City	1/1/2017	12/31/2022	6	1,638,203
136	Katipunan	G/F The Xanland Condominium Building., Katipunan Avenue, Loyola Heights, Q.C.	4/15/2020	4/14/2025	5	2,643,617
137	Keyland-Valero	114 Valero St., Salcedo Village, Makati City	7/1/2022	6/30/2027	5	14,902,142
138	Koronadal	601 General Santos Drive, Koronadal City	6/16/2017	6/15/2027	10	1,200,000
139	La Trinidad	JC - 084 Brgy. Pico, Km. 5 National Highway, La Trinidad, Benguet	9/1/2008	8/31/2023	15	1,689,845
140	La Union	G/F Kenny Plaza, Quezon Avenue, San Fernando City, La Union	6/6/2021	6/5/2026	5	900,000
141	Lagro	Bonanza Plaza Bldg., Quirino Highway, Lagro Quezon City	6/15/2022	6/14/2024	2	1,926,488
142	Laoag	G/F, LC Square, J.P. Rizal Street cor. Balintawak, Laoag City	6/1/2020	5/31/2025	5	1,302,068
143	Lapu - Lapu	M. L Quezon National Highway corner Patalinhug Avenue, Pajo, Brgy. Sangi, Lapu Lapu City, Cebu	1/1/2020	12/31/2024	5	926,100
144	Legazpi	Landco Business Park, Legazpi City	4/1/2013	3/31/2023	10	1,768,514
145	Lemery	GF, Sola Grande Center, Ilustre Avenue, Palanas, Lemery, Batangas	3/22/2022	3/21/2023	1	853,702
146	Lima	The Outlet at Lipa, Lima Technology Center, Brgy. Bugtong na Pulo, Lipa City Batangas	9/1/2018	8/31/2023	5	1,307,395
147	Lipa Medics Hospital	GF, Old MAB, Lipa Medix Hospital, National Highway, Lipa City, Batangas	5/1/2021	4/30/2026	5	2,086,200
148	Lucena	Doña Cristina Bldg., corner Tagaro & Merchan Sts., Lucena City	1/1/2018	12/31/2022	5	1,801,549
149	Macapagal Blvd.	Ground Floor, Unit 105, The Reach Building along Macapagal Boulevard, MOA Complex, Pasay City	4/27/2022	7/26/2027	5	813,600
150	Magdalena	Nos. 1025-1027 HLC Bldg., Masangkay cor. Soler Sts., Binondo, Manila	10/18/2022	10/17/2027	5	1,538,479
151	Makati Avenue Constellation	Makati avenue corner Constellation Street., Brgy. Bel - air, Makati City	11/1/2022	10/31/2025	3	2,085,151
152	Makati Avenue Zuellig	Unit 2, Ground Floor, Zuellig Building, Makati Avenue corner Paseo de Roxas, Makati City	3/1/2022	2/28/2027	5	5,635,434
153	Malabon - Potrero	Units 8 & 9 G/F Mary Grace Bldg., 142 Mc Arthur Highway, Potrero, Malabon City	2/1/2021	1/31/2023	2	817,244

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154	Malabon - Tugatog	137 M.H. del Pilar St., Brgy. Tugatog, Malabon City	9/1/2020	8/31/2025	5	1,011,219
155	Malate	M. Adriatico corner San Andres St., Malate, Manila	9/1/2021	8/31/2026	5	810,490
156	Malayan Plaza	Unit G2, GF, Malayan Plaza Building, ADB Avenue corner Opal Road, Ortigas Center, Pasig City	2/1/2019	1/31/2024	5	3,894,040
157	Malinta	No. 271 Paso de Blas, Valenzuela City	10/1/2008	9/30/2023	15	694,848
158	Malolos	G/F Feliza Jazz Bldg., Mc. Arthur Highway, Sumapang Matanda, Malolos City, Bulacan	5/5/2018	5/4/2023	5	1,504,635
159	Mandaluyong	No. 360 Shaw Center Mall, Shaw Blvd. corner Nueve de Febrero, Addition Hills, Mandaluyong City	10/16/2019	10/15/2024	5	2,754,830
160	Mandaluyong - EDSA	No. 167 EDSA, Mandaluyong	4/1/2018	3/31/2023	5	3,026,611
161	Mandaluyong -Greenfield	Units 7 & 8, Level 1, SOHO Central, Shaw Boulevard., Greenfield District, Mandaluyong City	5/1/2019	4/30/2024	5	3,043,627
162	Mandaluyong - Libertad	DM Guevarra St. cor. Calbayog St., Mandaluyong	8/16/2020	8/15/2023	3	1,394,439
163	Mandaluyong - Pioneer	G/F Madison Square Plaza, Pioneer corner Sheridan Street, Mandaluyong City	10/15/2022	10/14/2023	1	1,010,580
164	Mandaue North Road	National Highway, Tabok, Mandaue City	4/16/2022	4/30/2027	5	1,601,721
165	Marikina	Bayan-bayanan Avenue, Concepcion, Marikina City	8/3/2021	8/2/2026	5	2,546,584
166	Marikina - Gil Fernando Ave	B6 L10 Almon St., cor Gil Fernando Ave, Brgy San Roque, Marikina	4/15/2018	4/14/2023	5	1,396,195
167	Market Market	157-A, G/F, Market Market Mall, Bonifacio Global City, Taguig, MM.	10/1/2019	9/30/2024	5	4,801,050
168	Maypajo	APN Bldg., No. 172 A. Mabini St., Maypajo, Kalookan City	8/5/2018	8/4/2023	5	1,044,196
169	McKinley Hill	G/F Commerce & Industry Plaza Bldg., McKinley Hill, Fort Bonifacio, Taguig City	2/1/2019	1/31/2024	5	14,815,055
170	Medical City	G/F Medical Arts Tower, The Medical City Hospital., Ortigas Avenue, Pasig City	12/5/2014	12/3/2024	10	2,740,795
171	Mendiola	La Consolacion College Manila, No. 8 Mendiola Street, San Miguel, Manila City	10/19/2020	10/18/2025	5	1,709,817
172	Meralco Avenue	G/F Suntree Tower, No. 13 Meralco Avenue, Ortigas Center, Pasig City	11/1/2022	10/31/2027	5	3,512,967
173	Meycauayan	Meycauayan College Bldg., Mc. Arthur Highway, Calvario, Meycauayan, Bulacan	7/22/2021	7/21/2026	5	827,633
174	Mindanao Avenue	G/F Metro North Medical Center & Hospital, Mindanao Ave., Bahay Toro, Quezon City	5/1/2019	4/30/2024	5	1,256,884
175	Molino	G/F EYV Bldg., Molino Blvd., Molino, Bacoor, Cavite	3/16/2011	3/15/2026	15	2,281,467
176	Morgan Suites McKinley	Ground Floor, Morgan Suites Executive Residences, Florence Way, McKinley Hill, Fort Bonifacio, Taguig	2/1/2021	1/31/2024	3	2,333,409
177	Naga	The RAD on Panganiban Drive, Panganiban Drive corner Blumentritt Street, Brgy. Tinago, Naga City, Camarines Sur	7/1/2020	6/30/2025	5	1,757,000
178	Naga Diversion Road	M. Roxas Avenue, Naga City, Camarines Sur	4/1/2018	3/31/2023	5	750,789
179	NAIA	2/F Arrival Lobby, NAIA Complex, Pasay City	1/1/2022	3/31/2023	1	129,730
180	Navotas	318 Northbay Blvd. South, Navotas City	4/1/2014	3/31/2024	10	1,303,073
181	Nieva	G1 & G2, Asian Mansion 2, dela rosa cor. Nieva Sts, Legaspi Village., Makati City	12/1/2020	11/30/2025	5	2,229,565
182	Ninoy Aquino Avenue	G/F PAIR - PAGS Centre, NAIA Complex., Ninoy Aquino Ave., Paranaque City	10/1/2021	9/30/2026	5	1,909,742
183	Nuvo City Aspire	Unit D G/F, Aspire Tower at Nuvo City, 150 E. Rodriguez Jr. Ave., corner Calle Industria, Bagumbayan, Quezon City	3/28/2019	3/27/2024	5	1,868,629
184	Olongapo	Ground Floor, C & C Business Center, No. 730 Rizal Avenue, East Tapinac, Olongapo City	10/1/2020	9/30/2025	5	2,330,515

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185	One Mall Valenzuela	6008 Gen. T. De Leon St., Brgy. Gen T. De Leon, Valenzuela City	5/6/2022	5/5/2027	5	2,415,293
186	Ongpin	Strata Gold Tower Cond., Ongpin St., Binondo, manila	6/15/2018	6/14/2023	5	4,401,517
187	Ormoc	Niko's Ark Bldg., Real St., Ormoc City, Leyte	9/1/2022	8/31/2023	1	1,180,073
188	Ortigas	SBC Building, No. 228 Ortigas Ave., Greenhills, San Juan, MM.	2/1/2019	1/31/2024	5	17,702,678
189	Ozamis	Capistrano Street, Ozamiz City, 7200 Misamis Occidental	10/29/2021	10/28/2026	5	872,669
190	P. Guevarra - Wilson	Unit GF03 Metro Pointe Center, P. Guevarra cor. N. Averilla St., San Juan	6/28/2018	6/30/2023	5	1,489,516
191	Pagadian	Poblacion, Pagadian City	1/1/2020	12/31/2024	5	583,393
192	Pasay - Taft	No. 1924 Taft Avenue corner Bernabe Street., Pasay City	9/1/2022	8/31/2027	5	1,045,275
193	Pasig - C. Raymundo	Lot 1 & 2-A Good harvest Complex, C. Raymundo Ave., Brgy. Caniogan, Pasig City	3/15/2022	3/14/2027	5	1,320,000
194	Pasig - Mabini	Mabini cor Del Pilar St., Kapasigan, Pasig City	4/15/2022	4/14/2025	3	1,221,623
195	Pasig - Mercedes Ave.	Mercedes Avenue corner M. Suarez Avenue (Market Avenue), Brgy. San Miguel, Pasig City	9/1/2019	8/31/2024	5	1,253,183
196	Pasig - Santolan	G/F Unit 101 - A AD Center Square, A. Rodriguez corner Evangelista, Santolan, Pasig City	4/1/2018	3/31/2023	5	1,128,664
197	Pasig Boulevard	Elements Bldg., Shaw Boulevard cor Rosemarie Lane, Brgy. Kapitolyo, Pasig City	4/1/2022	3/31/2027	5	746,426
198	Pasong Tamo	G/F Narra Bldg., Pasong Tamo Extension, Makati City	9/1/2019	8/31/2024	5	2,155,201
199	Plaridel	G/F Plaza Plaridel Building, No. 263 Padilla Road, Banga 1st, Plaridel Bulacan	4/1/2022	3/31/2025	3	677,952
200	Puerto Princesa	Rizal Avenue, Puerto Princesa City, Palawan	3/9/2022	3/8/2024	2	1,554,781
201	Quezon Ave.	G/F, Capitol Medical Center Bldg. III, Quezon Ave. corner Scout. Magbanua, Quezon City	11/16/2019	11/15/2024	5	2,655,483
202	Quezon Ave. - South Triangle	JR Building, 1520 Quezon Avenue, South Triangle, Quezon City	11/16/2018	11/15/2023	5	1,086,000
203	Quirino Highway	No. 360 Quirino Highway, Sangandaan, Novaliches, Quezon City	1/16/2018	1/15/2023	5	2,179,229
204	Regalado Fairview	Angelus Bldg., #22 Regalado Ave., West Fairview, Q.C.	4/2/2018	4/1/2023	5	1,238,801
205	Reina Regente	No. 1040 Reina Regente St., Binondo, Manila	5/1/2022	4/30/2027	5	479,527
206	Reposo - JP Rizal	1747 N. Garcia St., Barangay Poblacion, Makati	1/15/2018	1/14/2023	5	1,595,652
207	Retiro	Retiro Street corner Mayon Street, La Loma, Quezon City	9/1/2022	8/30/2023	1	1,174,551
208	Robinsons Magnolia	Ground Floor, Unit 107, 2047 Robinsons Magnolia, Aurora Boulevard corner Doña Hemady and N. Domingo Streets, New Manila, Quezon City	4/1/2020	3/31/2025	5	2,769,752
209	Roosevelt	Roosevelt Avenue, SFD, Quezon City	2/1/2022	1/31/2027	5	1,174,551
210	Roxas	Lawaan Highway corner Sacred Heart of Jesus Street, Pueblo de Panay, Lawaan Roxas City	7/1/2022	6/30/2027	5	2,516,098
211	Roxas Boulevard	Unit 4103, VIP Building, Roxas Boulevard cor Nuestra Senora de Guia Street, Ermita, Manila	8/1/2022	7/31/2027	5	553,717
212	Ruby Road Ortigas	GF Unit 103, Jollibee Plaza Condominium, F. Ortigas Jr. Road, Ortigas Center, Pasig City	9/16/2019	5/14/2024	5	4,153,085
213	San Fernando	G/F Doña Sevilla Bldg., Mc. Arthur Highway, Brgy. Dolores, San Fernando City, Pampanga	12/1/2021	11/30/2026	5	1,810,228
214	San Fernando - Dolores	AMHSCO Building, Mac Arthur Highway, Dolores, San Fernando City, Pampanga	10/1/2018	9/30/2023	5	1,453,211
215	San Fernando-Sindalan	MC Square Plaza, McArthur Highway, Sindalan, San Fernando City, Pampanga	1/1/2022	12/31/2024	3	1,056,688

Branch		Address	Start of Contract	End of Contract	Lease Term (Years)	Rent for the year ended December 2022 (all in ₱)
216	San Francisco - Agusan del Sur	Quezon St., Brgy. Dos, San Francisco, Agusan del Sur	4/23/2022	4/22/2027	5	835,938
218	San Juan - Blumentritt	One Roxas Square Building, F. Roxas cor. F. Blumentritt, San Juan City	6/16/2017	6/15/2027	10	1,173,919
219	San Miguel	No. 101 Medico Bldg., San Miguel corner Lourdes St., Pasig City	7/1/2016	6/30/2026	10	2,157,053
220	San Pablo	Rizal Avenue corner P. Zamora Sts., San Pablo, Laguna	4/15/2022	4/14/2027	5	2,460,964
221	San Pedro - Pacita Complex	Allen Building, National Highway, Pacita Complex, San Pedro, Laguna	7/1/2021	6/30/2024	3	1,046,980
222	Santiago	G/F Flora Sy Bldg., Maharlika Highway, Victory Norte, Santiago City, Isabela	10/1/2021	9/30/2026	5	1,329,521
223	SHANGRI-LA PLAZA EAST WING	Unit 1001B, Lower Ground Level, East Wing, EDSA, Shaw Blvd. and St. Francis St. Mandaluyong City	3/1/2020	2/28/2025	5	720,000
224	Silver City	G/F Silver City, Tiendesitas Complex, Frontera Verde, Brgy. Ugong, Pasig City	8/16/2018	8/31/2023	5	1,478,088
225	Solano	Benigno Aquino Avenue, Poblacion South, Solano Nueva Vizcaya	3/1/2021	2/28/2026	5	3,482,431
226	Soler	G/F, Le Mar Ben Bldg., along San Bernardo St., Sta. Cruz, Manila	3/6/2022	3/5/2025	3	1,169,811
227	St. Ignatius - Katipunan	No. 119 Katipunan Avenue, Quezon City	3/16/2022	3/15/2027	5	1,861,724
228	STA. CRUZ-LAGUNA	GF-08B, Ground Floor, Metro Central Mall, National Road, Brgy. Labuin, Sta. Cruz, Laguna	3/9/2022	3/8/2027	5	274,910
229	Sta. Elena	3/F, 168 Shopping mall, Sta. Elena St., Binondo Manila	10/16/2021	10/31/2026	5	640,634
230	Sta. Maria	Gov. F. Halili Ave., Brgy. Bagabaguin, Sta. Maria, Bulacan	1/1/2022	12/31/2027	6	1,692,925
231	Sta. Rosa - Greenfield	Laguna Central - Greenfield City, don Jose, Sta Rosa City	7/1/2022	6/30/2024	2	1,335,241
232	Starmall Las Piñas	Starmall, C.V. Starr Ave., Philamlife Village, Pamplona II, Las Piñas City	10/1/2021	9/30/2026	5	2,307,729
233	Subic	Space CS3 Optima Ground Floor, Block 47, Rizal Hwy, Central Business District, Subic Bay Freeport Zone	4/1/2022	3/31/2027	5	876,737
234	SUCAT-AMAIA STEPS	R106 & 107, Upper Ground Floor, Blanca Building, Amaia Steps Sucat, Dr. A. Santos Avenue, Brgy. San Antonio, Sucat, Parañaque	8/16/2020	8/15/2025	5	2,650,365
235	Sumulong	G/F Silicon Bldg., No. 167, Sumulong Highway, Mayamot, Antipolo City	1/27/2022	9/30/2027	5	1,103,844
236	Surigao	San Nicolas corner Diez Sts., Surigao City	11/1/2021	10/31/2026	5	1,747,250
237	Tacloban	G/F, Roqson Bldg., Rizal Avenue corner Burgos St and Rizal Avenue., Tacloban City	2/1/2022	1/31/2024	2	1,519,668
238	Tacloban Veteranos	GF, Insular Life Building, Avenida Veteranos, Tacloban City	10/12/2022	9/30/2027	5	2,648,300
239	Tacurong	HWG Building along Alunan Highway, Tacurong City, Sultan Kudarat	7/1/2021	6/30/2026	5	901,392
240	Taft - Nakpil	SM Lazo Medical Clinic, 1755 Taft Avenue cor. Nakpil Street, Malate, Manila	6/1/2022	5/31/2025	3	1,246,362
241	Taft - Vito Cruz	Unit 3 G/F 2 Torre Lorenzo Condominium Building, 2444 Taft Avenue, Malate, Manila	7/1/2022	6/30/2027	5	1,603,159
242	Tagbilaran	No. 27 CPG Avenue, Tagbilaran City, Bohol	9/16/2022	9/15/2027	5	678,024
243	Tagbilaran Uptown IT Hub	JLU Centre Bloc, Tagbilaran Uptown IT Hub, Rajah Sikatuna Avenue Barangay Dampas, Tagbilaran City, Bohol 6300	11/1/2018	10/31/2023	5	960,000
244	Tagum	G/F SG Complex, National Highway, Purok Tandang Sora, Magugpo Poblacion, Tagum City, Davao Del Norte	10/1/2022	9/30/2027	5	552,744
245	Tandang Sora	400 Tandang Sora Ave., Barangay Culiati, Q.C.	5/1/2022	4/30/2032	10	1,196,800

Branch		Address	Start of Contract	End of Contract	Lease Term (Years)	Rent for the year ended December 2022 (all in ₱)
246	Tarlac	Unit 3 G/F 2 Torre Lorenzon Condominium, Taft Ave cor Vito Cruz, Malate, Manila+D300:E300	1/21/2020	1/21/2023	3	1,303,116
247	Tarlac-Tañedo	Tañedo corner Zapiro Street, San Nicolas, Tarlac City	5/1/2021	4/30/2026	5	1,501,855
248	Taytay-Manila East	Ground Floor, Verde Oro East Plaza, Manila East Road, Taytay, Rizal	9/1/2016	6/30/2026	10	999,082
249	Timog Ave.	Toyoma Group Center Bldg., 22 Timog Ave., Brgy. Laging Handa, Quezon City	8/1/2021	7/31/2026	5	2,018,184
250	Tomas Morato	G/F Maine Bldg., Tomas Morato Avenue, South Triangle, Quezon City	2/1/2014	1/31/2024	10	2,018,184
251	Tuguegarao Buntun	Pulsar Commercial Complex Plaza, Buntun Highway, Tuguegarao City	10/30/2019	10/29/2024	5	4,783,782
252	U.S.T.	G/F Quadricentennial Pavillion, UST Cpd., España, Manila	6/15/2021	6/14/2024	3	1,179,041
253	UN Ave.	Units 1110 & 1112 Dolmar Bldg., U.N. Avenue, Paco, Manila	3/18/2018	3/17/2023	5	4,154,457
254	Urdaneta	G/F CSI Bldg., Mc. Arthur Highway, Brgy. Nancayasan, Urdaneta City	8/1/2019	7/31/2024	5	1,008,676
255	Valenzuela	Km. 14, Mc. Arthur Highway, Malinta, Valenzuela City	6/2/2018	6/1/2023	5	1,919,105
256	Valle Verde	E. Rodriguez Jr. Ave. corner Borres St., Brgy. Bagong Ilog, Pasig City	1/16/2020	1/15/2025	5	1,935,708
257	Victorias	VICMICO PMC Bldg., Osmeña Highway, Victorias City, Negros Occidental	1/1/2019	12/31/2022	4	1,458,608
258	Vigan	Luisita Trading	2/25/2021	2/24/2023	2	1,458,608
259	Visayas Ave. - Project 6	53 Visayas Avenue, Brgy Vasra, Project 6, QC.	4/1/2022	3/31/2023	1	1,450,800
260	Wack Wack	G/F Lee Gardens, Shaw Blvd corner Lee St., Wack Wack, Mandaluyong City	11/1/2018	10/31/2023	5	1,508,010
261	West Avenue	No. 4 Bulletin St. corner West Avenue, Quezon City	7/1/2022	6/30/2027	5	2,640,640
262	Zamboanga - Canelar	Mayor Jaldon St., Brgy. Canelar, Zamboanga City	5/15/2013	5/14/2023	10	1,832,045
Branch Lite						
1	Medical City OBO (17F)	Unit 1716, The Medical City Hospital., Ortigas Avenue, Pasig City	4/18/2017	12/31/2022	0.75	861,273
2	San Lorenzo Place	2F B31-B32 San Lorenzo Place Mall, Makati City	10/1/2019	9/30/2024	5	2,004,529
3	Port Royal-Rada Branch Lite	GF, Port Royal Place, 118 Rada Street, Legaspi Village, Makati City	10/1/2019	9/30/2024	5	1,197,411
4	Capitol Commons Branch Lite	Ground level GL-21a, Unimart Capitol Commons, Meralco Avenue corner Shaw Boulevard, Brgy. Oranbo, Pasig City	12/20/2019	11/30/2024	5	1,576,131
5	Tordesillas Branch Lite	Unit 104-B, Three Salcedo Condominium, Brgy. Bel-Air, Makati City	11/1/2019	10/31/2029	10	4,409,654
6	Circuit-City Makati Branch Lite	Unit L2035, Level 2, Ayala Malls Circuit, Circuit Makati Hippodromo Street, Carmona, Makati City	6/15/2019	9/30/2024	5	1,033,844
7	A. Roces Avenue Branch Lite	No. 83 Don A. Roces Avenue, Brgy. Laging Handa, Quezon City	11/1/2020	10/31/2025	5	2,389,702
8	Ayala Malls Manila Bay	Space 2022, 2nd Floor, Ayala Malls Manila Bay, Macapagal Boulevard corner Aseana Avenue, Paranaque City	1/15/2020	9/30/2024	5	3,014,497
9	Katipunan Blue Ridge	Upper Ground Floor JSO BUILDING, # 210 Katipunan Avenue, Barangay Blueridge, Quezon City	12/1/2020	11/30/2025	5	2,960,685
10	Quezon Avenue - West Triangle	1389 Quezon Avenue, Quezon City	3/1/2021	2/28/2026	5	2,260,905

Table of Organization



Note: As of March 2023

Form 17-A Item 7

	Page
Statement of Management's Responsibility for Financial Statements	77
Independent Auditors' Report	Exhibit 5
Consolidated Statements of Financial Positions as of December 31, 2022 and 2021	-do-
Consolidated Statements of Income for the years ended December 31, 2022, 2021 and 2020	-do-
Consolidated Statements of Comprehensive Income for the years ended December 31, 2022, 2021 and 2020	-do-
Consolidated Statements of Changes in Equity for the years ended December 31, 2022, 2021 and 2020	-do-
Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020	-do-
Notes to Consolidated Financial Statements	-do-
Index to the Financial Statements and Supplementary Schedules	-do-
Sustainability Report <i>(Refer to the attached file)</i>	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, 2022 and 2021, 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.

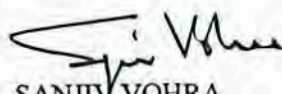
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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, 2022 and 2021, 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.



ALBERTO S. VILLAROSA
Chairman of the Board



SANJIV VOHRA
President & Chief Executive Officer



EDUARDO M. OLBES
Chief Financial Officer

Signed this 28th day of February 2023

MAKATI CITY

MAR 06 2023

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
Alberto S. Villarosa	P8129973A	July 28, 2018	Manila City
Sanjiv Vohra	Z4836868	June 27, 2018	Singapore
Eduardo M. Olbes	P8116670A	July 27, 2018	Manila City

Doc. No. 152
Page No. 32
Book No. 90
Series of 2023

PELUPET. REEDAR III.
Notary Public for and in Makati City
Until Dec 31, 2024, Appointment No. 1-103
Office No. 1625, Bldg 1, 2nd Floor
Makati City, Philippines
MAR 06 2023
Vice Consul General of the Philippines



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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
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, 2022 and 2021, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

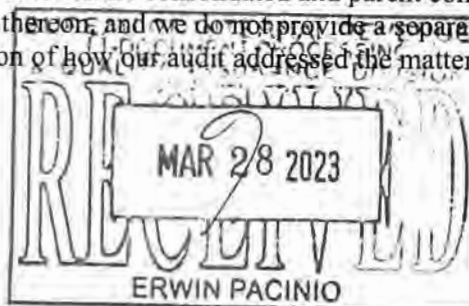
In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2022 and 2021, and their financial performance and their cash flows for each of the three years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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit 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 including the incorporation of factors that are not covered by the model; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays provided as a result of the coronavirus pandemic and increasing interest rates; 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, including the impact of the coronavirus pandemic, in calculating ECL.

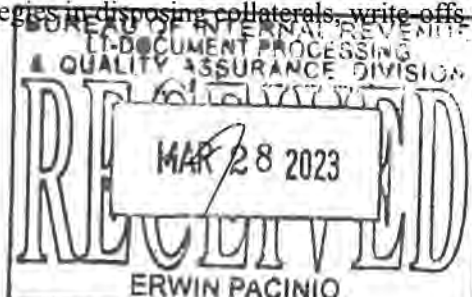
Allowance for credit losses on loans and receivables as of December 31, 2022 amounted to ₱16.5 billion and ₱16.4 billion for the Group and the Parent Company, respectively. Provision for credit losses on loans and receivables of the Group and the Parent Company in 2022 amounted to ₱2.7 billion.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 14 of 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, and management's assessment of the impact of the coronavirus pandemic and increasing interest rates on the counterparties; (c) tested the Group's and the Parent Company's application of internal credit risk rating system, including the impact of the coronavirus pandemic and increasing interest rates on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, 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, including the impact of the coronavirus pandemic; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we checked 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.

Accounting for reestablishment of hold-to-collect business model

On June 28, 2022, the Board of Directors of the Parent Company approved the reestablishment of a business model for investment in government securities that are managed to realize cash flows by collecting contractual payments over the life of the instrument. As of December 31, 2022, investment in government securities classified under 'Investment securities at amortized cost' amounted to ₱12.0 billion.

The reestablishment of hold-to-collect business model is significant to our audit because the amounts involved are material. Moreover, it involves the exercise of significant judgment in demonstrating that the hold-to-collect objective has been re-established.

The disclosures related to the reestablishment of investment securities at amortized cost are included in Note 13 to the financial statements.

Audit Response

We obtained an understanding of the Parent Company's objectives for reestablishing the hold-to-collect business model for investment in government securities through inquiries with management and review of internal documentations including the approvals of those charged with governance. We evaluated management's rationale for the reestablishment of the hold-to-collect business model and the conditions surrounding management's decision.

We reviewed the new business model documentation to check whether new policies and procedures for managing the Parent Company's investment securities reflect the objective of the new business model.

We reviewed the disclosures related to the reestablishment of business model based on the requirements of PFRS 7, *Financial Instruments Disclosures*, PFRS 9 and PAS 1, *Presentation of Financial Assets*.



Other Information

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

Our opinion on the consolidated and parent company financial statements does not cover the other information and we do not 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 Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 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 BSP Circular No. 1074 in Note 41 and Revenue Regulations 15-2010 in Note 40 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 Maminta

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

SEC Partner Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023

PTR No. 9564655, January 3, 2023, Makati City

February 28, 2023



SECURITY BANK CORPORATION AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31			
	2022	2021	2022	2021
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items	₱13,180,172	₱11,083,299	₱13,180,047	₱11,083,174
Due from Bangko Sentral ng Pilipinas (Note 19)	63,011,416	67,391,502	63,011,416	67,391,502
Due from Other Banks (Notes 7 and 32)	20,097,291	13,126,213	20,033,377	13,000,265
Interbank Loans Receivable and Securities Purchased Under Resale Agreements with the Bangko Sentral ng Pilipinas (Note 37)	27,515,367	29,424,643	27,515,367	29,424,643
Financial Assets at Fair Value through Profit or Loss (Note 10)	7,566,572	6,922,456	7,566,547	6,922,432
Financial Assets at Fair Value through Other Comprehensive Income (Note 12)	112,891,493	80,669,221	112,851,702	80,623,537
Investment Securities at Amortized Cost (Note 13)	69,229,960	21,836,607	69,229,960	21,836,607
Loans and Receivables (Notes 14 and 32)	502,617,434	448,583,914	502,285,425	448,546,342
Investments in Subsidiaries and Joint Ventures (Note 15)	2,440,544	1,540,247	4,549,341	3,523,221
Property, Equipment, and Right-of-use Assets (Note 16)	5,278,875	5,185,001	4,001,865	4,044,676
Investment Properties (Note 17)	3,204,671	1,182,810	3,203,896	1,181,267
Deferred Tax Assets (Note 28)	4,851,104	5,246,255	4,823,323	5,213,651
Goodwill (Note 4)	841,602	841,602	841,602	841,602
Intangible Assets (Note 18)	3,735,225	3,221,078	3,725,076	3,210,387
Other Assets (Note 18)	5,829,412	3,362,118	5,627,298	3,135,524
TOTAL ASSETS	₱842,291,138	₱699,616,966	₱842,446,242	₱699,978,830
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 19 and 32)				
Demand	₱232,536,229	₱216,470,901	₱232,667,786	₱216,760,077
Savings	117,513,439	110,567,289	119,200,233	110,921,669
Time	231,020,114	171,822,528	231,243,894	173,062,577
Long-term Negotiable Certificates of Deposit	24,766,786	24,728,573	24,766,786	24,728,573
	605,836,568	523,589,291	607,878,699	525,472,896
Financial Liabilities at Fair Value through Profit or Loss (Note 20)	1,752,818	1,285,386	1,752,818	1,285,386
Bills Payable and Securities Sold Under Repurchase Agreements (Note 21)	40,920,403	3,464,424	40,802,069	3,367,757
Acceptances Payable	1,085,264	1,001,505	1,085,264	1,001,505
Margin Deposits and Cash Letters of Credit	63,946	40,182	63,946	40,182
Manager's and Certified Checks Outstanding	4,103,071	4,221,372	4,103,071	4,221,372
Income Tax Payable (Note 28)	198,340	85,797	189,872	65,804
Notes and Bonds Payable (Note 22)	47,111,693	28,721,313	47,111,693	28,721,313
Accrued Interest, Taxes and Other Expenses (Note 23)	4,153,526	2,896,511	4,113,551	2,831,925
Other Liabilities (Note 24)	11,217,428	9,241,665	9,495,061	7,904,462
TOTAL LIABILITIES	716,443,057	574,547,446	716,596,044	574,912,602
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital stock (Note 26)	7,635,389	7,635,389	7,635,389	7,635,389
Additional paid-in capital (Note 26)	38,524,323	38,524,323	38,551,028	38,551,028
Surplus (Note 26)	89,004,617	80,852,471	88,988,182	80,830,627
Net unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 12)	(9,238,853)	(2,043,212)	(9,247,006)	(2,051,365)
Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income (Notes 12 and 15)	16,619	8,153	16,619	8,153
Cumulative foreign currency translation	(94,014)	92,396	(94,014)	92,396
TOTAL EQUITY	125,848,081	125,069,520	125,850,198	125,066,228
TOTAL LIABILITIES AND EQUITY	₱842,291,138	₱699,616,966	₱842,446,242	₱699,978,830

See accompanying Notes to Financial Statements.



SECURITY BANK CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	2022	2021	2020
	(Amounts in Thousands, Except Earnings per Share)					
INTEREST INCOME ON						
Loans and receivables (Notes 14 and 32)	₱29,686,399	₱28,061,190	₱34,030,875	₱29,730,457	₱28,102,761	₱32,737,112
Financial assets at fair value through other comprehensive income and investment securities at amortized cost (Note 8)	5,848,229	3,246,691	3,558,691	5,848,229	3,246,691	3,558,691
Financial assets at fair value through profit or loss (Note 8)	759,588	662,867	2,303,291	759,588	662,802	2,303,291
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	373,989	320,457	405,828	373,989	320,457	354,641
Deposits with banks and others (Note 7)	86,766	612,274	54,267	84,221	609,957	50,647
	36,754,971	32,903,479	40,352,952	36,796,484	32,942,668	39,004,382
INTEREST EXPENSE ON						
Deposit liabilities (Notes 19 and 32)	5,043,112	2,940,798	5,185,516	5,062,401	2,947,809	5,197,391
Subordinated note, bills payable, securities sold under repurchase agreements, notes payable, and other borrowings (Note 21)	1,987,727	2,073,650	3,360,800	1,980,841	2,066,825	3,126,401
Derivative instruments (Note 20)	406,421	348,849	466,680	406,421	348,849	466,680
Lease liabilities (Note 16)	71,508	83,974	139,778	71,831	83,974	139,452
Derivatives designated as hedges (Note 11)	—	—	550,276	—	—	550,276
	7,508,768	5,447,271	9,703,050	7,521,494	5,447,457	9,480,200
NET INTEREST INCOME						
Service charges, fees and commissions (Note 30)	29,246,203	27,456,208	30,649,902	29,274,990	27,495,211	29,524,182
Profit from assets sold/exchanged (Notes 17 and 18)	5,284,975	4,530,855	3,632,251	4,718,963	4,028,404	3,274,594
	1,496,888	1,390,922	281,636	1,496,510	1,390,922	281,636
Foreign exchange gain - net (Note 6)	966,654	170,261	437,241	965,578	169,521	437,478
Rent (Notes 17, 32 and 33)	631,118	570,156	516,104	74,703	42,743	30,407
Share in net income (loss) of subsidiaries and joint ventures (Note 15)	147,364	81,346	(194,980)	266,214	177,963	(786,992)
Gain on disposal/redemption of investment securities at amortized cost (Note 13)	4,004	66,028	2,252,662	4,004	66,028	2,252,662
Trading and securities gain (loss) - net (Note 9)	(25,871)	1,091,728	11,104,578	(25,933)	1,090,082	11,097,745
Miscellaneous (Note 31)	1,883,870	1,453,069	1,693,200	1,806,088	1,402,718	1,466,715
TOTAL OPERATING INCOME	39,635,205	36,810,573	50,372,594	38,581,117	35,863,592	47,578,427
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 29 and 32)	7,538,940	6,922,432	6,404,272	7,440,488	6,826,843	6,293,496
Taxes and licenses	3,059,983	3,301,844	3,341,112	3,024,346	3,278,277	3,199,099
Provision for credit losses (Note 14)	2,634,324	5,280,537	26,383,042	2,635,597	5,285,966	24,574,507
Depreciation and amortization (Note 16)	2,114,519	2,173,089	2,009,962	1,588,759	1,665,270	1,519,157
Amortization of software costs (Note 18)	551,180	362,322	309,430	550,599	361,734	308,746
Occupancy costs (Notes 17, 32 and 33)	370,126	375,433	352,836	364,600	373,842	341,501
Provision for (recovery of) impairment losses (Note 17)	207,060	(15,153)	35,150	207,060	(14,653)	35,150
Miscellaneous (Notes 28 and 31)	9,273,934	8,148,489	7,283,465	8,952,550	7,861,672	6,987,220
TOTAL OPERATING EXPENSES	25,750,066	26,548,993	46,119,269	24,763,999	25,638,951	43,258,876
INCOME BEFORE INCOME TAX	13,885,139	10,261,580	4,253,325	13,817,118	10,224,641	4,319,551
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)	3,329,540	3,344,610	(3,178,931)	3,256,110	3,286,138	(2,927,877)
NET INCOME	₱10,555,599	₱6,916,970	₱7,432,256	₱10,561,008	₱6,938,503	₱7,247,428
ATTRIBUTABLE TO:						
Equity holders of the Parent Company (Notes 26 and 36)	₱10,555,599	₱6,916,970	₱7,432,256			
NET INCOME	₱10,555,599	₱6,916,970	₱7,432,256			
Basic/Diluted Earnings Per Share (Note 36)	₱14.00	₱9.17	₱9.86			

See accompanying Notes to Financial Statements.

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SECURITY BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	2022	2021	2020
(Amounts in Thousands)						
NET INCOME FOR THE YEAR	₱10,555,599	₱6,916,970	₱7,432,256	₱10,561,008	₱6,938,503	₱7,247,428
OTHER COMPREHENSIVE INCOME (LOSS)						
<i>Other Comprehensive Income (Loss) to be Reclassified to Profit or Loss in Subsequent Periods:</i>						
Cumulative translation adjustments	(186,410)	761,825	(615,731)	(186,410)	761,825	(615,731)
Change in net unrealized gain (loss) on debt instruments at fair value through other comprehensive income (Note 12)	(7,238,472)	(4,091,585)	1,128,283	(7,238,472)	(4,091,585)	1,128,283
	(7,424,882)	(3,329,760)	512,552	(7,424,882)	(3,329,760)	512,552
<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 15, 26 and 29)	(138,577)	413,246	(645,329)	(138,577)	413,246	(645,329)
Revaluation gains (losses) on equity instruments at fair value through other comprehensive income (Note 12)	51,297	27,906	(7,839)	51,297	26,001	(2,658)
	(87,280)	441,152	(653,168)	(87,280)	439,247	(647,987)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	(7,512,162)	(2,888,608)	(140,616)	(7,512,162)	(2,890,513)	(135,435)
TOTAL COMPREHENSIVE INCOME	₱3,043,437	₱4,028,362	₱7,291,640	₱3,048,846	₱4,047,990	₱7,111,993
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	₱3,043,437	₱4,028,362	₱7,291,640			
	₱3,043,437	₱4,028,362	₱7,291,640			

See accompanying Notes to Financial Statements.



SECURITY BANK CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

Consolidated

Years Ended December 31, 2022, 2021 and 2020

Equity Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 26)	Additional Paid-in Capital (Note 26)	Surplus (Note 26)	Net Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income (Loss) (Note 12)	Net Unrealized Gain on Subsidiaries' Financial Assets at Fair Value through Other Comprehensive Income (Note 12)	Cumulative Foreign Currency Translation	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2022	P7,635,389	P38,524,323	P80,852,471	(P2,043,212)	P8,153	P92,396	P125,069,520	-	P125,069,520
Total comprehensive income for the year	-	-	10,417,022	(7,195,641)	8,466	(186,410)	3,043,437	-	3,043,437
Declaration of cash dividends (Note 26)	-	-	(2,264,876)	-	-	-	(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	P-	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	P-	P123,306,034
Total comprehensive income for the year	-	-	7,330,216	(4,065,758)	2,079	761,825	4,028,362	-	4,028,362
Declaration of cash dividends (Note 26)	-	-	(2,264,876)	-	-	-	(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	P-	P125,069,520
Balance at January 1, 2020	P7,635,389	P38,524,323	P71,265,080	P893,196	P14,980	(P53,698)	P118,279,270	P6,956	P118,286,226
Total comprehensive income for the year	-	-	6,786,927	1,129,350	(8,906)	(615,731)	7,291,640	-	7,291,640
Deconsolidation of a subsidiary (Note 15)	-	-	-	-	-	-	-	(6,956)	(6,956)
Declaration of cash dividends (Note 26)	-	-	(2,264,876)	-	-	-	(2,264,876)	-	(2,264,876)
Balance at December 31, 2020	P7,635,389	P38,524,323	P75,787,131	P2,022,546	P6,074	(P669,429)	P123,306,034	P-	P123,306,034

ERWIN PACINIO



Parent Company

Years Ended December 31, 2022, 2021 and 2020

	Capital Stock (Note 26)	Additional Paid-in Capital (Note 26)	Surplus (Note 26)	Net Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income (Loss) (Note 12)	Net Unrealized Gain on Subsidiaries' Financial Assets at Fair Value through Other Comprehensive Income (Note 12)	Cumulative Foreign Currency Translation	Total Equity
Balance at January 1, 2022	P7,635,389	P38,551,028	P80,830,627	(2,051,365)	P8,153	P92,396	P125,066,228
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	P7,635,389	P38,551,028	P88,988,182	(P9,247,006)	P16,619	(P94,014)	P125,850,198
Balance at January 1, 2021	P7,635,389	P38,551,028	P75,743,754	P2,016,298	P6,074	(P669,429)	P123,283,114
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	P7,635,389	P38,551,028	P80,830,627	(P2,051,365)	P8,153	P92,396	P125,066,228
Balance at January 1, 2020	P7,635,389	P38,551,028	P71,406,531	P888,015	P8,732	(P53,698)	P118,435,997
Total comprehensive income for the year	-	-	6,602,099	1,128,283	(2,658)	(615,731)	7,111,993
Declaration of cash dividends	-	-	(2,264,876)	-	-	-	(2,264,876)
Balance at December 31, 2020	P7,635,389	P38,551,028	P75,743,754	P2,016,298	P6,074	(P669,429)	P123,283,114

See accompanying Notes to Financial Statements.

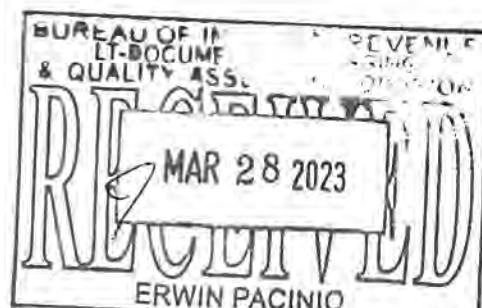


SECURITY BANK CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

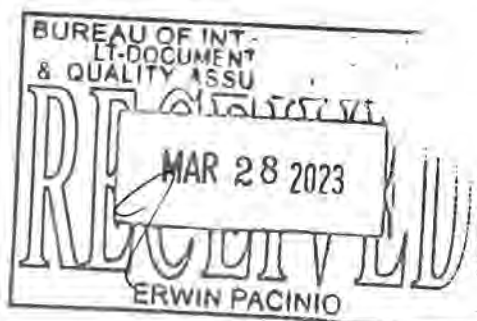
	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	2022	2021	2020
(Amounts in Thousands)						
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱13,885,139	₱10,261,580	₱4,253,325	₱13,817,118	₱10,224,641	₱4,319,551
Adjustments for:						
Provision for credit losses (Note 14)	2,634,324	5,280,537	26,383,042	2,635,597	5,285,966	24,574,507
Depreciation and amortization (Note 16)	2,114,519	2,173,089	2,009,962	1,588,759	1,665,270	1,519,157
Profit from assets sold/exchanged (Notes 17 and 18)	(1,496,888)	(1,390,922)	(281,636)	(1,496,510)	(1,390,922)	(281,636)
Amortization of premium on financial assets at fair value through other comprehensive income and investment securities at amortized cost (Notes 12 and 13)	639,083	884,568	422,391	639,083	884,568	422,391
Amortization of software costs (Note 18)	551,180	362,322	309,430	550,599	361,734	308,746
Unrealized market valuation gain on financial instruments at fair value through profit or loss (Notes 10 and 20)	(515,822)	(75,901)	(494,194)	(515,822)	(83,889)	(494,194)
Provision for (recovery of) impairment losses (Notes 16,17 and 18)	207,060	(15,153)	35,150	207,060	(14,653)	35,150
Share in net income (loss) of subsidiaries and joint ventures (Note 15)	(147,364)	(81,346)	194,980	(266,214)	(177,963)	786,992
Amortization of transaction costs on LTNCD, notes payable (Notes 19 and 22)	220,522	138,597	160,265	220,522	138,597	160,265
Hedge ineffectiveness (Note 11)	—	—	2,825,647	—	—	2,825,647
Gain (loss) on disposal/redemption of investment securities at amortized cost (Note 13)	4,004	66,028	(2,252,662)	4,004	66,028	(2,252,662)
Gain on disposal of financial assets at FVTOCI (Note 9)	—	(1,233,901)	(967,143)	—	(1,233,901)	(967,143)
Gain on disposal of investment in Subsidiary (Notes 15 and 31)	—	—	(933,108)	—	—	(933,108)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Loans and receivables (Note 14)	(58,508,199)	(16,105,533)	(15,028,115)	(58,215,856)	(15,874,741)	(13,180,897)
Financial assets at FVTPL (Note 10)	339,138	4,088,638	132,310,262	339,139	4,050,685	130,755,578
Interbank loans receivable and SPURA	(3,997,851)	1,045,041	6,700	(3,997,851)	1,045,041	6,700
Due from other banks	159	3,358	(56,276)	212	993	618
Other assets	(3,412,094)	(226,047)	5,540,994	(2,505,122)	(184,222)	5,615,772
Increase (decrease) in the amounts of:						
Deposit liabilities (Note 19)	82,209,064	83,140,303	(61,280,213)	82,367,590	83,475,580	(60,698,775)
Accrued interest, taxes and other expenses (Note 23)	1,257,015	(849,314)	(881,564)	1,281,626	(880,631)	(805,270)
Acceptances payable	83,759	563,557	(53,969)	83,759	563,557	(53,969)
Manager's and certified checks outstanding	(118,301)	358,467	(257,858)	(118,301)	358,467	(257,858)
Margin deposits and cash letters of credit	23,764	(21,588)	(858,963)	23,764	(21,588)	(858,963)
Other liabilities (Note 24)	1,764,104	(2,686,346)	(252,655)	438,607	(2,853,131)	(433,884)
Net cash generated from operations	37,736,315	85,680,034	90,853,792	37,081,763	85,405,486	90,112,715
Income taxes paid	(2,438,731)	(1,288,379)	(2,471,302)	(2,357,771)	(1,258,589)	(2,315,587)
Net cash provided by operating activities	35,297,584	84,391,655	88,382,490	34,723,992	84,146,897	87,797,128

(Forward)



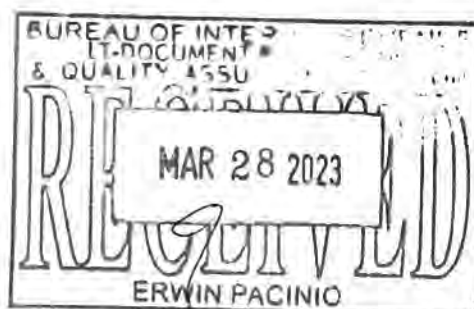
	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	2022	2021	2020
	(Amounts in Thousands)					
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Financial assets at FVTOCI	(P42,625,610)	(P128,202,460)	(P233,252,469)	(P42,625,610)	(P128,202,460)	(P233,252,469)
Investment securities at amortized cost	(46,566,445)	(4,056,173)	—	(46,566,445)	(4,056,173)	—
Property and equipment (Note 16)	(1,285,087)	(1,902,489)	(1,503,659)	(556,392)	(1,346,186)	(1,122,887)
Software costs (Note 18)	(1,065,327)	(861,651)	(389,452)	(1,065,288)	(874,871)	(389,306)
Investment in joint ventures (Note 15)	(750,000)	(750,000)	—	(750,000)	(750,000)	—
Proceeds from:						
Disposals or maturities of financial assets at FVTOCI	3,909,601	114,116,186	188,352,808	3,909,601	114,116,186	188,352,808
Disposals of investment in subsidiary (Note 15)	—	—	1,249,663	—	—	1,528,762
Disposals of investment properties and chattel mortgages	1,318,057	2,515,051	387,109	1,318,058	2,515,051	390,625
Disposals, redemptions or maturities of investment securities at amortized cost	2,057,500	6,075,674	27,429,515	2,057,500	6,075,674	27,429,515
Disposals of property and equipment	133,226	241,151	28,276	66,599	164,145	48,721
Dividends received from subsidiaries (Note 15)	—	—	—	—	63,375	—
Net cash used in investing activities	(84,874,085)	(12,824,711)	(17,698,209)	(84,211,977)	(12,295,259)	(17,014,231)
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlements of:						
Bills payable and securities sold under repurchase agreements (Note 37)	(207,940,416)	(25,188,717)	(416,836,019)	(206,839,333)	(25,005,384)	(417,100,758)
Notes and bonds payable (Note 37)	(13,500,000)	(18,000,000)	(15,411,983)	(13,500,000)	(18,000,000)	(15,411,983)
Proceeds from:						
Bills payable and securities sold under repurchase agreements (Note 37)	245,465,665	7,034,386	348,065,479	244,342,915	7,004,386	347,826,479
Issuance of LTNCD (Note 19)	—	—	2,053,422	—	—	2,053,422
Issuance of notes and bonds payable (Notes 22 and 37)	30,359,962	—	13,388,800	30,359,962	—	13,388,800
Cash dividends paid (Note 26)	(2,266,963)	(2,262,765)	(2,262,554)	(2,265,882)	(2,262,765)	(2,267,179)
Payments of lease liabilities	(688,571)	(731,547)	(573,852)	(688,571)	(731,547)	(573,852)
Net cash provided by (used in) financing activities	51,429,677	(39,148,643)	(71,576,707)	51,409,091	(38,995,310)	(72,085,071)
Effect of exchange rate differences	(3,071,214)	272,998	13,941,324	(3,077,110)	283,439	13,940,787
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,218,038)	32,691,299	13,048,898	(1,156,004)	33,139,767	12,638,613
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	11,083,299	13,310,838	9,883,536	11,083,174	13,310,713	9,883,511
Due from Bangko Sentral ng Pilipinas	67,391,502	47,391,378	56,118,831	67,391,502	47,391,378	56,118,831
Due from other banks	13,126,213	10,034,045	9,275,093	13,000,265	9,459,629	9,110,862
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	29,424,643	17,598,097	8,000	29,424,643	17,598,097	8,000
	121,025,657	88,334,358	75,285,460	120,899,584	87,759,817	75,121,204

(Forward)



	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	2022	2021	2020
	(Amounts in Thousands)					
CASH AND CASH EQUIVALENTS						
AT END 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	23,518,740	29,424,643	17,598,097	23,518,740	29,424,643	17,598,097
	₱119,807,619	₱121,025,657	₱88,334,358	₱119,743,580	₱120,899,584	₱87,759,817
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest received	₱36,867,320	₱33,830,932	₱42,729,771	₱36,397,593	₱29,404,454	₱41,388,712
Interest paid	6,261,589	5,354,030	11,518,385	6,271,507	5,353,559	9,335,653
Dividends received	1,612	3,344	9,585	1,612	3,344	9,585

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.

On February 20, 2019, Republic Act No. 1132, otherwise known as the "Revised Corporate Code of the Philippines" or "RCC", was signed into law by President Rodrigo Duterte. The 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, 2022	December 31, 2021
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. (LPPI))**	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



Subsidiaries and Joint Ventures	Principal place of business	Line of Business	Effective Percentage of Ownership	
			December 31, 2022	December 31, 2021
SB Finance, Inc. (SBFI) (formerly SB Finance Company, Inc.)*	Keyland Arnaiz Building, 849 Antonio Arnaiz Avenue, Legaspi Village, Makati City 1229	Financing	49.96	49.76

* Joint Venture.

** With BOD approval to shorten corporate life on December 31, 2023.

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

**** Corporate term ended December 31, 2021, awaiting clearance from regulatory agencies.

The Parent Company is the Ultimate Parent Company of the Group.

On October 20, 2020, after obtaining regulatory approvals in the Philippines and in Thailand, the Parent Company completed the sale of 50% outstanding shares of SBFI shares to The Bank of Ayudhya Public Company Ltd. (Krungsri). 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.

2. Summary of Significant 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, 2022, 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 Philippine Financial Reporting Standard (PFRS) 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 percent' Test for Derecognition of Financial Liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

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, 2022 and 2021, 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, 2022 and 2021, the Group has designated certain equity instruments that are not held for trading as at FVTOCI on initial application of PFRS 9 (see Note 12).



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, 2022 and 2021, 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; (ii) unclassified, or (iii) no significant increase in the probability of default (PD). 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) more than 30 days up to 90 days past due; (ii) especially mentioned; (iii) substandard; (iv) small accounts with Borrower Risk Rating of 10 or (v) with significant increase in PD. For the 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 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.



For exposures without internal credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower 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 probability of default (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 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, Universal Bank NPL Rate and SBC 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. 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 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.

Non-current Assets and Disposal Group Classified as Held for Sale

The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. Such non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.



Assets and liabilities of disposal group classified as held for sale are presented separately in the consolidated statements of financial position.

The Parent Company accounts for any investment to be retained over the disposal group at cost and presents it as part of 'Investment in subsidiaries' in the Parent Company's statement of financial position.

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 is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

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

Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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.

Except for the recognition of revenues from the Parent Company's credit card business, the specific recognition criteria that must be met before revenue is recognized across the Group's revenue streams did not materially change from PAS 18.

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 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 pertains 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 35.

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 significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.



- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- 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.

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.

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 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.

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. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recognized or disclosed in the statements of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

c. 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 2020, the Parent Company disposed investment securities at amortized cost and assessed that this resulted from a change in business model (see Notes 10 and 13). In making the assessment, the Parent Company considered the overall shift in the strategy towards a more fee-based and client-driven income along with the expected changes in tax regulations on its revenue stream and the impact of EVE on its exposure of long-term government securities. The Parent Company



reclassified these investments to 'Financial assets at FVTPL' and 'Financial assets at FVTOCI' on April 1, 2020.

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 13).

d. *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.

e. *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 34).

f. *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.

g. *Consolidation and joint 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 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, Universal Bank NPL Rate and SBC 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 million.

In 2022 and 2021, 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.

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 past 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 the accounts handled by Remedial 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.

For 2021, the status of the specific accounts within industries and the protracted impact of the pandemic to these accounts were considered by the Group in the assessment. The Group also considered the potential direction of macroeconomic indicators because of the pandemic in the scenario generation and the assignment of probabilities for each scenario.

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, 12, 13, 14, and 18.

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 Group and the Parent Company have considered the impact of the COVID-19 pandemic on future taxable income and on the recognition of deferred tax assets. The recognized net deferred tax assets and unrecognized deferred tax assets of the Group and the Parent Company are disclosed in Note 28.



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, 2022 and 2021, the carrying values of the Parent Company’s investments in subsidiaries and joint ventures are disclosed in Note 15.

The carrying values of the Group’s and the Parent Company’s non-financial assets (other than ‘Goodwill’) follow:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Property, equipment and right-of-use assets (Note 16)	₱5,278,875	₱5,185,001	₱4,001,865	₱4,044,676
Investment properties (Note 17)	3,204,671	1,182,810	3,203,896	1,181,267
Branch licenses (Note 18)	1,445,000	1,445,000	1,445,000	1,445,000
Software costs (Note 18)	2,281,225	1,767,078	2,280,076	1,765,387
Other properties acquired (Note 18)	899,386	206,647	899,386	206,647
Exchange trading right (Note 18)	9,000	9,000	–	–



The provision for (recovery of) impairment losses on non-financial assets of the Group and the Parent Company are disclosed in Note 17.

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	
	2022	2021	2022	2021
Property, equipment and right-of-use assets (Note 16)*	₱4,865,211	₱4,757,833	₱3,588,201	₱3,617,508
Investment properties (Note 17)*	1,600,406	441,157	1,600,408	499,869
Software costs (Note 18)	2,281,225	1,767,078	2,280,076	1,765,387
Other properties acquired (Note 18)	899,386	206,647	899,386	206,647

*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 29.

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 29.

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, 2022 and 2021, 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 ₱1.7 billion, respectively, in 2022 and 2021 for the Group and the Parent Company (see Note 23).

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, 2022 and 2021, the carrying amount of goodwill amounted to ₱841.6 million and there was no impairment loss recognized in 2022 and 2021.

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 2022 and 2021, the pre-tax discount rate applied to cash flow projections is 13.01% and 12.84%, respectively, while the growth rate used to extrapolate cash flows beyond the three-year period is 8.67% and 6.0%, 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:

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.

Executive Committee

The Executive 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 which are reviewed and endorsed for Board approval, and works closely with the ROC in managing the overall credit risk of the Bank.

Restructuring Committee

The Restructuring Committee focuses on adversely classified or non-performing loans (NPLs) and approves the remedial strategy and action plan for these exposures.

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.

Finance Committee

The Finance Committee has oversight of the financial management of the group, including capital and liquidity management, reviewing financial performance ensuring that it is compliance with regulatory requirements.

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 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, 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 credit risk report 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

As part of its market risk management, the Parent Company uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currencies. For interest rate risk from HTC securities (fair value hedge), the Parent Company entered into Interest Rate Swaps. The risk management objective is to protect the fair value of the HTC securities against adverse movements in interest rates, specifically due to an aggressive rate hike cycle in the identified hedge period. This objective also allows the Parent Company to safeguard its net interest margin and keep its pool of high-quality liquid assets.

In accordance with the Parent Company's policy, the risk profile of the Parent Company is assessed before entering into hedge transactions, which are authorized by the appropriate committees. The effectiveness of hedges is assessed by the RMG. The effectiveness of all the hedge relationships is monitored by the RMG monthly. In situations of ineffectiveness, the Parent Company will enter into a new hedge relationship to mitigate risk on a continuous basis.

In 2020, consistent with its change in business model, the Parent Company terminated the Interest Rate Swaps designated to hedge the fair value changes on the HTC securities (see Note 13).

The Parent Company actively uses collateral to reduce its credit risks.

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, 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. Relationship Managers 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, 2022					
Credit risk exposure relating to on-balance sheet assets					
SPURA with BSP	₱23,519	₱23,519	₱–	₱23,519	₱–
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
Receivable from customers - net (SBEI):					
Corporate	278	2,203	16	262	1
Individual	752	14,792	73	679	–
Other receivables	6,145	177	6,000	145	377
Credit card receivables – individual	21,291	–	21,291	–	1,798
	₱526,136	₱242,382	₱366,197	₱159,939	₱16,478

	Consolidated				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral	Associated ECL*
December 31, 2021					
Credit risk exposure relating to on-balance sheet assets					
SPURA with BSP	₱15,800	₱22,618	₱6,818	₱15,800	₱–
Receivable from customers - net (exclusive of SBEI):					
Corporate lending	339,856	90,198	265,084	74,772	11,544
Consumer lending	28,761	38,079	10,609	18,152	2,862
Small business lending	1,178	792	563	615	40
Residential mortgages	57,427	72,616	14,718	42,709	1,199
Receivable from customers - net (SBEI):					
Corporate	522	1,434	229	293	–
Individual	194	2,157	54	140	1
Other receivables	4,874	67	4,786	88	492
Credit card receivables - individual	15,772	–	15,772	–	2,053
	₱464,384	₱227,961	₱318,633	152,569	₱18,191

*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, 2022					
Credit risk exposure relating to on-balance sheet assets					
SPURA with BSP	₱23,519	₱23,519	₱–	₱23,519	₱–
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
Other receivables	5,644	114	5,530	114	346
Credit card receivables - individual	21,291	–	21,291	–	1,798
	₱525,804	₱225,323	₱366,838	₱158,966	₱16,445

	Parent Company				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral	Associated ECL*
December 31, 2021					
Credit risk exposure relating to on-balance sheet assets					
SPURA with BSP	₱15,800	₱22,618	₱6,818	₱15,800	₱–
Receivable from customers - net (exclusive of SBEI):					
Corporate lending	340,931	90,198	266,159	74,772	11,544
Consumer lending	28,758	38,078	10,606	18,152	2,861
Small business lending	1,178	792	563	615	40
Residential mortgages	57,427	72,616	14,718	42,709	1,199
Other receivables	4,480	67	4,413	67	467
Credit card receivables - individual	15,772	–	15,772	–	2,053
	₱464,346	₱224,369	₱319,049	₱152,115	₱18,164

*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, 2022 and 2021.

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 caps its total exposure to most industry segments at 15.0% each of the total credit risk exposure, which is more conservative than the BSP requirement of 30.0% of total loan portfolio.



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				
	Loans and Receivables	Financial Investments*	Loans and Advances to Banks**	Others***	Total
December 31, 2022					
Financial and insurance activities	₱18,578	₱32,374	₱113,027	₱2,244	₱166,223
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
	₱502,617	₱189,688	₱113,027	₱125,701	₱931,033
December 31, 2021					
Financial and insurance activities	₱33,440	₱9,044	₱110,204	₱1,605	₱154,293
Real estate activities	106,641	9,923	—	3,606	120,170
Public administration and defense; compulsory social security	830	81,757	—	—	82,587
Electricity, gas, steam and air conditioning supply	70,880	—	—	10,501	81,381
Activities of households as employers; undifferentiated goods and services and producing activities of households for own use****	39,623	—	—	34,969	74,592
Wholesale and retail trade; repair of motor vehicles and motorcycles	65,975	2	—	8,344	74,321
Manufacturing	49,616	7,899	—	5,699	63,214
Information and communication	18,831	—	—	10,106	28,937
Transportation and storage	20,208	275	—	4,069	24,552
Construction	11,654	—	—	1,058	12,712
Agriculture, forestry and fishing	8,447	—	—	748	9,195
Water supply, sewerage, waste management and remediation activities	5,056	—	—	531	5,587
Professional scientific and technical services	5,032	—	—	45	5,077
Others	12,351	528	—	8,132	21,011
	₱448,584	₱109,428	₱110,204	₱89,413	₱757,629

* 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				
	Loans and Receivables	Financial Investments*	Loans and Advances to Banks**	Others***	Total
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, steam 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
	₱502,285	₱189,648	₱112,963	₱125,703	₱930,599
December 31, 2021					
Financial and insurance activities	₱34,047	₱9,044	₱110,078	₱1,603	₱154,772
Real estate activities	106,638	9,923	—	3,606	120,167
Public administration and defense; compulsory social security	830	81,757	—	—	82,587
Electricity, gas, steam and air conditioning supply	70,879	—	—	10,501	81,380
Activities of households as employers; undifferentiated goods and services and producing activities of households for own use****	39,623	—	—	34,969	74,592
Wholesale and retail trade; repair of motor vehicles and motorcycles	65,964	2	—	8,344	74,310
Manufacturing	49,587	7,899	—	5,699	63,185
Information and communication	18,831	—	—	10,106	28,937
Transportation and storage	20,205	275	—	4,069	24,549
Construction	11,654	—	—	1,058	12,712
Agriculture, forestry and fishing	8,447	—	—	748	9,195
Water supply, sewerage, waste management and remediation activities	5,056	—	—	531	5,587
Professional scientific and technical services	5,032	—	—	45	5,077
Others	11,753	483	—	8,134	20,370
Financial and insurance activities	₱448,546	₱109,383	₱110,078	₱89,413	₱757,420
* 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 14.

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, 2022 and 2021, 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	
2022						
Financial Assets						
Derivative assets (Notes 6 and 10)	₱2,664,382	₱-	₱2,664,382	₱392,611	₱-	₱2,271,771
SPURA	23,518,740	-	23,518,740	-	23,519,798	-
	₱26,183,122	₱-	₱26,183,122	₱392,611	₱23,519,798	₱2,271,771
Financial Liabilities						
Derivative liabilities						
(Notes 6, 11 and 20)	₱1,752,818	₱-	₱1,752,818	₱392,611	₱-	₱1,360,207
SSURA (Note 21)	23,360,860	-	23,360,860	-	26,709,407	-
	₱25,113,678	-	₱25,113,678	₱392,611	₱26,709,407	₱1,360,207
2021						
Financial Assets						
Derivative assets (Notes 6 and 10)	₱1,240,315	₱-	₱1,240,315	₱509,384	₱-	₱730,931
Financial Liabilities						
Derivative liabilities						
(Notes 6, 11 and 20)	₱1,285,386	₱-	₱1,285,386	₱509,384	₱-	₱776,002
SSURA (Note 21)	2,777,596	-	2,777,596	-	3,945,013	-
	₱4,062,982	₱-	₱4,062,982	₱509,384	₱3,945,013	₱776,002

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 Probability of Default (PD) rating. 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 probability of default (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 probability of default (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 score >752 and 0-30 Days Past Due; or with score >752 and 31-90 Days Past Due in the last 6 months.

Medium Grade – Accounts with score >679-752 and 0-30 Days Past Due; or with score >679-752 and 31-90 Days Past Due in the last 6 months; or with score >565-679 and 0 Delinquency Segment and 0-30 Days Past Due; or with score >565-679 and 0 Delinquency Segment and 31-90 Days Past Due in the last 6 months.



Low Grade – Accounts with score >565-679 and 0+ Delinquency Segment and 0-30 Days Past Due; or with score >565-679 and 0+ Delinquency Segment and 31-90 Days Past Due in the last 6 months; or with score ≤564 and 0-30 Days Past Due.

Unrated – Accounts which unrated and 0-30 Days Past Due; or Unrated and 31-90 Days Past Due in the last 6 months.

For Credit Card receivables, the Parent Company classifies accounts that are neither past due nor impaired as follows:

High Grade – Accounts with score >715 and 0-30 Days Past Due; or with score >715 and 31-90 Days Past Due in the last 6 months.

Medium Grade – Accounts with score >580-715 and 0-30 Days Past Due; or with score >580-715 and 31-90 Days Past Due in the last 6 months.

Low Grade – Accounts with score ≤580.

Unrated – Accounts which are inactive in the last 12 months; too early or not enough information to rate; Unrated and 31-90 Days Past Due in the last 6 months; Restructured and 0-90 Days Past Due.

For both Auto Loans and Credit Cards, classification criteria mentioned above will be based on the following hierarchy:

1. Current reporting period's Days Past Due,
2. Current reporting period's Behaviour Score, and
3. Last 6 month's Days Past Due reckoned from the current reporting period.

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 probability of default (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, 2022 and 2021, 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, 2022					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱4,804,041	₱–	₱–	₱–	₱4,804,041
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
Bond forwards and options	2,472	–	–	–	2,472
Total derivative assets	1,887,032	–	–	777,350	2,664,382
Total financial assets at FVTPL	₱6,761,726	₱–	₱–	₱804,821	₱7,566,547
Financial assets at FVTOCI:					
Treasury notes and bills	₱52,666,184	₱–	₱–	₱–	₱52,666,184
Treasury bonds	55,759,876	–	–	–	55,759,876
Private bonds	4,050,963	–	–	–	4,050,963
	₱112,477,023	₱–	₱–	₱–	₱112,477,023
Financial assets at amortized cost (excluding loans and receivables)					
Due from BSP	₱63,011,416	₱–	₱–	₱–	₱63,011,416
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
	69,247,485	–	–	–	69,247,485
	179,874,169	–	–	–	179,874,169
	₱299,112,918	₱–	₱–	₱804,821	₱299,917,739
December 31, 2021					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱5,655,787	₱–	₱–	₱–	₱5,655,787
Private bonds	18,096	–	–	8,234	26,330
Total HFT investments	5,673,883	–	–	8,234	5,682,117
Derivative assets:					
Currency forwards	730,492	–	–	127,981	858,473
Cross-currency swaps	119,170	–	–	42,318	161,488
Interest rate swaps	209,899	–	–	1,826	211,725
Interest rate futures	3,159	–	–	–	3,159
Bond option	5,470	–	–	–	5,470
Total derivative assets	1,068,190	–	–	172,125	1,240,315
Total financial assets at FVTPL	₱6,742,073	₱–	₱–	₱180,359	₱6,922,432
Financial assets at FVTOCI:					
Treasury notes and bills	₱40,538,225	₱–	₱–	₱–	₱40,538,225
Treasury bonds	35,567,565	–	–	–	35,567,565
Private bonds	2,291,563	–	–	1,942,741	4,234,304
	₱78,397,353	₱–	₱–	₱1,942,741	₱80,340,094
Financial assets at amortized cost (excluding loans and receivables)					
Due from BSP	₱67,391,502	₱–	₱–	₱–	₱67,391,502
Due from other banks	13,127,536	–	–	–	13,127,536
Interbank loans receivable and SPURA	29,424,804	–	–	–	29,424,804
Investment securities at amortized cost					
Private bonds	21,904,006	–	–	–	21,904,006
	131,847,848	–	–	–	131,847,848
	₱216,987,274	₱–	₱–	₱2,123,100	₱219,110,374



	Parent Company				Total
	Neither Past Due nor Individually Impaired				
	High Grade	Medium Grade	Low Grade	Unrated	
December 31, 2022					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱4,804,041	₱—	₱—	₱—	₱4,804,041
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
Bond forwards and options	2,472	—	—	—	2,472
Total derivative assets	1,887,032	—	—	777,350	2,664,382
Total financial assets at FVTPL	₱6,761,726	₱—	₱—	₱804,821	₱7,566,547
Financial assets at FVTOCI					
Treasury notes and bills	₱52,666,184	₱—	₱—	₱—	₱52,666,184
Treasury bonds	55,759,876	—	—	—	55,759,876
Private bonds	4,050,963	—	—	—	4,050,963
	₱112,477,023	₱—	₱—	₱—	₱112,477,023
Financial assets at amortized cost (excluding loans and receivables)					
Due from BSP	₱63,011,416	₱—	₱—	₱—	₱63,011,416
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
	₱299,048,830	₱—	₱—	₱804,821	₱299,853,651
December 31, 2021					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱5,655,787	₱—	₱—	₱—	₱5,655,787
Private bonds	18,072	—	—	8,258	26,330
Total HFT investments	5,673,859	—	—	8,258	5,682,117
Derivative assets:					
Currency forwards	730,492	—	—	127,981	858,473
Cross-currency swaps	119,170	—	—	42,318	161,488
Interest rate swaps	209,899	—	—	1,826	211,725
Interest rate futures	3,159	—	—	—	3,159
Bond option	5,470	—	—	—	5,470
Total derivative assets	1,068,190	—	—	172,125	1,240,315
Total financial assets at FVTPL	₱6,742,049	₱—	₱—	₱180,383	₱6,922,432
Financial assets at FVTOCI					
Treasury notes and bills	₱40,538,225	₱—	₱—	₱—	₱40,538,225
Treasury bonds	35,567,565	—	—	—	35,567,565
Private bonds	2,291,563	—	—	1,942,741	4,234,304
	₱78,397,353	₱—	₱—	₱1,942,741	₱80,340,094
Financial assets at amortized cost (excluding loans and receivables)					
Due from BSP	₱67,391,502	₱—	₱—	₱—	₱67,391,502
Due from other banks	13,001,430	—	—	—	13,001,430
Interbank loans receivable and SPURA	29,424,804	—	—	—	29,424,804
Investment securities at amortized cost					
Private bonds	21,904,006	—	—	—	21,904,006
	131,721,742	—	—	—	131,721,742
	₱216,861,144	₱—	₱—	₱2,123,124	₱218,984,268



	Consolidated			
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Receivable from customers:				
Corporate lending				
Neither past due nor impaired				
High grade	₱194,660,762	₱—	₱—	₱194,660,762
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
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
Receivable from customers (SBEI)				
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

(Forward)



Consolidated				
December 31, 2022				
	Stage 1	Stage 2	Stage 3	Total
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
	2,402,982	—	—	2,402,982
	₱442,855,602	₱62,078,121	₱16,564,946	₱521,498,669

*Consists of cash collateral and security deposits

Consolidated				
December 31, 2021				
	Stage 1	Stage 2	Stage 3	Total
Receivable from customers:				
Corporate lending				
Neither past due nor impaired				
High grade	₱173,706,663	₱—	₱—	₱173,706,663
Medium grade	66,559,954	7,465,493	—	74,025,447
Low grade	29,072,091	61,626,520	—	90,698,611
Past due but not impaired	—	413,341	—	413,341
Past due and impaired	—	—	12,555,152	12,555,152
	269,338,708	69,505,354	12,555,152	351,399,214
Consumer lending (excluding credit card receivables)				
Neither past due nor impaired				
High grade	4,932,923	—	—	4,932,923
Medium grade	10,481,082	9,797	—	10,490,879
Low grade	2,674,675	454,639	—	3,129,314
Unrated	8,112,450	638,198	—	8,750,648
Past due but not impaired	—	1,345,170	—	1,345,170
Past due and impaired	—	—	2,973,684	2,973,684
	26,201,130	2,447,804	2,973,684	31,622,618
Small business lending				
Neither past due nor impaired				
High grade	37,684	—	—	37,684
Medium grade	446,583	11,213	—	457,796
Low grade	527,380	144,849	—	672,229
Past due and impaired	—	—	49,529	49,529
	1,011,647	156,062	49,529	1,217,238
Residential mortgages				
Neither past due nor impaired				
High grade	2,287,427	—	—	2,287,427
Medium grade	155,733	15,090	—	170,823
Low grade	216,240	93,355	—	309,595
Unrated	51,515,859	131,777	—	51,647,636
Past due but not impaired	—	976,979	—	976,979
Past due and impaired	—	—	3,234,018	3,234,018
	54,175,259	1,217,201	3,234,018	58,626,478

(Forward)



	Consolidated			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Credit card receivables – individual				
Neither past due nor impaired				
High grade	₱2,555,325	₱943	₱–	₱2,556,268
Medium grade	12,557,383	113,240	–	12,670,623
Low grade		468,469	–	468,469
Unrated	449,809	260,239	–	710,048
Past due but not impaired	–	513,067	–	513,067
Past due and impaired	–	–	906,346	906,346
	15,562,517	1,355,958	906,346	17,824,821
Receivable from customers (SBEI)				
Neither past due nor impaired				
High grade	42,984	–	–	42,984
Medium grade	23,974	–	–	23,974
Low grade	569,944	–	–	569,944
Unrated	–	79,718	–	79,718
	636,902	79,718	–	716,620
Total receivable from customers	366,926,163	74,762,097	19,718,729	461,406,989
Other receivables				
Neither past due nor impaired				
High grade	2,470,240	–	–	2,470,240
Medium grade	594,594	30,074	–	624,668
Low grade	504,346	224,166	–	728,512
Unrated	672,550	27,480	–	700,030
Past due but not impaired	–	142,310	–	142,310
Past due and impaired	–	–	702,121	702,121
	4,241,730	424,030	702,121	5,367,881
Other assets				
Neither past due nor impaired				
High grade	261,857	–	–	261,857
Unrated	329,238	–	–	329,238
Past due but not impaired	591,095	–	–	591,095
Past due and impaired	₱371,758,988	₱75,186,127	₱20,420,850	₱467,365,965

*Consists of cash collateral and security deposits

	Parent Company			
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Receivable from customers:				
Corporate lending				
Neither past due nor impaired				
High grade	₱194,660,762	₱–	₱–	₱194,660,762
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

(Forward)



	Parent Company			
	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
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
	₱442,597,413	₱62,040,912	₱16,494,995	₱521,133,320

*Consists of cash collateral and security deposits



	Parent Company			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Receivable from customers:				
Corporate lending				
Neither past due nor impaired				
High grade	₱173,706,663	₱—	₱—	₱173,706,663
Medium grade	66,559,954	7,465,493	—	74,025,447
Low grade	30,147,286	61,626,520	—	91,773,806
Past due but not impaired	—	413,341	—	413,341
Past due and impaired	—	—	12,555,151	12,555,151
	270,413,903	69,505,354	12,555,151	352,474,408
Consumer lending (excluding credit card receivables)				
Neither past due nor impaired				
High grade	4,932,923	—	—	4,932,923
Medium grade	10,481,082	9,797	—	10,490,879
Low grade	2,674,675	454,639	—	3,129,314
Unrated	8,109,035	638,198	—	8,747,233
Past due but not impaired	—	1,345,170	—	1,345,170
Past due and impaired	—	—	2,973,602	2,973,602
	26,197,715	2,447,804	2,973,602	31,619,121
Small business lending				
Neither past due nor impaired				
High grade	37,684	—	—	37,684
Medium grade	446,583	11,213	—	457,796
Low grade	527,380	144,849	—	672,229
Unrated	—	—	—	—
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	49,529	49,529
	1,011,647	156,062	49,529	1,217,238
Residential mortgages				
Neither past due nor impaired				
High grade	2,287,427	—	—	2,287,427
Medium grade	155,733	15,090	—	170,823
Low grade	216,240	93,355	—	309,595
Unrated	51,515,859	131,777	—	51,647,636
Past due but not impaired	—	976,979	—	976,979
Past due and impaired	—	—	3,234,018	3,234,018
	54,175,259	1,217,201	3,234,018	58,626,478
Credit card receivables - individual				
Neither past due nor impaired				
High grade	2,555,325	943	—	2,556,268
Medium grade	12,557,383	113,240	—	12,670,623
Low Grade	—	468,469	—	468,469
Unrated	449,809	260,239	—	710,048
Past due but not impaired	—	513,067	—	513,067
Past due and impaired	—	—	906,346	906,346
	15,562,517	1,355,958	906,346	17,824,821
Total receivable from customers	367,361,041	74,682,379	19,718,646	461,762,066
Other receivables				
Neither past due nor impaired				
High grade	2,466,610	—	—	2,466,610
Medium grade	594,594	30,074	—	624,668
Low Grade	179,636	224,166	—	403,802
Unrated	656,193	27,480	—	683,673
Past due but not impaired	—	124,131	—	124,131
Past due and impaired	—	—	645,557	645,557
	3,897,033	405,851	645,557	4,948,441
Other assets*				
Neither past due nor impaired				
High grade	261,857	—	—	261,857
Unrated	329,238	—	—	329,238
	591,095	—	—	591,095
	₱371,849,169	₱75,088,230	₱20,364,203	₱467,301,602

*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, 2022 and 2021:

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
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
Consolidated and Parent Company				
December 31, 2021				
	Stage 1	Stage 2	Stage 3	Total
Corporate lending				
Neither past due nor impaired				
High grade	₱13,937	₱889,791	₱–	₱903,728
Medium grade	–	4,285,177	–	4,285,177
Low Grade	–	–	–	–
Unrated	–	–	–	–
Past due but not impaired	–	194,000	–	194,000
Past due and impaired	–	–	5,942,957	5,942,957
	13,937	5,368,968	5,942,957	11,325,862
Consumer lending				
Neither past due nor impaired				
High grade	13,694	–	–	13,694
Medium grade	45,461	1,067	–	46,528
Low Grade	158,422	32,285	–	190,707
Unrated	378,607	90,804	–	469,411
Past due but not impaired	–	110,719	–	110,719
Past due and impaired	–	–	415,766	415,766
	596,184	234,875	415,766	1,246,825

(Forward)



	Consolidated and Parent Company			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Small business lending				
Neither past due nor impaired				
Low Grade	₱–	₱45,236	₱–	₱45,236
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	13,304	13,304
	–	45,236	13,304	58,540
Residential mortgages				
Neither past due nor impaired				
Unrated	638,260	131,777	–	770,037
Past due but not impaired	–	64,222	–	64,222
Past due and impaired	–	–	301,940	301,940
	638,260	195,999	301,940	1,136,199
	₱1,248,381	₱5,845,078	₱6,673,967	₱13,767,426

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:

- The large and small and medium exposures of the business lending portfolio,
- The credit cards and auto loans portfolio
- The treasury, trading and interbank relationships (such as investment securities not held for trading, due from other banks, interbank loans and cash collateral deposits)

Asset classes where the Group calculates ECL on a collective basis include:

- The smaller and more generic balances of the Parent Company's business express loans portfolio
- Residential mortgages and other consumer lending

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, 2022 and 2021, 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.

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						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
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	-	2,302,448	518,391	222,193	231,208	109,617,253	112,891,493
Total financial assets	P101,191,068	P145,101,853	P82,625,111	P71,588,635	P51,989,139	P495,720,980	P948,216,786
Deposit liabilities:							
Demand	P-	P78,822,650	P3,245,791	P4,875,959	P4,875,959	P140,722,432	P232,542,791
Savings	-	39,835,978	1,640,382	2,464,248	2,464,248	71,119,351	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	-	210,831,618	53,686,889	52,575,910	61,886,115	236,653,858	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	-	-	-	-	-	1,085,264	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	P-	P249,929,490	P65,170,219	P56,988,873	P78,910,395	P275,422,843	P726,421,820



	Consolidated						Total
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
December 31, 2021							
Financial Assets							
Financial assets at FVTPL:							
HFT investments:							
Government securities	P5,676,277	P—	P—	P—	P—	P—	P 5,676,277
Private bonds	26,437	—	—	—	—	—	26,437
Total HFT investments	5,702,714	—	—	—	—	—	5,702,714
Derivatives	—	227,941	69,025	526,470	83,314	333,565	1,240,315
Total financial assets at FVTPL	5,702,714	227,941	69,025	526,470	83,314	333,565	6,943,029
Financial assets at amortized cost:							
COCI and due from BSP	78,474,801	—	—	—	—	—	78,474,801
Due from other banks	13,126,213	—	—	—	—	—	13,126,213
Interbank loans receivable and SPURA with BSP	—	29,686,686	—	—	—	—	29,686,686
Investment securities at amortized cost	—	85,302	485,462	1,972,638	459,050	22,300,686	25,303,138
Receivable from customers and other receivables	—	70,188,758	60,575,682	46,544,926	34,976,937	350,002,828	562,289,131
Total financial assets at amortized cost	91,601,014	99,960,746	61,061,144	48,517,564	35,435,987	372,303,514	708,879,969
Financial assets at FVTOCI	—	1,465,047	265,499	1,363,775	1,777,896	92,251,678	97,123,895
Total financial assets	P97,303,728	P101,653,734	P61,395,668	P50,407,809	P37,297,197	P464,888,757	P812,946,893
Deposit liabilities:							
Demand	P—	P73,374,926	P3,021,462	P4,538,963	P4,538,963	P130,996,586	P216,470,900
Savings	—	37,477,862	1,543,279	2,318,376	2,318,376	66,909,397	110,567,290
Time	—	15,493,008	15,896,926	91,474,926	—	48,957,668	171,822,528
LTNCD	—	84,250	84,250	336,998	505,498	26,170,857	27,181,853
Total deposit liabilities	—	126,430,046	20,545,917	98,669,263	7,362,837	273,034,508	526,042,571
Bills payable and SSURA	—	441,754	—	—	—	3,611,874	4,053,628
Notes and bonds payable	—	36,281	36,281	145,125	13,504,023	15,263,575	28,985,285
Acceptances payable	—	—	—	—	—	1,001,505	1,001,505
Margin deposits and cash letters of credit	—	—	—	—	—	40,182	40,182
Manager's and certified checks outstanding	—	4,221,372	—	—	—	—	4,221,372
Accrued interest, expense and other liabilities	—	5,975,566	299,173	21,300	178,168	1,379,103	7,853,310
Total financial liabilities	P—	P137,105,019	P20,881,371	P98,835,688	P21,045,028	P294,330,747	P572,197,853

	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
Derivatives	—	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	—	2,302,448	518,391	222,193	231,208	109,577,462	112,851,702
Total financial assets	P101,127,005	P145,143,291	P67,638,388	P56,659,217	P36,878,988	P526,515,977	P933,962,866

(Forward)



	Parent Company						
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days*	Total
Financial Liabilities							
Deposit liabilities:							
Demand	P=	P76,541,822	P3,273,855	P4,917,933	P4,917,933	P143,022,806	P232,674,349
Savings	—	39,216,718	1,677,381	2,519,736	2,519,736	73,278,698	119,212,269
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	—	208,017,726	53,797,426	57,497,734	62,028,914	238,731,197	620,072,997
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	—	—	—	—	—	1,085,264	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	P=	P247,121,481	P65,231,006	P61,872,363	P79,053,194	P277,000,182	P730,278,226

	Parent Company						
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days*	Total
December 31, 2021							
Financial Assets							
Financial assets at FVTPL:							
HFT investments:							
Government securities	P5,676,277	P=	P=	P=	P=	P=	P5,676,277
Private bonds	26,413	—	—	—	—	—	26,413
Total HFT investments	5,702,690	—	—	—	—	—	5,702,690
Others	—	227,941	69,025	526,470	83,314	333,565	1,240,315
Total financial assets at FVTPL	5,702,690	227,941	69,025	526,470	83,314	333,565	6,943,005
Financial assets at amortized cost:							
COCI and due from BSP	78,474,676	—	—	—	—	—	78,474,676
Due from other banks	13,000,265	—	—	—	—	—	13,000,265
Interbank loans receivable and SPURA with BSP	—	29,686,686	—	—	—	—	29,686,686
Investment securities at amortized cost	—	85,302	485,462	1,742,642	459,050	22,300,686	25,073,142
Receivable from customers and other receivables	—	70,325,283	60,562,458	46,408,754	34,900,801	350,791,605	562,988,901
Total financial assets at amortized cost	91,474,941	100,097,271	61,047,920	48,151,396	35,359,851	373,092,291	709,223,670
Financial assets at FVTOCI	—	1,465,047	265,499	1,363,775	1,777,896	92,251,678	97,123,895
Total financial assets	P97,177,631	P101,790,259	P61,382,444	P50,041,641	P37,221,061	P465,677,534	P813,290,570

Financial Liabilities							
Deposit liabilities:							
Demand	P=	P71,306,577	P3,049,932	P4,581,560	P4,581,560	P133,240,448	P216,760,077
Savings	—	36,489,397	1,560,728	2,344,501	2,344,501	68,182,541	110,921,668
Time	—	14,849,452	15,896,926	91,474,926	—	50,841,273	173,062,577
LTNCD	—	84,250	84,250	336,998	505,498	25,326,497	26,337,493
Total deposit liabilities	—	122,729,676	20,591,836	98,737,985	7,431,559	277,590,759	527,081,815
Bills payable and SSURA	—	441,754	—	—	—	3,611,874	4,053,628
Acceptances payable	—	—	—	—	—	1,001,505	1,001,505
Margin deposits and cash letters of credit	—	—	—	—	—	40,182	40,182
Manager's and certified checks outstanding	—	4,221,372	—	—	—	—	4,221,372
Notes and bonds payable	—	36,281	36,281	145,125	13,504,023	15,263,575	28,985,285
Accrued interest, expense and other liabilities	—	4,788,370	299,173	21,300	178,168	1,378,545	6,665,556
Total financial liabilities	P=	P132,217,453	P20,927,290	P98,904,410	P21,113,750	P298,886,440	P572,049,343



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, 2022							
Unutilized credit limit of credit card holders	₱53,158,655	₱—	₱—	₱—	₱—	₱—	₱53,158,655
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
	₱58,234,263	₱3,184,959	₱18,920,542	₱12,660,144	₱27,053,130	₱5,398,641	₱125,451,679
December 31, 2021							
Unutilized credit limit of credit card holders	₱35,573,141	₱—	₱—	₱—	₱—	₱—	₱35,573,141
Committed loan line	14,230,878	—	—	800,000	7,550,000	—	22,580,878
Unused commercial letters of credit	1,393,481	4,027,675	3,206,022	8,895,442	8,968,618	3,262,053	29,753,291
Outstanding guarantees	1,406,821	—	—	—	—	—	1,406,821
Inward bills for collection	346,393	6,455	—	—	—	—	352,848
Outward bills for collection	56,488	8,976	17,972	—	—	—	83,436
Financial guarantees with commitment	20,339	2,891	2,837	3,874	2,833	—	32,774
	₱53,027,541	₱4,045,997	₱3,226,831	₱9,699,316	₱16,521,451	₱3,262,053	₱89,783,189

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 accrual 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 99.0%.

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 better cope with the fluid market environment. This came mainly in the form of 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 and is favorable to the Group 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 a restrained growth or even a 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, 2022, 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 reestablishment 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, 2022 and 2021 (amounts in millions):

	Consolidated					
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
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	75,789	86,424	61,074	51,559	244,250	519,096
Total financial assets at amortized cost	182,743	87,454	63,811	55,078	309,864	698,950
Financial assets at FVTOCI	2,302	518	222	231	109,617	112,890
Total rate-sensitive assets	190,569	88,508	64,336	55,764	420,229	819,406
Rate-sensitive Financial Liabilities						
Deposit liabilities	207,639	51,832	50,982	59,914	235,471	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	226,340	62,686	57,163	76,652	271,029	693,870
Asset-Liability Gap	(₱35,771)	₱25,822	₱7,173	(₱20,888)	₱149,200	₱125,536
December 31, 2021						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	₱5,656	₱—	₱—	₱—	₱—	₱5,656
Private bonds	26	—	—	—	—	26
Total HFT investments	5,682	—	—	—	—	5,682
Derivative Assets	228	69	526	83	334	1,240
Total financial assets at FVTPL	5,910	69	526	83	334	6,922
Financial assets at amortized cost:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP	109,942	—	—	—	—	109,942
Investment securities at amortized cost - gross of allowance	—	400	1,657	—	19,847	21,904
Receivable from customers and other receivables - gross of allowance	68,252	58,642	39,691	25,678	274,512	466,775
Total financial assets at amortized cost	178,194	59,042	41,348	25,678	294,359	598,621
Financial assets at FVTOCI	1,199	—	307	199	78,964	80,669
Total rate-sensitive assets	185,303	59,111	42,181	25,960	373,657	686,212
Rate-sensitive Financial Liabilities						
Deposit liabilities	245,309	15,897	91,475	—	170,908	523,589
Bills payable and SSURA	—	—	—	—	3,464	3,464
Notes and bonds payable	—	—	—	13,468	15,253	28,721
Total rate-sensitive liabilities	245,309	15,897	91,475	13,468	189,625	555,774
Asset-Liability Gap	(₱60,006)	₱43,214	(₱49,294)	₱12,492	₱184,032	₱130,438



	Parent Company					
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
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	83,495	83,080	58,438	49,816	243,901	518,730
Total financial assets at amortized cost	190,385	84,110	61,175	53,335	309,515	698,520
Financial assets at FVTOCI	2,303	518	222	231	109,577	112,851
Total rate-sensitive assets	198,212	85,164	61,700	54,021	419,840	818,937
Rate-sensitive Financial Liabilities						
Deposit liabilities	231,829	40,361	25,625	23,375	286,688	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	250,495	51,165	31,806	40,080	322,246	695,792
Asset-Liability Gap	(P52,283)	P33,999	P29,894	P13,941	P97,594	P123,145

	Parent Company					
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
December 31, 2021						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	P5,656	P-	P-	P-	P-	P5,656
Private bonds	26	-	-	-	-	26
Total HFT investments	5,682	-	-	-	-	5,682
Derivative assets	228	69	526	83	334	1,240
Total financial assets at FVTPL	5,910	69	526	83	334	6,922
Financial assets at amortized cost:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP	109,816	-	-	-	-	109,816
Investment securities at amortized cost	-	400	1,657	-	19,847	21,904
Receivable from customers and other receivables - gross	68,252	58,642	39,691	25,678	274,447	466,710
Total financial assets at amortized cost	178,068	59,042	41,348	25,678	294,294	598,430
Financial assets at FVTOCI	1,199	-	307	199	78,919	80,624
Total rate-sensitive assets	185,177	59,111	42,181	25,960	373,547	685,976
Rate-sensitive Financial Liabilities						
Deposit liabilities	244,954	15,897	91,475	-	173,147	525,473
Bills payable and SSURA	-	-	-	-	3,368	3,368
Notes payable	-	-	-	13,468	15,253	28,721
Total rate-sensitive liabilities	244,954	15,897	91,475	13,468	191,768	557,562
Asset-Liability Gap	(P59,777)	P43,214	(P49,294)	P12,492	P181,779	P128,414



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, 2022 and 2021:

	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, 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%
December 31, 2021						
Peso						
Financial Assets						
Due from BSP	1.72%	—	—	1.72%	—	—
Due from banks	0.04%	—	—	0.04%	—	—
Interbank loans	—	5.50%	—	—	5.50%	—
Investment securities*	2.34%	3.08%	4.07%	2.34%	3.08%	4.07%
Loans and receivables	4.60%	5.11%	7.19%	4.60%	5.11%	7.19%
Financial Liabilities						
Deposit liabilities other than LTNCD	0.83%	1.02%	0.76%	0.83%	1.02%	0.76%
LTNCD	—	—	4.24%	—	—	4.24%
Bills payable and SSURA	—	—	8.00%	—	—	8.00%
Notes payable	6.35%	3.55%	—	6.35%	3.55%	—
USD						
Financial Assets						
Due from banks	0.04%	—	—	0.04%	—	—
Investment securities*	0.57%	—	1.71%	0.57%	—	1.71%
Loans and receivables	0.85%	8.07%	0.24%	0.85%	8.07%	0.24%
Financial Liabilities						
Deposit liabilities	0.15%	0.34%	0.51%	0.15%	0.34%	0.51%
Bills payable	—	0.74%	4.85%	—	0.74%	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 needs to measure VaR in order to have an idea on how the market value of an asset or of a portfolio of assets is likely to decrease over a certain time period as market factors randomly 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 99.0% 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, 2022 and 2021 (amounts in millions):

	FX and FX Swaps	Fixed Income	Interest Rate Swap Agreements*	Other Derivatives
31-Dec-22				
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
31-Dec-21				
As of Dec. 31, 2021	4.837	13.39 3	5.418	4.905
Max as of Dec. 31 2021	20.405	72.982	20.217	20.673
Min as of Dec. 31, 2021	2.639	1.529	5.148	2.391
Ave as of Dec. 31, 2021	8.739	21.486	10.621	7.717

**Includes interest rate swap transactions of same currency, e.g., PHP fix/float, and cross currency swaps, e.g., USD/PHP fix/fix*

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. 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, 2022 and 2021 this risk originates from the open stock positions of SB Equities.

The following tables set forth the impact of changes in the PSE Index (PSEi) on the Group's unrealized gain (loss) (in absolute amounts):

	Consolidated			
	2022		2021	
Changes in PSEi	13.19%	(13.19%)	3.13%	(3.13%)
Change on trading income of equity portfolio under:				
Financial intermediaries	₱—	₱—	₱—	₱—
Holding firms	71	(71)	33	(33)
Industrial companies	8	(8)	4	(4)
Property	—	—	—	—
Services	—	—	—	—
	₱79	(₱79)	₱37	(₱37)
As a percentage of the Group's net unrealized gain (loss) for the year	0.00%	0.00%	0.00%	0.00%

Financial Assets at FVTOCI

	Consolidated			
	2022		2021	
Changes in PSEi	13.19%	-13.19%	3.13%	-3.13%
Change in net unrealized loss of SBEI's PSE shares	₱1,668,906	(₱1,668,906)	₱758,450	(₱758,450)
As a percentage of SBEI's net unrealized gain (loss) for the year	22.22%	(22.22%)	8.99%	(8.99%)

The Group, except for SBEI, has no equity securities classified under Financial assets at FVTOCI as of December 31, 2022 and 2021 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	2022				2021			
	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*	₱835	(₱835)	₱10	(₱10)	₱2,073	(₱2,073)	₱246	(₱246)

*Amounts in millions



EaR is the bank's key measure of IRRBB. EaR is the sensitivity of the statement of income as an effect of the 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 1-year time frame. The Bank calculates Earnings-at-Risk 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, however, 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 FCDU. Banks are required by the BSP to match the foreign currency-denominated liabilities with the foreign currency-denominated assets held under the FCDU books.

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, 2022 and 2021. 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).

	Consolidated					
	2022			2021		
	USD	Others*	Total	USD	Others*	Total
Financial Assets						
Cash and cash equivalents	₱183	₱251,484	₱251,667	₱51	₱88,055	₱88,106
Due from other banks	6,592,053	4,773,930	11,365,983	2,134,678	3,705,213	5,839,891
Financial assets at FVTPL	30,951	—	30,951	—	—	—
Loans and receivables	10,667,215	71,403	10,738,618	5,917,971	20,795	5,938,766
Other assets	—	—	—	1,103	—	1,103
Total financial assets	17,290,402	5,096,817	22,387,219	8,053,803	3,814,063	11,867,866
Financial Liabilities						
Deposit liabilities	—	4,158,853	4,158,853	—	3,385,482	3,385,482
Derivative liabilities	—	—	—	14,599	—	14,599
Bills payable and SSURA	955,611	157	955,768	(28)	110	82
Acceptances payable	1,577,162	71,403	1,648,565	980,710	20,795	1,001,505
Margin deposits and cash letters of credit	32,463	—	32,463	2,751	—	2,751
Accrued interest, taxes and other expenses	21,990	851	22,841	681	243	924
Other liabilities	43,316	4,923	48,239	39,753	12,648	52,401
Total financial liabilities	2,630,542	4,236,187	6,866,729	1,038,466	3,419,278	4,457,744
Currency Swaps and Forwards	(472,157)	261,642	(210,515)	2,708,650	(55,183)	2,653,467
Net Exposure	₱14,187,703	₱1,122,272	₱15,309,975	₱9,723,987	₱339,602	₱10,063,589



	Parent Company					
	2022			2021		
	USD	Others*	Total	USD	Others*	Total
Financial Assets						
Cash and cash equivalents	₱183	₱251,484	₱251,667	₱51	₱88,055	₱88,106
Due from other banks	6,592,053	4,773,930	11,365,983	2,134,678	3,705,213	5,839,891
Financial assets at FVTPL	30,951	—	30,951	—	—	—
Loans and receivables	10,667,215	71,403	10,738,618	5,917,971	20,795	5,938,766
Other assets	—	—	—	1,103	—	1,103
Total financial assets	17,290,402	5,096,817	22,387,219	8,053,803	3,814,063	11,867,866
Financial Liabilities						
Deposit liabilities	—	4,158,853	4,158,853	—	3,385,482	3,385,482
Derivative liabilities	—	—	—	14,599	—	14,599
Bills payable and SSURA	955,611	157	955,768	(28)	110	82
Acceptances payable	1,577,162	71,403	1,648,565	980,710	20,795	1,001,505
Margin deposits and cash letters of credit	32,463	—	32,463	2,751	—	2,751
Accrued interest, taxes and other expenses	21,990	851	22,841	681	243	924
Other liabilities	43,316	4,923	48,239	39,753	12,648	52,401
Total financial liabilities	2,630,542	4,236,187	6,866,729	1,038,466	3,419,278	4,457,744
Currency Swaps and Forwards	(472,157)	261,642	(210,515)	2,708,650	(55,183)	2,653,467
Net Exposure	₱14,187,703	₱1,122,272	₱15,309,975	₱9,723,987	₱339,602	₱10,063,589

* 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 USD304.8 million and USD161.5 million as of December 31, 2022 and 2021, respectively, and foreign currency forward transactions with notional amount of USD1.3 billion (bought) and USD0.9 billion (sold) as of December 31, 2022, and USD0.9 billion (bought) and USD1.2 billion (sold) as of December 31, 2021. 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 2022 and 2021 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 and operational risk manual, a risk-based approach is used in mapping operational risks along critical/key business processes and services, addressing any deficiencies/weaknesses through the proactive process of identifying, assessing and limiting impact of risk in every business/operational area.

Group policies on internal control, information risk management, business continuity, crisis management and other operational risk aspects have been established and continuously developed to increase the Bank's operational resilience. Key Risk Indicators have been recalibrated to improve oversight to the Bank's overall operational risk environment while Risk and Control Self-Assessment Guidelines have been updated to ensure identification, assessment, mitigation and monitoring of operational risks. In addition, the Bank has strengthened the Issue Escalation and Incident Reporting process to ensure that where lapses in controls occur, issues or incidents are captured, evaluated, elevated for correction and reported to concerned regulating bodies. There is a continuous effort to expand the Operational Loss Database covering loss event categories as defined by Basel II.



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 increasing 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 were contracted to assess and guide further improvements to both cybersecurity maturity and incident response capability. This is all to ensure that information security, fraud and operational resilience 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 begun to incorporate 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 E&S 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	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	₱4,804,041	₱4,804,041	₱179,691	₱4,624,350	₱—
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 bonds	55,759,876	55,759,876	17,000,162	38,759,714	—
Treasury notes and bills	52,666,184	52,666,184	18,403,670	34,262,514	—
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	—
	₱120,458,065	₱120,458,065	₱35,645,777	₱84,812,288	₱—



	Consolidated				
	Fair Value				
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost:					
Private bonds	₱57,224,404	₱54,764,889	₱21,812,952	₱32,951,937	₱–
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
	₱575,579,296	₱565,085,435	₱22,901,171	₱43,614,805	₱498,569,459
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Interest rate swaps	₱622,754	₱622,754	₱–	₱622,754	₱–
Currency forwards	1,126,730	1,126,730	–	1,126,730	–
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	–	–
	₱693,868,664	₱693,179,314	₱40,914,705	₱–	₱652,264,609

	Consolidated				
	Fair Value				
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2021					
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱5,655,787	₱5,655,787	₱902,552	₱4,753,235	₱–
Private bonds	26,354	26,330	7,841	18,489	–
Equity securities	24	24	–	24	–
Total HFT investments	5,682,165	5,682,141	910,393	4,771,748	–
Derivative assets:					
Currency forwards	858,473	858,473	–	858,473	–
Interest rate swaps	211,725	211,725	–	211,725	–
Cross-currency swaps	161,488	161,488	–	161,488	–
Interest rate futures	3,159	3,159	–	3,159	–
Bond options	5,470	5,470	–	5,470	–
Total derivative assets	1,240,315	1,240,315	–	1,240,315	–
Total financial assets at FVTPL	6,922,480	6,922,456	910,393	6,012,063	–

(Forward)



	Consolidated				
	Fair Value				
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at FVTOCI:					
Treasury notes and bills	₱40,538,225	₱40,538,225	₱1,208,124	₱39,330,101	₱–
Treasury bonds	35,567,565	35,567,565	19,246,936	16,320,629	–
Private bonds	4,234,304	4,234,304	585,235	3,649,069	–
Equity securities	329,127	329,127	–	329,127	–
	80,669,221	80,669,221	21,040,295	59,628,926	–
	₱87,591,701	₱87,591,677	₱21,950,688	₱65,640,989	₱–
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost:					
Private bonds	₱21,836,607	₱22,109,944	₱19,535,011	₱2,574,933	₱–
Total investment securities at amortized cost	21,836,607	22,109,944	19,535,011	2,574,933	–
Receivable from customers:					
Corporate lending	340,377,816	346,725,557	–	–	346,725,557
Consumer lending	44,726,021	44,723,374	–	–	44,723,374
Small business lending	1,177,560	1,190,490	–	–	1,190,490
Residential mortgages	57,426,978	57,453,840	–	–	57,453,840
Total receivable from customers	443,708,375	450,093,261	–	–	450,093,261
Other receivables	4,875,539	4,875,539	–	–	4,875,539
Other assets	592,765	569,185	–	–	569,185
Total financial assets at amortized cost	471,013,286	477,647,929	19,535,011	2,574,933	455,537,985
Non-financial Assets					
Investment properties	1,182,810	2,010,843	–	–	2,010,843
	₱472,196,096	₱479,658,772	₱19,535,011	₱2,574,933	₱457,548,828
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Interest rate swaps	₱110,983	₱110,983	₱–	₱110,983	₱–
Currency forwards	1,174,299	1,174,299	–	1,174,299	–
Cross-currency swaps	104	104	–	104	–
Total financial liabilities at FVTPL	₱1,285,386	₱1,285,386	₱–	₱1,285,386	₱–
Liabilities for which Fair Values are Disclosed					
Deposit liabilities excluding LTNCD	₱498,860,718	₱499,102,684	₱–	₱–	₱499,102,684
Bills payable and SSURA	3,464,424	3,397,822	3,397,822	–	–
Notes and bonds payable	28,721,313	29,774,531	–	–	29,774,531
LTNCD	24,728,573	25,224,883	–	–	25,224,883
	₱555,775,028	₱557,499,920	₱3,397,822	₱–	₱554,102,098

	Parent Company				
	Fair Value				
	Carrying Value	Total	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	₱4,804,041	₱4,804,041	₱179,691	₱4,624,350	₱–
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	–
Cross-currency swaps	304,835	304,835	–	304,835	–
Interest rate swaps	710,772	710,772	–	710,772	–
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	–

(Forward)



Parent Company					
Fair Value					
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at FVTOCI:					
Treasury bonds	₱55,759,876	₱ 55,759,876	₱17,000,162	₱38,759,714	₱–
Treasury notes and bills	52,666,184	52,666,184	18,403,670	34,262,514	–
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	–
	₱120,418,249	₱120,418,249	₱35,645,777	₱84,772,472	₱–
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost:					
Private bonds	₱57,224,404	₱54,764,889	₱21,812,952	₱32,951,937	₱–
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
	₱575,248,515	₱564,755,066	₱22,901,171	₱43,614,805	₱498,239,090
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Interest rate swaps	₱622,754	₱622,754	₱–	₱622,754	₱–
Currency forwards	1,126,730	1,126,730	–	1,126,730	–
Currency Options	–	–	–	–	–
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					
Financial liabilities at amortized cost:					
Deposit liabilities excluding LTNCD	₱583,111,913	₱583,811,300	₱–	₱–	₱583,811,300
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	–	–
	₱695,792,461	₱696,436,809	₱40,796,371	₱–	₱655,640,438



	Parent Company				
	Fair Value				
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2021					
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	P5,655,787	P5,655,787	P902,552	P4,753,235	P-
Private bonds	26,330	26,330	7,817	18,513	-
Total HFT investments	5,682,117	5,682,117	910,369	4,771,748	-
Derivative assets:					
Currency forwards	858,473	858,473	-	858,473	-
Interest rate swaps	211,725	211,725	-	211,725	-
Cross-currency swaps	161,488	161,488	-	161,488	-
Interest rate futures	3,159	3,159	-	3,159	-
Bond forwards and options	5,470	5,470	-	5,470	-
Total derivative assets	1,240,315	1,240,315	-	1,240,315	-
Total financial assets at FVTPL	6,922,432	6,922,432	910,369	6,012,063	-
Financial assets at FVTOCI:					
Treasury notes and bills	40,538,225	40,538,225	1,208,124	39,330,101	-
Treasury bonds	35,567,565	35,567,565	19,246,936	16,320,629	-
Private bonds	4,234,304	4,234,304	585,235	3,649,069	-
Equity securities	283,443	283,443	-	283,443	-
	80,623,537	80,623,537	21,040,295	59,583,242	-
	P87,545,969	P87,545,969	P21,950,664	P65,595,305	P-
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost:					
Private bonds	P21,836,607	P22,109,944	P19,535,011	P2,574,933	P-
Total investment securities at amortized cost	21,836,607	22,109,944	19,535,011	2,574,933	-
Receivable from customers:					
Corporate lending	340,930,896	343,868,134	-	-	343,868,134
Consumer lending	44,529,511	44,526,864	-	-	44,526,864
Small business lending	1,177,560	1,190,490	-	-	1,190,490
Residential mortgages	57,426,978	57,453,840	-	-	57,453,840
Total receivable from customers	444,064,945	447,039,328	-	-	447,039,328
Other receivables	4,481,397	4,481,397	-	-	4,481,397
Other assets	591,098	567,637	-	-	567,637
Total financial assets at amortized cost	470,974,047	474,198,306	19,535,011	2,574,933	452,088,362
Non-financial Assets					
Investment properties	1,181,267	2,009,299	-	-	2,009,299
	P472,155,314	P476,207,605	P19,535,011	P2,574,933	P454,097,661
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Interest rate swaps	P110,983	P110,983	P-	P110,983	P-
Currency forwards	1,174,299	1,174,299	-	1,174,299	-
Cross-currency swaps	104	104	-	104	-
Total financial liabilities at FVTPL	P1,285,386	P1,285,386	P-	P1,285,386	P-
Liabilities for which Fair Values are Disclosed					
Financial liabilities at amortized cost:					
Deposit liabilities excluding LTNCD	P500,744,323	P500,986,289	P-	P-	P500,986,289
Bills payable and SSURA	3,367,757	3,301,155	3,301,155	-	-
Notes and bonds payable	28,721,313	29,774,531	-	-	29,774,531
LTNCD	24,728,573	25,224,883	-	-	25,224,883
	P557,561,966	P559,286,858	P3,301,155	P-	P555,985,703

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, 2022 and 2021, 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:

	2022			2021		
	Notional Amounts	Derivative Asset (Note 10)	Derivative Liability (Note 20)	Notional Amounts	Derivative Asset (Note 10)	Derivative Liability (Note 20)
Forward exchange bought	USD1,319,707	₱812,671	817,713	USD968,485	₱854,814	₱887
Forward exchange sold	USD940,797	833,632	309,017	USD1,172,176	3,659	1,173,412
Interest rate swaps	₱45,384,654	710,772	622,754	₱53,883,809	211,725	110,983
Bonds Forward	USD80,200	2,472	3,334	—	—	—
Warrants	USD250,258	—	—	USD250,258	—	—
Cross-currency swaps	USD 9,853	304,835	—	USD45,878	161,488	104
Interest rate futures	—	—	—	USD30,000	3,159	—
FX options	—	—	—	USD10,000	5,470	—
		₱2,664,382	₱1,752,818		₱1,240,315	₱1,285,386



The movements in the Group's and the Parent Company's derivative financial instruments follow:

	2022	2021
Derivative Assets (Note 10)		
Balance at beginning of year	₱1,240,315	₱1,531,134
Fair value changes during the year	1,159,083	1,283,209
Additions (settled) transactions	264,984	(1,574,028)
Balance at end of year	₱2,664,382	₱1,240,315
Derivative Liabilities (Note 20)		
Balance at beginning of year	₱1,285,386	₱1,098,381
Fair value changes during the year	(99,982)	1,604,715
Additions (settled) transactions	567,414	(1,417,710)
Balance at end of year	₱1,752,818	₱1,285,386

Fair value changes of derivatives other than forward contracts amounting to ₱0.4 billion gain and ₱0.1 billion gain in 2022 and 2021, 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 ₱0.8 billion gain in 2022 and ₱0.5 billion loss in 2021 are recognized as 'Foreign exchange gain - net' in the statements of income.

As of December 31, 2022 and 2021, 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.



Derivative financial instruments held or issued for hedging purposes

As part of its asset and liability management, the Parent Company used derivatives for hedging purposes in order to reduce its exposure to market risks that is achieved by hedging portfolios of fixed rate financial instruments.

The accounting treatment explained in Note 2 to the financial statements, *Hedge Accounting*, varies according to the nature of the item hedged and compliance with the hedge criteria. Hedges entered into by the Parent Company which provide economic hedges but do not meet the hedge accounting criteria are treated as Derivatives Held or Issued for Trading Purposes.

Fair value hedges

Fair value hedges are used by the Parent Company to protect its portfolio against changes in fair value of financial assets due to movements in interest rates. The financial instruments hedged for interest rate risk represents receivables from customers. The Parent Company uses interest rate swaps to hedge against identified interest rate risks (see Note 11).

7. Due from Other Banks

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Foreign banks	₱18,218,076	₱10,509,499	₱18,218,076	₱10,509,499
Local banks	1,880,437	2,618,037	1,816,349	2,491,931
	20,098,513	13,127,536	20,034,425	13,001,430
Allowance for credit losses				
Balance at beginning of year	1,323	4,235	1,165	2,106
Recovery of credit losses (Note 14)	(159)	(3,358)	(212)	(993)
Foreign exchange adjustment	58	446	95	52
	1,222	1,323	1,048	1,165
	₱20,097,291	₱13,126,213	₱20,033,377	₱13,000,265

In 2022 and 2021, 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, 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%. For the year ended December 31, 2021, peso-denominated due from other banks bear nominal annual interest rates ranging from 0.05% to 0.43%, 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 ₱16.5 million, ₱5.8 million and ₱39.4 million for the years ended December 31, 2022, 2021 and 2020, respectively, while total interest income on 'Due from other banks' earned by the Parent Company amounted to ₱16.5 million, ₱3.5 million and ₱35.8 million for the years ended December 31, 2022, 2021 and 2020, 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		
	2022	2021	2020	2022	2021	2020
Investment securities at amortized cost (Note 13)	₱2,047,909	₱1,217,012	₱2,813,180	₱2,047,909	₱1,217,012	₱2,813,180
Financial assets at FVTOCI (Note 12)	3,800,320	2,029,679	745,511	3,800,320	2,029,679	745,511
	5,848,229	3,246,691	3,558,691	5,848,229	3,246,691	3,558,691
Financial assets at FVTPL (Note 10):						
Derivatives	453,043	435,180	478,770	453,043	435,180	478,770
Held-for-trading	306,545	227,687	1,824,521	306,545	227,622	1,824,521
	759,588	662,867	2,303,291	759,588	662,802	2,303,291
	₱6,607,817	₱3,909,558	₱5,861,982	₱6,607,817	₱3,909,493	₱5,861,982

Ranges of annual fixed interest on financial investments follow:

	2022	2021	2020
Peso-denominated			
HFT investments	2.38% to 13.00%	2.38%-9.38%	2.38%-15.00%
Investment securities at amortized cost	3.25% to 8.63%	3.44%-6.88%	3.50%-8.13%
Debt financial assets at FVTOCI	2.38% to 6.88%	2.38%-6.88%	2.38%-8.75%
Foreign currency-denominated			
HFT investments	1.38% to 9.50%	2.13%-9.50%	0.88%-9.50%
Investment securities at amortized cost	1.00% to 7.39%	2.13%-4.13%	2.85%-9.50%
Debt financial assets at FVTOCI	0.13% to 10.63%	0.13%-10.63%	1.65%-9.50%

9. Trading and Securities Gain

Net gains (losses) from trading/disposal of investment securities and derivatives follow:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Financial assets at FVTOCI (Note 12)	₱-	₱1,233,901	₱967,143	₱-	₱1,233,901	₱967,143
Financial assets at FVTPL:						
Held-for-trading investments (Note 10)	(44,728)	(271,579)	10,145,601	(44,790)	(273,225)	10,138,768
Derivatives (Note 6)	18,857	129,406	(8,166)	18,857	129,406	(8,166)
	(25,871)	(₱142,173)	₱10,137,435	(25,933)	(₱143,819)	₱10,130,602
	(₱25,871)	₱1,091,728	₱11,104,578	(₱25,933)	₱1,090,082	₱11,097,745



10. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Held-for-trading:				
Government securities	₱4,804,041	₱5,655,787	₱4,804,041	₱5,655,787
Private bonds	98,124	26,330	98,124	26,330
Equity securities	25	24	–	–
	4,902,190	5,682,141	4,902,165	5,682,117
Derivative assets (Note 6):				
Currency forwards	1,646,303	858,473	1,646,303	858,473
Interest rate swaps	710,772	211,725	710,772	211,725
Cross-currency swaps	304,835	161,488	304,835	161,488
Bonds forwards and options	2,472	5,470	2,472	5,470
Interest rate futures	–	3,159	–	3,159
	2,664,382	1,240,315	2,664,382	1,240,315
	₱7,566,572	₱6,922,456	₱7,566,547	₱6,922,432

As of December 31, 2022 and 2021, 'Financial assets at FVTPL' include net unrealized loss of ₱125.5 million and unrealized gain of ₱262.9 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, 2022 and 2021, certain government securities were pledged with foreign banks as collateral for SSURA (see Note 21).

11. Derivatives Designated as Hedges

In 2020, as a result of the Group's change in business model for government securities under the investment securities at amortized cost portfolio, the Group discontinued the hedging relationship for certain derivatives on April 01, 2020. The cumulative changes in fair value attributable to the interest rate risk on the HTC financial assets on the date of the discontinuation of the hedge accounting amounting to ₱151.0 million was included in the carrying value of the reclassified securities. The Group also terminated the related interest rate swap agreements used as hedging instruments in the hedge relationship in 2020.

For the years ended December 31, 2020, net interest expense on derivative liabilities designated as hedges amounted to ₱550.3 million.



12. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Debt instruments				
Treasury bonds (Note 21)	₱55,759,876	₱35,567,565	₱55,759,876	₱35,567,565
Treasury notes and bills	52,666,184	40,538,225	52,666,184	40,538,225
Private bonds	4,050,963	4,234,304	4,050,963	4,234,304
	112,477,023	80,340,094	112,477,023	80,340,094
Equity instruments				
Golf and club shares	374,679	290,794	374,679	283,443
PSE shares	39,791	38,333	—	—
	414,470	329,127	374,679	283,443
	₱112,891,493	₱80,669,221	₱112,851,702	₱80,623,537

An analysis of changes in the fair value of debt instruments and the corresponding ECL allowances follow:

	2022	2021
Fair value at beginning of year	₱80,340,094	₱68,480,433
New assets originated or purchased	38,324,041	136,090,566
Disposals or maturities	(3,943,430)	(123,530,076)
Change in fair value	(7,238,472)	(4,091,585)
Foreign exchange adjustments	4,994,790	3,390,756
	₱112,477,023	₱80,340,094
ECL allowance at beginning of year	₱3,927	₱16,567
Recovery of credit losses (Note 14)	(3,877)	(16,787)
Foreign exchange and other adjustments	322	4,147
	₱372	₱3,927

In 2022 and 2021, debt instruments at FVTOCI were carried at Stage 1 and there were no transfers into and out of Stage 1.

As of December 31, 2022 and 2021, Peso-denominated debt financial assets at FVTOCI amounted to ₱90.8 billion and ₱57.6 billion, respectively.

As of December 31, 2022 and 2021, USD-denominated debt financial assets at FVTOCI amounted to ₱21.7 billion and ₱22.7 billion, respectively.

As of December 31, 2022, certain treasury bond securities were pledged with foreign banks as collateral for SSURA (see Note 21).

As of December 31, 2022 and 2021, government securities included under 'Financial Assets at Fair Value through Other Comprehensive Income' with a total face value amounted to ₱1.0 billion and ₱845.0 million, 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 27).



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	
	2022	2021	2022	2021
Balance at beginning of year	(₱2,035,059)	₱2,028,620	(₱2,043,212)	₱2,022,372
Unrealized losses for the year	(7,183,298)	(4,071,809)	(7,183,298)	(4,073,714)
Amount realized in profit or loss	(3,877)	8,130	(3,877)	8,130
Balance at end of year	(₱9,222,234)	(₱2,035,059)	(₱9,230,387)	(₱2,043,212)

13. Investment Securities at Amortized Cost

This account consists of investments by the Parent Company in:

	2022	2021
Private bonds	₱57,241,929	₱21,904,006
Treasury bonds	9,308,398	—
Treasury notes and bills	2,697,158	—
	69,247,485	21,904,006
Allowance for credit losses	17,525	67,399
	₱69,229,960	₱21,836,607

In March 2020, the Finance Committee, ROC and the BOD of the Parent Company approved the change in the business model over its government securities lodged under a HTC business model to a trading portfolio and to fair value through other comprehensive income for government securities held under trust duties. This is in line with the Parent Company's plan to shift its focus towards a more fee-based and client-driven income along with the impact of expected changes in tax regulations on its revenue stream and the impact of EVE in relation to its exposure of holding long-term government securities.

In line with the change in business model, the Parent Company disposed certain USD-denominated and Peso-denominated government securities classified as HTC securities with a carrying amount of USD489.1 million (₱24.8 billion) and ₱8.3 billion, respectively, during the first quarter of 2020 and resulted in gains of USD97.9 million (₱4.96 billion) and ₱118.9 million, respectively, gross of the fair value change in hedging instrument and hedged item amounting to a loss of ₱2.8 billion, recorded in the statement of income under 'Gain on disposal of investment securities at amortized cost'.

On April 1, 2020 the Group reclassified USD-denominated and Peso-denominated HTC securities with a carrying amount of USD2.6 billion and ₱13.8 billion, respectively, to the 'Financial assets at FVTPL' category and ₱596.1 million Peso-denominated HTC securities under 'Financial assets at FVTOCI'. The reclassification resulted in a trading gain of ₱7.9 billion for the securities reclassified to 'Financial assets at FVTPL' and 'Net unrealized gain on financial assets at FVTOCI' recognized in 'Other comprehensive income' of ₱0.9 million for securities reclassified to 'Financial assets at FVTOCI' for the year ended December 31, 2020 (see Notes 10 and 11).



On May 11, 2022, the Parent Company participated on an issuer-initiated mandatory early redemption of PHP-denominated corporate bond with face value of ₱514.5 million. Total amount of redemptions during the year amounted to ₱2.1 billion resulting to a gain amounting to ₱4.1 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 ₱5.0 billion, respectively. Total amount of redemptions during the year amounted to ₱6.1 billion resulting to a gain amounting to ₱66.0 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, 2022 and 2021, certain private bonds were pledged with foreign banks as collateral for SSURA (see Note 21).

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	2022	2021
Gross carrying amount at beginning of year	₱21,904,006	₱23,560,650
New assets originated or purchased	49,930,744	7,193,788
Assets derecognized or redeemed	(3,008,085)	(8,979,132)
Amortized premium/discount	67,167	69,180
Foreign exchange adjustments	353,653	59,520
	₱69,247,485	₱21,904,006
Allowance for credit losses		
ECL allowance at beginning of year	₱67,399	₱168,393
Recovery of credit losses (Note 14)	(49,407)	(105,113)
Foreign exchange and other adjustment	(467)	4,119
	₱17,525	₱67,399

In 2022 and 2021, investment securities at amortized cost were carried at stage 1 and there were no transfers into and out of Stage 1.



14. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Receivable from customers:				
Corporate lending	₱388,777,469	₱352,294,439	₱389,226,927	₱352,847,512
Consumer lending	53,639,312	50,338,711	53,358,357	50,140,715
Residential mortgages	71,311,776	58,626,960	71,311,776	58,626,960
Small business lending	718,225	1,217,743	718,225	1,217,743
	514,446,782	462,477,853	514,615,285	462,832,930
Less unearned discounts and deferred credits	1,875,319	1,070,864	1,875,319	1,070,864
	512,571,463	461,406,989	512,739,966	461,762,066
Accrued interest receivable (Note 32)	5,458,069	4,421,621	5,460,756	4,422,781
Accounts receivable (Note 32)	952,001	877,960	415,462	457,360
Sales contracts receivable	114,154	68,300	114,154	68,300
	519,095,687	466,774,870	518,730,338	466,710,507
Less allowance for credit losses	16,478,253	18,190,956	16,444,913	18,164,165
	₱502,617,434	₱448,583,914	₱502,285,425	₱448,546,342

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to corporate lending follow:

	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
Provision 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



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at				
January 1, 2021	₱279,802,615	₱48,054,302	₱6,457,357	₱334,314,274
New assets originated or purchased	530,155,264	—	—	530,155,264
Assets derecognized or repaid (excluding write offs)	(484,241,216)	(26,918,733)	(998,690)	(512,158,639)
Transfers to Stage 1	9,301,863	(9,301,863)	—	—
Transfers to Stage 2	(62,635,417)	62,758,415	(122,998)	—
Transfers to Stage 3	(2,169,837)	(5,066,847)	7,236,684	—
Amounts written off	—	—	(16,460)	(16,460)
	₱270,213,272	₱69,525,274	₱12,555,893	₱352,294,439
ECL allowance as at January 1, 2021	₱1,106,648	₱1,742,671	₱4,586,574	₱7,435,893
Provision for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	224,186	—	—	224,186
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	—	462,670	1,092,624	1,555,294
Transfers to Stage 1	98,940	(98,940)	—	—
Transfers to Stage 2	(338,952)	344,122	(5,170)	—
Transfers to Stage 3	(610,127)	(3,779,786)	4,389,913	—
Other movements*	487,795	2,339,861	(499,151)	2,328,505
	(138,158)	(732,073)	4,978,216	4,107,985
Amounts written off	—	—	(16,460)	(16,460)
Foreclosures and other adjustments	—	—	16,100	16,100
	₱968,490	₱1,010,598	₱9,564,430	₱11,543,518

*includes changes in assumptions and payments

	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



	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at				
January 1, 2021	₱280,775,227	₱48,054,301	₱6,457,357	₱335,286,885
New assets originated or purchased	445,572,686	—	—	445,572,686
Assets derecognized or repaid (excluding write offs)	(400,078,177)	(26,918,732)	(998,690)	(427,995,599)
Transfers to Stage 1	9,301,863	(9,301,863)	—	—
Transfers to Stage 2	(62,635,417)	62,758,415	(122,998)	—
Transfers to Stage 3	(2,169,837)	(5,066,847)	7,236,684	—
Amounts written off	—	—	(16,460)	(16,460)
	₱270,766,345	₱69,525,274	₱12,555,893	₱352,847,512
ECL allowance as at January 1, 2021	₱1,106,599	₱1,742,671	₱4,587,204	₱7,436,474
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	224,187	—	—	224,187
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	—	462,670	1,092,624	1,555,294
Transfers to Stage 1	98,940	(98,940)	—	—
Transfers to Stage 2	(338,945)	344,115	(5,170)	—
Transfers to Stage 3	(610,128)	(3,779,786)	4,389,914	—
Other movements*	487,837	2,339,861	(499,781)	2,327,917
	(138,109)	(732,080)	4,977,587	4,107,398
Amounts written off	—	—	(16,460)	(16,460)
Foreclosures and other adjustments	—	—	16,099	16,099
	₱968,490	₱1,010,591	₱9,564,430	₱11,543,511

*includes changes in assumptions and payments

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, 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



	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount as at January 1, 2021	₱53,418,532	₱4,073,807	₱7,922,169	₱65,414,508
New assets originated or purchased	155,482,024	—	—	155,482,024
Assets derecognized or repaid (excluding write offs)	(161,240,460)	(716,316)	(2,745,201)	(164,701,977)
Transfers to Stage 1	2,228,304	(1,307,152)	(921,152)	—
Transfers to Stage 2	(2,648,562)	3,025,266	(376,704)	—
Transfers to Stage 3	(4,738,635)	(1,224,391)	5,963,026	—
Amounts written off	—	—	(5,855,844)	(5,855,844)
	₱42,501,203	₱3,851,214	₱3,986,294	₱50,338,711
ECL allowance as at January 1, 2021	₱3,671,426	₱1,251,337	₱7,079,999	₱12,002,762
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	191,296	—	—	191,296
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	—	39,716	108,709	148,425
Transfers to Stage 1	1,218,310	(562,110)	(656,200)	—
Transfers to Stage 2	(151,581)	351,847	(200,266)	—
Transfers to Stage 3	(286,294)	(318,599)	604,893	—
Other movements*	(2,683,067)	167,465	3,138,594	622,992
	(1,711,336)	(321,681)	2,995,730	962,713
Amounts written off	—	—	(5,855,844)	(5,855,844)
Foreclosures and other adjustments	—	—	(2,192,942)	(2,192,942)
	₱1,960,090	₱929,656	₱2,026,943	₱4,916,689

*includes changes in assumptions and payments

	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
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



	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2021	₱49,485,040	₱5,729,173	₱9,619,571	₱64,833,784
New assets originated or purchased	144,014,206	—	—	144,014,206
Assets derecognized or repaid (excluding write offs)	(146,037,063)	(2,371,682)	(4,442,686)	(152,851,431)
Transfers to Stage 1	2,228,304	(1,307,152)	(921,152)	—
Transfers to Stage 2	(2,648,562)	3,025,266	(376,704)	—
Transfers to Stage 3	(4,738,635)	(1,224,391)	5,963,026	—
Amounts written off	—	—	(5,855,844)	(5,855,844)
	42,303,290	3,851,214	3,986,211	₱50,140,715
ECL allowance as at January 1, 2021	₱3,670,680	₱1,251,377	₱7,080,000	₱12,002,057
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	191,009	—	—	191,009
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	—	39,716	108,709	148,425
Transfers to Stage 1	1,218,310	(562,110)	(656,200)	—
Transfers to Stage 2	(151,498)	351,764	(200,266)	—
Transfers to Stage 3	(286,294)	(318,599)	604,893	—
Other movements*	(2,684,217)	167,425	3,138,518	621,726
	(1,712,690)	(321,804)	2,995,654	961,160
Amounts written off	—	—	(5,855,844)	(5,855,844)
Foreclosures and other adjustments	—	—	(2,192,942)	(2,192,942)
	₱1,957,990	₱929,573	₱2,026,868	₱4,914,431

*includes changes in assumptions and payments

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, 2022	₱54,175,501	₱1,217,201	₱3,234,258	₱58,626,960
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	—
	₱68,242,680	₱1,299,252	₱1,769,844	₱71,311,776
ECL allowance as at January 1, 2022	₱492,974	₱53,086	₱653,440	₱1,199,500
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)
	₱539,476	₱54,705	₱405,596	₱999,777

*includes changes in assumptions and payments



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at				
January 1, 2021	₱49,233,849	₱2,134,102	₱3,835,280	₱55,203,231
New assets originated or purchased	12,490,849	—	—	12,490,849
Assets derecognized or repaid (excluding write offs)	(8,102,369)	(320,162)	(644,589)	(9,067,120)
Transfers to Stage 1	1,995,247	(1,190,885)	(804,362)	—
Transfers to Stage 2	(754,076)	994,089	(240,013)	—
Transfers to Stage 3	(687,999)	(399,943)	1,087,942	—
	₱54,175,501	₱1,217,201	₱3,234,258	₱58,626,960
ECL allowance as at January 1, 2021	₱1,212,850	₱60,920	₱177,971	₱1,451,741
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	28,479	—	—	28,479
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	—	7,117	39,350	46,467
Transfers to Stage 1	31,336	(18,055)	(13,281)	—
Transfers to Stage 2	(22,232)	34,529	(12,297)	—
Transfers to Stage 3	(75,056)	(70,385)	145,441	—
Other movements*	(682,403)	38,960	400,924	(242,519)
	(719,876)	(7,834)	560,137	(167,573)
Foreclosures and other adjustments	—	—	(84,668)	(84,668)
	₱492,974	₱53,086	₱653,440	₱1,199,500

*includes changes in assumptions and payments

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at				
January 1, 2022	₱54,175,501	₱1,217,201	₱3,234,258	₱58,626,960
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	—
	₱68,242,680	₱1,299,252	₱1,769,844	₱71,311,776
ECL allowance as at January 1, 2022	₱492,974	₱53,086	₱653,440	₱1,199,500
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)
	46,501	1,619	(37,275)	10,845
Foreclosures and other adjustments	—	—	(210,568)	(210,568)
	₱539,475	₱54,705	₱405,597	₱999,777

*includes changes in assumptions and payments



	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount as at January 1, 2021	₱49,233,849	₱2,134,102	₱3,835,280	₱55,203,231
New assets originated or purchased	12,490,849	—	—	12,490,849
Assets derecognized or repaid (excluding write offs)	(8,102,369)	(320,162)	(644,589)	(9,067,120)
Transfers to Stage 1	1,995,247	(1,190,885)	(804,362)	—
Transfers to Stage 2	(754,076)	994,089	(240,013)	—
Transfers to Stage 3	(687,999)	(399,943)	1,087,942	—
	₱54,175,501	₱1,217,201	₱3,234,258	₱58,626,960
ECL allowance as at January 1, 2021	₱1,212,850	₱60,920	₱177,971	₱1,451,741
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	28,479	—	—	28,479
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	—	7,117	39,350	46,467
Transfers to Stage 1	31,336	(18,055)	(13,281)	—
Transfers to Stage 2	(22,232)	34,529	(12,297)	—
Transfers to Stage 3	(75,056)	(70,385)	145,441	—
Other movements*	(682,403)	38,960	400,924	(242,519)
	(719,876)	(7,834)	560,137	(167,573)
Foreclosures and other adjustments	—	—	(84,668)	(84,668)
	₱492,974	₱53,086	₱653,440	₱1,199,500

*includes changes in assumptions and payments

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, 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)	—	—
Transfers to Stage 2	—	—	—	—
Transfers to Stage 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



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2021	₱821,025	₱70,042	₱29,436	₱920,503
New assets originated or purchased	2,290,885	—	—	2,290,885
Assets derecognized or repaid (excluding write offs)	(1,967,339)	(26,019)	(287)	(1,993,645)
Transfers to Stage 1	5,600	(5,600)	—	—
Transfers to Stage 2	(102,408)	117,639	(15,231)	—
Transfers to Stage 3	(35,675)	—	35,675	—
	₱1,012,088	₱156,062	₱49,593	₱1,217,743
ECL allowance as at January 1, 2021	₱1,676	₱922	₱13,245	₱15,843
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	756	—	—	756
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	—	431	9,947	10,378
Transfers to Stage 1	50	(50)	—	—
Transfers to Stage 2	(173)	758	(585)	—
Transfers to Stage 3	(1,294)	—	1,294	—
Other movements*	592	(338)	12,447	12,701
	(69)	801	23,103	23,835
	₱1,607	₱1,723	₱36,348	₱39,678

*includes changes in assumptions and payments

	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	—	—
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)	—	—
Transfers to Stage 2	—	—	—	—
Transfers to Stage 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



	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount as at January 1, 2021	₱821,025	₱70,042	₱29,436	₱920,503
New assets originated or purchased	2,290,885	—	—	2,290,885
Assets derecognized or repaid (excluding write offs)	(1,967,339)	(26,019)	(287)	(1,993,645)
Transfers to Stage 1	5,600	(5,600)	—	—
Transfers to Stage 2	(102,408)	117,639	(15,231)	—
Transfers to Stage 3	(35,675)	—	35,675	—
	₱1,012,088	₱156,062	₱49,593	₱1,217,743
ECL allowance as at January 1, 2021	₱1,676	₱922	₱13,246	₱15,844
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	756	—	—	756
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	—	431	9,947	10,378
Transfers to Stage 1	50	(50)	—	—
Transfers to Stage 2	(173)	758	(585)	—
Transfers to Stage 3	(1,294)	—	1,294	—
Other movements*	592	(338)	12,446	12,700
	(69)	801	23,102	23,834
	₱1,607	₱1,723	₱36,348	₱39,678

*includes changes in assumptions and payments

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			Total
	Stage 1	Stage 2	Stage 3	
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



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2021	₱4,391,501	₱565,517	₱841,347	₱5,798,365
New assets originated or purchased	54,147,363	17,196	18,424	54,182,983
Assets derecognized or repaid (excluding write offs)	(53,984,461)	(250,945)	(121,778)	(54,357,184)
Transfers to Stage 1	139,347	(108,777)	(30,570)	—
Transfers to Stage 2	(326,853)	326,853	—	—
Transfers to Stage 3	(114,327)	(159,005)	273,332	—
Amounts written off	—	—	(256,283)	(256,283)
	₱4,252,570	₱390,839	₱724,472	₱5,367,881
ECL allowance as at January 1, 2021	₱141,543	₱53,801	₱534,531	₱729,875
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	5,087	—	—	5,087
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	—	2,636	74,830	77,466
Transfers to Stage 1	8,046	(5,560)	(2,486)	—
Transfers to Stage 2	(11,286)	13,543	(2,257)	—
Transfers to Stage 3	(40,939)	(69,375)	110,314	—
Other movements*	4,779	26,481	75,943	107,203
	(34,313)	(32,275)	256,344	189,756
Amounts written off	—	—	(256,283)	(256,283)
Foreclosures and other adjustments	—	—	(171,777)	(171,777)
	₱107,230	₱21,526	₱362,815	₱491,571

*includes changes in assumptions and payments

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
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



	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at				
January 1, 2021	₱4,308,549	₱541,590	₱783,244	₱5,633,383
New assets originated or purchased	1,737,779	—	—	1,737,779
Assets derecognized or repaid (excluding write offs)	(1,853,534)	(211,407)	(101,497)	(2,166,438)
Transfers to Stage 1	139,350	(108,780)	(30,570)	—
Transfers to Stage 2	(321,849)	339,314	(17,465)	—
Transfers to Stage 3	(114,327)	(155,121)	269,448	—
Amounts written off	—	—	(256,283)	(256,283)
	₱3,895,968	₱405,596	₱646,877	₱4,948,441
ECL allowance as at January 1, 2021	₱132,649	₱49,661	₱523,928	₱706,238
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	5,075	—	—	5,075
Newly originated assets which moved to Stage 2 and Stage 3 at yearend		2,607	70,575	73,182
Transfers to Stage 1	8,047	(5,560)	(2,487)	—
Transfers to Stage 2	(11,286)	13,543	(2,257)	—
Transfers to Stage 3	(40,939)	(69,375)	110,314	—
Other movements*	12,583	27,924	76,197	116,704
	(26,520)	(30,861)	252,342	194,961
Amounts written off	—	—	(256,283)	(256,283)
Foreclosures and other adjustments	—	—	(177,871)	(177,871)
	₱106,129	₱18,800	₱342,116	₱467,045

*includes changes in assumptions and payments

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	
	2022	2021	2022	2021
Loans (Note 32)	₱463,918,623	₱423,396,324	₱464,087,126	₱423,751,401
Customers' liabilities under letters of credit and trust receipts	21,304,204	18,575,752	21,304,204	18,575,752
Credit card receivables	23,613,848	18,336,112	23,613,848	18,336,112
Bills purchased (Note 24)	3,960,151	1,168,160	3,960,151	1,168,160
Customers' liabilities under acceptances	1,649,956	1,001,505	1,649,956	1,001,505
	514,446,782	462,477,853	514,615,285	462,832,930
Less unearned discounts and deferred credits	1,875,319	1,070,864	1,875,319	1,070,864
	₱512,571,463	₱461,406,989	₱512,739,966	₱461,762,066

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.



Based on the Group's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. The impact of the loan modification including the subsequent accretion of the modified loans is not material to the consolidated and parent company's financial statements.

Restructured receivables of the Group and the Parent Company amounted to ₱13.1 billion as of December 31, 2022 and ₱13.8 billion as of December 31, 2021. Interest income on these restructured receivables amounted to ₱595.0 million in 2022, ₱463.5 million in 2021, and ₱116.6 million in 2020 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		
	2022	2021	2020
Due from other banks (Note 7)	(₱159)	(₱3,358)	₱673
Interbank loans receivable and SPURA with BSP	1,224	(2,541)	2,700
Financial assets at FVTOCI (Note 12)	(3,877)	(16,787)	1,218
Investment securities at amortized cost (Note 13)	(49,407)	(105,113)	61,285
Loans and receivables	3,109,769	5,116,716	24,339,354
Cash collateral deposits	—	—	(944)
Financial guarantees, loan and other commitments (Note 34)	(423,226)	291,620	183,319
	2,634,324	5,280,537	24,587,605
Effect of deconsolidation	—	—	1,795,437
	₱2,634,324	₱5,280,537	₱26,383,042

	Parent Company		
	For the year ended December 31		
	2022	2021	2020
Due from other banks (Note 7)	(₱212)	(₱993)	(₱618)
Interbank loans receivable and SPURA with BSP	1,224	(2,541)	2,700
Financial assets at FVTOCI (Note 12)	(3,877)	(16,787)	1,218
Investment securities at amortized cost (Note 13)	(49,407)	(105,113)	61,285
Loans and receivables	3,111,095	5,119,780	24,327,547
Cash collateral deposits	—	—	(944)
Financial guarantees, loan and other commitments (Note 34)	(423,226)	291,620	183,319
	₱2,635,597	₱5,285,966	₱24,574,507

As of December 31, 2022 and 2021, the fair value of the collateral held relating to the total loan portfolio amounted to ₱218.9 billion and ₱205.3 billion, respectively, for the Group and ₱201.8 billion and ₱201.8 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 ₱4.0 billion and ₱2.0 billion for the Group and the Parent Company as of December 31, 2022 and 2021, respectively.



Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Loans	₱25,498,130	₱24,542,891	₱29,604,451	₱25,542,188	₱24,584,462	₱28,310,688
Credit card receivables	3,308,797	2,973,226	3,552,998	3,308,797	2,973,226	3,552,998
Customers' liabilities under letters of credit and trust receipts	850,118	520,324	850,306	850,118	520,324	850,306
Sales contracts receivable	7,058	7,436	6,610	7,058	7,436	6,610
Bills purchased	22,296	17,313	16,510	22,296	17,313	16,510
	₱29,686,399	₱28,061,190	₱34,030,875	₱29,730,457	₱28,102,761	₱32,737,112

Of the total receivables from customers of the Group and of the Parent Company, 37.3% and 36.1% as of December 31, 2022 and 2021, 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:

	2022	2021	2020
Peso-denominated	2.00%-38.57%	2.00%-37.52%	1.92%-36.83%
Foreign currency-denominated	0.05% - 9.14%	1.00%-9.14%	1.17%-9.14%

Sales contracts receivable earns interest rates ranging from 10.00% to 13.00% and 9.00% to 13.00% as of December 31, 2022 and 2021, respectively, for the Group and the Parent Company.

15. Investments in Subsidiaries and Joint Ventures

This account consists of investments in:

	% of Ownership		Consolidated		Parent Company	
	2022	2021	2022	2021	2022	2021
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			—	—	898,560	865,318
Share in net income			—	—	118,850	96,617
Dividends			—	—	—	(63,375)
Balance at end of year			—	—	1,017,410	898,560
Accumulated equity in OCI						
Remeasurement gains on defined benefit plans			—	—	74,768	76,261
Net unrealized gain on financial assets at fair value through other comprehensive income			—	—	16,619	8,153
Balance at end of year			—	—	91,387	84,414
			—	—	2,108,797	1,982,974

(Forward)



	% of Ownership		Consolidated		Parent Company	
	2022	2021	2022	2021	2022	2021
Joint Ventures:						
Cost:						
SBML	60.00	60.00	₱150,058	₱150,058	₱150,058	₱150,058
SBFI	49.96	49.76	2,095,655	1,345,654	2,095,655	1,345,654
			2,245,713	1,495,712	2,245,713	1,495,712
Accumulated equity in net income						
Balance at beginning of year			₱44,535	(₱36,811)	₱44,535	(₱36,811)
Share in net income (loss)			147,364	81,346	147,364	81,346
Remeasurement gains on defined benefit plans			2,932	—	2,932	—
Balance at end of year			194,831	44,535	194,831	44,535
			2,440,544	1,540,247	2,440,544	1,540,247
			₱2,440,544	₱1,540,247	₱4,549,341	₱3,523,221

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:

	2022	2021
Cash and cash equivalents	₱88	₱117
Loans receivable held for sale	136	180
Loans and receivables	1,324	1,486
Other assets	91	95
Deposits on lease contracts	(425)	(443)
Bills payable	(363)	(587)
Accounts payable and other liabilities	(274)	(311)
Equity	₱577	₱537
Proportion of the Group's ownership	60%	60%
Carrying amount of the investment	₱346	₱322
	2022	2021
Income		
Leasing and interest income	₱99	₱94
Interest expense	(19)	(31)
Net interest income	80	63
Other income	70	37
Operating expenses	(110)	(101)
Income (loss) before income tax	40	(1)
Provision for income tax	(5)	(1)
Net income (loss)	₱35	(₱2)
Group's share for the year	₱20	(₱1)

SBFI:

	2022	2021
Cash and cash equivalents	₱243	₱239
Loans and receivables	7,600	6,137
Other Assets	1,136	1,044
Bills payable	(4,808)	(4,565)
Accrued expenses and other liabilities	21	(407)
Equity	₱4,192	₱2,448
Proportion of the Group's ownership	49.96%	49.76%
Carrying amount of the investment	₱2,094	₱1,218
	2022	2021
Income		
Interest income	₱2,281	₱1,689
Interest expense	(181)	(156)
Net interest income	2,100	1,533
Other income	594	234
Operating expenses	(2,414)	(1,438)
Income before income tax	280	329
Provision for income tax	(26)	(164)
Net income	₱254	₱165
Group's share for the year	₱127	₱82



SBML and SBFI have no contingent liabilities or capital commitments as of December 31, 2022 and 2021.

16. 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								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, 2022									
Cost									
Balance at beginning of year	₱441,288	₱2,641,346	₱4,553,748	₱2,307,763	₱262,562	₱3,574,736	₱10,969	₱3,585,705	₱13,792,412
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 18)	—	(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 18)	—	(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 17)									
Balance at beginning of year	14,120	541	—	—	—	—	—	—	14,661
Provision (Recovery)	—	(173)	—	—	—	—	—	—	(173)
Balance at the end of year	14,120	368	—	—	—	—	—	—	14,488
Net book value at end of year	₱413,664	₱688,576	₱1,457,881	₱915,714	₱225,485	₱1,564,991	₱12,564	₱1,577,555	₱5,278,875
December 31, 2021									
Cost									
Balance at beginning of year	₱377,513	₱2,628,406	₱4,066,222	₱2,208,698	₱323,589	₱3,453,984	₱24,758	₱3,478,742	₱13,083,170
Additions	—	13,484	550,552	429,523	74,053	753,751	2,343	756,094	1,823,706
Disposals	(898)	(765)	(60,881)	(334,756)	(86)	(646,922)	(16,062)	(662,984)	(1,060,370)
Amortization of leasehold improvements	—	—	—	—	(135,131)	—	—	—	(135,131)
Reclassifications and other adjustments (Note 18)	64,673	221	(2,145)	4,298	137	13,923	(70)	13,853	81,037
Balance at end of year	441,288	2,641,346	4,553,748	2,307,763	262,562	3,574,736	10,969	3,585,705	13,792,412
Accumulated depreciation									
Balance at beginning of year	—	1,782,923	2,720,090	1,210,472	—	1,826,181	18,751	1,844,932	7,558,417
Depreciation	—	108,168	524,023	432,234	—	780,701	6,685	787,386	1,851,811
Disposals	—	—	(45,937)	(252,826)	—	(504,907)	(16,062)	(520,969)	(819,732)
Reclassifications and other adjustments (Note 18)	—	—	32	2,221	—	1	—	1	2,254
Balance at end of year	—	1,891,091	3,198,208	1,392,101	—	2,101,976	9,374	2,111,350	8,592,750
Allowance for impairment loss (Note 17)									
Balance at beginning of year	4,607	2,170	—	—	—	—	—	—	6,777
Provision (Recovery)	9,513	(1,629)	—	—	—	—	—	—	7,884
Balance at the end of year	14,120	541	—	—	—	—	—	—	14,661
Net book value at end of year	₱427,168	₱749,714	₱1,355,540	₱915,662	₱262,562	₱1,472,760	₱1,595	₱1,474,355	₱5,185,001



	Parent Company							
	Land	Building and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Building and Improvements	Transportation Equipment	Total Right-of-use assets
December 31, 2022								
Cost								
Balance at beginning of year	₱441,288	₱2,605,116	₱3,784,854	₱284,527	₱260,783	₱3,574,735	₱10,969	₱3,585,704
Additions	—	55,752	388,821	65,842	77,345	922,570	15,854	938,424
Disposals	(13,504)	(6,411)	(106,423)	(58,779)	—	(1,347,312)	(11,310)	(1,358,622)
Amortization of leasehold improvements	—	—	—	—	(117,600)	—	—	—
Reclassifications and other adjustments (Note 18)	—	—	(17,641)	7,285	(60)	77,825	—	77,825
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
Accumulated depreciation								
Balance at beginning of year	—	1,863,138	2,798,542	137,022	—	2,094,859	9,374	2,104,233
Depreciation	—	102,979	406,366	52,790	—	726,319	4,884	731,203
Disposals	—	(5,377)	(103,671)	(44,702)	—	(1,158,351)	(11,309)	(1,169,660)
Reclassifications and other adjustments (Note 18)	—	—	—	5,310	—	—	—	—
Balance at end of year	—	1,960,740	3,101,237	150,420	—	1,662,827	2,949	1,665,776
Allowance for impairment loss (Note 17)								
Balance at beginning of year	14,120	541	—	—	—	—	—	—
Provision (Recovery)	—	(173)	—	—	—	—	—	—
Balance at the end of year	14,120	368	—	—	—	—	—	—
Net book value at end of year	₱413,664	₱693,349	₱948,374	₱148,455	₱220,468	₱1,564,991	₱12,564	₱1,577,555

	Parent Company							
	Land	Building and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Building and Improvements	Transportation Equipment	Total Right-of-use assets
December 31, 2021								
Cost								
Balance at beginning of year	₱442,186	₱2,592,175	₱3,405,491	₱237,792	₱321,476	₱3,453,984	₱24,758	₱3,478,742
Additions	—	13,484	397,032	91,525	73,919	753,751	2,343	756,094
Disposals	(898)	(764)	(15,524)	(49,110)	(87)	(646,923)	(16,062)	(662,985)
Amortization of leasehold improvements	—	—	—	—	(134,662)	—	—	—
Reclassifications and other adjustments (Note 18)	—	221	(2,145)	4,320	137	13,923	(70)	13,853
Balance at end of year	441,288	2,605,116	3,784,854	284,527	260,783	3,574,735	10,969	3,585,704
Accumulated depreciation								
Balance at beginning of year	—	1,748,595	2,398,743	130,430	—	1,825,436	18,751	1,844,187
Depreciation	—	114,543	400,348	48,557	—	774,329	6,685	781,014
Disposals	—	—	(581)	(44,186)	—	(504,907)	(16,062)	(520,969)
Reclassifications and other adjustments (Note 18)	—	—	32	2,221	—	1	—	1
Balance at end of year	—	1,863,138	2,798,542	137,022	—	2,094,859	9,374	2,104,233
Allowance for impairment loss (Note 17)								
Balance at beginning of year	28,266	2,170	—	—	—	—	—	—
Provision (Recovery)	(14,146)	(1,629)	—	—	—	—	—	—
Balance at the end of year	14,120	541	—	—	—	—	—	—
Net book value at end of year	₱427,168	₱741,437	₱986,312	₱147,505	₱260,783	₱1,479,876	₱1,595	₱1,481,471

As of December 31, 2022 and 2021, the cost of fully depreciated property and equipment still in use amounted to ₱4.9 billion and ₱3.6 billion, respectively, for the Group and the Parent Company.

The details of depreciation and amortization recognized in the statements of income follow.

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Property, equipment and right-of-use assets	₱1,819,098	₱1,851,812	₱1,720,442	₱1,293,338	₱1,344,462	₱1,230,452
Leasehold improvements	117,600	135,131	144,261	117,600	134,662	143,446
Investment properties (Note 17)	103,010	67,235	58,416	103,010	67,235	58,416
Other properties acquired (Note 18)	74,811	118,911	86,843	74,811	118,911	86,843
	₱2,114,519	₱2,173,089	₱2,009,962	₱1,588,759	₱1,665,270	₱1,519,157



Set out below are the carrying amounts of lease liability (see Note 24) and the movements during the year:

	Consolidated		Parent	
	2022	2021	2022	2021
Balance at beginning of year	₱1,454,658	₱1,662,975	₱1,454,658	₱1,662,975
Additions	789,427	600,865	789,427	600,865
Disposals/pre-terminations	(191,215)	(77,635)	(191,216)	(77,635)
Accretion of interest	71,508	83,974	71,831	83,974
Payments	(586,357)	(815,521)	(591,045)	(815,521)
Balance at end of year	₱1,538,021	₱1,454,658	₱1,533,655	₱1,454,658

17. 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, 2022			
Cost			
Balance at beginning of year	₱745,484	₱668,317	₱1,413,801
Additions (Note 37)	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 16)	—	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	₱1,604,265	₱1,600,406	₱3,204,671
December 31, 2021			
Cost			
Balance at beginning of year	₱710,250	₱571,836	₱1,282,086
Additions (Note 37)	120,979	117,122	238,101
Disposals	(85,745)	(20,641)	(106,386)
Balance at end of year	745,484	668,317	1,413,801
Accumulated Depreciation			
Balance at beginning of year	—	146,290	146,290
Depreciation (Note 16)	—	67,235	67,235
Disposals	—	(42)	(42)
Balance at end of year	—	213,483	213,483
Allowance for Impairment Loss			
Balance at beginning of year	25,831	17,355	43,186
Recovery of impairment losses	(21,928)	(3,656)	(25,584)
Disposals	(72)	(22)	(94)
Balance at end of year	3,831	13,677	17,508
Net Book Value at End of Year	₱741,653	₱441,157	₱1,182,810



	Parent Company		
	Land	Building and Improvements	Total
December 31, 2022			
Cost			
Balance at beginning of year	₱684,735	₱727,523	₱1,412,258
Additions (Note 37)	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 16)	–	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	₱1,603,488	₱1,600,408	₱3,203,896
December 31, 2021			
Cost			
Balance at beginning of year	₱649,501	₱653,631	₱1,303,132
Additions (Note 37)	120,979	117,125	238,104
Disposals	(85,745)	(43,233)	(128,978)
Balance at end of year	684,735	727,523	1,412,258
Accumulated Depreciation			
Balance at beginning of year	–	154,505	154,505
Depreciation (Note 16)	–	67,235	67,235
Disposals	–	(13,987)	(13,987)
Balance at end of year	–	207,753	207,753
Allowance for Impairment Loss			
Balance at beginning of year	38,168	17,849	56,017
Provision for (recovery of) impairment losses	(6,439)	2,844	(3,595)
Disposals	(28,392)	(792)	(29,184)
Balance at end of year	3,337	19,901	23,238
Net Book Value at End of Year	₱681,398	₱499,869	₱1,181,267

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 2022, 2021 and 2020, the Profit from assets sold/ exchanged, amounted to ₱1.2 billion, ₱0.1 billion and ₱0.2 billion for the Group and the Parent Company.

The fair values of investment properties are disclosed in Note 6.

As of December 31, 2022 and 2021, the carrying value of investment properties still subject to redemption amounted to ₱2.0 billion and ₱255.2 million, respectively, for the Group and the Parent Company.

In 2020, the Group and the Parent Company recognized rental income (included under 'Rent' in the statements of income) on investment properties, which are leased out under operating leases, amounted to ₱3.4 million. No rental income recognized for the year ended December 31, 2022 and 2021.



The Group and the Parent Company have no investment properties, which are leased out under operating leases as of December 31, 2022, 2021 and 2020.

In 2022, 2021, and 2020, 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 ₱74.8 million, ₱118.9 million, and ₱86.9 million, respectively, for the Group and 74.8 million, ₱118.9 million, and ₱86.9 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		
	2022	2021	2020	2022	2021	2020
Property, equipment and right-of-use assets (Note 16)	₱433	₱7,884	₱-	₱433	(₱13,605)	₱-
Investment properties	173,782	(25,584)	20,947	173,782	(3,595)	20,947
Other properties acquired (Note 18)	32,845	2,547	14,203	32,845	2,547	14,203
	₱207,060	(₱15,153)	₱35,150	₱207,060	(₱14,653)	₱35,150

18. Intangible and Other Assets

Intangible assets consist of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Branch licenses	₱1,445,000	₱1,445,000	₱1,445,000	₱1,445,000
Software costs	2,281,225	1,767,078	2,280,076	1,765,387
Exchange trading right	9,000	9,000	-	-
	₱3,735,225	₱3,221,078	₱3,725,076	₱3,210,387

Branch licenses of the Group amounting to ₱1.5 billion represents the following:

- 1 branch license acquired in in 2017 amounting to ₱20.0 million;
- 4 branch licenses acquired in in 2016 amounting to ₱80.0 million;
- 23 branch licenses acquired in 2015 amounting to ₱345.0 million;
- 11 branch licenses acquired in 2014 amounting to 220.0 million;
- 26 branch licenses acquired in 2013 amounting to ₱520.0 million; and
- 13 branch licenses acquired in 2012 amounting to ₱260.0 million

Movements in software costs follow:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Cost				
Balance at beginning of year	₱3,578,676	₱2,702,783	₱3,432,280	₱2,557,655
Additions	1,098,153	896,901	1,098,126	895,622
Disposal	(21,879)	(4,536)	(21,879)	(4,525)
Reclassification (Note 16)	(10,959)	(16,472)	(10,959)	(16,472)
Balance at end of year	4,643,991	3,578,676	4,497,568	3,432,280

(Forward)



	Consolidated		Parent Company	
	2022	2021	2022	2021
Accumulated Amortization				
Balance at beginning of year	₱1,811,598	₱1,449,534	1,666,893	₱1,305,405
Amortization	551,180	362,322	550,599	361,734
Disposal	(12)	(258)	-	(246)
Balance at end of year	2,362,766	1,811,598	2,217,492	1,666,893
Net Book Value at End of Year	₱2,281,225	₱1,767,078	₱2,280,076	₱1,765,387

As of December 31, 2022 and 2021, the latest transacted price of SBEI's exchange trading right amounted to ₱9.0 million.

Other assets consist of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Cash collateral deposits	₱2,402,982	₱261,857	₱2,402,982	₱261,857
Other properties acquired - net	899,386	206,647	899,386	206,647
Rental and security deposits (Note 33)	527,231	329,596	529,234	329,238
Due from brokers	407,824	42,731	407,824	42,731
Prepaid expenses	363,435	365,677	329,263	363,690
Documentary stamps	348,758	315,424	348,758	315,424
Pension asset (Note 29)	200,867	415,983	191,736	413,246
Creditable withholding taxes	176,934	400,229	17,111	326,480
Due from trust	58,907	58,402	58,907	58,402
Returned checks and other cash items	35,434	11,998	35,434	11,998
Miscellaneous	407,654	953,574	406,663	805,811
	₱5,829,412	₱3,362,118	₱5,627,298	₱3,135,524

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 2022 and 2021, the gross carrying amount of cash collateral securities were carried at Stage 1 and there were no transfers into and out of Stage 1.

As of December 31, 2022 and 2021, 'Other assets - miscellaneous' includes prepaid employee benefits under car plan program amounting to ₱183.9 million and ₱151.3 million for the Group, respectively, and ₱181.0 million and ₱149.8 million for the Parent Company, respectively, and items in process for clearing amounting to ₱133.8 million and ₱374.3 million as of December 31, 2022 and 2021, respectively.

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 2022, 2021 and 2020, the Profit from assets sold/ exchanges, amounted to ₱0.3 billion, ₱1.3 billion and ₱0.1 billion, respectively, for the Group and the Parent Company.



Movements in the other properties acquired by the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Cost				
Balance at beginning of year	₱243,545	₱574,315	₱243,518	₱574,290
Additions (Note 37)	1,608,374	1,793,464	1,608,374	1,793,464
Disposals	(858,872)	(2,122,623)	(858,845)	(2,122,625)
Reclassification	—	(1,611)	—	(1,611)
Balance at end of year	993,047	243,545	993,047	243,518
Accumulated Depreciation				
Balance at beginning of year	34,351	52,567	34,324	52,540
Depreciation (Note 16)	74,811	118,911	74,811	118,911
Disposals	(48,347)	(136,766)	(48,320)	(136,766)
Reclassification	—	(361)	—	(361)
Balance at end of year	60,815	34,351	60,815	34,324
Accumulated Impairment Loss				
Balance at beginning of year	2,547	14,334	2,547	14,336
Provision for impairment losses (Note 17)	32,845	2,547	32,845	2,547
Disposal	(2,497)	(14,284)	(2,497)	(14,286)
Reclassification	(49)	(50)	(49)	(50)
Balance at end of year	32,846	2,547	32,846	2,547
Net Book Value at End of Year	₱899,386	₱206,647	₱899,386	₱206,647

19. Deposit Liabilities

As of December 31, 2022 and 2021, the Group and the Parent Company has set aside ‘Due from BSP’ as reserves amounting to ₱54.0 billion and ₱54.0 billion, respectively. Total interest income on ‘Due from BSP’ earned by the Group and Parent Company amounted to ₱46.8 million, ₱606.5 million and ₱14.9 million for the years ended December 31, 2022, 2021 and 2020, respectively

Long-term Negotiable Certificates of Deposit maturing 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.

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 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

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:

	2022	2021
Beginning balance	₱92,427	₱130,835
Amortization	(38,213)	(38,408)
Balance at end of year	₱54,214	₱92,427

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Demand	₱242,646	₱204,516	₱187,428	₱243,015	₱204,819	₱187,531
Savings	70,062	107,435	225,839	70,167	107,715	226,429
Time	3,683,052	1,581,248	3,733,745	3,701,867	1,587,676	3,744,927
LTNCD	1,047,352	1,047,599	1,038,504	1,047,352	1,047,599	1,038,504
	₱5,043,112	₱2,940,798	₱5,185,516	₱5,062,401	₱2,947,809	₱5,197,391

Ranges of annual fixed interest on deposit liabilities excluding LTNCD follow:

	2022	2021	2020
Peso-denominated	0.01%-6.65%	0.01%-3.28%	0.10%-3.50%
Foreign currency-denominated	0.01%-5.10%	0.01%-1.97%	0.10%-2.88%



20. Financial Liabilities at Fair Value through Profit or Loss

This account consists of:

	2022	2021
Derivative liabilities (Note 6):		
Currency forwards	₱1,126,730	₱1,174,299
Interest rate swaps	622,754	110,983
Bonds forward	3,334	—
Cross-currency swaps	—	104
	₱1,752,818	₱1,285,386

Interest expense on derivative instruments consists of:

	2022	2021	2020
Interest rate swaps	₱300,435	₱217,100	₱289,280
Cross-currency swaps	105,986	131,749	177,400
	₱406,421	₱348,849	₱466,680

21. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		Parent Company	
	2022	2021	2022	2021
SSURA	₱23,360,860	₱2,777,596	₱23,360,860	₱2,777,596
Local government banks with relending facilities	4,633,186	148,407	4,633,186	148,407
Foreign banks	5,017,950	—	5,017,950	—
Local banks	7,908,407	538,421	7,790,073	441,754
	₱40,920,403	₱3,464,424	₱40,802,069	₱3,367,757

The following are the carrying values of the investment securities pledged and transferred under SSURA transactions of the Group:

	December 31, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at FVTPL (Note 10)				
Government securities	₱3,857,764	₱3,857,764	₱3,945,013	₱3,945,013
Financial assets at FVTOCI (Note 12)				
Treasury bonds	4,142,731	4,142,731	—	—
Investment securities at amortized cost (Note 13)				
Private bonds	19,888,110	18,708,912	—	—
	₱27,888,605	₱26,709,407	₱3,945,013	₱3,945,013



For the years ended December 31, 2022, 2021 and 2020, 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		
	2022	2021	2020	2022	2021	2020
Notes payable (Note 22)	₱1,456,891	₱1,726,394	₱2,094,313	₱1,456,891	₱1,726,394	₱2,094,313
Bills payable and SSURA	528,168	324,661	1,266,487	523,888	₱317,836	1,032,088
Others	2,668	22,595	—	62	22,595	—
	₱1,987,727	₱2,073,650	₱3,360,800	₱1,980,841	₱2,066,825	₱3,126,401

Annual fixed interest rate ranges on the Group's and the Parent Company's interbank borrowings and rediscounting availments follow:

	2022	2021	2020
Interbank borrowings:			
Peso-denominated	1.50%-8.00%	1.50%-8.00%	3.38%-8.00%
Foreign currency-denominated	0.05%-4.83%	0.02%-1.33%	0.00%-2.95%
Rediscounting availments:			
Peso-denominated	—	—	0.00%-3.75%

22. Notes and Bonds Payable

This account consists of the following:

	December 31, 2022	December 31, 2021
Senior unsecured notes due September 2023	₱16,704,608	₱15,253,337
Fixed rate bonds due January 2024	15,910,768	—
Fixed rate bonds due May 2024	14,496,317	—
Fixed rate bonds due July 2022	—	13,467,976
	₱47,111,693	₱28,721,313

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.

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 ₱111.2 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.

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.

The movements in unamortized discount follow:

	December 31, 2022	December 31, 2021
Balance at beginning of year	₱78,387	₱196,222
Additions	240,038	—
Amortization	(182,309)	(100,189)
Translation adjustment	78,691	(17,646)
Balance at end of year	₱214,807	₱78,387

23. Accrued Interest, Taxes and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Accrued interest payable (Note 32)	₱1,838,597	₱811,940	₱1,844,730	₱815,265
Accrued other expenses payable	1,790,180	1,726,489	1,766,817	1,687,867
Accrued other taxes and licenses payable	519,582	347,445	502,004	328,793
Pension liability - net (Notes 29 and 32)	5,167	10,637	—	—
	₱4,153,526	₱2,896,511	₱4,113,551	₱2,831,925

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 34).



24. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Accounts payable (Note 32)	₱2,675,545	₱2,097,382	₱2,611,583	₱2,097,382
Payable to brokers	1,560,367	1,141,819	—	—
Lease liability (Notes 2 and 16)	1,538,021	1,454,658	1,533,655	1,454,658
Other deferred credits	1,444,777	1,127,192	1,444,777	1,127,192
Cash collateral on borrowings	955,641	284,297	955,641	284,297
Bills purchased - contra	884,311	418,651	884,311	418,651
Unearned initial milestone fee	319,770	508,329	319,770	508,329
Withholding taxes payable	316,096	156,160	311,757	156,160
Provision for ECL on loan commitments and financial guarantees (Note 34)	277,722	699,044	277,722	699,044
Insurance contract liabilities	197,208	142,357	197,208	142,357
Due to the Treasurer of the Philippines	181,309	181,459	181,309	181,459
Provision related to legal cases	130,593	337	130,593	337
Subscription payable	30,000	30,000	123,750	123,750
Dividends payable	8,211	10,274	8,187	10,274
Deposits for keys of safety deposit boxes	7,297	7,240	7,297	7,240
Miscellaneous	690,560	982,466	507,501	693,332
	₱11,217,428	₱9,241,665	₱9,495,061	₱7,904,462

Miscellaneous liabilities are Social Security System pension for the Group's depositors amounting to ₱41.7 million and ₱30.7 million as of December 31, 2022 and 2021, respectively, rewards for cardholders amounting to ₱80.4 million and ₱84.1 million as of December 31, 2022 and 2021, respectively, security deposits on lease contracts amounting to ₱138.4 million and ₱134.0 million as of December 31, 2022 and 2021, respectively and items in process for clearing amounting to ₱365.4 million and ₱577.0 million as of December 31, 2022 and 2021, respectively.

25. 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, 2022						
Financial Assets						
Cash and other cash items	₱13,180	₱—	₱13,180	₱13,180	₱—	₱13,180
Due from BSP	63,011	—	63,011	63,011	—	63,011
Due from other banks	20,097	—	20,097	20,033	—	20,033
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	₱417,740	₱420,756	₱838,496	₱417,649	₱420,370	₱838,019

(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
	P418,637	P442,008	860,645	P418,352	P442,414	P860,766
Less: Allowance for credit losses			16,479			16,445
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	-	1,085	1,085	-	1,085	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	644,761	70,750	715,511	646,498	69,209	715,707
Non-financial Liabilities						
Income tax payable	P 198	P-	P 198	P 190	P-	P 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	P645,690	P70,753	P716,443	P647,387	P69,209	P716,596
December 31, 2021						
Financial Assets						
Cash and other cash items	P11,083	P-	P11,083	P11,083	P-	P11,083
Due from BSP	67,392	-	67,392	67,392	-	67,392
Due from other banks	13,126	-	13,126	13,000	-	13,000
Interbank loans receivable and SPURA	29,425	-	29,425	29,425	-	29,425
Financial assets at FVTPL:						
HFT investments	5,682	-	5,682	5,682	-	5,682
Derivative assets	906	334	1,240	906	334	1,240
Total financial assets at FVTPL	6,588	334	6,922	6,588	334	6,922
Financial assets at FVTOCI	1,705	78,964	80,669	1,705	78,919	80,624
Investment securities at amortized cost	4,985	16,852	21,837	4,985	16,852	21,837
Loans and receivables - at gross	211,313	256,533	467,846	211,285	256,496	467,781
Other assets	285	331	616	284	329	613
Total financial assets	345,902	353,014	698,916	345,747	352,930	698,677

(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-	P1,540	P1,540	P-	P 3,523	P 3,523
Property and equipment	-	5,185	5,185	-	4,045	4,045
Investment properties	-	1,183	1,183	-	1,181	1,181
Deferred tax assets	-	5,246	5,246	-	5,214	5,214
Goodwill	-	842	842	-	842	842
Intangible assets	-	3,221	3,221	-	3,210	3,210
Other assets	309	2,437	2,746	310	2,212	2,522
Total non-financial assets	309	19,654	19,963	310	20,227	20,537
	<u>P346,211</u>	<u>P372,668</u>	718,879	<u>P346,057</u>	<u>P373,157</u>	719,214
Less: Allowance for credit losses			18,191			18,164
Unearned discounts and deferred credits			1,071			1,071
Total Assets			<u>P699,617</u>			<u>P699,979</u>
Financial Liabilities						
Deposit liabilities	P447,927	P75,662	P523,589	P449,811	P75,662	P525,473
Financial liabilities at FVTPL	1,285	-	1,285	1,285	-	1,285
Bills payable and SSURA	442	3,022	3,464	442	2,926	3,368
Acceptances payable	-	1,002	1,002	-	1,002	1,002
Margin deposits and cash letters of credit	-	40	40	-	40	40
Manager's and certified checks outstanding	4,221	-	4,221	4,221	-	4,221
Notes payable	13,467	15,254	28,721	13,467	15,254	28,721
Accrued interest, taxes and other expenses	2,109	440	2,549	2,063	440	2,503
Other liabilities	4,365	939	5,304	3,224	938	4,162
Total financial liabilities	473,816	96,359	570,175	474,513	96,262	570,775
Non-financial Liabilities						
Income tax payable	86	-	86	66	-	66
Accrued interest, taxes and other expenses	348	-	348	329	-	329
Other liabilities	3,301	637	3,938	3,100	643	3,743
Total non-financial liabilities	3,735	637	4,372	3,495	643	4,138
Total Liabilities	<u>P477,551</u>	<u>P96,996</u>	<u>P574,547</u>	<u>P478,008</u>	<u>P96,905</u>	<u>P574,913</u>

26. Equity

As of December 31, 2022 and 2021, 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 602,831,109 non-cumulative, non-participating, non-convertible Preferred Stock with ₱0.1 par value. The dividend rate is 3.9% 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	Dividend		Record date	Payment date
		Per share	Total amounts in thousands		
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
Common	October 27, 2020	1.00	753,539	November 11, 2020	November 26, 2020
Common	October 27, 2020	0.5000	376,769	November 11, 2020	November 26, 2020
Common	March 21, 2020	1.00	753,539	April 16, 2020	April 30, 2020
Common	March 21, 2020	0.5000	376,770	April 16, 2020	April 30, 2020
Preferred	February 21, 2020	0.0039	2,351	June 26, 2020	July 10, 2020
Preferred	February 21, 2020	0.0048	1,908	March 18, 2020	April 1, 2020

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 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

Date of SEC Approval	Type of Shares	Authorized Number of Shares*
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

Date of BSP Approval	Percentage
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

Date of SEC Approval	Number of shares Registered*	Offer Price
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

Year End	Number of shareholders
December 31, 2022	2,151
December 31, 2021	2,154
December 31, 2020	2,157

In the consolidated financial statements, a portion of the Group's surplus corresponding to the accumulated net earnings of the subsidiaries amounting to ₱383.6 million and ₱364.8 million as of December 31, 2022 and 2021, 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	
	2022	2021	2022	2021
Reserve for regulatory requirements	₱3,967,265	₱2,347,700	₱3,967,265	₱2,308,056
Reserve for self-insurance	1,015,500	2,120,200	1,015,500	2,120,200
Reserve for trust business	383,706	355,118	383,706	355,118
Reserve for redemption of preferred stock	100,000	100,000	100,000	100,000
	₱5,466,471	₱4,923,018	₱ 5,466,471	₱4,883,374



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 ₱39.5 million and ₱39.6 million as of December 31, 2022 and 2021, 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		
	2022	2021	2020	2022	2021	2020
Net income attributable to the equity holders of the Parent Company	₱10,555,599	₱6,916,970	₱7,432,256	₱10,561,008	₱6,938,503	₱7,247,428
Remeasurement gains (losses) on defined benefit plans (Notes 15 and 29)	(138,577)	413,246	(645,329)	(138,577)	413,246	(645,329)
	₱10,417,022	₱7,330,216	₱6,786,927	₱10,422,431	₱7,351,749	₱6,602,099

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, 2022 and 2021 follow:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Tier 1 Capital	₱120,397,856	₱122,044,007	₱120,397,856	₱122,044,007
Less Required deductions	15,286,081	14,519,442	18,509,954	17,481,696
	105,111,775	107,524,565	101,887,902	104,562,311
Excess from Tier 2 deducted to Tier 1 Capital*	—	—	—	—
Net Tier 1 Capital	105,111,775	107,524,565	101,887,902	104,562,311
Tier 2 Capital	3,191,713	3,736,478	3,191,535	3,736,317
Less: Required deductions	—	—	—	—
	3,191,713	3,736,478	3,191,535	3,736,317
Excess of Tier 2 deducted to Tier 1 Capital*	—	—	—	—
Net Tier 2 Capital	3,191,713	3,736,478	3,191,535	3,736,317
Total Qualifying Capital	₱108,303,488	₱111,261,043	₱105,079,437	₱108,298,628
Credit Risk-Weighted Assets	₱582,441,067	₱497,852,003	₱579,379,526	495,306,896
Market Risk-Weighted Assets	7,257,879	7,615,872	7,257,875	7,615,870
Operational Risk-Weighted Assets	62,891,089	57,745,561	60,413,586	55,129,340
Total Risk Weighted Assets	₱652,590,035	₱563,213,436	₱647,050,987	₱558,052,106
CET 1 Ratio	16.11%	19.09%	15.75%	18.74%
Tier 1 CAR	16.11%	19.09%	15.75%	18.74%
Total CAR	16.60%	19.75%	16.24%	19.41%

*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 externally imposed 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, 2022 and 2021 follow:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Tier 1 Capital	₱105,111,775	₱107,524,565	₱101,887,902	₱104,562,311
Exposure Measure	904,525,595	718,951,897	901,429,237	716,345,755
BLR	11.62%	14.96%	11.30%	14.60%

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 the ratio of high quality liquid assets to total net cash outflows which should not be lower than 100.00%. As of December 31, 2022 and 2021, the LCR in single currency as reported to the BSP, was at 144.23% and 149.50%, respectively, for the Group, and 142.78% and 147.86%, 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, 2022 and 2021, the NSFR as reported to the BSP, was at 121.80% and 138.48%, respectively, for the Group, and 121.85%% and 138.41%, respectively, for the Parent Company.

27. 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, 2022 and December 31, 2021, government securities included under 'Financial Assets at Fair Value through Other Comprehensive Income' with a total face value of ₱1.0 billion and ₱845.0 million, 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 12).

28. Income Taxes

Provision for (benefit from) income tax consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Current:						
Final	₱1,060,856	₱747,213	₱454,392	₱1,056,722	₱745,932	₱442,168
Corporate – RCIT	1,488,709	565,229	1,602,575	1,425,117	530,622	1,582,401
Corporate – MCIT	1,709	239	155,113	–	–	–
	2,551,274	1,312,681	2,212,080	2,481,839	1,276,554	2,024,569
Deferred	778,266	2,031,929	(5,391,011)	774,271	2,009,584	(4,952,446)
	₱3,329,540	₱3,344,610	(₱3,178,931)	₱3,256,110	₱3,286,138	(₱2,927,877)

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.
- 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	
	2022	2021	2022	2021
Deferred tax assets on:				
Allowance for credit and impairment losses	₱4,072,533	₱4,545,096	₱4,063,776	₱4,537,814
Lease liability	385,665	366,828	383,414	363,664
Unrealized loss on investment in debt securities	462,004	34,403	462,004	34,403
Unrealized loss on derivative liabilities	280,718	307,357	280,718	307,357
Accrued expenses	313,372	303,257	310,525	300,514
Unamortized past service cost	210,177	241,160	206,424	238,056
Undrawn commitments	68,614	174,761	68,614	174,761
Accumulated depreciation on investment properties	73,960	60,520	73,960	60,520
Others	55,996	52,218	35,305	21,086
	5,923,039	6,085,600	5,884,740	6,038,175
Deferred tax liabilities on:				
Right-of-use asset	396,077	372,708	394,389	370,368
Unrealized gain on derivative assets	491,420	268,372	491,420	268,372
Retirement asset	53,002	108,560	47,934	103,311
Unrealized gain on financial assets at FVTOCI	44,182	2,691	44,041	—
Accrued rent income	4,189	5,109	568	568
Others	83,065	81,905	83,065	81,905
	1,071,935	839,345	1,061,417	824,524
Net deferred tax assets	₱4,851,104	₱5,246,255	₱4,823,323	₱5,213,651

Movement in net deferred tax assets in 2022 and 2021 charged against statement of comprehensive income amounted to ₱383.9 million and ₱33.9 million, respectively.



As of December 31, 2022 and 2021, deferred tax assets of the Group and Parent-FCDU have not been recognized in respect of the deductible temporary differences follow:

	Consolidated		Parent Company	
	2022	2021	2022	2021
NOLCO	₱434,595	₱123,382	₱296,898	₱—
MCIT	1,872	2,501	—	—
Allowance for credit and impairment losses	886	—	—	—
	₱437,353	₱125,883	₱296,898	₱—

Details of the MCIT credits follow:

	Consolidated			
Inception Year	Amount	Expired	Balance	Expiry Year
2019	₱1,505	₱1,505	₱—	2022
2020	969	—	969	2023
2021	381	—	381	2024
2022	1,709	—	1,709	2025
	₱4,564	₱1,505	₱3,059	

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, 2022, 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:

	Consolidated			
Inception Year	Amount	Used/Expired	Balance	Expiry Year
2019	₱47,088	₱47,088	₱—	2022
2022	364,379	—	364,379	2025
	₱411,467	₱47,088	₱364,379	

	Parent Company			
Inception Year	Amount	Used/Expired	Balance	Expiry Year
2022	₱296,898	₱—	₱296,898	2025

As of December 31, 2022, 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:

	Consolidated			
Inception Year	Amount	Used/Expired	Balance	Expiry Year
2020	₱39,438	₱—	₱39,438	2025
2021	53,149	—	53,149	2026
	₱92,587	₱—	₱92,587	



A reconciliation between the applicable statutory income tax rate to the effective income tax rate follows:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Statutory income tax rate	25.00%	25.00%	30.00%	25.00%	25.00%	30.00%
Tax effect of:						
FCDU net income	-0.36%	-2.85%	-85.02%	-0.37%	-2.86%	-83.71%
Non-deductible expenses	2.77%	2.23%	5.28%	2.78%	1.91%	5.49
Interest income from tax-paid and exempt investments	-2.03%	-1.79%	-5.37%	-2.04%	-1.79%	-5.13%
CREATE Impact	—	10.07%	—	—	10.04%	—
Change in deferred tax assets	0.12%	1.91%	0.45%	0.04%	1.74%	0.25%
Non-taxable income	-1.52%	-1.98%	-20.08%	-1.84%	-1.90%	-14.68%
Effective income tax rate	23.98%	32.59%	-74.74%	23.57%	32.14%	-67.78%

29. 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, 2022. 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	
	2022	2021	2022	2021
Other assets (Note 18)	(P200,867)	(P415,983)	(P191,736)	(P413,246)
Accrued interest, taxes and other expenses (Note 24)	5,167	10,637	—	—
Net pension liability (asset)	(P195,700)	(P405,346)	(P191,736)	(P413,246)

Changes in net defined benefit liability of the Group and the Parent Company in 2022 and 2021 are as follows:

	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)



	Consolidated		
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Asset)
December 31, 2021			
Balance at beginning of year	₱4,370,666	(₱3,718,241)	₱652,425
Net Benefit Cost in Statements of Income			
Current service cost	346,638	–	346,638
Net interest	152,618	(129,835)	22,783
	499,256	(129,835)	369,421
Benefits paid	(289,366)	289,366	–
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	–	(5,905)	(5,905)
Actuarial changes arising from experience adjustments	237,126	–	237,126
Actuarial changes arising from changes in financial assumptions	(644,467)	–	(644,467)
	(407,341)	(5,905)	(413,246)
Contributions paid	–	(1,013,946)	(1,013,946)
Balance at end of year	₱4,173,215	(₱4,578,561)	(₱405,346)

	Parent Company		
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Asset)
December 31, 2022			
Balance at beginning of year	₱4,120,996	(₱4,534,242)	(₱413,246)
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	₱4,200,415	(₱4,392,151)	(₱191,736)
December 31, 2021			
Balance at beginning of year	₱4,325,982	(₱3,680,654)	₱645,328
Net benefit cost in statements of income			
Current service cost	340,744	–	340,744
Net interest	150,977	(128,455)	22,522
	491,721	(128,455)	363,266
Benefits paid	(289,366)	289,366	–
Remeasurement in other comprehensive income			
Return on plan assets (excluding amount included in net interest)	–	(5,905)	(5,905)
Actuarial changes arising from experience adjustments	237,126	–	237,126
Actuarial changes arising from changes in financial assumptions	(644,467)	–	(644,467)
	(407,341)	(5,905)	(413,246)
Contributions paid	–	(1,008,594)	(1,008,594)
Balance at end of year	₱4,120,996	(₱4,534,242)	(₱413,246)



The fair value of plan assets by each class as at the end of the reporting period follow:

	Consolidated				Parent Company			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Debt instruments:								
Government Securities	₱1,667,400		₱1,772,468		₱1,647,074		₱1,755,163	
High Grade	375,105		308,202		364,073		300,222	
	2,042,505	45.9	2,080,670	45.0	2,011,147	45.7	2,055,385	44.9
Equity instruments:								
Financial intermediaries	1,466,562		1,154,876		1,463,928		1,151,601	
Real estate	317,615		381,686		317,615		381,686	
Transport, storage and communication	128,039		287,272		128,039		287,272	
Power, electricity and water distribution	82,015		147,106		82,015		146,591	
Manufacturing	55,899		140,744		55,899		140,744	
Wholesale/Retail Trade	19,110		34,026		19,110		34,026	
Others	102,878		69,757		102,878		69,757	
	2,172,118	48.8	2,215,467	47.9	2,169,484	49.3	2,211,677	48.3
Deposits in banks	7,498	0.2	115,761	2.5	5,060	0.1	111,865	2.4
Investments in Unit Investment Trust Funds	68,750	1.5	34,394	0.7	55,000	1.2	24,003	0.5
Loans and other receivables:								
Government Securities	28,772		27,972		28,664		27,853	
High Grade	2,492		2,479		2,408		2,432	
Not rated	125,074		151,472		130,248		150,613	
	156,338	3.6	181,923	3.9	161,320	3.7	180,898	3.9
Total fund asset	4,447,209	100.0	4,628,215	100.0	4,402,011	100.0	4,583,828	100.0
Total fund liability	(9,937)		(49,654)		(9,860)		(49,586)	
Net fund asset	₱4,437,272		₱4,578,561		₱4,392,151		₱4,534,242	

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, 2022 and 2021 are shown below:

	2022			2021		
	Average Duration of Benefit Payments	Salary Rate Increase	Discount Rate	Average Duration of Benefit Payments	Salary Rate Increase	Discount Rate
Parent Company	10	5%	4.80%	9	6%	3.49%
SBCIC	16	5%	4.98%	13	6%	3.68%
SBEI	13	5%	4.84%	9	6%	3.66%
SBRC	17	5%	5.00%	16	6%	3.73%

Discount rates used in computing for the present value of the obligation of the Parent Company and significant subsidiaries as of December 31, 2022 and 2021 follow:

	Parent Company	SBCIC	SBEI	SBRC
2022	6.97%	7.12%	7.07%	7.16%
2021	4.80%	4.98%	4.84%	5.00%



The sensitivity analysis as of December 31, 2022 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%)	(₱198,720) 234,404	1.00% (1.00%)	(₱196,243) 231,498
Turnover rate	10.00% (10.00%)	40,836 (40,836)	10.00% (10.00%)	40,649 (40,649)
Future salary increases	1.00% (1.00%)	234,292 (205,773)	1.00% (1.00%)	231,381 (203,194)

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Less than 1 year	₱1,502,328	₱1,293,234	₱1,490,107	₱1,282,303
More than 1 year to 5 years	1,736,427	1,519,034	1,723,404	1,509,060
More than 5 years to 10 years	2,590,186	2,429,169	2,573,877	2,406,149
More than 10 years to 15 years	2,537,849	2,021,417	2,486,666	1,988,843
More than 15 years to 20 years	6,282,376	4,891,015	6,060,791	4,747,851
Total	₱14,649,166	₱12,153,869	₱14,334,845	₱11,934,206

There are no reimbursement rights recognized as a separate asset as of December 31, 2022 and 2021. The Group and Parent Company expect to contribute to the defined benefit retirement plans the required funding for normal cost in 2023 amounting to ₱99.3 million and ₱92.2 million, respectively.

30. Service Charges, Fees and Commissions

This account consists of service charges, fees and commissions on:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Credit cards	₱1,629,562	₱1,244,673	₱1,077,643	₱1,629,562	₱1,244,673	₱1,077,643
Bancassurance	852,355	817,104	727,070	852,355	817,104	727,070
Deposits	801,867	719,763	697,110	801,867	719,763	697,110
Loans	573,935	688,878	593,467	573,935	688,878	571,701
Advisory	372,564	236,702	140,352	—	—	—
Stock brokerage	210,994	265,749	194,776	17,546	—	—
Remittance	29,992	15,256	11,671	29,992	15,256	11,671
Miscellaneous (Note 15)	813,706	542,730	190,162	813,706	542,730	189,399
	₱5,284,975	₱4,530,855	₱3,632,251	₱4,718,963	₱4,028,404	₱3,274,594

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 ₱30.7 million, ₱32.4 million and ₱30.21 million for the period ended December 31, 2022, 2021 and 2020, respectively. Commission on insurance amounting to ₱91.9 million, ₱103.4 million, ₱61.9 million for the period ended December 31, 2022, 2021 and 2020.

31. Miscellaneous Income and Expenses

Miscellaneous income consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Recovery on charged-off assets	₱1,323,974	₱948,405	₱262,383	₱1,322,398	₱948,405	₱262,383
Income from trust operations	285,884	280,204	226,947	285,884	280,204	226,947
Dividend income	3,573	3,344	9,585	1,612	3,344	9,585
Gain on sale of SBFI	—	—	933,108	—	—	933,108
Miscellaneous	270,439	221,116	261,177	196,194	170,765	34,692
	₱1,883,870	₱1,453,069	₱1,693,200	₱1,806,088	₱1,402,718	₱1,466,715

Miscellaneous expenses consists of:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Management and other professional fees	₱2,712,662	₱2,652,772	₱1,590,113	₱2,545,042	₱2,513,442	₱1,463,592
Insurance expenses	1,332,073	1,197,850	1,208,622	1,326,078	1,191,211	1,197,616
Repairs and Maintenance	1,021,186	744,093	733,945	1,016,523	740,311	725,690
Entertainment, amusement and recreation (Note 28)	859,299	447,948	474,305	854,072	444,358	461,193
Security, clerical, messengerial and janitorial services	817,677	778,416	741,098	813,848	775,283	737,226
Advertising and publicity	519,830	339,440	419,636	518,402	337,699	355,298
Postage, telephone and cables and telegrams	360,028	281,679	360,709	341,737	261,447	339,251
Litigation/assets acquired expenses	328,168	466,906	269,392	328,168	466,906	269,392
Banking fees	242,429	253,490	271,250	242,429	253,490	271,250
Stationery and supplies used	194,252	209,839	177,293	193,767	209,533	176,279
Donations and charitable contributions	174,616	246,994	186,037	174,616	246,994	186,037
Information technology	111,832	43,457	622,693	111,832	43,457	622,693
Brokerage fees	22,124	20,357	25,922	22,124	20,357	25,922
Miscellaneous	577,758	465,248	202,450	463,912	357,184	155,781
	₱9,273,934	₱8,148,489	₱7,283,465	₱8,952,550	₱7,861,672	₱6,987,220

Miscellaneous expense includes travelling expenses amounting to ₱75.4 million, ₱58.3 million, and ₱160.9 million for the Group and ₱75.1 million, ₱58.1 million, and ₱159.1 million for the Parent Company for the years ended December 31, 2022, 2021 and 2020, respectively. It also includes athletics and other events amounting to ₱37.1 million, ₱47.5 million, and ₱32.5 million for the Group and ₱37.1 million, ₱47.5 million, and ₱32.5 million for the Parent Company, and fuel and lubricants amounting to ₱50.3 million, ₱36.1 million, and ₱30.4 million for the Group and ₱49.5 million, ₱35.3 million, and ₱29.9 million for the Parent Company for the years ended December 31, 2022, 2021, and 2020, respectively.



32. 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, 2022			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Loans and receivables		₱1,201,194	Long term, unsecured, with interest ranging from 2.75% to 7.15%
Grants	₱881,000		
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
December 31, 2021			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Loans and receivables		₱1,075,194	Long term, unsecured, with interest ranging from 1.25% to 3.50%
Grants	₱786,611		
Settlements	531,417		
Accrued interest receivable	6,929		Interest income and accrued interest receivable
Accounts receivable	26,682	8,403	On demand, unsecured, non-interest bearing
Deposit liabilities		1,540,892	Earns interest at the respective bank deposit rates
Deposits	126,675,170		
Withdrawals	126,665,763		
Accrued interest payable		1,593	Interest expense and accrued interest payable
Accounts payable		43,019	On demand, unsecured, non-interest bearing
Rent income	9,360		Lease of office spaces for periods ranging from 1 to 5 years
Rent expense	12,653		Lease of transportation equipment for 3 years
Other assets		1,259	Security deposits
Other liability		2,047	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 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

Expenses allocated to SBFI, SBML, SBCIC, SBEI, SBRC and SBCC pertaining to the above services amounted to ₱113.3 million in 2022, ₱185.8 million in 2021 and ₱69.3 million in 2020. 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, 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		Sale of loans on a without recourse basis
Loans receivable:		3,135,972	2 to 3-year term; earns 3.5% to 6.25% interest
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



December 31, 2021			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Receivables purchased	₱181,555	₱–	Assignment of rights on a without recourse basis
Collection Fee	–	1,020	Collection fee expense and prepaid collection fee, equivalent to 0.2% of the selling price of the lease receivables amortized over the lease term
Loans receivable:		3,218,069	2 to 3-year term; earns 3.30% to 7.20% interest
Grants	3,769,562		
Settlement	1,822,502		
Accrued interest receivable	113,099	6,044	Interest income and accrued interest receivable
Accounts receivable	–	5,124	Expenses advanced by the Parent Company and outstanding accounts payable (on demand, unsecured, non-interest bearing).
Deposit liabilities:		503,986	Earns interest at the respective bank deposit rates
Deposits	13,871,563		
Withdrawals	13,445,056		
Accrued interest payable	235		Interest expense and accrued interest payable

In 2022, 2021, and 2020, SBML sold various loans and lease receivables to the Parent Company with carrying amounts of ₱716.0 million, ₱224.0 million and ₱138.3 million, respectively, and realized gains amounting to ₱27.6 million, ₱5.7 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, 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		₱6,275	Unsecured, noninterest bearing
Accrued interest receivable	₱105,689	₱991	Interest income and accrued interest receivable
Deposit liabilities		\$912	Earns interest at the respective bank deposit rates
Deposits	\$545		
Withdrawals	350		
Deposit liabilities		₱1,150,674	Earns interest at the respective bank deposit rates
Deposits	₱11,420,387		
Withdrawals	10,822,526		
Bills payable (USD)		\$–	3 months – 3 years term; earns 2% to 5% interest
Availments	\$–		
Payments	157,026		
Accrued interest payable	₱15		Interest expense and accrued



December 31, 2021			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Due from other banks		\$106	Earns interest at the respective bank deposit rates
Deposits	\$75,737		
Withdrawals	75,780		
Due from other banks		¥395,314	Earns interest at the respective bank deposit rates
Deposits	¥31,468,516		
Withdrawals	31,664,672		
Accounts receivable		₱2,740	Unsecured, noninterest bearing
Accrued interest receivable	₱77	₱5	Interest income and accrued interest receivable
Deposit liabilities		\$717	Earns interest at the respective bank deposit rates
Deposits	\$544		
Withdrawals	540		
Deposit liabilities		₱552,813	Earns interest at the respective bank deposit rates
Deposits	₱9,148,987		
Withdrawals	8,833,816		
Bills payable (USD)		\$157,026	3 months – 3 years term; earns 2% to 5% interest
Availments	\$680,000		
Payments	610,000		
Accrued interest payable	₱15		Interest expense and accrued
Deposit liabilities		₱552,813	Earns interest at the respective bank deposit rates
Deposits	₱9,148,987		

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	2022	2021
Parent Company	₱140,855	₱190,778
SBEI	—	7,000
Total	₱140,855	₱197,778

The Parent Company also recognized trust fees amounting to ₱0.7 and ₱0.6 million in 2022 and 2021, respectively, 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, 2022			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Deposit liabilities	₱26,914	₱372,991	Earns interest at respective bank deposit rates

Consolidated December 31, 2021			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Deposit liabilities	₱251,463	₱346,077	Earns interest at respective bank deposit rates



Parent Company			
December 31, 2022			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Deposit liabilities	₱26,960	₱372,834	Earns interest at respective bank deposit rates

Parent Company			
December 31, 2021			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Deposit liabilities	₱251,445	₱345,874	Earns interest at respective bank deposit rates

Compensation of key management personnel follows:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Salaries and other short-term benefits	₱366,486	₱330,122	₱281,691	₱335,775	₱298,059	₱250,558
Post-employment benefits	14,876	8,268	11,674	14,876	7,811	10,705
	₱381,362	₱338,390	₱293,365	₱350,651	₱305,870	₱261,263

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 ₱11.0 million and ₱10.3 million in 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the fair values of the plan assets of the Parent Company and some of its subsidiaries in the retirement funds amounted to ₱4.4 billion and ₱4.6 billion, respectively, of which ₱4.4 billion and ₱4.5 billion, respectively, pertains to the Parent Company.

Relevant information on statements of financial position of carrying values of the Group and the Parent Company's retirement funds:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Debt instruments	₱2,042,505	₱2,080,670	₱2,011,147	₱2,055,385
Equity instruments	2,172,118	2,215,467	2,169,484	2,211,677
Deposits in banks	7,498	115,761	5,060	111,865
Loans and other receivables	156,338	181,923	161,320	180,898
Investments in Unit Investment Trust Funds	68,750	34,394	55,000	24,003
Total Fund Assets	₱4,447,209	₱4,628,215	₱4,402,011	₱4,583,828
Total Fund Liability	₱9,937	₱49,654	₱9,860	₱49,586

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	
	2022	2021	2022	2021
Dividend income	₱83,624	₱56,506	₱83,440	₱56,303
Number of Parent Company's shares held by plan - common	3,232,170	163,127	3,232,170	163,127
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	₱87.00	₱119.00	₱87.00	₱119.00
Market value of common shares	₱281,198,790	₱19,412,113	₱281,198,790	₱19,412,113

Voting rights over the Parent Company's shares are exercised by an authorized trust officer.

33. 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, 2022 and 2021. 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 ₱631.1 million in 2022, ₱570.2 million in 2021 and ₱516.1 million in 2020 for the Group, of which, ₱74.7 million in 2022, ₱42.7 million in 2021 and ₱30.4 million in 2020 pertain to the Parent Company (see Note 16).

Future minimum rental receivable under non-cancellable operating leases follow:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Within one year	₱440,569	₱354,335	₱552	₱8,841
After one year but not more than five years	373,938	258,425	37,550	27,008
More than five years	6,105	1,412	6,105	1,412
	₱820,612	₱614,172	₱44,207	₱37,261

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%.

34. 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:

	2022	2021
Trust department accounts	₱95,116,738	₱83,799,624
Unutilized credit limit of credit cardholders	53,158,655	35,573,141
Unused commercial letters of credit	37,521,064	29,753,291
Committed loan line	32,470,332	22,580,878
Outstanding guarantees	899,839	1,406,821
Inward bills for collection	950,852	352,848
Outward bills for collection	422,970	83,436
Late deposit/payment received	587,806	37,753
Financial guarantees with commitment	27,968	32,774

Changes in allowance for credit losses on financial guarantees, loan and other commitments of the Group and Parent Company follow (see Note 24):

	Stage 1	Stage 2	Total
ECL allowance as at January 1, 2022	₱410,651	₱288,730	₱699,381
Provision for credit losses (Note 14)	(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

	Stage 1	Stage 2	Total
ECL allowance as at January 1, 2021	₱192,682	₱214,120	₱406,802
Provision for credit losses (Note 14)	394,395	(102,775)	291,620
Transfers to Stage 1	25,924	(25,924)	—
Transfers to Stage 2	(203,309)	203,309	—
Foreign exchange and other adjustment	959	—	959
	₱410,651	₱288,730	₱699,381



35. 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:

Financial Markets Segment - this segment focuses on providing money market, foreign exchange, financial derivatives, securities distribution, asset management, trust and fiduciary services, as well as the management of the funding operations for the Group.

Wholesale Banking Segment - this segment addresses the corporates, institutional, and public sector markets and commercial clients. Services include relationship management, lending and other credit facilities, trade, cash management, deposit-taking and leasing services provided by the Group. It also provides structured financing and advisory services relating to debt and equity capital raising, project financing, and mergers and acquisitions. The Group's equity brokerage operations are also part of this segment.

Retail Banking Segment - this segment addresses the individual, retail and small businesses. It covers deposit-taking and servicing, consumer loans, credit card facilities and bancassurance.

All Other Segments - this segment includes but not limited to branch banking and other support services. Other operations of the Group comprise the operations and financial control groups.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance management. Segment assets are those operating assets that are employed by a segment in its operating activities and that either 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, 2022					
	Financial Markets	Wholesale Banking	Retail Banking	All Other Segments	Elimination	Total
Statement of Income						
Net interest income:						
Third party	₱2,693	₱17,204	₱9,337	₱8	₱4	₱29,246
Intersegment	(1,477)	(5,656)	4,010	3,093	30	—
	1,216	11,548	13,347	3,101	34	29,246
Noninterest income	1,309	1,978	7,099	280	(277)	10,389
Revenue - net of interest expense	2,525	13,526	20,446	3,381	(243)	39,635
Noninterest expense	1,913	9,020	14,754	17	46	25,750
Income before income tax	612	4,506	5,692	3,364	(289)	13,885
Provision/(benefit) for income tax	154	1,630	1,889	(343)	—	3,330
Net income for the year attributable to the Parent Company	₱458	₱2,876	₱3,803	₱3,707	(₱289)	₱10,555
Statement of Financial Position						
Total assets	₱262,181	431,924	126,740	21,446	₱—	₱842,291
Total liabilities	₱105,536	277,264	322,658	10,985	₱—	₱716,443
Other Segment Information						
Capital expenditures	₱9	₱633	₱1,169	₱572	₱—	₱2,383
Depreciation and amortization	₱10	₱708	₱1,308	₱640	₱—	₱2,666
Provision for credit and impairment losses	₱1	₱635	₱1,273	₱932	₱—	₱2,841

	December 31, 2021					
	Financial Markets	Wholesale Banking	Retail Banking	All Other Segments	Elimination	Total
Statement of Income						
Net interest income:						
Third party	₱939	₱16,422	₱10,064	₱37	(₱6)	₱27,456
Intersegment	855	(5,687)	2,643	2,195	(6)	—
	1,794	10,735	12,707	2,232	(12)	27,456
Noninterest income	2,453	1,021	6,310	(607)	178	9,355
Revenue - net of interest expense	4,247	11,756	19,017	1,625	166	36,811
Noninterest expense	1,757	11,997	12,064	734	(3)	26,549
Income before income tax	2,490	(241)	6,953	891	169	10,262
Provision/(benefit) for income tax	727	869	1,875	(108)	(18)	3,345
Net income for the year attributable to the Parent Company	₱1,763	(₱1,110)	₱5,078	₱999	₱187	₱6,917
Statement of Financial Position						
Total assets	₱227,321	₱345,467	₱109,381	₱17,448	₱—	₱699,617
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



	December 31, 2020					
	Financial Markets	Wholesale Banking	Retail Banking	All Other Segments	Elimination	Total
Statement of Income						
Net interest income:						
Third party	₱980	₱17,350	₱12,284	₱36	₱—	₱30,650
Intersegment	71	(7,163)	3,488	3,604	—	—
	1,051	10,187	15,772	3,640	—	30,650
Noninterest income	14,596	1,300	2,755	2,087	(1,015)	19,723
Revenue - net of interest expense	15,647	11,487	18,527	5,727	(1,015)	50,373
Noninterest expense	2,297	12,784	27,684	3,357	(2)	46,120
Income before income tax	13,350	(1,297)	(9,157)	2,370	(1,013)	4,253
Provision for income tax	562	(389)	(2,747)	(664)	59	(3,179)
Net income for the year attributable to the Parent Company	₱12,788	(₱908)	(₱6,410)	₱3,034	(₱1,072)	₱7,432
Statement of Financial Position						
Total assets	₱183,347	₱279,683	₱177,109	₱12,712	₱—	₱652,851
Total liabilities	₱90,414	₱179,467	₱251,826	₱7,838	₱—	₱529,545
Other Segment Information						
Capital expenditures	₱11	₱465	₱608	₱341	₱—	₱1,425
Depreciation and amortization	₱15	₱656	₱787	₱552	₱—	₱2,010
Provision for credit and impairment losses	₱62	₱6,012	₱19,671	₱673	₱—	₱26,418

No operating segments have been aggregated to form the above reportable operating business segments.

The Group's share in net income (loss) of joint ventures amounted to ₱147.4 million in 2022, ₱81.3 million in 2021 and (₱203.9 million) in 2020 are included under 'All Other Segments'.

36. 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):

	2022	2021	2020
a. Net income attributable to the equity holders of the Parent Company	₱10,555,599	₱6,916,970	₱7,432,256
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]	₱14.00	₱9.17	₱9.86

As of December 31, 2022, 2021 and 2020, the Parent Company has no potentially dilutive common shares.



37. 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:

	2022	2021
Interbank loans receivable and SPURA		
SPURA	₱23,518,740	₱29,424,643
Interbank loans receivable and SPURA not considered as cash and cash equivalents		
Interbank loans receivable	3,996,627	—
	₱27,515,367	₱29,424,643

As of December 31, 2022 and 2021, movements in allowance for credit losses on 'Due from other banks' and 'Interbank loans receivable and securities purchased under agreements to resell' as follows:

	2022	2021
Due from other banks (Note 7)	₱159	(₱3,358)
Interbank loans receivable and SPURA	(1,224)	(2,541)
	(₱1,065)	(₱5,899)

Significant non-cash transactions of the Group and the Parent Company include foreclosures of investment properties and chattels as disclosed in Notes 17 and 18, respectively.

Reconciliation of liabilities arising from financing activities follows:

	Consolidated					
	Cashflows			Non-cash charges		Ending balance
	Beginning Balance	Proceeds/ Availments	Payments	Foreign exchange movement	Amortization of transaction costs	
December 31, 2022						
Bills payable and SSURA	₱3,464,424	₱ 245,465,665	(₱207,940,416)	(₱69,270)	₱—	₱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	₱275,825,627	(₱221,440,416)	₱1,278,839	₱220,522	₱112,798,882
December 31, 2021						
Bills payable and SSURA	₱21,084,361	₱7,034,386	(₱25,188,717)	₱534,394	₱—	₱3,464,424
Notes payable	45,710,678	—	(18,000,000)	910,446	100,189	28,721,313
LTNCD	24,690,165	—	—	—	38,408	24,728,573
	₱91,485,204	₱7,034,386	(₱43,188,717)	₱1,444,840	₱138,597	₱56,914,310

	Parent Company					
	Cashflows			Non-cash charges		Ending balance
	Beginning balance	Proceeds/ Availments	Payments	Foreign exchange movement	Amortization of transaction costs	
December 31, 2022						
Bills payable and SSURA	₱3,367,757	₱244,342,915	(₱206,839,333)	(₱69,270)	₱—	₱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	₱274,702,877	(₱220,339,333)	₱1,278,839	₱220,522	₱112,680,548
December 31, 2021						
Bills payable and SSURA	₱20,834,363	₱7,004,386	(₱25,005,384)	₱534,392	₱—	₱3,367,757
Notes payable	45,710,678	—	(18,000,000)	910,446	100,189	28,721,313
LTNCD	24,690,165	—	—	—	38,408	24,728,573
	₱91,235,206	₱7,004,386	(₱43,005,384)	₱1,444,838	₱138,597	₱56,817,643

Reconciliation of lease liabilities of the Group and the Parent Company are disclosed in Note 16.



38. Events after the Reporting Period

The Parent Company's BOD, in its meeting held on February 28, 2023, approved the declaration of annual cash dividends below:

Shares	Date of declaration	Per share	Record date	Payment date
Preferred	February 28, 2023	₱0.004805	March 20, 2023	April 3, 2023
Preferred	February 28, 2023	0.0039	June 26, 2023	July 10, 2023

39. Approval of the Release of the Financial Statements

The BOD of the Parent Company reviewed and approved the release of the accompanying consolidated and parent company financial statements on February 28, 2023.

40. 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, 2022:

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 2022 are as follows:

	GRT	GRT tax base
Income from lending activities	₱1,248,244	₱33,244,552
Other income	470,363	6,611,670
	₱1,718,607	₱39,856,222



Taxes and Licenses

This includes all other taxes, local and national, incurred in 2022 and lodged under ‘Taxes and licenses’ in the statement of income, as follows:

	Amount
Documentary stamp taxes	₱1,128,353
Mayor’s permit	81,257
Fringe benefit taxes	59,385
Real estate taxes	17,614
Other taxes	19,130
	₱1,305,739

Other taxes include car registration fees, privilege taxes and other permits.

Withholding Taxes

Details of total remittances in 2022 and balances as of December 31, 2022 are as follows:

	Total Remittance	Balance
Final withholding taxes	₱1,074,779	₱162,401
Withholding taxes on compensation and benefits	1,031,435	114,258
Expanded withholding taxes	347,041	35,098
	₱2,453,255	₱311,757

Tax Assessments and Cases

As of December 31, 2022, the Parent Company has no deficiency tax assessments and has no tax cases, litigation and/or prosecution in courts or bodies outside the BIR.

41. Supplementary Information Required Under BSP Circular No. 1074

On February 7, 2020, the BSP issued Circular No. 1074 to amend certain provisions of the MORB and Manual of Regulations for Foreign Exchange Transactions (MORFXT). The Circular provides for new and amended 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 set forth by Circular No. 1074, 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		
	2022	2021	2020	2022	2021	2020
Return on average equity	8.42%	5.57%	6.16%	8.45%	5.61%	6.00%
Return on average assets	1.37%	1.02%	1.03%	1.37%	1.03%	1.01%
Net interest margin	4.23%	4.43%	4.71%	4.24%	4.44%	4.51%



The following formulas were used to compute the indicators:

Performance Indicator	BSP Prescribed Formula
Return on Average Equity	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Capital Accounts}}$ Where: Average Total Capital Accounts = $\frac{\text{Current calendar/fiscal year-end Total capital accounts balance} + \text{previous calendar /fiscal year-end Total capital accounts balance}}{2}$
Return on Average Assets	$\frac{\text{Net Income (or Loss) after Income Tax} \times 100}{\text{Average Total Assets}}$ Where: Average Total Assets = $\frac{\text{Current calendar/fiscal year-end Total assets balance} + \text{previous calendar /fiscal year-end Total assets balance}}{2}$
Net Interest Margin	$\frac{\text{Net Interest Income} \times 100}{\text{Average Interest Earning Assets}}$ Where: Net Interest Income = Total Interest Income – Total Interest Expense Average Interest Earning Assets = $\frac{\text{Current calendar/fiscal year-end Total interest earning assets balance} + \text{previous calendar /fiscal year-end Total interest earning assets balance}}{2}$

Capital instruments

As of December 31, 2022 and 2021, 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 2022 and 2021.



Significant credit exposures as to industry/economic sector

As of December 31, 2022 and 2021, information on the concentration of credit as to industry, net of unearned discounts and deferred credits, follows (amounts in millions):

	Consolidated				Parent Company			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Real estate activities	₱124,325	24.3	₱107,582	23.3	₱124,325	24.2	₱107,582	23.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	85,691	16.7	70,906	15.4	85,691	16.7	70,906	15.4
Electricity, gas, steam and air conditioning supply	76,678	15.0	70,250	15.2	76,678	15.0	70,250	15.2
Manufacturing	60,430	11.8	51,750	11.2	60,430	11.8	51,750	11.2
Activities of households as employers; undifferentiated goods and services producing activities of households for own use*	43,305	8.4	41,601	9.0	43,304	8.4	41,601	9.0
Information and communication	23,783	4.6	18,769	4.1	23,783	4.6	18,769	4.1
Transportation and storage	21,631	4.2	20,539	4.5	21,631	4.2	20,539	4.4
Construction	17,156	3.3	14,270	3.1	17,156	3.3	14,270	3.1
Financial and insurance activities	15,583	3.0	33,443	7.2	16,784	3.3	34,013	7.4
Agriculture, forestry and fishing	10,407	2.0	9,058	2.0	10,407	2.0	9,058	2.0
Professional scientific and technical services	10,298	2.0	5,734	1.2	10,298	2.0	5,734	1.2
Water supply, sewerage, waste management and remediation activities	9,892	1.9	5,082	1.1	9,892	1.9	5,082	1.1
Others	13,392	2.6	12,423	2.7	12,361	2.4	12,208	2.6
	₱512,571	100.0	₱461,407	100.0	₱512,740	100.0	₱461,762	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, 2022 and 2021 (amounts in millions):

	Consolidated				Parent Company			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Secured by:								
Real estate	₱74,325	14.4	₱70,793	15.3	₱74,325	14.4	₱70,793	15.3
Chattel	16,883	3.3	18,052	3.9	16,883	3.3	18,052	3.9
Assignment of projects/ company assets/contracts	20,661	4.0	21,086	4.6	20,661	4.0	21,086	4.6
Mortgage trust indenture	9,485	1.8	9,670	2.1	9,485	1.8	9,670	2.1
Deposit hold-out	3,278	0.6	2,962	0.6	3,278	0.6	2,962	0.6
Others	11,655	2.3	14,590	3.2	10,625	2.1	13,873	3.0
	136,287	26.5	137,153	29.7	135,257	26.3	136,436	29.5
Unsecured	378,160	73.5	325,325	70.3	379,358	73.7	326,397	70.5
	₱514,447	100.0	₱462,478	100.0	₱514,615	100.0	₱462,833	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, 2022 and 2021:

	Consolidated		Parent Company	
	2022	2021	2022	2021
Performing loans				
Corporate lending	₱376,188,196	₱339,560,682	₱376,637,653	₱339,919,257
Consumer lending	50,675,378	45,567,409	50,394,424	45,563,994
Residential mortgages	69,094,360	55,392,460	69,094,360	55,392,460
Small business lending	655,181	1,167,709	655,181	1,167,709
	496,613,115	441,688,260	496,781,618	442,043,420
Non-performing loans				
Corporate lending	11,705,398	₱12,555,152	11,705,398	₱12,555,151
Consumer lending	2,433,038	3,880,030	2,433,038	3,879,948
Residential mortgages	1,757,024	3,234,018	1,757,024	3,234,018
Small business lending	62,888	49,529	62,888	49,529
	15,958,348	19,718,729	15,958,348	19,718,646
	₱512,571,463	₱461,406,989	₱512,739,966	₱461,762,066

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:

	2022	2021
Total outstanding DOSRI accounts (in billions)	₱0.468	₱0.449
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	0.09	0.09
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	—	—
Percent of DOSRI accounts to total loans	0.09	0.09
Percent of unsecured DOSRI accounts to total DOSRI loans	3.83	4.36
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 2022, 2021, and 2020 amounted to ₱66.9 million, ₱52.1 million, ₱54.8 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, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at FVTPL (Note 10)				
Government securities	₱3,857,764	₱3,857,764	₱3,945,013	₱3,945,013
Financial assets at FVTOCI (Note 12)				
Treasury bonds	4,142,731	4,142,731	—	—
Investment securities at amortized cost (Note 13)				
Private bonds	19,888,110	18,708,912	—	—
	₱27,888,605	₱26,709,407	₱3,945,013	₱3,945,013

As of December 31, 2022 and 2021, the carrying amount of SSURA amounted to ₱23.4 billion and ₱2.8 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:

	2022	2021
Trust department accounts	₱95,116,738	₱83,799,624
Unutilized credit limit of credit cardholders	53,158,655	35,573,141
Unused commercial letters of credit	37,521,064	29,753,291
Committed loan line	32,470,332	22,580,878
Outstanding guarantees	899,839	1,406,821
Inward bills for collection	950,852	352,848
Outward bills for collection	422,970	83,436
Late deposit/payment received	587,806	37,753
Financial guarantees with commitment	27,968	32,774

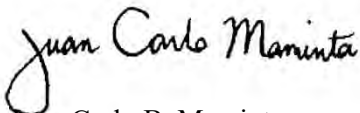


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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, 2022 and for each of the three years in the period ended December 31, 2022, included in the Form 17-A, and have issued our report thereon dated February 28, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to 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

SEC Partner Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023

PTR No. 9564655, January 3, 2023, Makati City

February 28, 2023

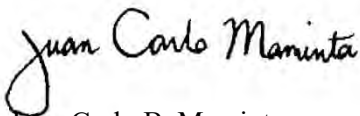


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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, 2022 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 28, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (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, 2022 and for each of the three years in the period ended December 31, 2022 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

SEC Partner Accreditation No. 115260-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023

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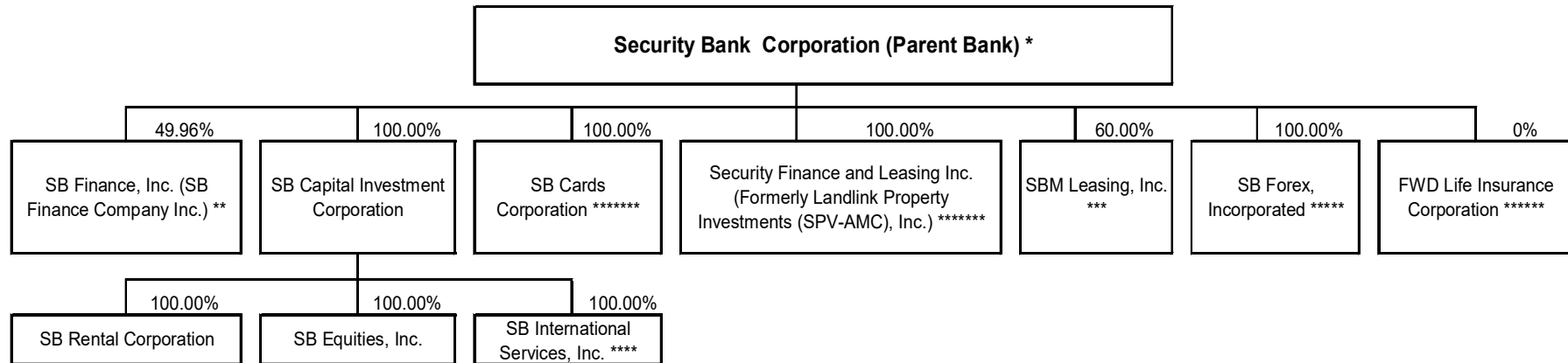
SECURITY BANK CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022

Schedule	Content	Page No.
Part I		
I	Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration	1
II	Map Showing Relationships Between and Among Parent, Subsidiaries and Joint Ventures	2
Part II	Supplementary Schedules Required by Annex 68-J	
A	Financial Assets • Financial assets at fair value through profit or loss • Financial assets at fair value through other comprehensive income • Investment securities at amortized cost	3
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	4
C	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements	5
D	Long-Term Debt	6-7
F	Indebtedness to Related Parties (Included in the Consolidated Statements of Financial Position)	8
G	Guarantees of Securities of Other Issuers	9
H	Capital Stock	10
Part III	Schedule of Financial Soundness Indicators	11

SECURITY BANK CORPORATION
SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2022
(Amounts in Thousands)

Audited Unappropriated Retained Earnings at Beginning of Year	₱75,947,253
Adjustments on beginning balance:	
Unrealized foreign exchange gains - net (except those attributable to cash and cash equivalents)	(1,019,962)
Fair value adjustments	(621,837)
Fair value gain at foreclosure date	(326,994)
Remeasurement gains on defined benefit plans	(48,843)
Accumulated share in net income of subsidiaries and joint venture	(943,094)
Deferred tax assets	(6,038,175)
Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, beginning of the year</i>	66,948,348
Add: Net income actually earned/realized during the year	
Net Income during the year	10,561,008
Less: Non-actual/unrealized income net of tax during the year	
Unrealized foreign exchange gains - net (except those attributable to cash and cash equivalents)	931,176
Fair value adjustments (gains arising from marked-to-market valuation)	229,985
Fair value gain at foreclosure date	999,314
Share in net income subsidiaries and joint venture (net of dividends)	266,214
Remeasurement gains on defined benefit plans	1,480
Recognized deferred tax asset	(153,435)
Sub-total	2,274,734
Net income actually earned during the period	8,286,274
Add (Less):	
Dividend declarations during the year	(2,264,876)
Appropriations of retained earnings during the period	(1,687,797)
Reversals of appropriations	1,104,700
Sub-total	(2,847,973)
Total Retained Earnings, End of the Year Available for Dividend Declaration	₱72,386,649

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 regulatory agencies.

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

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

***** With BOD approval to shorten corporate life on December 31, 2023

Security Bank Corporation and Subsidiaries
Schedule A – Financial Assets
December 31, 2022

(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	4,731,213	₱4,795,122	₱ 4,795,122	₱67,031
Other government	7,806	8,919	8,919	30
Private corporations	105,961	98,149	98,149	830
Various derivative counterparties		2,664,382	2,664,382	53,377
		₱7,566,572	₱7,566,572	₱121,268
<u>Financial assets at fair value through other comprehensive income</u>				
Philippine government	106,618,906	₱99,381,057	₱ 99,381,057	₱945,561
Other government	9,524,459	9,045,003	9,045,003	88,120
Private corporations	4,202,477	4,050,963	4,050,963	55,978
Equity Securities	328	414,470	414,470	–
		₱112,891,493	₱112,891,493	₱ 1,089,659
<u>Investment securities at amortized cost</u>				
Philippine government	11,751,087	₱12,005,556	₱12,005,556	₱114,834
Private corporations	57,241,929	57,241,929	54,764,889	510,772
		₱69,247,485	₱66,770,445	₱625,606

Security Bank Corporation and Subsidiaries

**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (Other than Related Parties)
December 31, 2022**

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written- off	Current	Non- Current	Balance at end of period

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, 2022

(Amounts in Thousands)

Deductions							
Name of Debtor	Balance at beginning of period	Additions	Amounts Collected	Effect of disposal group classified as held for sale	Current	Non-Current	Balance at end of period
Philippine Peso							
SB Cards Corporation	₱39,406	₱992,017	₱1,031,310	₱—	₱113	₱—	₱113
SB Capital Investment Corporation	1,541	29,511	29,158	—	1,894	—	1,894
SB Equities, Inc.	1,830	25,334	24,829	—	2,335	—	2,335
SB Rental Corporation	2,133	20,090	20,915	—	1,308	—	1,308
	₱44,910	₱1,066,952	₱1,106,212	₱—	₱5,650	₱—	₱5,650

Security Bank Corporation and Subsidiaries

Schedule D - Long-Term Debt
December 31, 2022

(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 May 8, 2023	₱8,596	₱8,596	₱—	3.88%	5/08/2023
Maturing on Nov 2, 2023	5,772	5,772	—	4.50%	11/02/2023
Maturing on March 23, 2025	6,036	—	6,036	4.00%	03/23/2025
Maturing on June 17, 2025	2,301	—	2,301	4.00%	06/17/2025
Maturing on August 05, 2025	2,062	—	2,062	4.00%	08/05/2025
	₱24,767	₱14,368	₱10,399		
Bills Payable and Securities Sold Under Repurchased Agreements (SSURA)					
Bills Payable - DBP Funded	₱19	₱—	₱19	8.00%	8/25/2031
Bills Payable - DBP Funded	20	—	20	8.00%	8/25/2031
Bills Payable - DBP Funded	10	—	10	8.00%	8/25/2031
Bills Payable - DBP Funded	25	—	25	8.00%	8/25/2031
Bills Payable - DBP Funded	27	—	27	8.00%	8/25/2031
Bills Payable - DBP Funded	31	—	31	8.00%	8/25/2031
Bills Payable - SSURA	826	—	826	4.30%	1/22/2024
Bills Payable - SSURA	2,211	—	2,211	4.73%	3/30/2026
Bills Payable	7	7	—	4.10%	7/6/2023
Bills Payable	26	26	—	3.60%	11/24/2023
Bills Payable	20	—	20	4.25%	12/6/2023
Bills Payable	15	—	15	3.50%	3/1/2025
	₱3,237	₱33	₱3,204		

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
Senior Notes due 2023	₱16,705	₱16,705	₱–	4.50%	9/25/2023
Fixed rate bond due January 2024	15,911	–	15,911	3.74%	1/20/2024
Fixed rate bonds due May 2024	14,496	–	14,496	5.30%	5/10/2024
	₱47,112	₱16,705	₱30,407		

⁽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, 2022

Name of Related Parties ⁽ⁱ⁾	Balance at beginning of period	Balance at end of period ⁽ⁱⁱ⁾

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, 2022

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding ⁽ⁱ⁾	Amount owned by person of which statement is filed	Nature of guarantee ⁽ⁱⁱ⁾

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, 2022

(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, 2022 AND 2021

	2022	2021
a) Liquid to total assets	37.22	32.94
b) Loans (net) to deposit ratio	82.96	85.67
c) Debt-to-equity ratio	5.69	4.59
d) Asset-to-equity ratio	6.69	5.59
e) Interest rate coverage ratio	2.85	2.88
f) Return on assets	1.37	1.02
g) Return on equity	8.42	5.57
h) Net interest margin	4.23	4.43
i) Cost to income ratio	57.80	57.82