COVER SHEET

A 1 9 9 7 0 1 5 8 4

S.E.C. Registration Number

P H I L I P P I N E B U S I N E S S B A N K , I N C .

a savings bank

(Company's Full Name)

350 RIZAL AVENUE EXTENSION

CORNER 8TH AVENUE GRACE PARK

CALOOCAN CITY

(Business Address: No. Street City / Town / Province)

Rolando G. Alvendia

Contact Person

8461-5800 local 5100

Company Telephone Number

Month Day

Fiscal Year

SEC FORM 17-A

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. 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 **A199701584** 3. BIR Tax Identification No. **005-469-606**

4. Exact name of issuer as specified in its charter **Philippine Business Bank, Inc., A Savings Bank**

5. **Caloocan**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **350 Rizal Avenue corner 8th Avenue Grace Park, Caloocan City** **1400**
Address of principal office Postal Code

8. **(02) 8363-33-33**
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	**818,750,094**

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

Yes [**x**] No [ ]

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

Philippine Stock Exchange **Common shares of stock**

12. Check whether the issuer:

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

Yes [x] No [ ]

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

Yes [ ] No [x]

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [ ] NOT APPLICABLE

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview

PBB was incorporated as a Philippine corporation and registered with the SEC on January 28, 1997 as "Total Savings Bank" and was granted the authority to operate as a thrift bank under the MB Resolution No. 29 dated January 8, 1997. The BSP issued a Certificate of Authority on February 6, 1997. On December 16, 1997, the SEC approved the change of corporate name of the Bank to "Philippine Business Bank, Inc. (A Savings Bank)" which the shareholders believe better reflects the Bank's business thrust and focus.

The Bank's focus is to become the bank of choice of the SME market segment. The BSP defines small and medium enterprises to be any business concern with assets between ₱3.0 million to ₱100.0 million, excluding the land value on which the entity's office, plant and equipment are situated.

This focus on the SME market is driven by the size and potential of this particular market. According to recent data from the Department of Trade and Industry, SMEs account for 99.5% of total registered enterprises. The Bank believes that the SME segment is the major source of entrepreneurship and economic dynamism which provide trade, manufacturing and outsourcing and services and help contribute to community and local development. Lastly, the Bank believes that the SME segment is underserved with most financial institutions focusing on the banking requirements of large corporations.

To become the bank of choice of the SME market, PBB has increased its branch presence in several commercial and industrial centres of the country and recruited branch and account officers with extensive client networks in these specific communities. The Bank's network grew from two (2) branches in 1997 to 157 branches as of December 31, 2022 with most branches located in areas with high concentration of small and medium businesses such as Caloocan, Malabon, Navotas, Valenzuela and Quezon City. PBB has also aggressively expanded its branch network in highly urbanized areas outside Mega Manila such as Davao, General Santos, Bacolod, and Cebu. PBB believes that client proximity, understanding its targets' banking requirements, the reputation of its branch and account management staff within their respective communities, and the overall reputation of PBB, are the key growth factors in the banking business.

PBB attributes its strong growth and attractive financial performance to the following competitive strengths:

1. Strong presence, reputation, and attention to its SME customers

   The Bank believes that its deliberate focus on serving the banking needs of the SME market segment is a key factor for its successful growth over its history. Aside from potential size of this market segment, the Bank also believes that the SME segment is largely underserved by most financial institutions with their focus on large companies and the consumer market.

   PBB's focus on the SME segment is manifested in its branch strategy, the recruitment of its officers, its business operations, and even its corporate culture.

Majority of PBB's branches are located outside of typical commercial and business districts where most banks congregate and are situated in areas with significant SME concentration such as Caloocan, Malabon, Navotas, Valenzuela, Quezon City as well as highly urbanized areas outside Mega Manila such as Davao, General Santos, Bacolod, and Cebu. Aside from targeting such areas, PBB has also significantly increased the number of its branches over the past years.

The Bank believes the success of this branch strategy is shown in its increased business volume. PBB's branches have increased over the past five (5) years from 142 in 2017 to 157 as of December 31, 2022. As a result, PBB's deposit base and loan portfolio grew over the years.

in Php millions	**2017**	**2022**	**CAGR**
Net loans and receivables	70,552.8	103,541.5	7.97%
Deposit liabilities	73,522.0	114,526.2	9.27%

Of equal importance to PBB's current and prospective growth is the staffing of these branches. The Bank aggressively recruits branch managers and account officers who have established good relationships and solid reputation within each branch's catchment area. Through this recruitment strategy, PBB has been able to accelerate its client acquisition.

In line with its view that most SME clients have unique banking requirements with respect to bank transactions that require specific attention, PBB has also deliberately focused on providing its banking services through its branch officers and staff. This contrasts significantly with the trend to automate banking transactions. PBB believes that customer interaction and service will remain key ingredients for its growth.

2. Effective capital utilization

Aside from interest income from its loan products, PBB is opportunistic with respect to earnings generation from its treasury operations especially during periods of weak loan demand or excess liquidity. PBB's Treasury Services Group, in coordination with the Bank's Asset and Liability Committee, ensures the Bank's liquidity, manages liquidity risk, manages the Bank's trading portfolio of domestic treasury debt, corporate bonds, foreign currency denominated bonds, and other financial instruments.

in Php millions	**2017**	**2022**	**CAGR**
At fair value through profit or loss	-	2,222.0	
Available-for-sale	2,438.9	10,820.2	34.7%
Held-to-maturity	-	1,125.5	
Trading and investment securities	**2,438.9**	**14,167.7**	**42.2%**

3. Solid lending policies and practices

Despite the growth of PBB's loans and receivables, 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. Supplementing these formal processes is PBB's relationship and community-based approach to lending, which takes advantage of branch and account officers' position in their respective communities to analyze prospective borrowers' reputation, business performance and risks, and other credit evaluation factors.

The Bank believes that the advantages brought about by these processes have equal weight to its formal credit evaluation efforts, especially for prospective SME clients.

in %	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Non-performing loans ratio	2.12%	1.75%	2.33%	4.07%	4.33%	5.37%

The Bank's NPL ratio stood at 5.37% as of 2022. The Bank performs regular portfolio management reviews to determine potentially problematic accounts and initiate corrective actions if needed.

4. Sound balance sheet well positioned for growth

PBB has consistently maintained a sound balance sheet which positions the Bank for future growth. Liquidity, as measured by the ratio of loans to deposit, was at 90.41% in 2022.

in %	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Loans-to-deposit ratio	95.96%	97.77%	91.66%	88.93%	81.55%	90.41%

5. Strong capital base is the foundation to PBB's increasing size

In %	2017	2018	2019	2020	2021	**2022**
Equity, in bn	10.2	11.4	12.9	13.9	14.5	**14.6**
Tier 1 CAR	13.09	14.01	12.80	13.27	11.08	**13.06**
CAR	14.00	14.99	13.70	14.15	11.82	**13.85**

PBB's CAR and Tier 1 CAR are consistently above the BSP thresholds of 10.0% and 7.5%, respectively. The Bank continues to monitor its capital levels relative to its business needs and requirements.

6. Highly competent and experienced management team

With significant oversight from the Board of Directors, PBB is managed and run by officers who have extensive experience in banking operations from leading universal and commercial banks in the country. With the experience and track record of officers, from the head office and throughout its branch network, the Bank is assured 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.

Financial Summary / Financial Highlights

in Php millions, except per share data	31-Dec-22	31-Dec-21	% growth
Profitability			
Net interest income	5,547	5,496	0.9
Non-interest income	544	312	74.4
Non-interest expenses	(3,408)	(3,268)	4.3
Core income	3,085	2,794	10.4
Pre-tax pre-provision profit	2,683	2,540	5.6
Allowance for credit losses	(821)	(747)	9.8
Net income	1,311	1,168	12.3
Selected balance sheet data			
Liquid assets	26,734	37,015	(27.8)
Gross loans	104,561	91,984	13.7
Assets	134,550	132,032	1.9
Deposits	114,526	112,418	1.9
Equity	14,576	14,463	0.8
Per common share data			
Net income per share:			
Basic	1.85	1.81	2.1
Diluted	1.85	1.81	2.1
Book value	21.68	21.50	0.8
Others			
Headcount	1,660	1,612	3.0
Officers	734	707	3.8
Staff	926	905	2.3
Selected Ratios			
Return on equity	9.03%	8.24%	
Return on assets	0.98%	0.93%	
Net Tier 1 CAR	13.06%	11.08%	
Capital adequacy ratio	13.85%	11.82%	

Vision

By making things happen today, PBB will help build strong business communities where people can achieve their dreams.

Mission

The basis for Philippine Business Bank's growth shall be its commitment for higher standards every day, in everything we do in providing competitive products and services and through enthusiastic execution and teamwork in producing satisfaction – for our customers, our shareholders, our associates, and our communities.

Principal Business Activities

PBB provides close to a full range of banking services and products, including cash management, retail and corporate lending, deposit products, international trade finance, treasury, and trust products.

Commercial Banking Group

The Commercial Banking Group services the SME and mid-market segments which are PBB's key clientele.

The group is divided into eight (8) business units geographically located from north to south of the Philippines. PBB believes that client proximity, understanding its targets' banking requirements, the reputation of its branch and account management staff within their respective communities, and the overall reputation of PBB, are among the key factors which have driven and will continue to drive its growth.

Combank will continue to develop a strong sales culture to attract the SME market as well as their network of suppliers and clients as part of its push for organic expansion. The group is also working on improving its turnaround times to address the requirements of the market.

Corporate Banking Group

Corporate Banking Group provides wholesale banking products and services to large corporate accounts, the segment next to medium enterprises or middle commercial market. These includes major businesses from publicly listed companies, large conglomerates, national and multinational, and other large corporate accounts on its various business projects and developmental loans.

Corpbank partners with its customers towards business success, commit to the country's economic developments, and contribute to the Bank's initiatives on sustainable developments and environmental protection programs through instilling a positive impact on climate change.

Corpbank continues to manage its existing portfolio and adapts to the challenges of the new normal business environment. The group continues to provide financial services tailor-fitted to the financial requirement of customers in this changing market and business environment.

Consumer Banking Group

The Consumer Banking Group generally acts as support group to branches in customer acquisition and client maintenance and offers auto loan, housing loan, and corporate salary loan targeting its existing depositors, commercial loan customers, and partner developers. Quite recently, the group found an opportunity to venture outside its primary target market and offered loans to DepEd personnel using the license granted by the DepEd to the bank. The initial efforts in developing markets for DepEd loan was quite a success and as a result, this loan product was seen to be one of the main generators of loan portfolio for consumer loans in the future.

Relative to the events in 2020 and 2021, CBG rationalized its presence, operations, and product offering in the provinces. Provincial units shifted market and product focus from providing second-hand car loan to providing DepEd loan. The challenges brought by the pandemic were very hard to individual consumers in 2020 and were still prevalent in 2021 and 2022. The group still practice conservative lending policies while slowly easing restrictions in certain market niches and customer profile that are already showing signs of recovery and stability. Collections and recovery are also of prime importance to the group and with this balanced focus, the Bank attained NPL levels on its auto loan and housing loan better than industry levels since the pandemic.

The group is currently developing and investing in technology and resources for a full-scale nationwide business operation for this product.

Retail Banking Segment

The Retail Banking Segment is engaged in the Bank's core business such as deposit and loan generation. The group is responsible for providing marketing support to branches via lead referrals, cash incentive programs, and cross-sell initiatives. It utilizes a decentralized sales strategy, allowing for tailor-fit tactical outreach initiatives within each locality.

The Bank offers a comprehensive range of deposit products and services consisting of the following:

1. Regular Checking account
2. CA Flexi (checking & passbook savings in one account)
3. Regular Savings account
4. Trust services' products/investments
5. Payroll account
6. SSS pensioners account
7. Peso time deposit
8. Hi-5 time deposit
9. Dollar time deposit
10. Hi-Green deposit
11. Dollar savings
12. Chinese Yuan/Renminbi savings
13. Campus Savers
14. E-banking/Business Connect
15. Cross-selling of insurance business, FX buy and sell, and consumer products such as auto, housing, salary, and Makaguro loans

The group is composed of: (1) Branch Banking Group which grows deposit levels, generates and services loan referrals, and sells trust and treasury products; and (2) Branch Operations and Control Group which ensures the day-to-day operations in the branches are in order.

The Bank also offers foreign exchange transactions particularly in USD and RMB. PBB is one of the 14 banks authorized by the Bank of China (BOC) to convert Renminbi directly to Philippine peso. More importantly, the branches' focus revolves around building personal and professional ties in the community and fostering true business partnership relationships with the Bank's clients.

Treasury Services Group

Treasury Services Group's main responsibility is to manage and balance the daily cash flow and liquidity of funds of the Bank. The group also handles the Bank's investments in securities and foreign exchange.

The general mission of TSG is to manage the liquidity of the Bank. This means that all current and projected cash inflows and outflows must be monitored to ensure that there is sufficient cash to fund company operations, as well as to ensure that the excess cash is properly managed and invested. TSG is divided into four sub-units namely:

1. Assets & Liabilities Management: manages the Bank's resources and identifies opportunities in the interest differential business;
2. Fixed Income Desk: monitors the daily movements of corporate bonds and US treasuries for investments and handles the trading of government securities and sovereign bonds;
3. Foreign Exchange Management Desk: oversees all foreign exchange transactions of PBB such as over-the-counter market for trading securities and interbank dealings; and,
4. Financial Market Sales and Distribution Unit: markets government securities and fixed income instruments to clients.

The group offers the following products and services:

- Philippine Domestic Dollar Transfer System – local transfer for US dollar;
- FX forward – hedging tools;
- Renminbi Transfer System - local transfer for Chinese yuan;
- Auto FX services – against USD;
- Telegraphic transfer - international cable transfer;
- Renminbi / CNY deposits;
- All other foreign exchanges, trade or non-trade related, and over-the-counter (OTC) whether against USD or PHP; and,
- Euro deposit (currently in the pipeline).

As the Bank continues to grow its balance sheet, available liquid capital, as well as its customer base, Treasury continues to be opportunistic in contributing to the Bank's profitability. This will be achieved through a combination of client flows as well as proprietary trading using the Bank's available liquidity.

Trust and Investment Center

PBB's Trust and Investment Center (TIC) continues to build on its solid gains from the past five (5) years, with the trust and fiduciary business further growing its scale of operations in 2022. With its expanded product suite and sizeable distribution channels, TIC actively engages its clientele and provides investment solutions that ultimately aided them in achieving their financial goals and aspirations.

Through a wide array of products and services including escrows, insurance and pre-need trusts, unit investment trust funds (UITFs), the group contributes in deepening relationships with the bank's clientele. TIC likewise endeavors to help its corporate clients recognize the value of establishing their own employee benefit trusts as a tool for employee retention, a solution they could access via TIC's retirement fund management service.

With its array of business initiatives, TIC continues to establish itself in the local investment management industry as shown in its industry ranking. Despite challenging market conditions, TIC continues to add value to the bank's clientele by being cognizant of their evolving needs, along with targeted investments in systems and technology that are all in line with the Bank's digitization efforts.

Products and Services Offered

PBB is a thrift bank that offers a range of commercial and consumer or retail banking products, trust services, and other related financial services such as mail and telegraphic transfers, safety deposit facilities, payment services, among others.

Commercial banking services include term loans, working capital credit lines, bills purchase and discounting lines. PBB is the first thrift bank to be allowed by the BSP to issue foreign currency denominated letters of credit. The Bank also offers specialized loans for agriculture and programs of the Development Bank of the Philippines, the Social Security System, and other agencies.

Consumer banking loans include brand new auto financing, home financing, group salary or personal loans, and teacher's loan.

As part of its commercial and consumer banking activities, PBB offers various deposit products to both its commercial and individual clients. These products include Peso denominated current and savings accounts, foreign currency denominated savings accounts and both Peso and foreign currency time deposits.

The Bank's treasury manages the liquidity of PBB and is a key component in revenue and income generation through its investment and trading activities.

Products and services offered by PBB's trust operations include PBB's "Diamond Fund", a unit investment trust fund, investment management arrangements for both individual and commercial clients, escrow agency, security, safekeeping and depository arrangements, a funds management of employee benefit and pre-need plans, among other standard trust products and services.

Reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

In April 2008, the Bank entered into a purchase agreement with the shareholders of Kabalikat

Rural Bank, Inc. ("KRBI") under which the Bank purchased 100 per cent of the stock, assets, and goodwill of KRBI. Through this transaction, PBB acquired the five (5) existing branches of KRBI and converted these into thrift bank branches. As an incentive, the BSP granted PBB the right to establish three (3) branches in Restricted Areas and 10 branches in non-restricted areas of the country. In October 2008 and March 2010, the BSP and the SEC respectively approved the merger.

In June 2015, the Bank entered into a purchase agreement with the shareholders of Insular Savers Bank, Inc. (A Rural Bank) ("ISB") under which the Bank will purchase 100 percent of the stock, assets, and goodwill of ISB. This will help PBB establish a foothold in consumer loans and accelerate the Bank's strategy of expanding client coverage. The BSP approved the merger of PBB and ISB on December 2018, with PBB as the surviving bank and by the Securities and Exchange Commission on June 2019. PBB and ISB commenced operations as a merged entity in July 2019.

In July 2015, the Bank entered into a purchase agreement with the shareholders of Bataan Savings and Loan Bank ("BSLB") wherein the Bank purchased all of recorded properties, assets, and goodwill of BSLB. In October 2017, PBB consolidated its three (3) existing branches.

Distribution methods of the products or services

The Bank utilizes branches for the distribution of its deposit and loan products. The Bank has also divided its lending units to Corporate Banking Group, Commercial Banking Group, and Consumer Banking Group, working in partnership with the Branch Banking Group, to service the banking needs of its clients. In 2016, the Bank also established the Business Development Group, later renamed as Retail Sales Group, to supplement and complement the marketing and sales efforts of BBG. The Bank's trust products are handled by its Trust and Investment Center while Treasury products are marketed by its Treasury Marketing and Sales Department of the Treasury Services Group.

Factors Affecting the Bank's Results of Operations

Set out below are the most significant factors which have affected the Bank's operating results in the past and which are expected to affect the Bank's results in the future. Factors other than those set forth below may also have a significant impact on the Bank's results of operations and financial condition in the future.

Interest Rates

Fluctuations in the interest rates in the market can have a material impact on the Bank by affecting its interest income, cost of funding as well as the general performance of the Bank's loan portfolio and other assets. The profitability of the Bank depends on its ability to manage its assets and liabilities particularly during periods when interest rates are volatile. An increase in interest rates may adversely affect earnings as it results in a higher cost of funds for the Bank and portfolio value of its assets.

Regulatory Environment

The Philippine banking industry is a highly regulated sector whose operations are under the supervision of the BSP. The BSP formulates and implements regulatory policies and guidelines on capital adequacy, lending limits, anti-money laundering, management, loan loss provisioning and other aspects of a bank's operations and monitors compliance thereon through on-site and off-site examinations of banks.

Competition

The Philippine banking sector is highly competitive and the Bank is subject to significant levels of competition from domestic and foreign banks. These banks may have more capital and other larger financial resources, bigger branch network or stronger brand recognition, among others, than the Bank. Some financial institutions may be able to offer more products and services, have higher lending limits, offer lower lending rates or possess stronger balance sheets. Competition has affected and will continue to affect the Bank's funding costs as well as the ability of the Bank to market its products and services and implement its business plans and adversely impact PBB's results of operations and financial condition.

In May 2012, Republic Act No. 10574 amended the existing Rural Bank Act of 1992 to allow foreign entities to own up to 60% of the equity in rural banks. Also as a result of this Act, it became possible for foreign nationals without Philippine citizenship to be elected to rural banks' boards of directors. These amendments to rural banking regulations were aimed at attracting foreign capital to the rural banking segment of the banking sector.

The BSP welcomes more foreign players into the local banking system, as the Philippines' financial industry remains a prime destination for international banks. Since the full liberalization of the local banking sector to foreign players in July 2014, foreign banks, particularly those coming from the region, have been coming to the country either to set up branches and/or other distribution channels or as investors in existing local banks.

The industry has also seen the emergence of financial technology companies, including the granting of digital banking licenses by the BSP in 2021. The growing popularity of peer-to-peer lending and the continued roll-out of digital platforms also pose potential competitive pressures.

Philippine and global economic environment

The Bank's business, operations and assets are based in the Philippines and hence, the results of operations and performance and quality and growth of PBB's assets depend, to a large extent, on the performance of the Philippine economy. The Philippine economy, in turn, has also been adversely affected by the downturn in the global financial markets as well as the slowdown in the U.S. economy brought about by the coronavirus disease 2019 pandemic. Monetary policies worldwide formulated in response to the financial crisis resulted in a decline in interest rates. The volatility of the global and domestic market may also affect the Bank's income and margins.

Sources and availability of raw materials and the names of principal suppliers

This is not relevant to the operations of the Bank.

Customer concentration

The Bank has a diversified customer base and there is no concentration of business in major client group. The Bank is not dependent on any single customer whose loss would have a material adverse effect on the Bank.

Transactions with and/or dependence on related parties

Although the Bank deals with related parties subject to existing rules on related party transactions, there is no dependency on any of its related parties.

Patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held

The Bank has registered with the Intellectual Property Office of the Department of Trade and Industry its New Bank Logo and Business Connect. The Bank has not been involved in any disputes with respect intellectual property rights of other parties.

Government approval of principal products or services

The Bank has no outstanding application subject to government approval.

Effect of existing or probable governmental regulations on the business

The Philippine banking industry is a highly regulated sector whose operations are under the supervision of the BSP. The BSP formulates and implements regulatory policies and guidelines on capital adequacy, lending limits, anti-money laundering, management, loan loss provisioning and other aspects of a bank's operations and monitors compliance thereon through on-site and off-site examinations of banks.

Costs and effects of compliance with environmental laws

Not applicable.

Employees

As of December 31, 2022, the Bank has a total of 1,660 employees broken down into the following categories:

Executives	93
Managers – Operations and Support	252
Managers – Branch / Marketing	389
Staff	926
Total	**1,660**

For the ensuing twelve (12) months, the Bank anticipates to hire an additional 228 employees broken down as follows:

Senior Officers	5
Junior Officers	109
Staff	114
Total	**228**

There is no collective bargaining agreement between the Bank and any of its employees. None of the Bank's employees are affiliated with any labor union.

Financial Risk Management Objectives and Policies

Philippine Business Bank (PBB), as a financial institution, is in the business of taking risks. Its activities expose the Bank to various risks. Without risks, there may be no rewards. The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders. Risk management allows balance between taking risks and reducing the impact of said risks to the bank operations. The Bank continually updates and improves on its risk management processes and integrate them into the overall strategic business objectives to support the growth objectives of the Bank.

PBB aims to achieve a corporate risk culture where processes and structures are directed towards the effective management of potential opportunities and adverse effects to the Bank's business, as well as optimization and protection of its capital base and earnings with all its risk-taking activities.

Risk management fundamentals:

1. Portfolio management by designated and accountable risk personnel
2. Allocation of capital based on associated risks for each business unit
3. Denotation of processes and output into quantifiable measurements
4. Transparency and meritocracy

Enterprise Risk Management Framework

The Bank's Enterprise Risk Management (ERM) Framework is an integrated approach to the identification, measurement, monitoring, control, and disclosure of risks. Capital allocation and preservation through prudent limits and stringent controls is an integral part of the governance structure. The Board of Directors formulates the corporate risk policy, sets risk tolerances and appetite, and provide risk oversight function through the Risk Oversight Committee (ROC), which in turn supervises the Chief Risk Officer (CRO) / Head of the Enterprise Risk Management Group (ERMG) in the development and implementation of risk policies, processes and guidelines. The framework encompasses corporate governance and covers the risk spectrum of strategic, compliance, legal, reputational, IT, operational, market, liquidity, and credit. The ERM process flow is coordinated with all stakeholders of the organization and deploys three (3) lines of defense to ensure that the risk management objectives are achieved: management control, risk control & compliance oversight, and independent assurance.

Risk Management Process

The Bank envisions to achieve risk and return consciousness among employees, anchored on streamlined processes, reliable Management Information System, competent and responsible risk takers, and good internal control, monitoring and escalation system, and reward system to meritocracy. ERMG is tasked to institutionalize an effective risk management framework that will encompass the foregoing risk management processes.

1. Identify – defining the risk universe and identifying key risk exposures as to their relevance
2. Measure – quantifying extent of risk exposure on a specific and aggregate basis, and measuring probable impact to earnings, capital, and liquidity

3. Control – implementing the risk appetite of the Board through risk policies, and categorizing risks as to mitigation plans (eliminate, minimize, or retains risks)
4. Monitor and report – monitoring effectiveness of risk mitigation controls and reporting risk exposure levels and actions taken to appropriate bodies (Board, ROC, senior management), for better risk governance

The Risk Oversight Committee, supported by ERMG and in constant coordination with executive and other board-level committees, oversees the risk profile and risk management framework/processes of PBB. This ensures that risks arising from the Bank's business activities are properly managed, integrated into, and used as basis for overall governance, strategy and planning, decision making and accountability purposes at all relevant levels of the organization.

ERMG, headed by the Chief Risk Officer, develops and reviews risk policies, and elevates to management the various aspects of risks being faced by PBB. In addition, it also performs an oversight and monitors the performance of the different Business Units thru various reports and tools.

The Bank's philosophy is that responsibility for risk management resides at all levels in the organization. All PBB employees are considered risk managers. The Bank's corporate governance aims to achieve corporate culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. ERMG shall continue to improve the framework in support of the Bank's strategic plans in order to achieve its mission, vision and objectives. Every organization's optimal efficiency depends heavily on the effectiveness of its risk management processes, thus, PBB's day-to-day activities are undertaken under the integrated risk management approach.

Further, the Bank incorporates the essential components of Model Risk Management framework as an integral process in risk management.

1st Line of Defense - Model Ownership (Modeler / User)	**2nd Line of Defense - Model Control (Model Reviewer / Checker)**	**3rd Line of Defense - Model Validation (Model Validator)**
The role lies with the end-user which is primarily responsible for ensuring that the model is properly used as well as for reporting any errors and inconsistencies. Role specifically includes: • More rigorous model testing during implementation phase. • Ongoing monitoring of model performance • Post implementation and testing. • Introducing an IT infrastructure allowing for model user feedback.	Conducts thorough inspection of model's quality by capturing potential operational errors and lapses. Adverse results should be coordinated with the modeler for correction and improvement or to the model validator for a more extensive review.	Function that oversees compliance with policies by the other two roles. The role is usually conducted by Compliance and / or Internal Audit Center. Role is: • More focused on process and controls rather than model-level content. • Focused on assessment of the process for establishing and monitoring limits on model use. • Should conduct clear documentation of findings noted and reported to senior management and Board.

Risk Management Policies and Objectives

Credit Risk Management

Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures.

The Bank's Credit Risk Management Framework seek to fundamentally strengthen credit risk management practices and provide minimum set of operating standards that are consistent with BSP regulations and the Basel standards. PBB is committed to adopt sound policies and practices and institutionalize these within the organization:

- Establish an appropriate credit risk environment
- Operate under a sound credit granting process
- Maintain an appropriate credit administration, measurement and monitoring process
- Maintain an appropriate control process

The Bank has instituted improvements on its credit policies, which includes large exposure and credit concentration and credit risk stress testing. Credit process streamlining has also been initiated to ensure that commensurate controls are in place while the Bank continues to device ways to improve on its credit process.

The initial recognition of credit risk by individual or group of related counterparties is done via its internal credit risk rating system (ICRRS). The ICRRS is tailored to consider various categories of counterparty. The rating system is further supplemented with external data such as credit rating agencies' scoring information on individual borrowers.

The ICRRS is created by the Bank with reference to the credit risk rating methodology utilized by an established rating agency to evaluate the creditworthiness of an individual borrower, regardless of the borrowing's status. The Bank reviews and updates its risk ratings for its loan and receivables portfolio on a regular basis, taking into account changes in the economy, business environment, industry, and borrower's circumstances. This periodic assessment of credit quality may result in a borrower's rating being improved or downgraded over time. The credit risk ratings in ICRRS are designed to increase the risk of default exponentially as the risk rating increases, as indicated by differences in the PD. Past due accounts, accounts identified for phase-out, and those that share characteristics with classified loans are all included in the ICRRS, and their loan loss provisions are based on the loss given default.

Management considers additional information for each type of loan portfolio held by the Bank:

(i) Retail or Consumer Loans
Subsequent to initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. At the initial adoption of PFRS 9, the ECL parameters were carried on collective basis on shared credit risk characteristics of the borrowers and the repayment scheme of the products.

(ii) Corporate and Commercial Loans
For corporate and commercial loans, the rating is determined at the borrower level. A

relationship manager will incorporate any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This will determine the internal credit rating and the PD.

(iii) Debt Securities at Amortized Cost and at FVOCI
For the Bank's debt securities, credit ratings published by reputable external rating agency (such as S&P) are used. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

In the process of applying the Bank's ICRRS in determining indications of impairment on individually significant items of financial assets at amortized cost and debt securities at FVOCI, the Bank analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
Excellent	Borrowers have very strong debt service capacity and have conservative balance sheet leverage
Strong	Borrower normally has a comfortable degree of stability, substance and diversity
Good	Borrowers have low probability of going into default and bear characteristics of some degree of stability and substance though susceptible to cyclical changes and higher degree of concentration of business risk either by product or by market
Satisfactory	Borrowers where clear risk elements exist and the probability of default is somewhat greater
Acceptable	Borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within acceptable period can be expected
Watch list	Borrowers for which unfavorable industry or company-specific risk factors represent a concern.

Classified accounts or accounts already in default as defined are further mapped into BSP classification of non-performing accounts as follows:

Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan

Substandard	Have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable
Loss	Loans considered absolutely uncollectible or worthless

Credit exposures shall be regularly assessed and loan loss provision be recognized in a timely manner to ensure that capital is adequate to support such risk exposure. To ensure that this is rationally implemented, the Bank developed and adopted an internal expected credit loss methodology described herein.

Loan Loss Methodology (LLM)

This is a methodology for calculating expected credit loss of each exposure. The internal LLM consists broadly of three (3) major components of which one emanates from the ICCRS and the other is based on historical recovery rate on credit facilities while the last is the credit exposure at any given time. The probability of default (PD) depends on the result of the flow-rates analysis based on the bank's monthly loan portfolio for the period of 5 years. while the other components are the loss given default on facilities and the exposure at default. There are three stages of impairment recognition pursuant to IFRS 9/PFRS 9 as follows:

Stage 1 – origination /all current accounts except current restructured loans
Stage 2 – performing but there is occurrence of loss event
Stage 3 – financial assets considered credit impaired.

To calculate Expected Credit Loss (ECL), the Bank primarily uses forward-looking information, including macroeconomic indicators such as employment and unemployment rates, inflation, peso purchasing power, core inflation rate, GDP, and other macroeconomic variables from the BSP that could impact the Bank's Past Due Ratio. The Bank employs a trial-and-error method to determine if there is a potential correlation between macroeconomic variables.

Market and Liquidity Risk Management

Market risks are risk to earnings and capital arising from market-making, dealing, and position taking in interest rate and foreign exchange markets (both for on and off-balance sheet). Liquidity risk on the other hand, is the inability of the Bank to fund increases in assets, or liquidate assets and meet obligations as they fall due (funding liquidity risk and market liquidity risk).

To measure market and liquidity risk exposure, the PBB utilizes the following metrics:

Metrics	***Risk Area***	***Description***
VaR	Market risk	Expected loss on a position from an adverse movement in identified market risk parameter(s) with a specified probability over a nominated period of time.
Earnings-at-Risk	IRBB	Measures the amount of potential loss to net interest income as a result of projected change in interest rates over the next 12 months. This involves balance sheet items that are classified according to their repricing characteristic/behavior as bucketed in the Interest Rate Gap report
Economic Value of Equity (EVE)	IRBB	The EVE measure gauges the potential impact of change in interest rate on the Fair value of the Bank's asset and liabilities
Maximum Cumulative Outflow	Liquidity risk	The Maximum Cumulative Outflow (MCO) measures the amount of prospective funding that the Bank would require at assumed future movements of on and off-balance sheet assets and liabilities taking into consideration the behavior of accounts as to roll-over, pre-termination, as well as the core deposits. This shall be prepared separately for the Peso, Dollar, and Consolidated Books.
Stress testing	All risk areas	To measure the impact of abnormal and extreme events on the Bank's market risk exposures. Also includes statutory requirements for Universal Banks in terms of liquidity (i.e. LCR, NSFR)

Starting January 1, 2018, PBB has adapted PFRS 9 (as replacement for PAS 39). Pursuant to PFRS 9 in managing financial assets, the Bank adopts the following business model:

Of the total funds allotted to Treasury, the following would be the distribution:

a. Resources for its trading activities will be allocated and classified as Financial Assets measured at Fair Value through Profit and Loss (FVPL).

b. Resources for interest income generating activity that will include interbank call loans and reserve eligible financial instruments will be allocated and classified as Financial Assets measured at Amortized Cost (HTC).

c. While the primary purpose of FVOCI securities is to collect contractual cash flow pending sale at a future date, or residual investments, as necessitated by rebalancing of fund allocation for yield optimization and / or liquidity purposes.

Business Model	Key Features	Measurement Category
Hold to Collect (HTC)	The objective of the business model is to hold the assets to collect contractual cash flows	Amortized Cost
Fair Value Through Other Comprehensive Income (FVOCI)	The objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and the asset's contractual cash flows represent Strictly Payment of Principal plus interest (SPPI)	Fair Value with Unrealized Gain / Loss as Other Comprehensive Income (Capital Account)
Fair Value through Profit and Loss (FVPL)	This is the residual category. Financial assets should be classified as FVPL if they do not meet the criteria of FVOCI or amortized cost (HTC)	Fair Value

Operational Risk Management

Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems and information technology, and external events.

To strengthen operational risk management in PBB, the Bank has appointed risk coordinators for each group and / or major business unit. The risk coordinators undergo coaching from the ERMG Operational Risk Management (ORM) Team through regular meetings to discuss and plan for the execution of operational risk management framework and guidelines. The risk coordinators act as point persons for the general coordination of operational risk management initiatives between ERMG ORM and the rest of the Bank.

The Operational Risk Management Framework has been enhanced as follows:

The Bank has enhanced its Risk & Control Self-Assessment Framework by specifying the metrics for operational impact measurement of risk events, providing for risk events that are specific for each responding team, and capturing the residual risk in the analysis and consolidation process.

Key Risk Indicators (KRI) are instituted, measured, and reported monthly to the Risk Oversight Committee, to support operational risk monitoring and reporting. The Bank uses the RCSA and audit results as primary sources of KRIs that need attention or further development.

To support the efficient gathering of data/information from all groups in Operational Risk Management, ERMG deployed the ORM Assistant System which houses the RCSA, KRI, and Incident/Loss Event Reporting Modules.

Operationally, the Bank started using a new Core Banking System (CBS) in November 2021. The new inter-dependencies of the integrated systems are part of what the Bank aims to identify in the Business Impact Analysis exercise. The BIA will complement the Bank's Business Continuity Plan, as well as the Disaster Recovery Plan of the IT Group, focusing on the recovery time and recovery point objectives. The Bank also conducts its regular quarterly call tree test exercises and tabletop discussions, and enjoins the assembly of the Emergency-Go-Bag for each employee. Emergency Action Plans are being updated and security drills are being coordinated with the local government units. ERMG regularly sends out advisories on business continuity protocols and disaster alerts to keep everyone on the watch, while maintaining parallel communication lines with the risk coordinators and the Crisis Management Committee for all alerts related to the operational risk management in PBB.

Information Security

Information Security risk as defined by the Bank is the risk of loss resulting from information security / cyber security breaches. An Information Security Management System (ISMS) has been developed in order to address the growing threats to information assets of the Bank. ISMS includes security policies and guidelines, security organization and processes, technical and physical safeguards, among others.

In 2021, ERMG has implemented several activities in the areas of Information Security Governance and Monitoring in support to the Bank's corporate strategy. These include:

- enhancement of Information Security Policies, to align with ISO 27001 standard, as well as guidelines and procedures to support its implementation
- enhancement of Information Security Program (ISP)
- conduct of Information Security Awareness orientation to new and regular employees
- bi-monthly release of information security advisories
- monitoring of Vulnerability Assessment and Penetration Testing (VAPT) activity and remediation of noted observations
- broader participation in IT projects (i.e., Managed Security Operations Center (MSOC), Corporate Internet Banking System (CIBS), Document Management System (DMS) among others), to provide guidance and ensure information security is considered in all project phases
- conduct of Independent CSP Assessment in compliance with SWIFT requirement
- enhancement of information security reporting to the Risk Oversight Committee, to include major KRIs
- increased monitoring of IT activities in relation to information security (e.g., malware detection, remote access, critical systems, unauthorized use of USB, obsolete systems, incident report, 3rd part monitoring)
- updating of the Information Security and Cyber security Assessment and Information Asset Register

Capital Adequacy Management

The Bank's ability to sustain operations and engage in various risk-taking activities within the capital adequacy framework is the foremost risk management objective. PBB aims to sustain capital adequacy beyond what's prescribed by the BSP and the Basel standards. Towards this goal, capital charge allocation is part of the risk and reward metrics. The risk weighted assets must be supported by ample risk capital at all times.

Item 2. Properties

The Bank owns the land and building on which its head office is located. The head office is a four-story building located on a 1,300 square meter property along Rizal Avenue, Grace Park, and Caloocan City. The Bank also owns the land and premises on which nine (9) of its branches are located, specifically, PBB's branches in Paso de Blas in Valenzuela, Imus and Kawit in Cavite, Muzon in San Jose del Monte Bulacan, Limay in Bataan, Subic in Zambales, General Tinio in Nueva Ecija, Bajada in Davao City, and the main office branch in Caloocan City.

The land and premises where PBB's other branches are located are leased from various property owners. Such lease agreements are typically long term in nature, with durations of five (5) years or more. The Bank has entered into lease agreements with the following parties:

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
	Caloocan Region				
1.	Main Office Branch	Bank's Property			
2.	Grace Park	SMI Development Corporation	August 17, 2023	151,047.65	5% on 3rd yr. & every yr thereafter
3.	A. Mabini C-3	Marea Ventures Corp.	May 31, 2024	98,101.77	5% annually
4.	Camarin	Luwell Realty & Development Corporation	May 31, 2025	61,452.96	5% annually
5.	Edsa-Caloocan Business Center	Solmac Marketing Inc.	March 31, 2027	67,603.40	7% on 3rd, 5th, 7th, & 9th
6.	Caloocan-MacArthur Highway	Color Group Inc.	July 15, 2026	70,000.00	5% on 3rd yr. & every yr thereafter
7.	Kaybiga	Guilmar Marble Corporation	October 20, 2025	59,636.29	5% annually
8.	Samson Road	Oscar F. Tirona	September 30, 2024	81,533.07	10% annually
9.	North Caloocan-Quirino Highway	Threehorse Realty and Development Corporation	April 25, 2026	56,000.00	5% on 3rd year & every yr thereafter
	Manila Region				
1.	Binondo Corporate Center	Philippine-Chinese Charitable Association, Inc.	September 30, 2024	150,051.22	10% every other 2 yrs
2.	Carmen Planas	Zaldra Realty Development Corporation	December 31, 2024	91,461.54	5% annually
3.	Elcano	SCH Land Holdings, Corp.	August 31, 2024	124,417.30	5% annually
4.	Jose Abad Santos	Virgilio Ting Uy	December 15, 2023	86,821.87	5% on 3rd year & every yr thereafter

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
5.	Quintin Paredes	Downtown Realty Investment Corporation	June 30, 2025	273,720.98	5% annually
6.	Adriatico-Malate	Upson Realty and Development Corporation	February 3, 2023	164,630.76	month to month since expiry date
7.	Pasay	Mayson Realty Corporation	August 14, 2023	66,852.85	5% annually
8.	Pasay-Malibay	M. Ainsley Realty Corporation	December 31, 2023	91,452.37	5% on 3rd year & every year thereafter
9.	Paterno-Quiapo	Edilberto Pontillas	June 30, 2023	139,619.54	5% annually
10.	Pedro Gil-Paco	Stephen, John, David, Luther, Grace all surnamed TIU	July 26, 2027	124,106.26	5% annually
	Northern Metro Manila Region				
1.	Malinta	Cesar L. Flores & Marciana M. Flores	July 15, 2026	68,250.00	5% annually
2.	Malabon	J2NS Property Development, Inc.	July 31, 2023	110,854.66	8% on 3rd year & every year thereafter
3.	Malabon-Rizal Avenue	Flaviano G. Felizardo III	August 18, 2026	40,000.00	Fixed
4.	Navotas	Megarite Development Corporation	December 31, 2024	57,415.66	10% 1st year/ 7% 2nd & 3rd / 5% 4th & 5th
5.	Paso de Blas	Bank's Property			
6.	Valenzuela	PSL Prime Realty Corporation	July 31, 2023	134,904.71	5% annually
7.	Baliuag	Danilo S. Santos	December 31, 2027	76,965.28	5% annually
8.	Bocaue	Joel G. Castillo and Cynthia G. Castillo	December 31, 2023	56,284.01	5% annually
9.	Malolos	DJ Paradise Resort Inc.	December 31, 2024	43,834.90	5% annually
10.	Meycauayan	I.S. Properties, Inc.	December 31, 2025	80,405.73	5% annually
11.	Muzon	Bank's Property			
12.	Sta. Maria	Angelica Halili Cruz	September 30, 2027	52,033.41	5% on 3rd yr. & every yr thereafter
13.	Angeles	AJV Investment Holdings, Inc.	June 30, 2028	80,764.69	5% on 3rd yr. & every yr thereafter
14.	Cabanatuan	Sps. Leonardo Toh Callueng & Maria Cristina Lao Callueng	January 15, 2027	82,667.15	5% annually

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
15.	Gapan	Veronica, Albino, Digna, Gregorio, Elizabeth(all surnamed Del Fonso)	November 1, 2023	66,801.59	beg.2nd yr 5% up 5th 6.5%-6th-10th 8%-11th-15th
16.	Gen. Tinio	Bank's Property			
17.	Olongapo City	Sps. Wilson W. Chieng and Betty Chieng	July 31, 2024	102,500.00	2.5% annually
18.	San Fernando	JTG Sears Realty Corporation	April 30, 2027	88,578.05	5% annually
19.	Balanga	Melencio A. Unciano, Jr.	October 31, 2024	84,426.03	5% annually
20.	SBMA-Subic	Subic Creative Center, Inc.	May 31, 2023	106,816.20	134.36sq.m. First Year (2020-2021)Php 680.68 Second Year (2021-2022)Php 714.71 Third Year (2022-2023)Php 750.45
21.	Limay	Bank's Property			
22.	Subic-Zambales	Bank's Property			
23.	Dinalupihan	Julieta Lintag Reyes (Attorney-In-Fact)	September 30, 2023	36,465.19	5% annually
24.	San Fernando-San Agustin	Purificacion T. Tanglao	June 30, 2021	100,000.00	month to month basis/ for relocation
25.	Guagua	Casa Nueve Realty Development Corporation	September 30, 2026	85,000.00	5% on 3rd yr. & every yr thereafter
26.	Valenzuela-Gen. T. De Leon	CrystalSpace Development Corporation	July 15, 2026	77,400.00	5% on 3rd yr. & every yr thereafter
	Eastern Metro Manila Region				
1.	Greenhills	LGI Group Corporation	May 31, 2027	117,249.00	None, straight 5 years
2.	Mandaluyong	Antonio H. Yap	December 31, 2023	110,397.21	5% annually
3.	Ortigas	CW Marketing and Development Corporation	June 14, 2025	87,240.72	5% annually
4.	Pasig Blvd.-Kapitolyo	Dhondup Holdings Inc.	April 14, 2024	68,113.05	Fixed
5.	Antipolo	Megathon Properties, Inc.	August 14, 2023	94,102.56	5% annually
6.	Cainta	Molks Realty Development Corp.	September 14, 2023	91,602.24	5% annually

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
7.	Marikina	Shaun D. Nandwani	September 30, 2026	121,000.00	5% on the 4th year
8.	Concepcion-Marikina	Mark William Pua Uy	August 14, 2023	72,930.00	5% every 2 years
9.	Antipolo-Masinag	Rikland Property Leasing	December 20, 2026	79,750.68	5% first 3 years; 10% every year after
10.	Taytay	Estelita M. Felix	October 31, 2024	102,658.19	5% annually
11.	Ortigas Ave. Ext.-Cainta	Decoro General Construction and Trading Corporation	January 31, 2026	65,029.58	5% on 3rd yr. & every yr thereafter
12.	Gil Fernando Ave.- Marikina	UPA WRC development Company	October 15, 2024	87,516.45	5% annually
	Central Metro Manila Region				
1.	Commonwealth-Fairview	Frederick C. Ibay	November 30, 2026	97,733.70	5% annually
2.	Cubao	RSAG Building Management Services	August 15, 2025	93,712.50	5% annually
3.	Novaliches	Luwell Realty & Development Corporation	September 30, 2024	116,730.68	5% annually
4.	Timog-Rotonda	A.A. Tanco, Inc.	November 30, 2023	118,196.44	5% annually
5.	Banawe	Solmac Marketing Inc.	April 30, 2025	183,199.12	5% annually
6.	Quezon Avenue- D. Tuazon	Lotteworld Import & Export, Inc.	July 31, 2031	90,000.00	5% on 3rd yr. & every yr thereafter
7.	Congressional Avenue-Quezon City	Avli Enterprises	March 16, 2025	104,018.04	5% on 3rd yr. & every yr thereafter
8.	Del Monte	SMI Development Corporation	December 31, 2026	139,090.00	5% on 3rd yr. & every yr thereafter
9.	Retiro	Doña Ignacia Development Corporation	May 21, 2023	79,664.04	5% annually
10.	Roosevelt	Henry Tan Villasi	November 14, 2024	42,294.68	None
11.	West Avenue	Fiorino Development Corporation	June 22, 2027	66,167.22	5% on 3rd yr. & every yr thereafter
12.	Kamias-Anonas	Citi Property Management and Realty Corporation	August 15, 2025	106,135.59	5% annually
13.	Quezon Avenue	Comworks, Inc.	November 18, 2024	197,389.77	4% on the 3rd year & every year after

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
	Southern Metro Manila Region				
1.	Legaspi Village-Makati	Andrea L.Dulalia	January 14, 2024	107,223.39	Fixed
2.	Makati	AMY Leasing Company	January 1, 2024	197,993.17	5% annually
3.	Salcedo Village-Makati	Frontier Realty/Lacelli International Corporation	July 31, 2027	168,429.93	5% on 3rd yr. & every yr thereafter
4.	Sucat-Parañaque	Jaka Investments Corporation	February 14, 2023	98,310.95	None
	The Fort	Megaworld Corporation/Bonifacio West Dev't Corp.	April 30, 2025	367,809.75	escalation per sq. m.
6.	Dasmariñas-Cavite	Jica Land Developers Inc.	September 30, 2023	65,984.63	5% on 3rd yr. & every yr thereafter
7.	Imus	Bank's Property			
8.	Las Piñas	Omni Investment Bldg	February 26, 2024	91,602.24	5% annually
9.	Madrigal Business Park	Solid Gold Realty Corporation	August 25, 2023	89,589.19	5% annually
10.	Muntinlupa	Sps. Sturnino L. Baccay & Katherine C. Baccay	October 1, 2023	85,050.02	Yearly renewal
11.	Molino-Bacoor	SolaGrande Realty Corporation	June 30, 2024	75,520.57	5% annually
12.	Trece Martires-Cavite	Virginia P. De Guzman	June 15, 2025	42,542.72	5% on 3rd yr. & every yr thereafter
13.	Carmona-Cavite	Best Century Real Estate Business, Inc.	February 28, 2025	86,105.25	5% on 3rd yr. & every yr thereafter
14.	Kawit	Bank's Property			
15.	Binakayan	Philippine National Railways	July 31, 2023	44,160.00	10% annually
16.	Better Living-Parañaque	Lauan Commercial Corporation	December 31, 2025	72,930.38	5% on 3rd yr. & every yr thereafter
17.	Bonifacio Global City	MC Home Depot (Fort Bonifacio), Inc.	December 31, 2023	134,674.04	5% annually
18.	Aseana City-Paranaque	Ri-Rance Realty Corporation	May 14, 2023	153,695.88	5% on the 3rd year
19.	Bonifacio Global City- Net Plaza	14-678 Property Holdings, Inc.	March 14, 2023	242,219.25	5% annually

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
20.	Makati- Aguirre	St. Francis Square Development Corporation	January 1, 2026	360,666.40	7% annually
	Northern Luzon Region				
1.	Cauayan	Jolilyn A. Guy	April 30, 2023	97,240.50	5% annually
2.	Laoag City	Laoag Allied Realty and Development	September 30, 2026	102,803.74	Fixed
3.	Tuguegarao	Lorita C. Corral	September 15, 2023	91,978.97	5% annually
4.	Santiago	Sps. Manuel Salvador N. De Vera and Bonaleth M. De Vera	June 30, 2024	86,821.88	5% annually
5.	Vigan	Juvencio L. Pe Benito	June 30, 2024	60,500.00	10% on 3rd yr. Only
6.	Baguio	Atty. Ernesto Ll. De los Santos	August 24, 2024	95,824.76	5% on 2nd year & every 2 yrs thereafter
7.	Dagupan	Wilson Dy	May 14, 2027	112,310.75	5% on the 3rd year
8.	La Union	Rome Development & Management Corp.	August 14, 2024	81,033.75	5% annually
9.	Tarlac	Edward Allan H. Que	July 31, 2027	69,457.50	5% on 3rd yr. & every yr thereafter
10.	Urdaneta	Gold and Chimes Realty Corporation	January 31, 2032	85,498.93	5% every 2 years
11.	Tarlac-Paniqui	Green Field Miracle Realty Development Corporation	January 15, 2025	52,212.81	5% on 3rd yr. & every yr thereafter
12.	Benguet-La Trinidad	Jerrison Ang Tiong and Janesa Ang Tiong	February 15, 2026	79,439.25	Fixed for 3 years
13.	Pangasinan-Lingayen	Carmen E. Dyliacco, Piedad E. Dyliacco & Montserrat S. Escano	October 31, 2025	71,026.08	5% annually
14.	Candon-Ilocos Sur	Bienvenido Gabayan	October 31, 2025	73,684.21	Fixed for 5 years
15.	Solano	Antonio, Jacinto, William and Ramon, all surnamed Uy Lim	May 31, 2028	60,775.31	5% annually
16.	Calasiao-Pangasinan	Bonbryan D. Velasco	March 31, 2024	49,612.50	5% on 3rd yr. & every yr thereafter

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
	Southern Luzon Region				
1.	Batangas	H.C. Tomson Development Corporation	February 28, 2026	90,000.00	5% on 3rd yr. & every yr thereafter
2.	Lipa City	Reynato D. Goce	August 15, 2027	108,306.53	7% annually
3.	Tanauan	RNT Enterprises	August 15, 2023	101,311.22	5% annually
4.	Calapan	Mila S. Tolentino, Amado S. Tolentino Jr. and Lita S. Tolentino	May 22, 2024	56,284.01	5% on 1st to 4th year and 8% on the 5th
5.	Calamba	Nelson Lu & Josie T. Lu	December 31, 2025	93,079.71	5% on 3rd yr. & every yr thereafter
6.	Lucena City	Amalia Garana-Italia	November 2, 2023	66,852.87	5% annually
7.	San Pablo	Albrighton Corporation	October 15, 2028	83,468.82	5% on 4th yr and every yr thereafter
8.	Sta. Rosa	Philippine Seven Corporation(Sub Lessor)	February 28, 2023	132,936.53	7.5% annually
9.	San Pedro	Lily Tsang Ngo	March 31, 2025	109,685.52	5% from the previous, fixed for 2 years
10.	Legazpi City	Natividad M. Sison	August 14, 2027	67,004.78	5% on 3rd yr. & every yr thereafter
11.	Naga	Peterson Resources and Holding Inc.	February 28, 2025	94,500.00	5% on 3rd yr. & every yr thereafter
12.	Sorsogon	Sorsogon Chang Kai Shek School	September 30, 2023	81,075.79	5% on 3rd yr. & every yr thereafter
13.	Puerto Princesa Palawan	Sps. Allan and Dawn Carlos	June 30, 2023	98,456.01	5% annually
14.	Iriga-Camarines Sur	Arnel H. Tan	March 31, 2025	73,705.26	5% annually
15.	Biñan-Laguna	Abbie Lane M. Perez	May 30, 2025	63,814.07	5% annually
16.	Balayan	Mafel Cayabyab Alvez	June 30, 2024	94,736.84	Fixed for 5 years
	Visayas Region				
1.	Bacolod	T.U. Realty & Development Co., Inc.	June 30, 2024	111,330.45	5% on 3rd yr. & every yr thereafter
2.	Iloilo	Muzon San luis Property, Inc.	January 31, 2024	99,814.63	5% on 3rd yr. & every yr thereafter
3.	Iloilo- Donato Pison	Greenzone Realty and Development Corporation	November 30, 2023	109,047.12	5% on 3rd yr. & every yr thereafter

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
4.	Kalibo	Lawrence Ti Lu	September 5, 2023	104,680.17	7% annually
5.	Downtown-Cebu	P2P Property Ventures, Inc.	May 14, 2024	93,632.58	7.5% on the 3rd yr & every yr thereafter
6.	Lapu-Lapu City	Antonio M. Amistad	February 14, 2027	98,039.09	5% annually
7.	Mandaue	Lester & Lesley To Chip	March 31, 2024	81,444.73	5% on 3rd yr. & every yr thereafter
8.	Tacloban	Tacloban Buddhist Temple, Inc.	May 30, 2023	81,033.75	5% on 3rd yr. & every yr thereafter
9.	Tagbilaran	EB Gallares Properties Associates, Inc.	December 31, 2027	98,337.56	5% on 3rd yr. & every yr thereafter
10.	Consolacion-Cebu	1028 Realty Corporation	November 30, 2024	98,039.09	5% annually
11.	Cebu-Talisay	Dynasty Management and Development Corporation	September 30, 2025	60,777.45	5% on 3rd yr. & every yr thereafter
12.	Cebu-Escario	Nicris Dev., Corp.	June 18, 2025	83,398.61	5% annually
13.	Cebu-Banilad	SmartGlobal Holdings Inc.	June 30, 2025	92,741.81	3% annually
14.	Roxas City	Maria Rosario Susan J. Sanson	November 15, 2025	77,916.98	5% annually
15.	Ormoc	Raquel Codilla Abucay and Lydia Codilla Abastillas represent as the Trustees of Narcisa Codilla Enterprises Inc.,	June 1, 2023	72,600.00	10% every other 2 yrs
16.	Catbalogan	Ramon L. Rosales	July 30, 2023	52,000.00	Fixed for 5 years
17.	Iloilo-Jaro	Rosman Iloilo, Inc.	September 15, 2026	72,201.07	5% annually
	Mindanao Region				
1.	Davao-Bajada	Bank's property			
2.	Sales-Davao	JM Agro Industrial Trading Corporation	March 31, 2026	159,500.00	10% every 2 years
3.	General Santos	Firenzo Property Dev't/GSC Suncity Suites	September 16, 2025	84,043.58	5% every 2 years
4.	Davao-Lanang	Binansel Inc.	May 31, 2024	75,000.00	Additional P5,000 every 2 years

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
5.	Davao-Toril	Far East Noble House, Inc.	July 31, 2024	51,944.67	5% on 3rd yr. & every yr thereafter
6.	Tagum City-Davao	Albert L. Ng	December 15, 2024	68,421.05	Fixed for 5 years
7.	General Santos-Santiago Blvd.	Asaje Realty Corporation	December 15, 2024	88,615.21	5% 1st, 2nd & 3rd; 7.5% 4th & 5th
8.	Butuan	FG Ever, Inc.	December 25, 2026	80,607.25	5% annually
9.	Cagayan de Oro	Leo Boyd Casiño and Bernard M. Casiño	May 31, 2024	51,679.69	5% annually
10.	Cagayan de Oro- Cogon	Alice LL. Andrada, Inc.	December 31, 2027	69,457.50	5% on 3rd yr. & every yr thereafter
11.	Iligan City	Sps. Glen and Marissa Doromal	March 31, 2024	52,093.12	5% on 3rd yr. & every yr thereafter
12.	Zamboanga	Wee Agro Industrial, Inc.	September 5, 2023	80,405.75	5% on 3rd yr. & every yr thereafter
13.	Ozamis	The Insular Life Assurance Company, LTD	July 15, 2024	56,208.32	5% annually
14.	Dipolog	Johnny A. Lim	September 30, 2024	90,000.00	Fixed
15.	Dumaguete	Bank's property			
16.	Davao-Panabo	Asaje Realty Corporation	January 15, 2025	84,304.07	5% on 3rd yr. & every yr thereafter
17.	Surigao City	Engr. Leonel A. Santos	July 31, 2025	61,226.00	10% on 3rd yr and every yr thereafter
18.	Davao-C.M. Recto	JR Lacuesta Properties Development Corp.	August 31, 2025	75,715.41	5% annually

Based on prevailing costs, the Bank estimates that the development of a new branch costs approximately between ₱5 million to ₱10 million for leasehold improvements, IT infrastructure, and miscellaneous supplies. Leasehold improvements of a branch are typically amortized over the term of the lease while IT investments are amortized over a period of five (5) years.

The Bank believes all its facilities and properties are currently in good condition.

Item 3. Legal Proceedings

The Bank has no proceedings that involves a claim for damages that exceed 10% of the current assets of the Bank.

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

There were no matters submitted to vote 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

Market Information

The Bank is listed on the Philippine Stock Exchange (the "PSE") with a market capitalization of ₱6.65 billion as of April 14, 2023. The high and low prices of the Registrant's shares as of April 13, 2023 were at ₱8.13 and ₱8.12 and closed at ₱8.12. The high and low sales prices for each quarter within the last two fiscal years are as follows:

	2021		2022		2023	
	Low	High	Low	High	Low	High
1Q	9.41	12.50	8.65	10.00	9.02	11.50
2Q	9.04	11.10	7.00	9.10		
3Q	9.42	11.10	6.35	9.00		
4Q	7.90	10.00	7.41	10.20		

Holders

As of December 31, 2022, the following are the holders of record of the Bank's common shares as set forth in the table:

Name	Holdings	Rank
Alfredo M. Yao	239,838,309	37.26%
PCD Nominee Corporation - Filipino	219,707,600	34.13%
Zest-O Corporation	162,052,923	25.17%
PCD Nominee Corporation - Non Filipino	9,353,359	1.45%
Armando M. Yao	1,620,537	0.25%
Erlinda M. Yao	1,620,536	0.25%
Jeffrey S. Yao	1,620,536	0.25%
Leticia M. Yao	1,620,536	0.25%
Mary Grace S. Yao	1,620,535	0.25%
Carolyn S. Yao	1,620,535	0.25%
Peter Y. See	375,000	0.06%
Julian Lu	375,000	0.06%
Jimmy Wai Piu Ng	187,500	0.03%
Johnny Chan	187,500	0.03%
Eusebio S. Go	187,500	0.03%
Antonio D. Tan &/or Caridad Tan	187,500	0.03%
Reynato Keh Lim &/Or Susana Dy Lim	187,500	0.03%
Xiaohan Wu	177,937	0.03%
Joaquin Sy Chua	140,624	0.02%
Manual Arellano Santiago or Ella Capalad Santiago	127,627	0.02%
Others	941,000	0.15%
Total	643,750,094	100.00%

On November 16, 2012, the SEC approved PBB's application for the amendment of its articles of incorporation to increase its authorized capital stock from ₱3.0 billion to ₱10.0 billion and for a decrease in par value from ₱100.0 to ₱10.0.

On April 20, 2022, the Board of Directors approved the increase of PBB's authorized capital stock to ₱15.0 billion from ₱10.0 billion, approved by the BSP on November 28, 2022 and SEC on January 19, 2023. PBB is increasing its authorized capital stock with the intention of raising capital via stock rights offering which will greatly expand the Bank's capability to develop more businesses and harness opportunities in the financial services space. The increase will enable PBB to meet the growing demands of the banking business.

In support of the increase in authorized capital stock, the principal shareholders of PBB subscribed to ₱1.25 billion of common stock, equivalent to 25% of the ₱5.0 billion increase in authorized capital stock. On January 10, 2023, the principal shareholders fully paid the balance of their subscription in the increase in authorized capital stock. PBB also raised ₱500.00 million, priced at ₱10.00, from its stock rights offering; the SRO shares were listed on the PSE on March 31, 2023. The private placement and the stock rights offer collectively resulted in a capital raise of ₱1.75 billion.

Dividends

PBB is authorized under Philippine laws to declare dividends, subject to certain requirements. The Board is authorized to declare dividends only from its unrestricted retained earnings and these dividends may be payable in cash, shares or property, or a combination thereof as may be determined by the Board. A cash dividend declaration does not require any further approval from shareholders. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of PBB's outstanding capital stock. The Board may not declare dividends which will impair its capital.

Pursuant to Republic Act 8791 and as provided for in the Manual of Regulations Banks, PBB cannot declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts. PBB cannot likewise declare dividends, if at the time of its declaration it has not complied with the following:

a) Its clearing account with BSP is not overdrawn;

b) BSP's liquidity floor requirement for government funds;

c) BSP's minimum capitalization requirement and risk-based capital ratio;

d) Prescribed EFCDU/FCDU cover consisting of 30 per cent liquidity cover and 100 percent asset cover

e) Statutory and liquidity reserves requirement;

f) It has no past due loans or accommodation with BSP or any institutions;

g) It has no net losses from operations in any one or two fiscal years immediately preceding the date of dividend declaration;

h) It has not committed any of the major violations enumerated in the Manual.

The Manual provides that banks whose shares are listed in the Philippine Stock Exchange may give immediate notice of such dividend declaration to SEC and PSE; provided that no record date shall be fixed for such dividend declaration pending verification by the appropriate department of the BSP.

As of this date the Bank has not adopted a specific dividend policy which defines a minimum percentage of net earnings to be distributed to its common shareholders.

On July 16, 2012, the Bank's shareholders and Board of Directors approved the declaration of stock dividends amounting to ₱2.0 billion from its unrestricted retained earnings. In the same meeting, the Board also approved the payment of cash dividends to the preferred shareholders in the total amount of ₱100.35 million. Payment of these dividends were approved by BSP and SEC. On November 16, 2012, the Bank obtained approval for the issuance of 200,000,000 new common shares each at a par value of ₱10.00, in relation to this stock dividend declaration and the payment of cash dividends to the preferred stockholders.

On May 5, 2014, the BOD approved the declaration of cash dividends amounting to ₱62.3 million for all issued and outstanding preferred shares and stock dividends totaling 85.8 million common shares amounting to ₱858.3 million for all issued and outstanding common shares to stockholders on record for the year ended December 31, 2013. The dividend distribution was approved by the stockholders representing at least two-thirds of the issued and outstanding capital stock and the BSP on May 30, 2014 and June 26, 2014, respectively.

On August 19, 2015, the BOD approved the declaration of stock dividends amounting to ₱1.1 billion for all issued and outstanding common shares totaling 107.3 million common shares to stockholders on record for the year ended December 31, 2014. The dividend distribution was approved by the stockholders representing at least two-thirds of the issued and outstanding capital stock and the BSP on May 29, 2015 and August 4, 2015, respectively.

On March 15, 2017, the BOD approved the declaration of 20% stock dividends amounting to ₱1.1 billion for the Bank's 536.5 million common shares.

On May 22, 2019, the Bank's BOD approved the declaration of cash dividend on preferred shares amounting to ₱198.0 million, which was fully paid on July 12, 2019. The dividend was based on the cumulative balance of the outstanding preferred shares for the years 2014 to 2018.

The Bank's BOD approved the declaration of cash dividends amounting to ₱118.8 million (₱1.92 per share) in favor of all holders of the Bank's unlisted preferred shares for years 2019 to 2021 on April 20, 2022, which was fully paid on May 4, 2022.

There had been no stock options offered by the Bank.

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

A. Financial Performance

For the calendar year ended December 31, 2022 and 2021:

	For the calendar period ended			
	12/31/2022	12/31/2021	Variance	%
Interest income	₱ 6,579,550,025	₱ 6,334,664,192	₱ 244,885,833	3.9
Interest expense	(1,032,179,451)	(838,321,999)	(193,857,452)	23.1
Net interest income	₱ 5,547,370,575	₱ 5,496,342,193	₱ 51,028,382	0.9

Overall interest income as of year-end 2022 reached ₱6,579.6 million from ₱6,334.7 million in 2021 driven by the increase in interest income on loans and other receivables and investment and trading securities of 2.5% and 17.3%, respectively. Total interest expense was 23.1% higher than last year following the rate hikes imposed by the BSP during the year. Interest expense on deposit liabilities expanded to ₱976.0 million in 2022 from ₱644.2 million in 2021 while interest expense on corporate notes payable recorded a 96.2% decline following the prepayment of the notes payable last January 2022.

As a result, net interest income slightly grew by 0.9% from ₱5,496.3 million last year to ₱5,547.4 million as of December 2022. Net interest margin declined by 21 basis points from 4.54% in December 2021 to 4.33% during the same period in 2022.

	For the calendar period ended			
	12/31/2022	12/31/2021	Variance	%
Core income				
Net interest income	₱ 5,547,370,575	₱ 5,496,342,193	₱ 51,028,382	0.9
Service charges, fees and commissions	727,958,296	369,420,926	358,537,370	97.1
Miscellaneous	218,226,956	196,510,646	21,716,310	11.1
	6,493,555,827	6,062,273,765	431,282,062	7.1
Non-interest expenses	(3,408,209,317)	(3,268,051,130)	(140,158,187)	4.3
Core income	₱ 3,085,346,510	₱ 2,794,222,635	₱ 291,123,875	10.4

Other income expanded by 67.2% from ₱565.9 million in 2021 to ₱946.2 million in 2022. The increase is mainly due to the higher processing fees, outward clearing service charges, and pre-termination fees collected during the year.

Non-interest expenses as of December 2022 stood at ₱3,408.2 million, 4.3% higher than the operating expense recorded last year of ₱3,268.1 million. Salaries and other employee benefits remained the largest expense item and posted the highest increase in expenses for the year or 21.3%, while management and other professional fees decreased by 40.6% due to the accruals made in 2021 for the Bank's capital raising activities.

As a result, core income as of end 2022 reached ₱3,085.3 million, or 10.4% higher year-over-year (YoY).

		For the calendar period ended		
	12/31/2022	12/31/2021	Variance	%
Core income	₱ 3,085,346,510	₱ 2,794,222,635	₱ 291,123,875	10.4
Trading gains (losses)	(402,252,951)	(253,969,915)	(148,283,036)	58.4
Pre-tax pre-provision profit	₱ 2,683,093,559	₱ 2,540,252,720	₱ 142,840,839	5.6
Loan loss provision	(820,614,023)	(747,357,300)	(73,256,723)	9.8
Profit before tax	1,862,479,536	1,792,895,420	69,584,116	3.9
Taxes	(551,030,042)	(624,727,075)	73,697,033	(11.8)
Net income	**₱ 1,311,449,494**	**₱ 1,168,168,345**	**₱ 143,281,149**	**12.3**

The Bank's trading activities this year were affected by inflation concerns that pushed yields higher both for peso and dollar denominated instruments resulting in a ₱402.3 million trading loss as of December 2022. This brought the pre-tax pre-provision profit to ₱2,683.1 million from ₱2,540.3 million in the same period last year.

PBB set aside a total of ₱820.6 million in provision for loan losses. Total loan loss reserves as of end 2022 amounted to ₱5.0 billion, covering 88.9% of the Bank's non-performing loans.

As a result, net income for full year 2022 amounted to ₱1,311.4 million, up 12.3%.

For the calendar year ended December 31, 2021 and 2020:

		For the calendar period ended		
	12/31/2021	12/31/2020	Variance	%
Interest income	₱ 6,334,664,192	₱ 7,103,153,357	(₱ 768,489,165)	(10.8)
Interest expense	(838,321,999)	(1,475,578,031)	637,256,032	(43.2)
Net interest income	₱ 5,496,342,193	₱ 5,627,575,326	(₱ 131,233,133)	(2.3)

Interest income on loans and other receivables for full year 2021 was 14.3% lower from ₱6,517.0 million in the same period last year to ₱5,586.3 million this year as interest rates continued to decline. On the other hand, interest income on investment securities and due from BSP and other banks expanded 17.6% and 65.0%, respectively, due to the increases in loan and investment volumes this year.

Due to the declining trend of interest rates following the COVID-19 pandemic and the Bank's management of its funding costs, total interest expense was 43.2% lower YoY. Interest expense on deposit liabilities posted a 48.5% decline from ₱1,252.0 million in 2020 to ₱644.2 million in 2021. On January 17, 2022, the Bank fully paid the outstanding amount of its corporate notes payable amounting to P3,000.0 million.

As a result, net interest income dipped to ₱5,496.3 million in 2021 from ₱5,627.6 million in 2020, down by 2.3%.

		For the calendar period ended		
	12/31/2021	12/31/2020	Variance	%
Core income				
Net interest income	₱ 5,496,342,193	₱ 5,627,575,326	(₱ 131,233,133)	(2.3)
Service charges, fees and commissions	369,420,926	346,623,801	22,797,125	6.6
Miscellaneous	196,510,646	73,642,094	122,868,552	166.8
	6,062,273,765	6,047,841,221	14,432,544	0.2
Non-interest expenses	(3,268,051,130)	(3,264,120,184)	(3,930,946)	0.1
Core income	₱ 2,794,222,635	₱ 2,783,721,037	₱ 10,501,598	0.4

Other income grew by 34.7% from ₱420.3 million to ₱565.9 million due to the lower bases from last year partially caused by the implementation of the Bayanihan Law during the second quarter of 2020.

Operating expense stood at ₱3,268.1 million, almost flat from last year's ₱3,264.1 million, owing to the continued success of its business process improvement program.

As a result, core income reached ₱2,794.2 million in 2021, 0.4% lower than last year's ₱2,783.7 million.

	For the calendar period ended			
	12/31/2021	12/31/2020	Variance	%
Core income	₱ 2,794,222,635	₱ 2,783,721,037	₱ 10,501,598	0.4
Trading gains (losses)	(253,969,915)	749,332,694	(1,003,302,609)	p
Pre-tax pre-provision profit	₱ 2,540,252,720	₱ 3,533,053,731	(₱ 992,801,011)	(28.1)
Loan loss provision	(747,357,300)	(2,335,791,829)	1,588,434,529	(68.0)
Profit before tax	1,792,895,420	1,197,261,902	595,633,518	49.7
Taxes	(624,727,075)	(258,379,015)	(366,348,060)	141.8
Net income	**₱ 1,168,168,345**	**₱ 938,882,887**	**₱ 229,285,458**	**24.4**

The Bank's trading activities this year were affected by inflation concerns that pushed yields higher both for peso and dollar denominated instruments resulting in a ₱254.0 million trading loss as of December 2021. This brought the pre-tax pre-provision profit to ₱2,540.3 million from ₱3,533.1 million in the same period last year.

Partially due to the pandemic, PBB set aside a total of ₱747.4 million in provisions for loan losses. Total loan loss reserves as of end 2021 amounted to ₱4.2 billion, covering 105.9% of its non-performing loans.

As a result, net income in 2021 amounted to ₱1,168.2 million, up 24.4%.

<u>For the calendar year ended December 31, 2020 and 2019:</u>

	For the calendar period ended			
	12/31/2020	12/31/2019	Variance	%
Interest income	₱ 7,103,153,357	₱ 7,094,201,314	₱ 8,952,043	0.1
Interest expense	(1,475,578,031)	(2,543,220,573)	1,067,642,542	(42.0)
Net interest income	₱ 5,627,575,326	₱ 4,550,980,741	₱ 1,076,594,585	23.7

Overall interest income slightly grew by 0.1% as interest income on loans and other receivables declined by 1.6% as a result of the pandemic. Interest income on due from BSP and other banks contributed ₱92.1 million to the total increment while interest income on trading securities added ₱23.6 million.

Interest expense was lower in 2020 due to the declining trend of interest rates as a result of the pandemic. Interest expense on deposit liabilities posted a 46.4% decline from ₱2,336.6 million in 2019 to ₱1,252.0 million in 2020. Interest expense in bills payable was also lower by 77.7% than 2019 as bills payable have matured as of end 2020.

As a result, net interest income increased to ₱5,627.6 million in 2020 from ₱4,551.0 million in 2019, up 23.7%.

	For the calendar period ended			
	12/31/2020	12/31/2019	Variance	%
Core income				
Net interest income	₱ 5,627,575,326	₱ 4,550,980,741	₱ 1,076,594,585	23.7
Service charges, fees and commissions	346,623,801	348,810,364	(2,186,563)	(0.6)
Miscellaneous	73,642,094	155,562,175	(81,920,081)	(52.7)
	6,047,841,221	5,055,353,280	992,487,941	19.6
Non-interest expenses	(3,264,120,184)	(3,093,751,111)	(170,369,073)	5.5
Core income	₱ 2,783,721,037	₱ 1,961,602,169	₱ 822,118,868	41.9

Other income was 16.7% lower as a result of the limited banking activities due to the lockdowns implemented in the country during the year. Non-interest income in 2019 also included a non-recurring gain from the merger of PBB and Insular Savers Bank ("ISB") which was approved by the SEC on June 10, 2019.

Operating expense stood at ₱3,264.1 million due to the growth of salaries and employee benefits, management and other professional fees, and taxes and licenses.

As a result, core income reached ₱2,783.7 million in 2020, 41.9% higher than last year's ₱1,961.6 million.

	For the calendar period ended			
	12/31/2020	12/31/2019	Variance	%
Core income	₱ 2,783,721,037	₱ 1,961,602,169	₱ 822,118,868	41.9
Trading gains (losses)	749,332,694	292,699,496	456,633,198	156.0
Pre-tax pre-provision profit	₱ 3,533,053,731	₱ 2,254,301,665	₱ 1,278,752,066	56.7
Loan loss provision	(2,335,791,829)	(561,174,001)	(1,774,617,828)	316.2
Profit before tax	1,197,261,902	1,693,127,664	(495,865,762)	(29.3)
Taxes	(258,379,015)	(436,754,221)	178,375,206	(40.8)
Net income	**₱ 938,882,887**	**₱ 1,256,373,443**	**(₱ 317,490,556)**	**(25.3)**

The Bank took advantage of trading opportunities in 2020, realizing ₱749.3 million in trading gains from ₱292.7 million in 2019. This increase brought pre-tax pre-provision profit to grow 56.7% YoY to ₱3,533.1 million in 2020.

PBB set aside a total of ₱2,335.8 million in provisions for loan losses based on the expected past due and NPL levels brought about by the pandemic, up 316.2% from ₱561.2 million in 2019.

Net income was recorded at ₱938.9 million in 2020, 25.3% lower than last year as the Bank took a conservative approach in increasing its loan loss reserves.

B. Financial position

December 31, 2022 vs December 31, 2021

PBB's total assets stood at ₱134.6 billion as of year-end 2022 due to the increases in due from other banks, loans and other receivables, and investment properties.

Cash and other cash items decreased by 12.8% from ₱1.4 billion to ₱1.2 billion. Due from BSP was also lower in 2022 as resources were used to fund the Bank's loan requirements while due from other banks increased by 50.1% due to increase in placements to local and foreign banks.

Total trading and other investment securities went down to ₱14.2 billion from ₱15.4 billion in 2021 as FVPL and FVOCI both declined by 10.5% and 9.8%.

Net loans and other receivables expanded by 12.9% or ₱11.9 billion, due to the increase in credit activities gaining momentum with the continued economic recovery and the resulting uptick in market demand for financing. This resulted to PBB reaching ₱103.5 billion net loan portfolio as of end 2022 from ₱91.7 million last year.

Bank premises, furniture, fixture, and equipment went up by 13.9% as additional right-of-use assets were recorded during the year. Investment properties almost doubled from ₱659.7 million last year to ₱1.3 billion in 2022 due to higher ROPA this year. Investment properties still subject to redemption by the borrowers based on the prescribed redemption period by the relevant law amounted to ₱526.0 million and ₱172.2 million as of December 2022 and December 2021, respectively.

Other resources grew 12.0% YoY following the increase in deferred tax assets of ₱214.5 million and prepaid expenses of ₱53.6 million.

Deposit liabilities expanded by ₱2.1 billion from ₱112.4 billion in 2021 to ₱114.5 billion owing to the increase in time deposits 26.1% YoY.

The Bank pre-paid its ₱3.0 billion corporate notes payable last January 2022 and availed ₱1.5 billion bills payable during the year.

Other liabilities expanded by 83.1% due to the increases in bills purchase, outstanding acceptances, and manager's checks.

Equity ended at ₱14.6 billion as of December 2022 from ₱14.5 billion in December 2021, up 0.8%. In support of the increase in authorized capital stock, the principal shareholders of PBB subscribed to ₱1.25 billion of common stock, equivalent to 25% of the ₱5.0 billion increase in authorized capital stock. On January 10, 2023, the principal shareholders fully paid the balance of their subscription in the increase in authorized capital stock. PBB also raised ₱500.00 million, priced at ₱10.00, from its stock rights offering; the SRO shares were listed on the PSE on March 31, 2023. The private placement and the stock rights offer collectively resulted in a capital raise of ₱1.75 billion.

December 31, 2021 vs December 31, 2020

Total resources as of December 2021 reached ₱132.0 billion due to the increases in due from BSP and other banks, loans and other receivables, investment properties, and other assets.

Cash and other cash items were lower by 18.8% from ₱1.8 billion to ₱1.4 billion. Due from Bangko Sentral ng Pilipinas expanded to ₱16.8 billion as placements to overnight deposit facility were higher while due from other banks went up to ₱3.5 billion from ₱2.5 billion as placements to local and foreign banks increased.

Trading and other investment securities declined by 14.1% from ₱17.9 billion to ₱15.4 billion due to the ₱9.6 billion decrease in trading securities.

Net loans and other receivables increased by 2.7% due to the increase in lending activities of the Bank.

Bank premises, furniture, fixture, and equipment declined 9.9% in 2021 while investment properties expanded from ₱499.9 million in 2020 to ₱659.7 million in 2021.

Other assets increased by ₱41.1 million from ₱2.0 billion to ₱2.1 billion, up 2.0% owing to the increases in due from head office or branches and other acquired assets pertaining to chattel properties from defaulting borrowers.

Deposit liabilities reached ₱112.4 billion as of end 2021 from ₱100.4 billion in 2020 on account of the increase in CASA deposit by 41.7%. CASA to TD deposit mix also improved from 50:50 in 2020 to 63:37 in 2021.

Corporate notes payable was 0.3% higher in 2021 as unamortized bond issue cost amounted to ₱4.7 million this year from ₱12.3 million in 2020. On January 17, 2022, the Bank fully paid the outstanding amount of its corporate notes payable amounting to P3,000.0 million.

Accrued expenses declined by 14.1% from ₱2.5 billion to ₱2.2 billion in 2021 as accounts payable and withholding taxes payable decreased versus last year.

Equity stood at ₱14.5 billion as of end 2021, 4.2% higher than last year's figure of ₱13.9 billion. Book value per share ended at ₱21.50, up 4.4% from ₱20.59 in 2020. 5-year CAGR book value per share, net of preferred shares, stood at 9.11% from ₱13.90 in 2016.

December 31, 2020 vs December 31, 2019

Total resources as of December 2020 reached ₱119.8 billion due to the increases in cash and other cash items, trading securities, and other assets.

Cash and other cash items were higher by 50.5% from ₱1.2 billion to ₱1.8 billion.

Due from BSP was 2.3% lower than last year as the reserve requirement was reduced in 2020.

Due from other banks was also down to ₱2.5 billion from ₱2.8 billion in 2019 due to the decline in placements to foreign banks this year.

Trading and other investment securities was ₱3.1 billion or 21.2% higher than last year as investments at fair value through profit or loss expanded to ₱12.1 billion from ₱4.7 billion in 2019.

Net loans and other receivables slightly increased by 2.2% as the Bank focused on asset quality, assessment, restructuring, and collections and was cautious on new borrowers and other business opportunities because of the pandemic.

Bank premises, furniture, fixture, and equipment was 8.4% lower in 2020 due to lower BPFFE additions during the year. While investment properties slightly increased from ₱494.4 million in 2019 to ₱499.9 million in 2020.

Other assets grew by 30.0% as net deferred tax assets expanded to ₱1,137.2 million from ₱509.9 million in 2019.

Deposit liabilities reached ₱100.4 billion as of end 2020 from ₱95.3 billion in 2019 on account of the increase in savings deposit by 15.2%. CASA to TD deposit mix also improved from 46:54 in 2019 to almost 50:50 in 2020.

Bills payable were nil as of December 2020 as borrowings have already matured during the year.

Corporate notes payable was 0.2% higher in 2020 as unamortized bond issue cost amounted to ₱12.3 million this year from ₱19.6 million in 2019.

Accrued expenses also increased by 6.2% from ₱2.4 billion last year to ₱2.5 billion due to the increases in accounts payable and accrued expenses.

Equity stood at ₱13.9 billion as of end 2020, 7.8% higher than last year's figure of ₱12.9 billion. Book value per share ended at ₱20.59, up 8.2% from ₱19.03 in 2019.

C. Key Performance Indicators

CAR: Capital Adequacy Ratio was at 13.85%, higher than BSP's minimum requirement of 10.0%.

Asset Quality: The Bank's non-performing loans ratio reached 5.37% this year.

Profitability: Return on Average Equity (ROAE) increased from 8.24% in 2021 to 9.03% as of December 2022 due to the higher net income recorded this year.

Liquidity: The Bank's loans-to-deposits ratio (BSP formula) as of December 31, 2022 was 90.41%.

Asset efficiency: Return on Average Assets (ROAA) improved by 5 bps to 0.98% in December 2022.

Book value per share as of December 31, 2022 was at ₱21.68 from ₱21.50 in the same period in 2021. 5-year CAGR book value per share, net of preferred shares, stood at 7.76% from ₱14.92 in 2017.

The following table shows the key performance indicators for the past three (3) calendar years ending December 31, 2022 (in %):

Performance Indicators, *in Php mn*	**2020**	**2021**	**2022**
Return on assets (%)	**0.78**	**0.88**	**0.97**
Net income	939	1,168	1,311
Total assets	119,767	132,032	134,550
Return on equity (%)	**6.77**	**8.08**	**9.00**
Net income	939	1,168	1,311
Total equity	13,876	14,463	14,576
Capital adequacy ratio (%)	**14.15**	**11.82**	**13.85**
Total qualifying capital	13,797	14,147	15,603
Risk weighted assets	97,499	119,672	112,620
Loans-to-deposit ratio (%)	**88.93**	**81.55**	**90.41**
Loans and other receivables – net	89,276	91,675	103,542
Deposit liabilities	100,394	112,418	114,526
NPL ratio (%)	**4.07**	**4.33**	**5.37**
Non-performing loans	3,681	3,979	5,615
Gross loans	90,388	91,984	104,561
Book value per share	**20.59**	**21.50**	**21.68**
Equity – net of preferred shares	13,256	13,843	13,956
Number of shares	644	644	644

Critical Accounting Policies

For information on the Bank's significant accounting judgments and estimates, please refer to Notes 2 and 3 of the Bank's financial statements included as attachment of SEC 17-A.

Description of Comprehensive Statement of Income

Revenues

Interest Income. Interest income is interest generated from PBB's loans and receivables. The Bank also generates interest income from amounts due from other banks, investment securities, and securities purchased under resale agreements.

Interest Expense. Interest expense refers to interest paid or accrued on deposits, bills payable, and other fund borrowings.

Net Interest Income. Net interest income is equal to interest income after deducting interest expense.

Impairment Losses. Impairment losses refer to estimated losses in the Bank's loan portfolio, investment securities, investment properties, and other risk assets.

Other Income

Trading gains – net. This line item comprises results arising from trading activities which include gains and losses from changes in fair value of financial assets held for trading as well as gains from the sale of trading and investment securities.

Services charges, fees, and commissions. The Bank earns service charges, fees and commissions from various financial services it provides to its customers. These fees include investment fund fees, custodian fees, commission income, credit related fees, asset management fees, portfolio and advisory fees.

Miscellaneous Income. Miscellaneous income also comprises foreign exchange gain, gain on asset foreclosures and dacion transactions, trust fees, gain on sale of assets, and miscellaneous items.

Other Expenses

Other expenses are the Bank's general and administrative expenses composed primarily of salaries and employee benefits, taxes and licenses, rent and fees, depreciation and amortization and other operating costs.

Tax Expense

Tax expense relates mainly to the corporate income tax payable by the Bank which is composed of a 2% minimum corporate income tax (MCIT) and a regular income tax of 30%. By virtue of the CREATE Act, the corporate income tax rate was reduced from 30% to 25% beginning July 1, 2020 and the MCIT on the gross income to be imposed is at a reduced rate of 1%. The Bank is also subject to final taxes of 7.5% (on the Bank's FCDU deposits with other institutions), 10% (on onshore income from FCDU transactions), and 20% (final withholding tax on tax-paid income).

D. Discussions on Key Variable and Other Qualitative and Quantitative Factors

Vertical and Horizontal Analysis

<u>Financial Condition as of December 2022 vs December 2021:</u>

The Bank's total balance sheet size as of 2022 stood at ₱134.6 billion, up 1.9% versus 2021's ₱132.0 billion. Significant changes (more than 5%) in assets were registered in the following accounts:

- Cash and other cash equivalent decreased by 12.8% or ₱182.8 million

- Due from BSP also declined to ₱6.1 billion from ₱16.8 billion as PBB used its resources to fund its loan requirements

- Due from other banks went up to ₱5.2 billion due to the increase in placements to local and foreign banks

- Trading and investment securities declined by 7.7% as FVPL and FVOCI portfolios decreased by ₱260.2 million and ₱1.2 billion, respectively

- Loans and other receivables grew by 12.9%, or ₱11.9 million, due to the increase in lending activities during the year

- BPFFE also expanded by 13.9% due to the additional right-of-use assets were recorded during the year

- Investment properties increased by 90.6% due to higher ROPA additions this year

- Other resources also grew by 12.0% as deferred tax assets increased by ₱214.5 million

PBB's total liabilities also increased to ₱120.0 billion or 2.0% from ₱117.6 billion in 2021.

- Deposit liabilities expanded by 1.9% as time deposits increased to ₱52.5 billion from ₱41.6 billion last year

- Accrued expenses and other liabilities were up by 83.1% due to the increases in bills purchase, outstanding acceptances, and manager's checks

Shareholder's equity stood at ₱14.6 billion as of year-end 2022, up 0.8% from December 2021's figure of ₱14.5 billion. In support of the increase in authorized capital stock, the principal shareholders of PBB subscribed to ₱1.25 billion of common stock, equivalent to 25% of the ₱5.0 billion increase in authorized capital stock. On January 10, 2023, the principal shareholders fully paid the balance of their subscription in the increase in authorized capital stock. PBB also raised ₱500.00 million, priced at ₱10.00, from its stock rights offering; the SRO shares were listed on the PSE on March 31, 2023. The private placement and the stock rights offer collectively resulted in a capital raise of ₱1.75 billion.

As a result, book value per share increased to ₱21.68 in 2022 from ₱21.50 in 2021.

Financial Condition as of December 2021 vs December 2020:

The Bank's total balance sheet size as of year-end 2021 stood at ₱132.0 billion, up 10.2% versus last year's ₱119.8 billion. Significant changes (more than 5%) in assets were registered in the following accounts:

- Cash and other cash equivalent decreased by 18.8% or ₱332.2 million
- Due from BSP expanded to ₱16.8 billion from ₱5.1 billion as placements to overnight deposit facility were higher this year
- Due from other banks went up to ₱3.5 billion due to the increase in placements to foreign and local banks
- Trading securities went down by 79.5% while investment securities expanded by 122.9%
- BPFFE declined by 9.9% due to disposals while investment properties increased by 32.0% as ROPA expands

PBB's total liabilities also increased to ₱117.6 billion or 11.0% from ₱105.9 billion in 2020.

- Deposit liabilities expanded by 12.0% as CASA increased to ₱70.8 billion from ₱50.0 billion last year
- Accrued expenses and other liabilities were down by 14.1% as accounts payable and withholding taxes payable decreased

Shareholder's equity stood at ₱14.5 billion as of year-end 2021, up 4.2% from December 2020's figure of ₱13.9 billion. As a result, book value per share increased to ₱21.50 in 2021 from ₱20.59 in 2020.

Financial Condition as of December 2020 vs December 2019:

PBB's assets ended at ₱119.8 billion as of end 2020 from ₱114.1 billion in 2019. Significant changes (more than 5%) in assets were registered in the following accounts:

- Cash and other cash items were 50.5% higher YoY
- Due from other banks decreased by 10.0% as placements to foreign banks declined YoY
- Trading and other investment securities expanded by 21.2% as trading securities at fair value through profit or loss increased to ₱12.1 billion from ₱4.7 billion
- Bank premises, furniture, fixtures, and equipment was down 8.4% as additions were slower in 2020
- Other assets increased by 30.0% as deferred tax assets expanded to ₱1,137.2 million from ₱509.9 million

Total liabilities were up by 4.6% YoY due to the significant changes in the following accounts:

- Deposit liabilities grew by 5.4% as savings deposits expanded to ₱48.7 billion, a 15.2% increase

- Accrued expenses and other liabilities were 6.2% higher due to the increases in accounts payable and accrued expenses

Total equity as of December 2020 stood at ₱13.9 billion, ₱1.0 billion or 7.8% higher than last year's ₱12.9 billion. Book value per share also increased to ₱20.59 from ₱19.03 in 2019.

Results of Operations

<u>For the year ended December 31, 2022 vs. December 31, 2021</u>

- Total interest income was 3.9% higher in 2022 versus 2021 due to the increases in interest income on loans and other receivables and trading and investment securities of ₱137.9 million and ₱93.9 million, respectively.

- Overall interest expense also increased by 23.1% driven by the growth of interest expense on deposit liabilities. This increase brought net interest income to ₱5,547.4 million, up 0.9% YoY.

- Non-interest income increased by 67.2% from year end 2021 due to the increases in processing fee and service charges on outward clearing collected during the year. Non-interest expense also grew from ₱3,268.1 million to ₱3,408.2 million owing to the increases in salaries and other employee benefits and taxes and licenses.

- The Bank's core income, composed of net interest income, fee-based income, and non-interest expenses, exclusive of trading gains, grew by 10.4% to ₱3,085.3 million.

- PBB incurred a ₱402.3 million trading loss which brought pre-tax pre-provision profit to ₱2,683.1 million by year end 2022.

- PBB continued to set aside a portion of its income for impairment losses amounting to ₱820.6 million, up 9.8% versus last year.

- As a result, net income stood at ₱1,311.4 million from ₱1,168.2 million in 2021, up 12.3%.

<u>For the year ended December 31, 2021 vs. December 31, 2020</u>

- Overall interest income was lower this year from ₱7,103.2 million to ₱6,334.7 million in 2021 as interest income on loans went down by 14.3% owing to the continued decline of interest rates. The increase of interest income on investment securities and due from BSP and other banks was a result of the volume expansion during the year.

- The drop in interest expense was also a result of the lower interest rates during the year versus last year. Interest expense on deposit liabilities decreased by 48.5% from ₱1,252.0 million to ₱644.2 million. As a result, net interest income recorded a 2.3% dip from ₱5,627.6 million to ₱5,496.3 million.

- Non-interest income increased by 34.7% from ₱420.3 million in 2020 to ₱565.9 million. The lower bases from last year were partially caused by the implementation of the Bayanihan Law during the second quarter of 2020. Non-interest expense was flat from ₱3,264.1 million to ₱3,268.1 million owing to the increases in occupancy and management and other professional expenses.

- The Bank's core income, composed of net interest income, fee-based income, and non-interest expenses, exclusive of trading gains, slightly grew by 0.4% to ₱2,794.2 million.

- PBB incurred a ₱254.0 million trading loss which resulted in the 28.1% decrease of pre-tax pre-provision profit in 2021.

- PBB continued to set aside a portion of its income for impairment losses amounting to ₱747.4 million against the ₱2,335.8 million provided in 2020.

- As a result, net income stood at ₱1,168.2 million in 2021 from ₱938.9 million last year.

For the year ended December 31, 2020 vs. December 31, 2019

- The 42.0% drop in interest expense in 2020 was a result of the lower interest rates versus 2019. Net interest income recorded a 23.7% increase from ₱4,551.0 million in 2019 to ₱5,627.6 million in 2020.

- Non-interest income was also lower by 16.7% this year as banking activities were limited. Other income in 2019 also included a non-recurring gain from the merger of PBB and Insular Savers Bank ("ISB") which was approved by the SEC on June 10, 2019.

- Non-interest expenses grew by 5.5% owing to the increases in salaries and employee benefits, management and other professional fees, and taxes and licenses.

- The Bank's core income, composed of net interest income, fee-based income, and non-interest expenses, exclusive of trading gains, was 41.9% higher YoY reaching ₱2,783.7 million as of end 2020.

- PBB took advantage or trading opportunities in 2020, realizing a total of ₱749.3 million trading gains from ₱292.7 million in 2019.

- PBB's pre-tax pre-provision profit grew 56.7% YoY to ₱3,533.1 million in 2020 from ₱2,254.3 million in 2019.

- The Bank set aside a total of ₱2,335.8 million in provision for loan losses to cover expected increases in past due and NPL levels brought about by the pandemic.

- As a result, net income posted a 25.3% decline in 2020 from ₱1,256.4 million in 2019 to ₱938.9 million.

Cash Flows

The following table sets forth selected information from PBB's statements of cash flows for the periods indicated:

	For period ended December 31		
	2020	2021	**2022**
Cash and cash equivalents, beginning of the year	11,815.26	11,064.30	**24,289.61**
Net cash provided by (used in) operating activities	(4,483.22)	21,093.83	**(7,624.28)**
Net cash provided by (used in) investing activities	4,459.26	(7,757.54)	**(428.47)**
Net cash provided by (used in) financing activities	(727.00)	(100.98)	**(1,160.67)**
Net increase (decrease) in cash and cash equivalents	(750.96)	13,225.31	**(9,213.42)**
Cash and cash equivalents, end of the year	11,064.30	24,289.61	**15,076.19**

Net Cash Flow Provided By (Used In) Operating Activities

Net cash flow provided by operating activities is composed of deposits generated, loans and receivables, and interest income. As of December 31, 2022, net cash used in operating activities amounted to a negative ₱7,624.3 million. During this time, the Bank expanded its loans and other receivables by ₱13,764.6 million while deposits grew by ₱2,137.8 million. Impairment losses for the year stood at ₱820.6 million. As of the years ended December 31, 2021 and 2020, cash flow from (used in) operating activities was ₱21,093.8 million and negative ₱4,483.2 million, respectively.

Net Cash Flow Provided By (Used In) Investing Activities

Net cash flow provided by or used in investing activities involves the acquisition of investment securities at amortized cost and at FVOCI, bank premises, furniture and fixtures, and software licenses. As of December 31, 2022, net cash used in investing activities amounted to negative ₱428.5 million. Net cash used in investing activities for 2020 and 2021 were ₱4,459.3 million and negative ₱7,757.5 million, respectively.

Net Cash Flow Provided By (Used In) Financing Activities

Net cash flow provided by financing activities is composed of the availments and settlement of bills payable, corporate notes, cash dividends, and payment of lease liabilities. As of December 31, 2022, PBB recorded a use of cash flow from financing activities of negative ₱1,160.7 million from negative ₱111.0 million in 2021.

Capital Resources

The Bank is required to comply with the capital adequacy requirements based on the requirements for stand-alone thrift banks under BSP's Circular No. 688 issued in May 26, 2010.

The following table sets out details of the Bank's capital resources and capital adequacy ratios (as reported to the BSP).

	As of the years ended December 31		
₱ millions	2020	2021	**2022**
Net Tier 1 capital	12,939	13,254	**14,710**
Tier 2 capital	858	893	**893**
Total qualifying capital	13,797	14,147	**15,603**
Risk weighted assets	97,499	119,672	**112,620**
Tier 1 capital ratio	13.27%	11.08%	**13.06%**
Total capital ratio	14.15%	11.82%	**13.85%**

Known trends, demands, commitments, events or uncertainties

There are no known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity within the next twelve (12) months.

Events that will trigger direct or contingent financial obligation

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

Material off-balance sheet transactions, arrangements or obligations

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Bank with unsolicited entities or other persons created during the reporting period other than those disclosed in the financial statements.

Significant Elements of Income or Loss

Significant elements of the consolidated net income for the period ended December 31, 2021 and 2022 came from its continuing operations.

Seasonal Aspects

There are no seasonal aspects that had a material effect on the Bank's financial position and results of operations.

Commitments and Contingent Liabilities

The following is a summary of the Banks commitments and contingent accounts as of December 31, 2022:

In ₱ millions	2021	**2022**
Investment management accounts	8,308,580,613	**10,221,845,347**
Trust and other fiduciary accounts	1,814,508,813	**1,618,211,721**
Outstanding letters of credit	747,471,735	**1,529,583,090**
Late payment/deposits received	2,480,000	**-**
Items held for safekeeping	123,946	**88,546**
Items held as collateral	12,315	**162,885**
Outward bills for collection	1,012,942	**4,661,575**
Unit investment trust fund	23,245,786	**21,684,433**
Other contingent accounts	625,213,351	**2,237,701,579**

Among the Bank's contingent accounts are the following trust arrangements:

1. Investment Management Arrangement (IMA). An agency arrangement that involves the prudent investment of funds on behalf of the clients;

2. Trust and Other Fiduciary Accounts (TOFA) include: Living trust, a trust created during the trustors' lifetime and involves the transfer of funds and other assets to a trustee for management and eventual distribution to intended beneficiaries; employee benefit trust, a trust established by a company for the benefit of its employees in addition to salaries or wages; escrow, a three party arrangement whereby the escrow agent is appointed as a disinterested or neutral party to protect the interest of the two parties to the contract; and other fiduciary arrangements;

3. Unit Investment Trust Fund (UITF). A pooled fund created to offer investment opportunities to small investors.

The Bank has ₱15.6 billion in contingent accounts of which, ₱11.9 billion or 75.9% are in trust arrangements which include investment management accounts, trust and other fiduciary accounts, and unit investment trust fund.

Selected information disclosed in the Audited Financial Statements

Classifying Financial Assets at HTM Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as bonds, as HTM investments, the Bank evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity.

If the Bank fails to keep these investments at maturity other than for the allowed specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class to AFS securities. The investments would therefore be measured at fair value and not at amortized cost. However, the tainting provision will not apply if the sales or reclassifications of HTM investments are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or are attributable to an isolated event that is beyond the control of the Bank, is nonrecurring and could not have been reasonably anticipated by the Bank. Please see Note 2.5 for the summary of significant accounting policies related to financial instruments.

Management of Liquidity Risks through MCO Limits

Liquidity risk is the risk to income and capital as a result of the Bank's inability to meet its obligations when they come due without incurring unacceptable losses. The Bank manages its liquidity risk through the monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder. A maturity ladder relates the inflows to outflows of funds at selected maturity dates and is constructed to measure liquidity exposure. The ladder shows the Bank's statement of financial position distributed into tenor buckets on the basis of the term to final maturity or cash flow dates, including contingent commitments. The amount of net inflows which equals the difference between the amounts of contractually maturing assets (inflows) and liabilities (outflows) is computed per tenor bucket and on a cumulative basis, incorporating certain behavioral and hypothetical assumptions. The calculated periodic and cumulative gaps constitute the Bank's run off schedule, which indicate the Bank's net funding requirements in local and foreign currency.

To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the Bank called Maximum Cumulative Outflow (MCO) limit is observed per currency, the assumptions of which are reviewed by the Risk Oversight Committee (ROC) prior to the confirmation by the BOD.

DOSRI Loans under Related Party Transactions

Total outstanding DOSRI loans as of December 31, 2021 and 2022 pertain to loan transactions with its officers and employees and related parties amounting to ₱709.8 million and ₱703.0 million.

Earnings per Share

The Bank's earnings per share (EPS) as of December 31, 2022, 2021, and 2020 were at ₱1.85, ₱1.81, and ₱1.46, respectively. This is computed by dividing the net income (net of preferred dividends) of ₱1,192.6 million, ₱1,168.2 million, and ₱938.9 million, by the weighted average number of outstanding common shares.

Item 7. Financial Statements

The audited financial statements of the Bank are filed as part of this for SEC 17-A as "Annex A".

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

Punongbayan & Araullo (P&A), a member firm of Grant Thornton International Limited, has been the bank's independent accountant since 2006 and is again recommended for appointment at the scheduled stockholders meeting.

In compliance with SEC Memorandum Circular No. 8, Series of 2003, and Amendments to the SRC Rule 68 on the rotation of external auditors or signing partners of a firm every after five (5) years of engagement, Ms. Maria Isabel E. Comedia was assigned in 2021 as an independent reviewer and partner in charge for the bank replacing Mr. Christopher M. Ferareza.

The Bank has paid the following fees to P&A relative to the regular and special engagements rendered by the latter that are reasonably related to the performance of the audit review of the Bank's financial statement:

Audit Fees For	In ₱
December 31, 2016	2,599,735.16
December 31, 2017	2,864,643.60
December 31, 2018	5,124,565.44
December 31, 2019	6,851,630.40
December 31, 2020	10,377,360.00
December 31, 2021	8,196,832.00
December 31, 2022	9,556,736.00

No other services were rendered by P&A that were not related to the audit and review of the Bank's financial statements occurred in 2022. In addition, there were no disagreements with P&A on the accounting and financial disclosures.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Directors and Executive Officers

The following are the names of the incumbent Directors of the Bank:

Incumbent	Age	Nationality	Position with the Bank	Year of election
Alfredo M. Yao	79	Filipino	Chairman Emeritus	2010
Jeffrey S. Yao	54	Filipino	Chairman	2019
Rolando R. Avante	64	Filipino	Vice Chairman and President / CEO	2019
Leticia M. Yao	69	Filipino	Director	2009
Roberto A. Atendido	75	Filipino	Director	2012
Honorio O. Reyes- Lao	78	Filipino	Director	2010
Benjamin R. Sta. Catalina, Jr.	75	Filipino	Director	2012
Narciso D.L. Eraña	69	Filipino	Independent Director	2018
Atty. Roberto C. Uyquiengco	74	Filipino	Independent Director	2018
Benel D. Lagua	66	Filipino	Independent Director	2021
Asterio L. Favis, Jr.	70	Filipino	Independent Director	2021
Diosdado M. Peralta	71	Filipino	Independent Director	2022

BUSINESS EXPERIENCE

The following is a brief description of the business experience of each of the Directors of the Bank:

Alfredo M. Yao (Filipino, 79 years old)

Mr. Alfredo M. Yao is the Chairman Emeritus of PBB. He is concurrently the Chairman of Zest-O Corporation, Semexco Marketing Corp., Macay Holdings Inc., and Asiawide Refreshments Corp. He is the President of Solmac Marketing Inc., Harman Foods (Phil.) Inc., and Amchem Marketing, Inc. Mr. Yao has participated in the following seminars: Corporate Governance; AML and Risk Management, all conducted by the Pacific Management Forum and PBB; CISA for the Credit Bureau; SME Related Issues; and other CTB Related seminars. He has also attended several Philippine Chambers of Commerce & Industry (PCCI) Business Fora given by PCCI, the International Trade Organization, and the Department of Trade and Industry.

Jeffrey S. Yao (Filipino, 54 years old)

Mr. Jeffrey S. Yao was appointed as the Chairman of the Board in November 2019.

He is currently the Chief Executive Officer of Zest-O Corporation, Vice President of Macay Holdings Inc., Corporate Secretary of Mega Asia Bottling Corp, and the President of Bev-Pack Inc. He is also a Director at Zemar Development Inc., Onnea Holdings Inc., Mazy's Capital Inc., ARC Refreshments Corp., AMY Holdings Inc., Semexco Marketing Corp., Asiawide Refreshments Corp., and ARC Holdings Inc. Mr. Yao started his career in the food and beverage industry when he was appointed as Plant Manager at Harman Food Philippines from 1990 to 1995.

He has attended the following training programs: Basics of Trust at the Trust Institute of the Philippines in 2002; Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002; Anti Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas in 2014; Distinguished Corporate Governance Speaker Series on August 24, 2015; AMLA Seminar by BSP and PBB in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act in 2017; Best Practices Guide to Compliance with the Anti-Money laundering Law and its IRR in 2018; and Corporate Governance Seminar in November 2018.

Mr. Yao graduated from the Ateneo De Manila University with Bachelor of Science in Management Engineering degree.

Committee(s): Executive Committee

Rolando R. Avante (Filipino, 64 years old)

Mr. Rolando R. Avante was appointed as Vice Chairman, President, and Chief Executive Officer on November 2019.

His banking career includes stints as Vice President for Local Currency Desk at City Trust Banking Corp. from 1988 to 1994; Senior Vice President & Treasurer at Urban Bank from 1994 to 1995; First Vice President for Domestic Fund Management at Philippine Commercial International Bank from 1995 to 1999; Executive Vice President & Treasurer at China Trust (Philippines) from 1999 to 2009; Executive Vice President & Treasurer at Sterling Bank of Asia from 2009 to 2011. He was elected President and Director at the Money Market Association of the Phil. (MART) in 1999. He was elected the same position at ACI Philippines in 2011.

His training includes Money Market at the Inter Forex Corp. in 1983; Treasury Management in Times of Crisis in 1984, Bourse Game in 1987 both conducted by FINEX; Rate Risk Game in 1989, Investment Banking Fundamental in 1990, Managing People in 1991 at the Citibank APBI; Capital Market Instruments in Asia in 1992, Asset & Liability Management in 1995 both conducted by Euro money; Asian Bond Fund II Workshop in 2004 at the Asian Bank; Securitization Law in 2006 at FINEX & SEC; ACI World Congress in 2011 at ACI Phil.; Economic Outlook 2012 in 2012 at the ANZ Private Bank Exclusive; Annual Global Markets Outlook in 2012 at Deutsche Bank; Entrepreneurs Forum in 2012 conducted by Business World; AMLA Seminar in 2012 at the Bangko Sentral ng Pilipinas; CEO Business Forum in 2012 at Punongbayan & Araullo; Cross-Border RMB Business in 2012 at Bank of China; Eco Forum in 2012 at Security Bank; Phil. Business Conference in 2012 at the Philippine Chamber of Commerce & Industry; Annual Investment Outlook 2013 in 2013 at ANZ Private Bank; Philippine Investment Summit 2013 in 2013 at the Investment Banking Group; IPO Annual Asia Pacific in 2013 at CIMB; Corporate Governance Seminar for Board of Directors on December 10, 2015; AMLA for Board of Directors and Senior Officers in 2016; SEC-PSE Corporate Governance Forum in 2016; IFRS 9 in 2017; Seminar on Data Privacy Act in 2017; Best Practices Guide to Compliance with the Anti-Money Laundering Law and Its IRR by Center for Global Best Practices in 2018; and Corporate Governance Seminar for Directors and Senior Officers in 2018.

Mr. Avante graduated from the De La Salle University with the degree of Bachelor of Science in Commerce major in Marketing Management and has taken MBA units from DLSU.

Committee(s): Anti-Money Laundering, Asset and Liability Management, Capital Planning, Credit, Executive, Management, Remedial and Special Assets Management, and Trust

Leticia M. Yao (Filipino, 69 years old)

Dra. Leticia M. Yao was appointed to the Board in 1998 and last re-elected as Director on July 27, 2022.

A well-respected figure in the healthcare industry, Dra. Yao was appointed at the United Doctors Medical Center (UDMC) and Providence Hospital Inc. as a Consultant at the Department of Medicine since 1991 and 2014. She is currently a Director at Mega Asia Bottling Corporation, Zest-O Corporation, Uni-Ipel Industries Inc., Harman Foods Phils Inc., and Solmac Marketing Inc.

She participated in training sessions for Corporate Governance & Risk Management for Banks' Board of Directors by Development Finance Institute in 2002 and further taken the Risk Awareness Seminar by Pacific Management Forum in 2009. In 2014, she attended the AMLA Seminar by the Bangko Sentral ng Pilipinas and Corporate Governance Seminar by the Ateneo de Manila University. She also attended the Distinguished Corporate Governance Speaker Series and Corporate Governance Seminar for Directors and Senior Officers by ROAM Inc. in 2015; AMLA Seminar by BSP and PBB in 2016; Corporate Governance: Fraud Awareness by Center for Training and Development Inc. in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act Seminar in 2017; and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminary by ROAM Inc. in 2018.

Dra. Yao graduated from the University of Sto. Tomas with a Bachelor of Science degree in Medical Technology then pursued her post graduate degree in Medicine in the same university.

Committee(s): IT Steering and Trust

Roberto A. Atendido (Filipino, 75 years old)

Mr. Roberto A. Atendido was appointed to the Board in 2006 and was last re-elected as Director on July 27, 2022.

He is a seasoned investment banker and a recognized expert in the field with over 40 years of investment banking and consulting experience in the Philippines and in the ASEAN region. Mr. Atendido started his career in consulting with the management services group of Sycip, Gorres & Velayo, the largest accounting and consulting group in the Philippines. He began his investment banking career in Bancom Development Corporation, the leading investment house in the Philippines during the late 60's and 70's. He was later posted as Vice President of Bancom International Ltd in HK from 1980 to 1982. He then moved to PCI Capital Asia, Ltd. (HK) as Vice President from 1982 to 1983. The PCI Group posted him in Indonesia as Managing Director of PT Duta Perkasa Chandra Inti Leasing, a joint venture between the PCI Group of the Philippines and Bank Duta and Gunung Agung Group of Indonesia, from 1983 to 1988. Mr. Atendido moved back to the Philippines in 1988 as President of Asian Oceanic Investment House, Inc., a fully owned subsidiary of the Asian Oceanic Group of HK. The company was later bought by the Insular Life Group and renamed Insular Investment & Trust Corporation. In 1996, Mr. Atendido together with several investors organized Asian Alliance Holdings & Development Corporation (AAHDC) and later established Asian Alliance Investment Corp. (AAIC) as a wholly owned investment banking subsidiary. He is currently President and Director of AAHDC and Vice Chairman and Director of AAIC.

Currently, Mr. Atendido is a member of the Board of Directors of Paxys Inc., Paper Industries Corp. of the Philippines, Pharmarex, Inc., Macay Holdings Inc., and Gyant Food Corporation. He is also the Vice Chairman and Director of Sinag Energy Philippines, Inc. since 2008, and Chairman and President of Myka Advisory and Consulting Services Inc. since 2010. He has also held directorships in the Philippine Stock Exchange from 2005 to 2009, Securities Clearing Corporation from 2006 to 2010, Marcventures Holdings, Inc. from 2010 to 2013, Carac-An Development Corp. as Chairman from 2010 to 2013, and Beneficial Life Insurance Corp. from 2008 to 2014. Apart from his business activities, Mr. Atendido is also active in the Brotherhood of Christian Businessmen and Professionals, a nationwide Christian community where he served as Chairman from 2009 to 2011.

He has attended trainings in Corporate Governance & Risk Management for the Bank's Board of Directors at the Development Finance Institute in 2003; Basel 2 and Risk Management Course by Export & Industry Bank in 2007. In 2014, he attended the Anti-Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas, Distinguished Corporate Governance Speaker Series in 2015. He also attended AMLA for Board of Directors and Senior Officers by PBB and the 3rd Annual SEC-PSE Corporate Governance Forum in 2016; IFRS 9 by Punongbayan and Araullo in 2017; and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminary by ROAM Inc. in 2018.

Mr. Atendido is a graduate of the Asian Institute of Management with a Masters Degree in Business Management in 1973. He completed his Bachelor of Science in Management Engineering from the Ateneo de Manila University.

Committee(s): Corporate Governance and Trust

Honorio O. Reyes- Lao (Filipino, 78 years old)

Mr. Honorio O. Reyes-Lao was appointed as Director of the Bank in 2010.

A seasoned banker, he has more than 40 years of experience in corporate and investment banking, branch banking, and credit management. Mr. Reyes-Lao started his banking career at China Banking Corporation in 1973 to 2004. He served as Senior Management Consultant from 2005 to 2006 at East West Banking Corporation. He was a consultant at Antel Group of Companies from 2007 to 2009 and was appointed President at Gold Venture Lease and Management Services, Inc. from 2008 to 2009. Currently, he is an independent director at the DMCI Holdings Corporation, DMCI Project Development Inc., Semirara Mining and Power Corporation, Sem-Calaca Power Corporation, and Southwest Luzon Power Generation Corporation and is the Chairman of Space 2 Place Inc. He is also a Member of the Society of Institute of Corporate Directors (ICD) Fellows since 2004.

His background and trainings include Overall Banking Operations by Philippine Institute of Banking in 1971 to 1972; Director Certification Program at the Institute of Corporate Directors (ICD) in 2004; Trust and Governance Rating Systems by BAIPHIL in 2013; AMLA Seminar by BSP and Corporate Governance Seminar by Ateneo de Manila University in 2014; Corporate Governance Forum by SEC in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act Seminar in 2017; Guide to Compliance with Anti-Money Laundering Law and its IRR by Center for Global Practices and Corporate Governance Seminar by ROAM Inc. in 2018; and ASEAN Corporate Governance Conferences and Awards 2016 and Distinguished Corporate Governance Speaker Series since 2015.

Mr. Lao holds a post-graduate degree, Masters in Business Management, from the Asian Institute of Management and graduated with a double degree in Bachelor of Science in Business Administration major in Economics and Bachelor of Science in Commerce major in Accountancy from the De La Salle University.

Committee(s): Audit, Executive, and Risk Oversight

Benjamin R. Sta. Catalina, Jr. (Filipino, 75 years old)

Mr. Benjamin R. Sta. Catalina, Jr. was appointed Independent Director to the Board on 2012 and last re-elected as Director on July 27, 2022. He first assumed his independent directorship at PBB from 2003 to 2005.

During his early professional years, Mr. Sta. Catalina was the Senior Vice President of the Asset Based Finance Group of FNCB Finance Co. from 1980 to 1981. He later joined Citibank N.A. from 1981 to 1995 where he has served as Asst. Vice President & Division Head for the Public Sector Division, then became the Vice President and Asst. Director of the Asia Pacific Training Center. He later handled the Middle East Africa Division Training Center as Vice President and Associate Director, and handled the World Corporation Group for Middle East Africa, Division Training Center as Regional Administrator. He was appointed as General Manager from 1988 to 1992 handling the Center for International Banking Studies. In 1993 to 1994, Mr. Sta. Catalina was appointed Vice President and Chief of Staff of the Global Finance Marketing, then rose to Group Head where he handled the Pan Asian Corporate Team in 1994 to 1995.

In the academic sphere, he was the Executive Director of the Center for Banking and Financial Management of the Asian Institute of Management in 1996.

In addition to holding a number of executive positions, he attended training seminars such as the Makati CAD in 1974, Philippine Core Credit in 1976, Intermediate Credit Seminar in 1977, Exceptional Sales Performance in 1978, Bourse Game in 1979, Asset Based Finance Seminar in 1980, Electronic Banking Seminar in 1981, Selling Skills Train the Trainer Program in 1982, Advanced Lending Strategy in 1982, Technology for Senior Management in 1983 from the Asia Pacific Training Center. He attended Multinational Business Course in 1980 at Citibank New York, Face to Face Selling Skills in 1986 by the Boston Consulting Group. In 1987, he attended the MAC Approach Course and Alcar Valuation Seminar at MEAD Training Center in Greece. He attended the Corporate Finance II in 1988 by the Asia Pacific Banking Institute. At MEAD Training Center in London, he attended the Risk Management Seminar and the Risk Management III – Corporate Finance in 1991. From 1993 to 1995, Mr. Sta. Catalina attended the Strengthening Organizational Capabilities, Service Quality Management, Technology Solutions for the Business, Marketing Derivatives Ideas, Standards Workshop, and Marketing Financing Ideas to Issuers at Citibank Training Center.

He attended the Corporate Governance & Risk Management for Bank's Board of Directors by the Development Finance Institute in 2003, Anti Money Laundering Act Seminar in 2014, Distinguished Corporate Governance Speaker Series in 2015, Corporate Governance Forum in 2016, IFRS 9 by Punongbayan and Araullo and Data Privacy Act Seminary in 2017, and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminar by ROAM Inc. in 2018.

Mr. Sta. Catalina is a graduate of the Asian Institute of Management with a post graduate degree of Masters in Business Management. He finished his Bachelor of Science in Management Engineering from the Ateneo De Manila University.

Committee(s): Audit, Related Party Transactions, and Risk Oversight

Narciso DL. Eraña (Filipino, 69 years old)

Mr. Narciso DL. Eraña was appointed Independent Director to the Board in 2018.

Mr. Eraña has an extensive career spanning over 30 years, about 23 of which were spent in the Philippine finance industry. This included about 16 years in various banks, and seven (7) years as President of a multinational brokering company. He also spent many years as an entrepreneur in the family business.

He started his career with Bank of America-Manila handling credit and trade finance for the mining industry, pharmaceuticals, and small medium scale businesses. He moved into the bank's Treasury Department and eventually became Bank of America's youngest Country Treasurer, handling the overall Treasury Trading and Management functions. This served as the foundation for the rest of his Finance career which focused on Treasury management in multinational and local institutions, from savings banks and unibanks.

His banking experience involved managing the banks' liquidity in all currencies, and FX and Government Securities trading as well as investments in Structured Products and derivatives.

His last position was President of ICAP Philippines for seven (7) years, a subsidiary of ICAP Plc., a London based FTSE company and the world's largest Interdealer broker, with average volumes in excess of USD 1 trillion daily.

Active in financial market associations, Mr. Eraña was a Director of the Money Market Association of the Philippines for four (4) years and a Director of the ACI Financial Markets Association for another four (4) years. Activities included the formulation of policies and procedures for the operation of the Banking as well as brokering industries. These activities entailed frequent interaction with associations and regulators, including the Bangko Sentral ng Pilipinas, Securities and Exchange Commission, and the Banker's Association of the Philippines. During this time, he was also a member of Financial Executive Institute of the Philippines (FINEX).

Mr. Eraña is a graduate of Business Management at Schiller College in Heidelberg, Germany and obtained his MBA from the Thunderbird School of Global Management in Glendale, Arizona.

Committee(s): Corporate Governance, Related Party Transactions, Risk Oversight, and Trust

Roberto C. Uyquiengco (Filipino, 74 years old)

Mr. Roberto C. Uyquiengco was appointed to the Board as Independent Director in 2018.

He has been in the banking and finance industry for almost 50 years. He started with Sycip Gorres Velayo & Co. (SGV) from 1970 to 1974 and later with North Negros Loggers Corporation until 1976. His stint in the banking industry started with Allied Banking Corporation from 1977 to 1980 and later with State Investment House (Bacolod Branch) from 1980 to 1984. He was last connected with China Banking Corporation as First Vice President and Region Head for North Luzon from 1984 until his retirement in 2011. He took up and passed the Trust Officers' Training Program (TOTP) given by the Philippine Trust Institute in 1991. Further, Mr. Uyquiengco attended some international and local conferences related to the banking and finance industry, among of which is the Bankers' of America Institute Conference in November 2007, held in Las Vegas, Nevada, USA and the Asian Bankers Conference in 1996 which was held in Singapore.

Currently, he is affiliated with the following private institutions: (a) Emmanuel Multi-purpose Cooperative, Inc., in Cuenca, Batangas as Director since 2011; (b) Green Leaf Foreign Exchange Corporation as its Chairman and CEO since its incorporation in 2012; and (c) Manulife as a Financial Adviser since 2017.

Mr. Uyquiengco is also a known advocate of education, being a part-time faculty of the College of Business and Accountancy of National University since 2012 and as a part-time training consultant of the Chinabank Academy since 2013.

Mr. Uyquiengco is both a lawyer and a Certified Public Accountant by profession. He obtained his undergraduate degree from La Salle College, Bacolod City in 1970 with a degree in BS in Commerce Major in Accounting (graduating cum laude) and passed the CPA board in the same year. Thereafter, in 1975, he took up his Bachelor of Laws degree from the University of Negros Occidental-Recoletos, Bacolod City, graduating in 1980 and passing the bar examinations also in the same year. He also took up the advance Bank Management Program of the Asian Institute of Management from August to October 1993 and was awarded with the Highest Honor for superior performance among the forty (40) participants from various international banks.

Committee(s): Audit, Corporate Governance, and Risk Oversight

Benel D. Lagua (Filipino, 66 years old)

Mr. "Benel" D. Lagua is a seasoned professional in the banking and finance industry for the last thirty-two (32) years, having been with both government and private financial institutions. He was last connected with the Development Bank of the Philippines (DBP) from March 2013 until February 2020, where he assumed roles such as Executive Vice President and Chief Development Officer (2013-2017) and Executive Vice President and Head of Corporate Services Sector (2018-2020). While with DBP, he was seconded as a Director of the following: DBP Data Center Inc. (DCI) from June 2017 to August 2018, Small Business Corporation (SBC) from 2013 to 2020, and LGU Guarantee Corporation (LGUCC) from 2013 to 2020. He was also the concurrent CEO of the Industrial Guarantee Loan Fund which was being managed by the DBP for the national government until its full transition to Philippine Guarantee Corporation in 2019. Prior to this, he had extensive career from various companies in the banking, finance and consumer industry, as well as being a Consultant of the Economic Research Group in Malacañan in 1982.

He is a graduate of Management Engineering at the Ateneo de Manila University (Dean's lister). He also holds a Master in Business Management from the Asian Institute of Management, completed the course requirements for Doctor in Business Administration at the University of the Philippines, a Master in Public Administration from the Harvard University's John F. Kennedy School of Government, and further completing the course requirements for Doctor in Business Administration at the De la Salle University in Manila. He also took up the Career Executive Service Development Program XXI at the Development Academy of the Philippines. As an expert in the field of management and finance, Director Lagua teaches part-time at the Ateneo de Manila University and the De La Salle University in Manila.

Mr. Lagua is also affiliated with the Philippine Institute of Pure and Applied Chemistry (PIPAC) as a member of its Board of Directors. He is presently an Independent Director of Bangko ng Kabuhayan Inc. (A Rural Bank) (formerly Rodriguez Rural Bank, Inc.) and a known columnist for The Manila Times, Manila Bulletin, and Business World. He is a Fellow of the Institute of Corporate Directors (ICD).

Committee(s): Audit, Corporate Governance, and Risk Oversight

Asterio L. Favis, Jr. (Filipino, 70 years old)

Mr. Asterio "Boy" L. Favis, Jr. has been in the finance industry for about thirty (30) years, particularly in treasury banking.

Presently, he is an Independent Director of Makati Finance Corporation, as a Consultant of Amalgamated Investment Bancorporation and the Ateneo-BAP Institute of Banking and a Director/Vice President of Aspirations International, Inc. (a Toby's Sports franchise). He started his treasury banking career with PCI Bank, first as Assistant Vice President and Head of Foreign Exchange, then as Vice President and Head of Domestic Money Market (from 1986 to 1989), and lastly as Vice President under the Office of the President (seconded to PCI Capital in charge of fixed income securities, from 1989 to 1990). From 1990 to 1999, he headed the Treasury Division of Asianbank Corporation then moved to AB Capital & Investment Corporation from 1999 to 2002, leading the Financial Markets Division as Senior Vice President. Later on, he headed the Treasury Division of Philippine National Bank as Executive Vice President, from 2002 to 2007. His last stint with the banking industry was with Sterling Bank of Asia as Executive Vice President & Head of Treasury Group from 2007 to 2009 and lastly as Executive Vice President under the Office of the President from 2009 to 2013 (including one-year as OIC of Consumer Lending Group).

Director Favis, Jr. is a true-blue eagle from elementary to college. He was Salutatorian in elementary, Salutatorian in High School (with awards in Math, Sciences and Latin) and cum laude in College, graduating with a degree of Bachelor of Science in Management Engineering.

He is presently a member of the Institute of Corporate Directors (ICD), past member of the Chamber of Thrift Banks (2007-2009), with Money Market Association of the Philippines (from being Secretary, Vice-President and lastly as President, 1988-2004), past President of the Foreign Exchange Association of the Philippines (1988-1989), past member of the Bankers Association of the Philippines – Open Market Committee (1991-1999) and as past Captain of the Ateneo NCAA High School Basketball Team (1970-1971).

Committee(s): Audit, Related Party Transaction, and Risk Oversight

Diosdado M. Peralta (Filipino, 71 years old)

Mr. Peralta was appointed as the 26th Chief Justice of the Supreme Court of the Philippines from October 23, 2019 until his retirement on March 27, 2021.

Mr. Peralta started his career in government service in 1987 when he was appointed Third Assistant Fiscal of Laoag City. In 1988, he was assigned to the Prosecutor's Office in the City of Manila. He later became the assistant chief of the Investigation Division of the Office of the City Prosecutor in the first months of 1994.

In September 1994, Chief Justice Peralta was appointed as Presiding Judge of Branch 95 of the Regional Trial Court (RTC) of Quezon City, which was designated as a Special Criminal Court on Heinous Crimes and, later, Drugs Cases. He was promoted to the Sandiganbayan in 2002 and became its Presiding Justice in 2008. On January 13, 2009, he was named as the 162nd Associate Justice of the Supreme Court. He was the third Presiding Justice of the anti-graft court to be appointed to the High Court. On October 23, 2019, he was then appointed as the 26th Chief Justice of the Philippines.

He is an alumnus of the University of Santo Tomas Faculty of Civil Law where he was as a working student and graduated in 1979. He obtained his undergraduate degree in Economics from the Colegio de San Juan de Letran in October 1974, and started working at the age of twenty (20) on November 2, 1974 as a production analyst of Cosmos Bottling Corporation (CBC). In January 1975, he became the operating supervisor of CBC's sister company, Wisdom Management, Inc., a management firm. He later became a general manager of Ace Agro Development Corp. and vice president of Cypress Agricultural Development Corp, both sister companies of CBC.

During his corporate stint and while taking up law from 1975 to 1979, he supervised the operation of three fish pens owned by the said three companies, and would join Bountee Fishery Corp. 's (a sister company of CBC) fishing vessels in the high seas to oversee its operations during summer time. In January 1980, while waiting for the results of the Bar exams, he returned to the mother company, CBC, as assistant personnel manager. When he passed the Bar that year, he was appointed as head of personnel department of CBC, while maintaining his positions as general manager of Ace Agro Development Corp. and vice president of Cypress Corp., and handling labor, criminal and civil cases of the company. At the same time, he was elected Barangay Councilman of Fairview, Quezon City, and served as barangay officer until the end of 1986. He only resigned from CBC when he accepted the invitation to become a prosecutor in Laoag City in January 1987.

Prior to becoming a member of the Supreme Court, he was a professor, lecturer, resource person, and Bar reviewer in Criminal Law, Criminal Procedure, Remedial Law, and Trial Techniques at the UST Faculty of Civil Law, the Ateneo de Manila University, San Beda College of Law, the University of the East, and the University of the Philippines Law Center, among others. He has been a member of the Corps of Professors under the Department of Criminal Law of the PhilJA and remains to be an active lecturer thereof on its Orientation Program for Newly appointed Judges, Pre-judicature Program and other training seminars.

Committee(s): Corporate Governance and Related Party Transaction

b. Executive Officers

The following are the Executive Officers of the Bank, and their respective age, citizenship, and position as of March 2023:

Rolando R. Avante (Filipino, 64 years old)

(Please refer to the previous section for Mr. Avante's professional experience).

Joseph Edwin S. Cabalde (Filipino, 53 years old)

Mr. Joseph Edwin S. Cabalde is the PBB's Treasurer and Head of the Treasury Services Group with the rank of Executive Vice President. His work experiences include: Accounting Assistant of China Banking Corporation from 1991 to 1994; Treasury Officer of Urban Bank Inc. from 1994 to 1995; Manager and Chief Dealer of Bangkok Bank Manila from 1995 to 2000; Manager at Mondex Philippines Inc. from 2000 to 2001; Manager and Chief Dealer at Bank of Tokyo Mitsubishi from 2001 to 2005; Treasury Head of Oilink International from 2005 to 2007; and Assistant Vice President and Treasurer of EEI Corporation from 2007 to 2008. Mr. Cabalde attended the Corporate Good Governance and AML Seminars sponsored by PBB.

Mr. Cabalde graduated from the University of Sto. Tomas and holds a Bachelor of Science Major in Accountancy degree.

Committee(s): Asset and Liability Management, Capital Planning, and Management

Arlon B. Reyes (Filipino, 49 years old)

Mr. Reyes is Head of Commercial Banking Group. He has over 20 years of professional experience gained from international and local financial institutions. He is proficient in global capital financing, mergers and acquisitions, loan syndication, structured finance, derivatives and treasury products, trade finance, credit & lending, and traditional commercial banking products. He is adept at financial crime management and anti-money laundering having attended intensive training and workshops on this field in an international bank setting.

His employment background includes a stint as Global Relationship Banker for Global Banking & Markets, with the rank of Senior Vice President with The Hongkong and Shanghai Banking Corporation Limited; Head of Rizal Commercial Banking Corporation's (RCBC) National Corporate Banking Group's Large Corporate Segment. He was the Head for China Desk and Foreign Branches Business Development serving concurrently as Team Leader and Relationship Manager for the Conglomerates Division of the Metropolitan Bank and Trust Co. Aside from banking, Mr. Reyes worked for the Philippine Stock Exchange's Business Development Group where he was instrumental in the creation and establishment of the Small and Medium Enterprise (SME) Capital Market or SME Board.

Mr. Reyes graduated from the University of the Philippines – Diliman in 1994 with a degree in BS Economics. He secured his Masters of Business Administration from the same university in 2001.

Committee(s): Asset and Liability Management, Capital Planning, Employee Discipline, and Management

Cynthia A. Almirez (Filipino, 57 years old)

Ms. Almirez has 30 years of experience from a universal bank and a commercial bank in the fields of finance and accounting, operations and control and internal audit. She started her banking career with UCPB as Branch Operations Bookkeeper in August 1991 and became the Chief Finance Officer (CFO) of the bank last 01 January 2017. As CFO, she was responsible for the financial accounting, management, and control functions of the Bank. She supervised bank wide compliance to accounting standards, government rules on accounting and disbursements as well as audit of financial statements, and was the Lead Person who oversaw the merger of UCPB and Landbank. Prior to being CFO, Ms. Almirez served as the bank's Controller where she handled the general accounting and financial reporting (bank & subsidiaries), and provided overall guidance on accounting practices consistent with applicable accounting standard for banks, subsidiaries and associates. She was also in-charge of the regulatory reports to Bangko Sentral ng Pilipinas (BSP), Philippine Deposit Insurance Corporation (PDIC) and Securities and Exchange Commission (SEC).

Apart from Ms. Almirez's service at UCPB, she also had stints with GE Money Bank, Phils as Internal Audit Manager (2006-2008), Majid Futtaim Group (MAF Group), a retail group based in Dubai with operations in the Middle East, and as an Internal Audit Manager (2008-2010).

Ms. Almirez has a Bachelor of Science degree in Business Administration, major in Accounting from the Pamantasan ng Lungsod ng Maynila. in 1986. She took her MBA units from Ateneo Graduate School of Business. Additionally, she is a Certified Public Accountant (CPA), Certified Management Accountant (CMA), and a Certified Financial Services Auditor (CFSA), a global audit certification for Internal Auditors administered by the Institute of Internal Auditors.

Committee(s): Anti-Money Laundering, Asset & Liability Management, Bid, Employee Discipline, IT Steering, and Management

Reynaldo T. Boringot (Filipino, 64 years old)

Mr. Reynaldo T. Boringot joined Philippine Business Bank in 2016. He was appointed as the Head of Luzon and NCR Area of Retail Sales Group with the rank of Senior Vice President.

He has almost 40 solid years of experience as a banker. He began his career as a New Account under Business Development in Pacific Banking Corporation from 1981 to 1985. He transferred to Metropolitan Bank & Trust Company from 1986 to 2003 as one of the youngest Branch Heads at the age of 30. Moreover, he was able to open a new branch in Tugatog, Malabon. He was later then transferred to EDSA-Caloocan as one of the youngest Center Heads. Finally, he transferred to Asia United Bank, his last employer prior to PBB where he started as Assistant Vice President in 2003 and became a Vice President concurrent as Area Head in Quezon City and north provincial branches until 2016.

Mr. Boringot graduated from the University of the East in 1980 with a degree in Bachelor of Science in Commerce major in Management. He took his MBA units from the Philippine School of Business Administration in 1982 to 1983.

Committee(s): Management

Consuelo V. Dantes (Filipino, 60 years old)[1]

Ms. Consuelo V. Dantes was appointed as the Human Resources Group Head with the rank of Senior Vice-President in 2017. She brings with her over 30 years of expertise in the field of Human Resources Management, Corporate Support Services Group, and Business Unit Management. She was recently employed with EastWest Bank as Human Resources Group Head from 2013 to 2016. Apart from being the Head of HRG, she was also the Chief of Staff from 2012 to 2013 under the Office of the President where she worked with 12 units - Credit, Human Resources, Collection and Asset Recovery, Legal Services, Customer Service, Consumer Lending, Corporate Banking, and Administrative Services.

Prior to her stint with EWB, she was with Planters Development Bank (now China Bank Savings) for 22 years from 1990 to 2012 where she held various lead positions in Human Resources, Corporate Communications, Corporate Planning, and Collection and Asset Recovery. She was an international consultant for Human Resource Management under ShoreCap Exchange, the training arm of ShoreCap International, and worked as consultant with Cambodia Entrepreneur Building Co., Ltd. in Cambodia. She was also a speaker/facilitator in seminar-workshops conducted by ShoreCap Exchange in Chennai, India, and Luxembourg. During her stint with Planters Development Bank, she was also at one point appointed as the President and Chief Operating Officer of PDB-FMO Development Center (PDCenter).

In addition, Ms. Dantes' other banking experience also include stints with the following banks: Boston Bank of the Philippines (now Bank of Commerce - Branch Marketing and Development Group / Manager); Asiatrust Bank - Manager of Market Planning Group; and Security Bank Corporation as Branch Manager of Buendia, Makati Branch.

A Cum Laude graduate from University of the Philippines - Diliman with a degree in Bachelor of Arts in Economics, she took her MBA units with De La Salle University. Ms. Dantes is a Professional Executive Coach certified in the US-based International Coach Federation (ICF) way, by Benchmark Consulting.

Committee(s): Employee Discipline and Management

Rosendo G. Sia (Filipino, 67 years old)

Mr. Rosendo Sia joined Philippine Business Bank in 2016. He is the Senior Vice President/Group Head of the Retail Sales Group for Visayas and Mindanao.

In 1977, he began his career as an Assistant Chief Accountant of Rizal Securities Corp., then on the same year he joined Guzman, Bocaling & Co., CPAs, an auditing firm as an Auditor and became a Senior Auditor before moving to the Central Bank of the Philippines, now BSP, as a Non-Bank and Bank Examiner from 1981 to 1988. He joined Land Bank of the Philippines as a Branch Manager from 1988 to 1993 where he was assigned in the provincial branches of Tuguegarao City, Cebu City and Dumaguete City, among others, and held various key positions and committee membership in the association of local government controlled and owned corporations, regional development councils and represented the bank in the Board of Danao Development Bank and Rural Bank of Madridejos. He joined Metrobank in 1993 up to 2012 as Branch Head in Metro Manila area where he rose from the ranks from Senior Manager to Senior

[1] With reference to PBB's disclosure to the PSE dated March 17, 2023, Ms. Dantes' resignation as SVP/Head of Human Resources Group will be effective on May 1, 2023.

Vice President and held various key positions and committee memberships in the bank and its subsidiaries. Before joining PBB he was connected with Asia United Bank from 2012 to 2016 as Senior Vice President / Branch Banking Head for Visayas and Mindanao in concurrent capacity as Branch Lending Group Head and held various key positions and committee memberships.

Mr. Sia is a graduate of the University of the East and is a Certified Public Accountant and Masters in Business Administration from De La Salle Graduate School Academic Courses and Asian Institute of Management.

Committee(s): Management

Maria Lourdes G. Trinidad (Filipino, 55 years old)

Ms. Malou was appointed as Chief Risk Officer and Head of Enterprise Risk Management Group with the rank of Senior Vice President.

She has her 30 years of banking experience handling various functions such as Credit Review, Treasury Trading and Liquidity and Reserve Management, Correspondent Banking, Corporate Planning, Investor Relations, and Special Projects under Strategic Planning. She started her banking career with RCBC Unibank and was seconded to RCBC Savings as CRO in September 2007 up to 2019 when the merger of the savings and unibank happened. Her last post is as Head of Special Initiatives under the unibank's ERMG.

As the CRO, and together with the bank's Risk Oversight Committee of the Board, she built RCBC Savings' risk and control infrastructure. She was the overall lead in identifying and measuring risks inherent in the bank's portfolio, and made sure that provisioning is kept to a minimum level by proactively working on the portfolio credit review, credit scoring and other initiatives to manage the bank's portfolio quality. She defined and disseminated the bank's risk philosophy and policies, and assisted risk-taking business and operating units in understanding, measuring and mitigating risk points. She put in place the bank's Risk Management Framework and Manual, Treasury Manual, Liquidity Contingency Funding Plan, and various risk operating policies and procedures. She also developed the strategic and operational framework for Business Continuity, including the enterprise Business Continuity Plan, Business Impact Analysis, Crisis Communication Plan, Pandemic Plan, Call Tree Testing, Table Top Discussion, and Disaster Recovery Plan testing.

Ms. Malou has a Bachelor of Science degree in Mathematics from University of the Philippines – Diliman in 1988. She also earned academic credits for a Master of Science degree in Mathematics from the same school.

Committee(s): Capital Planning and Management

Liza Jane T. Yao (Filipino, 52 years old)

Ms. Liza Jane Yao is the Bank's General Services Head with a rank of Senior Vice President.

She has attended various trainings/seminars which include: Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9), Corporate Governance Seminar, AMLA Seminar for Board of Directors and Senior Officers, Corporate Governance Seminar for Directors and Senior Officers, Credit Analysis and Writing Seminar, Thinking Strategically in Business Game Theory for Managers, Market Reading Seminar, Risk Awareness Seminar, Basic Financial Math Seminar, Loans Packaging and Processing Seminar, and Diploma Program in Banking.

Ms. Yao finished her BS Accountancy degree at De La Salle University.

Committee(s): Asset and Liability Management, Bid, Credit, and Management

Angelo Miguel M. Calabio (Filipino, 33 years old)

Mr. Angelo Miguel M. Calabio is PBB's Trust Officer and leads the Trust and Investment Center.

Prior to joining PBB, he was connected with Security Bank Corporation as Assistant Vice President and Head of Institutional and Personal Trust under Trust and Asset Management Group. He headed a team of six (6) account officers, providing coverage to the group's institutional and personal trust accounts which include employee benefit plans, corporate and personal investment management accounts, personal management trusts, pre-need trusts and other fiduciary arrangements. He also managed and administered a specific set of assigned trust and fiduciary accounts, i.e. retirement funds, corporate IMAs, personal management trust, pre-need trust.

He started his banking career with RCBC as a Management Trainee under the Officers' Development Program (ODP) where he successfully completed a rigorous one-year training program covering all aspects of banking. After passing the ODP, he was assigned with Trust and Investment Group as Assistant Portfolio Manager. It was during this stint that he grew his knowledge in Trust and fiduciary accounts. He has experience in retirement funds, corporate IMAs, living trust accounts, etc. He also performed diverse trustee roles in project finance deals i.e. facility agency, security trusteeship, paying agency, and mortgage trust indenture, mainly focused on loan syndication for top-tier power projects such as coal, geothermal, wind, solar.

After his six-year stint with RCBC, he had a short stint with Maybank Philippines as Trust Investment Officer under Global Banking Group. He was the line manager for the investment activities of the group's Trust/Asset Management Department. He also performed credit and financial analysis of the group's corporate borrowers and/or debt issuers.

Gelo graduated with honors (Cum Laude) from the University of the Philippines – Diliman, with a Bachelor of Science in Economics degree. He is a Chartered Financial Analyst (CFA) Charterholder and a Certified Treasury Professional. He is an active member of the Trust Officers Association of the Philippines (TOAP).

Committee(s): Management and Trust

Atty. Sergio M. Ceniza (Filipino, 56 years old)

Atty. Serge joined PBB as Chief Compliance Officer with the rank of First Vice President. He has over 30 years of experience from the financial industry where he worked with insurance companies and banks, starting with Great Pacific Life Assurance Corporation, Philam Plans Inc, and then with BDO Universal Bank where he was also seconded to BDO Leasing & Finance Inc. as Head of Legal, Compliance & AML Compliance with the rank of Assistant Vice President.

Atty. Serge moved to First Metro Investment Corporation (part of Metrobank Group) in September 2012 as Deputy Chief Compliance Officer with the rank of Assistant Vice President. In June 2016, he was promoted to Vice President and was designated as Chief Compliance Officer, Chief AML Officer, and Data Privacy Officer. As CCO, he was over-all in-charge of formulating and implementing policies and procedures for the general operations of the company's Compliance Program, including those in subsidiary units. He regularly reported to the Board, through the Corporate Governance Committee, the level of regulatory compliance of the organization and its subsidiaries. He also monitored and coordinated compliance activities of other companies within the group.

Atty. Serge is a Law professor at De La Salle University, Far Eastern University, University of the East, and Manila Law College. He is a regular lecturer in the Mandatory Continuing Legal Education (MCLE) of Chan Robles, Access MCLE and UP Institute of Judicial Administration. He is also a bar reviewer on Commercial Law. He is an active member of Association of Bank Compliance Officers (ABCOM) and is well-regarded in the industry.

He has a Bachelor's degree in Political Science and Bachelor of Laws degree from Far Eastern University. He is a candidate in Master of Laws from San Beda College-Graduate School of Law.

Committee(s): Anti-Money Laundering, Employee Discipline, and Management

Felipe V. Friginal (Filipino, 68 years old)

Mr. Felipe V. Friginal was appointed as the Retail Banking Segment Head in 2021 holding the rank of First Vice President. He joined PBB in 2004 as Vice President spearheading the Bank's Branch Banking Group until 2017.

He started his officer training in 1983 where he was included in the Management Development Program of UCPB for six months of classroom and on-the-job training. After completing his officer training program, he held his first officer post as a Cashier in three different branches in Laguna and Batangas. Mr. Friginal had various trainings and seminars in supervision, decision-making, crisis management/problem solving, leadership, Allen Management, organizational development, and basic and core credit.

Mr. Friginal is a Bachelor of Science Major in Business Administration – Marketing from Pamantasan Lungsod ng Maynila graduate and took his MBA degree in De La Salle University.

Committee(s): Anti-Money Laundering, Asset and Liability Management, Bid, Capital Planning, Credit, IT Steering, and Management

Rodel P. Geneblazo (Filipino, 51 years old)

Mr. Rodel P. Geneblazo is the First Vice President and Consumer Banking Group Head of PBB. He was appointed to this position in January 2018.

A seasoned banker, he has more than 20 years of experience in consumer finance and credit cycle management. He started his banking career at PCI Bank from 1996 to 2000 as Management Development Program Trainee and rose to Head the Consumer Finance Unit in General Santos City. He joined Chinatrust Bank from 2000 to 2008 and held the positions of Head of Mortgage Loans, Head of Product Development, and Head of Credit Policy & MIS. He went to East West Bank in 2008 to 2010 as Head of Credit Services.

In 2010, Mr. Geneblazo joined Sterling Bank of Asia as Head of Credit Services up to 2012. He then became the Managing Director of Knowledge Transfer Financial Consulting Services where he provided trainings, seminars, and consultancy works in the area of consumer and microfinance loans, credit cycle management, Collections, MIS & Analytics, product development and management, both for the private and public institutions from 2012 to 2014. He went back to the banking industry in 2014 and joined Philippine Veterans Bank as Head of MIS & Analytics, and later, as its Risk Officer.

He joined Philippine Business Bank in 2015 initially as a Consultant and later became the Head of PBB's Acquired Banks. He was appointed as President of Insular Savers Bank, Inc. (A Rural Bank), a rural bank that was acquired by PBB in 2015. He moved back to PBB in the beginning of 2018 and now serves as the Bank's Consumer Banking Group Head.

Mr. Geneblazo is a graduate of the Polytechnic University of the Philippines with a degree in Bachelor of Science in Mechanical Engineering in 1992 where he was also a scholar of the Hasegawa Universal Lab Corporation. He took his Masters in Business Administration degree in 1996 from the University of the Philippines and was a National Economic and Development Authority (NEDA) scholar.

Committee(s): Asset and Liability Management, Capital Planning, and Management

Eduardo R. Que (Filipino, 61 years old)

Mr. Eduardo Que, First Vice President and Group Head of Corporate Banking, joined PBB in 2012 after 31 years with Allied Banking Corporation. He top-notched his officer training class and was appointed official trainer / lecturer in the Officer Development Program of Allied Bank for subjects International Banking Operations (Foreign/Domestic Trade); Credit Management; Business Development; Account Management; and Loans and Corporate/Merchant Banking. He is the most senior account officer for Corporate Banking Division where he spent about 20 years.

He graduated college at De La Salle University with a Bachelor of Science in Commerce Major in Management of Financial Institutions degree and was a Dean's Lister. Mr. Que pursued his Masters in Business Administration at Ateneo de Manila, Rockwell and was full course Dean's Lister, batch top-notcher, and Gold Medal Awardee in academics.

Committee(s): Asset and Liability Management and Management

John David D. Sison (Filipino, 38 years old)

Mr. Dave Sison joined Philippine Business Bank in 2014. He leads the Bank's Corporate Planning and Investor Relations Group, which plays a key role in the bank's strategic management, investor relations functions, and M&A initiatives. He is also part of the MIS unit that leads the profit planning performance analysis of the Bank which assists senior management in the process of decision-making and tracks performance of the Bank's business units.

Prior to PBB, he was a private equity analyst with KGL Investment Company Asia from 2008 to 2013. Before joining KGL, Dave was an investment banking associate with PNB Capital & Investment Corporation, a boutique investment bank offering financial advisory, debt syndications, and corporate finance services. He began his career in finance as an investor relations analyst with ABS-CBN Corporation.

He graduated in 2006 with a Bachelor of Science degree in Management Engineering (an Honors Program) from the Ateneo de Manila University where he received training in traditional management disciplines (marketing, finance, operations management, organizational behavior, and strategic management), economics, and the social sciences in combination with skills development in qualitative and quantitative analysis, mathematics, statistics, and operations research. Mr. Sison completed the Value Investing Program at Columbia Business School in New York City.

Committee(s): Asset and Liability Management, Capital Planning, and Management

Miami V. Torres (Filipino, 60 years old)

Ms. Miami V. Torres is the Head of the Credit Management Group and holds the rank of First Vice President.

She has with her over 35 years of banking experience which started at United Coconut Planters Bank where she worked through all areas of branch operations from staff position, Branch Operations Officer, Branch Marketing Officer to Branch Head. Ms. Torres joined PBB in June 2002 as a Branch Head and was later on tasked to create and set up the Remedial and Special Assets Management Group. In 2010, she was assigned to head the Credit Services Group where she introduced significant changes in the credit processes. In 2016, her area of responsibility was expanded to include seven (7) different divisions namely: Credit Services, Credit Underwriting, Portfolio Management, Credit Administration, Remedial & Special Assets Management, Credit Policy & Technical Support, and the Insurance Desk. In her almost 18-year stay with the Bank, she had consistently introduced quite a number of very relevant changes and innovations, the benefits of which ran across the entire Bank.

She is a double-degree holder – AB Behavioral Science and BSC Accounting from the University of Santo Tomas and is a Certified Public Accountant.

Committee(s): Credit, Management, and Remedial and Special Assets Management

Jose Maria P. Valdes (Filipino, 66 years old)

Mr. Jose Maria P. Valdes was appointed Information Technology Group Head in 2017 with the rank of First Vice President.

A prominent figure in the field of IT, Mr. Valdes started his career with Carlos J. Valdes & Co. CPAs as a Senior Consultant from 1979 to 1988; City Trust Banking Corp. as IT Manager from 1988 to 1992; and he became the IT Director for Dart Philippines from 1992 to 1997. He came back to the banking industry as Chief Information Officer at ChinaTrust Bank from 1997 to 2002; and CIO again at Export and Industry Bank from 2002 to 2008. Prior to joining PBB, he was IT Director at Encash, Inc. from 2008 to 2017.

Mr. Valdes graduated from the De La Salle University with a double degree in Bachelor of Science in Commerce major in Management of Financial Institutions and Bachelor of Arts in Behavioral Sciences.

Committee(s): IT Steering and Management

Marily M. Cabuco (Filipino, 55 years old)

Ms. Marily Cabuco is PBB's Chief Internal Auditor. She brings with her over 30 years of experience in audit. Ms. Cabuco was previously connected with Toyota Financial Services Philippines Corporation (TFSPH) as Chief Audit Executive with the rank of Vice President since June 2015. Prior to TFSPH, she was with Metrobank for 17 years (August 1998 – May 2015) where she handled head office, branch and subsidiaries & associates audit as Division Head.

Before her stint with MBTC, she was with Security Bank & Trust Co. for 10 years as Department Head of Branch Lending Center, Department Head / Audit Officer of Head Office and Branch and as Branch Cashier. She also had a short stint with Sycip, Gorres & Velayo (SGV) as Staff Auditor.

She is a Certified Public Accountant (1988), Certified Internal Auditor (2008), Certified Financial Services Auditor (2009). She also passed the Civil Service Eligibility (1988).

Committees: Bid, Employee Discipline, and Management

Atty. Roberto S. Santos (Filipino, 73 years old)

Atty. Roberto S. Santos is the Corporate Secretary and Head of the Legal Services Group and holds the position of Vice President.

In his over 35 years of experience in banking and finance, he was a Manager at Traders Royal Bank since 1980, held various executive positions with Security Bank from 1982 to 1999, General Manager of Security Finance Corporation from 1997 to 2001, and was the Head of the Legal Department of Metrobank Card Corporation from 2002 to 2004. Atty. Santos later joined PBB as Assistant Vice-President in 2008. He attended various seminars on Anti-Money Laundering, Corporate Governance, update on relevant tax laws, corporate rehabilitation, PSE and SEC regulations, Letters of Credit transactions, credit and collections, and other pertinent banking laws and regulations.

Atty. Santos received his law degree from the University of the East and is a graduate of Bachelor of Arts from the same university.

Committee(s): Anti-Money Laundering, Management, and Remedial and Special Assets Management

Ma. Joyce G. Zarate (Filipino, 59 years old)

Ms. Joyce Zarate brings with her over 25 years of expertise and experience in corporate communications, branding, and product development gained from thrift, commercial and universal banks. In coordination with the Information Technology Group (ITG) and the business units, she spearheads the Bank's bid to position its brand and product offerings in the digital banking space through the development of digital channels that will further enhance service delivery and customer experience.

She had stints in East West Bank as Head of Marketing Communications, AIG Philam Bank as Head of Marketing Services, United Overseas Bank and PNB in the fields of product development and management, and public relations. Prior to joining PBB in 2018, she was head of Marketing Communications and Customer Experience at China Bank Savings.

She is a graduate of Bachelor of Arts in Economics with minor studies in Mathematics from the University of the Philippines – Diliman. She completed masteral units in Economics at Ateneo de Manila University. Also, she took a non-degree course at De La Salle College of Saint Benilde's School of Professional & Continuing Education for Product Development and Management.

Committee(s): Management

Judith C. Songlingco (Filipino, 51 years old)

Ms. Judith Songlingco is PBB's Head of Corporate Communications and Corporate Affairs, acting as the link of the company to the external stakeholders, she has worked across sectors in communication including advertising, corporate communications, marketing communications, public relations, events, and business development. With over 25 years of a wealth of experience and creative mind, she puts her imprint on the Bank's communications and events. She joined PBB in 2011 with a rank of Assistant Vice President.

Ms. Songlingco began her career with Far East Bank & Trust Co. in December 1992 as a credit analyst under the Retail Banking Group before moving to the Branch Banking Group as a marketing trader. She later pursued her career in the academe where she taught sophomore, junior and senior college students Marketing Management, Product Development and Advertising & Promotions subjects at the De La Salle University –Dasmarinas, where she also was appointed the Junior Marketing Association (JMA) coordinator of the university. In 1999, she shifted back to the banking industry as a Product Development Officer at Maybank Phil. Inc. under the Consumer Banking Division developing the deposit and loan products, promotional campaigns and was tasked to handle the Customer Service Department and the Consumer Sales Department as a lecturer and speaker. She joined East West Bank in 2004 as the Head of Marketing where she handled product development, had the opportunity to launch promotional campaigns, host events and implement advertising and promotions. In 2008, she moved to Robinsons Bank as the Marketing Support Services Group Head. Ms. Songlingco managed communications for the bank, including public relations, speech writing, advertising and promotions. She also handled corporate events and new product development and enhancement.

Prior to joining PBB, she was the Marketing Head of the University Physicians Medical Center - a private multispecialty outpatient diagnostic and surgical center situated within the University of the Philippines Manila – Philippine General Hospital (UPM-PGH). She has created and implemented various PR campaigns, planned events with high-level government officials and directed media logistics for a national conference. She also headed the Customer Service Department of UPMC and handled media relations.

Ms. Songlingco is an active Bank Marketing Association of the Philippines (BMAP) member. This is her third term as a BMAP Director and is the association's Auditor. She was elected Director of Membership in 2019 and Director for Programs and Ways and Means in 2018.

She obtained her Bachelor of Science in Commerce major in Marketing Management degree from St. Scholastica's College and holds a Master's Degree in Business Administration - Dean's List Inclusion, from the De La Salle University.

Committee(s): Management

Identify Significant Employees

Although PBB has relied on and will continue to rely on the individual and collective contributions of each of its executive officers, senior operational personnel and non-executive employees, PBB believes that it does not depend on the services of a particular employee and that there is no employee that the resignation or loss of whom would have a material adverse impact on its business.

Family Relationships

Ambassador Alfredo M. Yao and Leticia M. Yao are siblings.

Jeffrey S. Yao is the son of Ambassador Alfredo M. Yao.

Liza Jane T. Yao and Jeffrey S. Yao are spouses.

Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among directors, executive officers, and nominees for election as directors.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Bank have been involved in any legal proceedings during the past five (5) years, including without limitation being the subject of any:

1. Bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time;

2. Conviction by a final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Order, judgment or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities commodities or banking activities; and

4. Order or judgment of 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 finding him/her to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

The following table sets forth the aggregate compensation received by its key management officers:

In ₱ millions		**Aggregate Compensation Paid as a Group**		
NAME	**POSITION**	**2020**	**2021**	**2022**
CEO and the four (4) most highly compensated officers of the Bank namely: Rolando R. Avante Joseph Edwin S. Cabalde Arlon B. Reyes Rosendo G. Sia Cynthia A. Almirez	 President & CEO EVP - Treasurer EVP - Head of Commercial Banking Group SVP - Head of Retail Sales Group VisMin SVP/Controller, Head of Operations and Control Group, Chief Operations Officer	46.02	32.28	**35.71**

Total Aggregate Compensation of Directors and Officers of the Bank as a group:	**Salary**	**Other Compensation**	**Bonus**	**Total**
2020	463.44	36.14	108.25	607.83
2021	481.84	34.87	113.40	630.11
2022	**528.92**	**37.78**	**125.43**	**692.13**

Compensation of Directors

Each director of the Bank receives a per diem allowance of ₱40,000.00 determined by the Board of Directors for attendance in a Board meeting and a ₱10,000.00 allowance for attendance in a committee meeting. The Directors are also entitled to a monthly gasoline allowance of ₱5,000.00. Except as disclosed above, none of these Directors receive any additional compensation for any special assignments.

Except for each of the individual Directors' participation in the Board, no Director of the Bank enjoys other arrangements such as consulting contracts or similar arrangements.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

PBB has executed pro-forma employment contracts with its staff and officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no arrangements for compensation to be received by these named executive officers from the Bank in the event of a change in control of the Bank.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The following persons own at least five per cent (5%) of the Bank's outstanding common shares as of December 31, 2022:

Title of Class	Name, Address of Record Owners and relationship with the issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	No. of shares held	Per cent of class
Common	Alfredo M. Yao 84 Dapitan St. corner Banawe St. Sta. Mesa Heights, Quezon City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	239,838,309	37.26%
Common	Zest-O Corporation 574 EDSA Caloocan City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	162,052,923	25.17%
Total Common Shares				401,891,232	62.43%

On November 16, 2012, the SEC approved PBB's application for the amendment of its articles of incorporation to increase its authorized capital stock from ₱3.0 billion to ₱10.0 billion and for a decrease in par value from ₱100.0 to ₱10.0.

On April 20, 2022, the Board of Directors approved the increase of PBB's authorized capital stock to ₱15.0 billion from ₱10.0 billion, approved by the BSP on November 28, 2022 and the SEC on January 19, 2023. PBB is increasing its authorized capital stock with the intention of raising capital via stock rights offering which will greatly expand the Bank's capability to develop more businesses and harness opportunities in the financial services space. The increase will enable PBB to meet the growing demands of the banking business.

In support of the increase in authorized capital stock, the principal shareholders of PBB subscribed to ₱1.25 billion of common stock, equivalent to 25% of the ₱5.0 billion increase in authorized capital stock. On January 10, 2023, the principal shareholders fully paid the balance of their subscription in the increase in authorized capital stock. PBB also raised ₱500.00 million, priced at ₱10.00, from its stock rights offering; the SRO shares were listed on the PSE on March 31, 2023. The private placement and the stock rights offer collectively resulted in a capital raise of ₱1.75 billion.

Security Ownership of Management

The following directors and executive officers of the Company directly own approximately 1.01% percent of the Company's issued and outstanding common stock as of December 31, 2022 as follows:

Name of Director	Nationality	Present Position	No. of Shares	Class
Jeffrey S. Yao	Filipino	Chairman	1,620,536	Common
Rolando R. Avante	Filipino	Vice Chairman and President / CEO	2,240,822	Common
Honorio O. Reyes-Lao	Filipino	Director	254,998	Common
Leticia M. Yao	Filipino	Director	1,620,536	Common
Roberto A. Atendido	Filipino	Director	108,750	Common
Benjamin R. Sta. Catalina	Filipino	Independent Director	56,358	Common
Narciso D.L. Eraña	Filipino	Independent Director	100	Common
Atty. Roberto C. Uyquiengco	Filipino	Independent Director	1,000	Common
Asterio L. Favis, Jr.	Filipino	Independent Director	100	Common
Benel D. Lagua	Filipino	Independent Director	1,100	Common
Diosdado M. Peralta	Filipino	Independent Director	100	Common
Cynthia A. Almirez	Filipino	Chief Operating Officer	157,000	Common
Consuelo V. Dantes	Filipino	Human Resources Group Head	235,133	Common
Rolando G. Alvendia	Filipino	General Accounting Center Head	123,599	Common
Felipe V. Friginal	Filipino	Retail Banking Segment Group Head	5,624	Common
Miami V. Torres	Filipino	Credit Management Group Head	7,500	Common
Enrico T. Teodoro	Filipino	System Support and Application Development Center Head	1,874	Common
Laurence R. Rapanut	Filipino	Branch and Operations Group Head	24,374	Common
Judith C. Songlingco	Filipino	Corporate Affairs Head	2,000	Common
Joseph Edwin S. Cabalde	Filipino	Treasurer	14	Common
Atty. Roberto Santos	Filipino	Corporate Secretary	15,000	Common

The aggregate shareholdings of the Bank's Directors and Officers as a group is 1.01% with a total of 6,476,518 number of shares.

Voting Trust Holders of 5% Or More

The Bank is unaware of any person holding more than five per cent (5%) of shares under a voting trust or similar agreement.

Changes in Control

There have been no arrangements that have resulted in a change of control of the Bank during the period covered by this report.

Item 12. Certain Relationships and Related Transactions

The Bank's related parties include entities under common ownership, key management and others as described below.

	2021		**2022**	
	Transaction	Balance	**Transaction**	**Balance**
Key management personnel				
Compensation	201,006,922	-	**193,106,967**	**-**
Deposit liabilities	23,381,665	104,250,875	**(70,219,016)**	**32,072,650**
Loans	7,996,369	16,958,252	**(7,101,214)**	**9,857,038**
Interest expense	468,908	-	**215,806**	**-**
Interest income	1,208,365	1,445,767	**(846,286)**	**599,481**
Other related parties:				
Deposit liabilities	216,755,922	8,004,070,546	**764,053,229**	**8,550,573,641**
Loans	(559,959,065)	143,429,638	**553,051,659**	**696,481,297**
Interest expense	51,631,841	-	**68,083,107**	**-**
Interest income	20,662,763	22,090,046	**(4,011,453)**	**18,078,593**
Retirement Fund				
Contribution	37,943,819	-	**37,943,819**	**-**
Plan Assets	28,449,427	286,806,438	**24,139,206**	**306,774,356x**

i. DOSRI Deposits

The total balance of DOSRI deposits is inclusive of the corresponding related accrued interest included in the financial statements as of December 31, 2021 and 2022.

Deposit liabilities transactions with related parties have similar terms with other counterparties (see Note 16).

ii. DOSRI Loans

The Bank has loan transactions with its officers and employees. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

The General Banking Act of the BSP provides that in aggregate, loans to DOSRI generally should not exceed the Bank's total equity or 15% of the Bank's total loan portfolio, whichever is lower. In addition, the amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their deposits and the book value of their investments in the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation. As of December 31, 2021 and 2020, the Bank has satisfactorily complied with the BSP requirement on DOSRI limits.

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines:

	December 31, 2021	**December 31, 2022**
Total outstanding DOSRI loans	₱ 709,762	₱ 702,982
% of loans to total loan portfolio	0.8%	0.7%
% of unsecured loans to total DOSRI/related party loans	8.3%	7.0%
% of past due loans to total DOSRI/related party loans	0.0%	0.0%
% of non-performing loans to total DOSRI/related party loans	0.0%	0.0%

The Bank leases the following properties from affiliated parties:

Property	**Owner**
Banawe Branch	Solmac Marketing Inc.
Edsa-Calookan	Solmac Marketing Inc.
Quintin Paredes	Downtown Realty Investment Corporation
Grace Park	SMI Development Corporation
Z-Square Mall (5th Floor Roof Deck)	SMI Development Corporation
Makati	AMY Leasing Company
Taguig City Branch-Lite Unit	SMI Development Corporation
Z-Square Mall (Del Monte Branch ATM Off-site)	SMI Development Corporation

iii. Transactions with Retirement Fund

The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments by any restrictions or liens.

iv. Key Management Personnel Compensation

Salaries and short-term benefits received by key management personnel are summarized below.

	2020	2021	**2022**
Short-term benefits	₱ 167,058,946	₱ 184,540,152	**₱ 193,106,967**
Post-employment benefits	6,884,595	16,466,770	**6,923,573**
Total	₱ 173,943,541	₱ 201,006,922	**₱ 200,030,540**

The composition of the Bank's short-term benefits are as follows:

	2020	2021	**2022**
Salaries and wages	₱ 129,013,729	₱ 140,142,135	**₱ 147,856,807**
Bonuses	32,227,373	34,779,490	**37,497,977**
Social security costs	2,531,250	4,921,757	**2,935,449**
Other short-term benefits	3,286,595	4,696,770	**4,816,735**
Total	₱ 167,058,946	₱ 184,540,152	**₱ 193,106,967**

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Board of Directors, management, staff, and shareholders of Philippine Business Bank believe that corporate governance is an indispensable component of what constitutes sound strategic business management and commits to the best practices contained in the board approved Corporate Governance Manual that institutionalize the principles of good corporate governance in the entire organization.

PBB is committed to conform to the highest standards of ethics and corporate governance and to comply with all governing laws, rules, and regulations and with established corporate policies and procedures, thereby maintaining excellence in all aspects of its operations.

The Bank, as a publicly listed institution, is being regulated and supervised by the Bangko Sentral ng Pilipinas and Securities and Exchange Commission. Hence, activities of the Bank are subject to the following relevant laws and regulations such as but not limited to: General Banking Law of 2000 (RA No.8791), Manual of Regulations for Banks, Revised Corporation Code of the Philippines, and anti-money laundering rules and regulations.

The Bank as an Operator of Payment System (OPS) also adheres to the BSP Corporate Governance Framework for OPS. Further, the Bank is also bound to follow the Sustainability Finance Framework implemented by SEC and BSP. Details of which are shown separately in the Sustainability Report of the Bank.

As a testament to the Bank's success in its untiring quest to institutionalize good corporate governance practices, it was bestowed "***1 Golden Arrow Award***" recognition from the 2022 ASEAN Corporate Governance Scorecard (ACGS) by Ms. Ma. Victoria C. Españo, Chairperson and CEO of P&A Grant Thornton Philippines on January 27, 2023.

Responsibilities of the Bank's Board of Directors:

- Define the Bank's corporate culture and values
- Responsible for approving the Bank's objectives and strategies and in overseeing management's implementation thereof
- Responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel
- Responsible for approving and overseeing implementation of the Bank's corporate governance framework and risk governance framework

Major role and contribution of the Chairman of the Board

The Chairman of the Board shall provide leadership and ensure effective functioning of the Board of Directors, including maintaining a relationship of trust with the members. He shall:

1. Ensure that the meeting agenda focuses on strategic matters, including discussion on risk appetites and key governance concerns;
2. Ensure a sound decision-making process;
3. Encourage and promote critical discussion;
4. Ensure that views can be expressed and discussed within the decision-making process;

5. Ensure that members of the Board of Directors receive accurate, timely, and relevant information;
6. Ensure the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and
7. Ensure conduct of performance evaluation of the board of directors at least once a year.

Name of Directors	Board		Executive		Audit		Corporate Governance	
	Attended	%	Attended	%	Attended	%	Attended	%
Jeffrey S. Yao	14	93%	12	100%				
Rolando R. Avante	15	100%	12	100%				
Roberto A. Atendido	13	87%					11	92%
Honorio O. Reyes-Lao[1]	15	100%	12	100%	3	100%		
Benjamin R. Sta. Catalina, Jr.	14	93%			12	92%		
Leticia M. Yao	15	100%						
Narciso DL. Eraña	14	93%					12	100%
Atty. Roberto C. Uyquiengco	14	93%			13	100%	12	100%
Asterio L. Favis, Jr.	14	93%			12	92%		
Benel D. Lagua	14	93%			12	92%	12	100%
Diosdado M. Peralta[2]	13	100%					11	100%
Total number of meetings held during the year 2022	**15[3]**		**12**		**13[4]**		**12**	

Name of Directors	Related Party Transactions		Risk Oversight		Trust	
	Attended	%	Attended	%	Attended	%
Jeffrey S. Yao						
Rolando R. Avante					6	100%
Roberto A. Atendido			11	92%	5	83%
Honorio O. Reyes-Lao			11	100%	1	100%
Benjamin R. Sta. Catalina, Jr.	11	92%	11	92%		
Leticia M. Yao					6	100%
Narciso DL. Eraña[5]	12	100%	12	100%	5	100%
Atty. Roberto C. Uyquiengco			12	100%		
Asterio L. Favis, Jr.	12	100%	11	92%		
Benel D. Lagua			12	100%		
Diosdado M. Peralta	11	100%				
Total number of meetings held during the year 2022	**12**		**12**		**6**	

1. Stepped down as Trust Committee Chairman and Member last 20 April 2022 Regular Board Meeting and Appointed as Audit Committee Member last 21 September 2022
2. Elected last 19 January 2023 Regular Board Meeting
3. 12 Regular Board Meeting and 3 Special Board Meeting Held
4. 12 Regular Audit Committee Meeting and 1 Special Audit Committee Meeting
5. Appointed as Trust Committee Member last 20 April 2022 Regular Board Meeting

Review process by the Board to Ensure Effectiveness and Adequacy of Internal Control System

To ensure that the Board is properly and timely apprised of all material corporate governance concerns as well as matter requiring immediate Board action, a review process was adopted to ensure effectiveness and adequacy of internal control system.

The oversight/control units of the bank namely: Internal Audit, Compliance Center, and Enterprise Risk Management Group held 12 monthly reporting discussions and meetings with their respective board level committees to discuss relevant and pressing control issues. The respective committees then had free and unhampered discussions on effectiveness and adequacy of the bank's internal control system. These matters were raised by the Committee Chairmen to the Board for information and immediate action.

In addition, the Chairman of the Corporate Governance Committee held a separate meeting with the Bank's management to discuss items which needs immediate action as well as issues that may pose significant corporate governance concerns in the future.

Related Party Transactions

The Board of Directors have the 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 to protect the interest of depositors, creditors, and other stakeholders. The Board is responsible for approving all material RPTs, those that cross material threshold, and write-off of material exposures to related parties, and submits the same for confirmation by majority vote of the stockholder in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall be approved by the Board of Directors. The Board of Directors delegated to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the Board of Directors. This excludes DOSRI transactions, which are required to be approved by the Board.

The Board of Directors constituted an RPT Committee who will:

1. Evaluate on an on-going basis the existing relationship between and among businesses and counterparties to ensure that all related parties are continuously identified, monitored, and subsequent relationships with counterparties are captured;

2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions;

3. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures and policies on conflict of interest or potential conflict of interest;

4. Report to the Board of Directors on a regular basis the status and aggregate exposure to each related party;

5. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review; and

6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting the RPTs including the periodic review of RPT policies and procedures.

The senior management shall implement appropriate controls to effectively manage and monitor RPTs.

PBB's RPT shall be allowed provided that these comply with applicable regulatory/internal limits/requirements and dealings are conducted at arm's length basis. Said transactions shall only be made and entered into substantially on terms and conditions not less favorable than those with other customers of comparable risks.

RPTs shall not require the approval of the Board of Directors, except on the following:

1. Transactions with DOSRI which presently require prior approval from the BOD under existing policy of the Bank and in accordance the MORB; and
2. RPTs that exceed the material threshold amounts, as approved by the Board.

Approval of the RPT with non-DOSRI and those that do not exceed the material threshold amounts shall be in accordance with the revised policy on levels of signing authority, as approved by the Board. All RPTs that cross the threshold amounts shall be considered as material RPTs and shall be subject to pre-board approval evaluation by the RPT Committee before the same are endorsed to the Board for approval. All approved RPTs shall be reported by the booking/contracting units to the Central Operations Group (COG) upon approval of the transaction/signing and notarization of the contract for MIS disclosure and regulatory reporting purposes.

If an actual or potential conflict of interest arises on the part of the director, officer or employee, he is mandated to fully and immediately disclose the same and should not participate in the decision-making process related to the transactions. Any member of the Board who has an interest in the transaction under evaluation shall not participate therein and shall abstain from voting on the approval of transaction.

Transactions that were entered into with unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in the policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the RPT to the requirements of the RPT Policy.

To ensure that RPTs are done at arm's length, all transactions with related parties shall undergo the normal/regular transaction processing and approval. Interest on loans and other credit accommodations and deposit/deposit substitute shall be consistent with the price discovery mechanism/standards of the bank as posted in its website. Other economic terms of RPTs shall likewise be based on existing policy of the bank. All RPTs with deviation shall be subject to evaluation and endorsement by the RPT Committee to the Board of Directors for approval, regardless of amount, and shall be supported by written justifications. Price discovery mechanism for ROPA and selection of service providers and supplier are also mentioned in the RPT policy of the Bank.

Materiality thresholds for each type of transactions with each related party or group of related parties are specified in the RPT Policy. Internal limits for individual and aggregate exposures are also defined in the RPT Policy to ensure that RPTs are within prudent levels.

As a publicly listed company that is regulated by the Securities and Exchange Commission, the Bank also adheres and complies with SEC rules and regulations for related party transactions such as but not limited to SEC Memorandum Circular No. 010 Series of 2019 (Rules on Material Related Party Transactions).

Self-Assessment Function

The control environment of the Bank consists of:

a. Board of Directors - ensures that PBB is properly and effectively managed and supervised;
b. Management - manages and operates the Bank in a sound and prudent manner;
c. Organizational and procedural controls supported by effective management information and risk management reporting system; and
d. An independent audit mechanism to monitor the adequacy and effectiveness of the Bank's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

Consumer Protection Practices

A. Board and Senior Management Oversight Function

a. Board of Directors

The Board shall be primarily responsible for approving and overseeing the implementation of policies governing major areas of the Bank's consumer protection program, including the mechanism to ensure compliance with the set policies.

The roles of the Board shall include the following:

i. Approve the consumer protection policies;
ii. Approve risk assessment strategies relating to effective recourse by the consumer;
iii. Provide adequate resources devoted to consumer protection; and
iv. Review the applicable policies periodically.

b. Senior Management

The senior management shall be responsible for the proper implementation of the consumer protection policies and procedures duly approved by the Board. Also, its role shall focus on ensuring effective management of day-to-day consumer protection activities.

B. Consumer Protection Risk Management System

The Bank's Consumer Protection Risk Management System (CPRMS) shall form part of the Corporate-wide Risk Management System. It is a means to identify, measure, monitor and control consumer protection risks. Risk Management Strategies shall include appropriate management controls and reasonable steps to ensure that:

a. it identifies and remedies any recurring or systematic problems; and
b. identifies weaknesses in internal control procedures or process.

This may be done by:

a. analyzing complaints/requests data;
b. analyzing causes for complaints/requests;
c. consideration whether such identified weaknesses may also affect other processes or products, including those not directly complained of/requested; and
d. correcting whether reasonable to do so, such causes taking into consideration the concomitant costs and other resources.

C. Consumer Assistance Management System

The Consumer Assistance Management System (CAMS) is a mechanism that records all complaints filed by customers either through the BSP or directly to the concerned branch. The system also monitors the status of the complaints' processing and resolution.

The general process of handling customer complaints is as follows:

a. The client may lodge his/her complaint through any of the following means:

   i. By personally visiting the concerned branch/head office unit (where he/she shall be asked to fill out the Customer Complaint Form [CCF]);
   ii. Through telephone via the following contact numbers: or

Telephone Numbers	Available Time
Branch/H.O. unit	9:00 AM – 4:00 PM (Monday to Friday)
Consumer Protection Direct Line • (02) 8363-4357 • (02) 8244-9176 Domestic Toll Free Hotline • 1-800-1-888-4357	9:00 AM – 4:00 PM (Monday to Friday)
Card-related Concerns Hotline/PBB Helpdesk • (02) 8363-3000 Domestic Toll Free Hotline • 1-800-10-363-3000	24 hrs. (Monday to Sunday)

   iii. Via e-mail at consumerprotection@pbb.com.ph
   iv. Scanning the QR Code posted in Philippine Business Bank website

b. The concerned branch/HO Consumer Assistance Officer (CAO) shall validate the complaint received from the customer. If the complaint can be resolved immediately/upfront, he/she shall explain to the client the resolution of the complaint. If the complaint cannot be resolved immediately, he/she shall explain to the client the following timeline (which are reckoned from the date of receipt of the complaint):

	If the complaint is classified as "Simple"	**If the complaint is classified as "Complex"**
Acknowledgment	Within 2 days	Within 2 days
Processing and resolution (assess, investigate, and resolve)	Within 7 days	Within 45 days
Communication of resolution	Within 9 days	Within 47 days

The Consumer Assistance Officer (CAO) shall transmit the CCF to the Consumer Protection Unit via e-mail.

c. The complaint shall pass through the Consumer Protection Officer (CPO) or the PBB Helpdesk (if the complaint is lodged via telephone), who shall acknowledge receipt of the same and shall obtain/record the details of the compliant in the CAMS. The CPO (or PBB Helpdesk) shall then assign the complaint to the concerned support group.

d. The support group retrieves the complaint received through the CAMS or e-mail (whichever is applicable) and performs the necessary corrective actions based on the nature of the complaint. The resolution made on the complaint shall then be recorded accordingly in the CAMS or reply via e-mail (whichever is applicable).

e. Once the complaint has been resolved by the Support Group, the CPO shall tag it as closed in the CAMS. The CPO (or the PBB Helpdesk) shall also be the one to generate and submit the Customer Complaint Summary Report monthly to the Consumer Protection Head.

f. The Consumer Protection Head shall perform the following tasks:

   i. Monitor and evaluate customer complaints handling process;
   ii. Analyze the nature of the complaints and recommends solutions to avoid recurrence;
   iii. Extract generated complaints report monthly except when it is urgently needed to be submitted to and reviewed by the HR Head;
   iv. Recommend the resolution of the case or if needed to be elevated to proper authorities or needed to be taken up in the Committee on Employee Discipline (CED), if applicable;
   v. Report to senior management on a quarterly basis the complaints received and the resolutions applied;
   vi. Report periodically to the Board all complaints received within the period as stated; and
   vii. Make recommendation and assessment on the cases filed to avoid recurrence in the future.

g. To assess if the complaints have been resolved at the highest degree of satisfaction, the Bank also asks feedback through its Complaint Handling Feedback Form. This is sent via email to the concerned client after a complaint's resolution. In addition, and to ensure consistency in the level of service rendered after the complaint filing, the Bank monitors the implementation of the resolution after 30, 60, and 90 days through Service Recovery Strategy (SRS) Tracking System.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Annex A…………………………………………. Audited Financial Statements

(b) Reports on SEC Form 17-C

State whether any reports on SEC Form 17-C, as amended were filed during the last six-month period covered by this report, listing the items reported, any financial statements filed and the dates of such.

SIGNATURES

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

By:

JEFFREY S. YAO Chairman	**ROLANDO R. AVANTE** Vice Chairman and President/CEO
CYNTHIA A. ALMIREZ Operations and Control Group Head	**ROLANDO G. ALVENDIA** Chief Accountant
ATTY. ROBERTO S. SANTOS Corporate Secretary	

SUBSCRIBED AND SWORN to before me this _____ day of _________ 20__ 17 APR 2023 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	TIN NO.
JEFFREY S. YAO	121-076-085
ROLANDO R. AVANTE	106-968-623
CYNTHIA A. ALMIREZ	107-181-857
ROLANDO G. ALVENDIA	107-182-307
ROBERTO S. SANTOS	123-467-623

ATTY. DAVID S. EÑANO JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2023
Ptr No. 4097229D / JANUARY 11, 2023 Q.C.
IBP NO.500285 / 2-16-03 Q.C.
ROLL NO. 33613
MCLE NO. VI-0016834 / 2022

Notary Public

DOC# 84
PAGE# 17
BOOK# XX
SERIES OF 2023

PHILIPPINE BUSINESS BANK
a savings bank

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Philippine Business Bank, Inc.** (the Bank), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

JEFFREY S. YAO
Chairman of the Board

SUBSCRIBED AND SWORN to before me on 17 APR 2023
affiant/s exhibiting to me his/her Government - issued
ID/s bearing his/her Photograph/s and Signature/s

ROLANDO R. AVANTE
Vice Chairman, President & CEO

CYNTHIA A. ALMIREZ
SVP Head OCG & COO

Roberto Santos Jr.
Notarial Commission: C-442
Notary Public for Caloocan City until 31 Dec. 2024
PTR AA No. 0139414 01/03/2023 Pasig City
IBP OR No. 181088 12/29/2022 CALMANA
MCLE No. VII-0006218 valid until 14 April 2025

Signed this 14th day of April, 2023.

Doc. No. 281
Page No. 58
Book No. 9
Series of 2023

From: eafs@bir.gov.ph
Sent: Monday, April 17, 2023 11:47 AM
To: EAFS@PBB.COM.PH
Cc: ALVENDIA_RG@PBB.COM.PH
Subject: Your BIR AFS eSubmission uploads were received

Hi PHILIPPINE BUSINESS BANK INC,

Valid files

- EAFS005469606RPTTY122022.pdf
- EAFS005469606OTHTY122022.pdf
- EAFS005469606AFSTY122022.pdf
- EAFS005469606ITRTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-43R3MPW407HEC9KCDQXZVZT3Q0C7FGCEH9**
Submission Date/Time: **Apr 17, 2023 11:47 AM**
Company TIN: **005-469-606**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

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

This is a system-generated e-mail. Please do not reply.

P&A Grant Thornton

FOR SEC FILING

Financial Statements and
Independent Auditors' Report

Philippine Business Bank, Inc., A Savings Bank

December 31, 2022, 2021 and 2020

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
Philippine Business Bank, Inc., A Savings Bank
350 Rizal Avenue Extension corner 8th Avenue
Grace Park, Caloocan City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Philippine Business Bank, Inc., A Savings Bank (the Bank), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the key audit matters identified in our audit of the financial statements of the Bank:

(a) Expected Credit Loss for Loans and Other Receivables

Description of the Matter

As at December 31, 2022, the Bank's loans and other receivables and Expected Credit Loss (ECL) allowance on loans and other receivables amounted to P103.5 billion and P5.0 billion, respectively (see Note 12). We have identified the Bank's ECL model on loans and other receivables as a key audit matter because this:

- requires significant management judgment on the interpretation and implementation of the requirements of PFRS 9, *Financial Instruments*, in assessing impairment losses based on an ECL model that involves segmenting credit risk exposures, defining when does default occur and what constitutes a significant increase in the credit risk (SICR) of different exposures;

- involves high degree of estimation uncertainty related to management's use of various inputs and assumptions applied in the ECL model such as credit risk rating and flow rates of the counterparty, expected amount and timing of cash flows, including recovery of collaterals for defaulted accounts, and forward-looking macroeconomic information which may be affected by management estimation bias; and,

- requires complex estimation process that entails implementation of internal controls and use of information system in ensuring the completeness and accuracy of data used in the ECL calculation and in the preparation of required disclosures in the financial statements.

These judgments and estimates remained to be significant due to the continuing impact of COVID-19 pandemic to the Bank's loans and other receivables. With the continued improvement of the country's economic status, the Bank no longer imputed separate post-model adjustments it introduced to the existing ECL model in the prior years but rather considered the COVID-19 impact in the calculation of forward-looking macroeconomic information (overlay) and inclusion of observable information in the calculation of the probability of defaults for each loan portfolio. Consequently, the Bank continued to perform granular reassessment of borrowers based on continuing impact of COVID-19 to the customers' businesses and related industries as part of the Bank's own financial reliefs. This resulted in more complex judgment and a higher degree of estimation uncertainty in determining ECL on the Bank's loans and other receivables.

The summary of significant accounting policies and the significant judgment, including estimation applied by management, as those related to the credit risk assessment process of the Bank are disclosed in Notes 2, 3 and 4 to the financial statements. The other disclosures related to this matter are presented in Notes 12 and 28.

How the Matter was Addressed in the Audit

We obtained an understanding of the Bank's accounting policies and methodologies applied and we evaluated whether those: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the Bank's lending activities and asset portfolio that takes into consideration the different segments of credit exposures and the relevant regulatory framework; and, (c) are supported by pertinent processes and controls, including documentations of the accounting policies that capture in sufficient detail the judgment, including estimation, applied in the development of the ECL model.

With respect to the use of significant judgment, including those involving estimation of inputs and assumptions used in the ECL model, we performed the following:

- engaged our Firm specialist to assist in evaluating the appropriateness of methodologies and assumptions used in the ECL calculation;

- assessed the Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and evaluated the appropriateness of the model applied for each loan portfolio;

- evaluated both the quantitative and qualitative criteria applied in the definition of default against historical analysis for each segment of loan portfolio and in accordance with credit risk management practices, and tested the criteria in the determination of the SICR, including assignment of a loan or group of loans into different stages of impairment;

- evaluated the Bank's granular reassessment of borrowers based on continuing impact of COVID-19 to the customers' businesses and related industries, and additional qualitative factors considered, specifically with respect to the Bank's financial relief measures that would elevate COVID-19 pandemic-related changes to SICR;

- tested the Bank's application of internal credit risk rating system for selected items of loans, and verified the mapping of the ratings to the ECL calculation;

- tested loss given default information across various types of loan by inspecting records of historical recoveries and relevant costs, including valuation and cash flows from collateral and write-offs;

- reconciled and tested exposure at default for all outstanding loans against the relevant loan databases, including review of the potential exposures from undrawn commitments against historical drawdown, if any; and,

- assessed the appropriateness of the identification of forward-looking information (overlays) used in the ECL model and validated their reasonableness against publicly available information and our understanding of the Bank's loan portfolios and industry where they operate.

As part of our audit of the ECL methodology, we tested the completeness and accuracy of the data used in the ECL model through reconciliation of loan data subjected to the ECL calculations, which were prepared by management outside its general ledger system, against the relevant financial reporting applications and other accounting records. Moreover, we tested the stratification of loan data that were disaggregated into various portfolio segments for purposes of ECL calculations. Furthermore, we tested the mathematical formula and the computation logics applied in the calculation of the different inputs in the ECL model and the estimation of the credit losses for all loans and other receivables subjected to impairment assessment.

We evaluated the completeness and appropriateness of the disclosures in the financial statements based on the requirements of the relevant financial reporting standards.

(b) Assessment of Goodwill and Branch Licenses Impairment

Description of the Matter

Under Philippine Accounting Standard 36, *Impairment of Assets*, the Bank is required to annually test the carrying amounts of its goodwill and branch licenses for impairment. As at December 31, 2022, goodwill amounted to P121.9 million, while the branch licenses amounted to P250.8 million (see Note 15). We identified this area as a key audit matter because the annual impairment test requires significant judgment and is based on assumptions which are internally developed or projected by management. This includes identification of cash generating units (CGUs) where the goodwill is allocated and the future cash flows of the identified CGUs, which are significantly affected by higher level of estimation uncertainty. The significant assumptions include the determination of the discount rate, growth rate and cash flow projections used in determining the value-in-use and the CGUs over which the goodwill and branch licenses were allocated. The Bank engaged a third-party valuation specialist to assist in determining the recoverable amount of goodwill and branch licenses. Management's significant assumptions include:

- the CGU will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,

- the CGU's performance forecast for the next five years.

The Bank's accounting policy on impairment of and disclosures about goodwill and branch licenses are included in Notes 2 and 15, respectively, to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the goodwill and branch licenses included, among others, the following:

- assessed the competence, objectivity, and capabilities of the third-party valuation specialist engaged by the Bank in considering their qualifications, experience and reporting responsibilities;

- evaluated the appropriateness and reasonableness of methodology and assumptions used in determining the value-in-use of CGUs attributable to the branch licenses and goodwill, which include the discount rate, growth rate and the cash flow projections, by comparing them to external and historical data, with assistance from our Firm's valuation specialists;

- tested the calculation of valuation model for mathematical accuracy and validating the appropriateness and reliability of inputs and amounts used;

- evaluated the adequacy of the financial statement disclosures relating to goodwill, branch licenses and impairment, including disclosure of key assumptions and judgments; and,

- compared the discount rate and long-term growth rate used against the industry and market outlook and other relevant consensus data.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Bank's Securities and Exchange Commission (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 financial statements and our auditors' report thereon. The SEC Form 20-IS, 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 auditors' report.

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

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

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

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2022 and 2021 required by the Bangko Sentral ng Pilipinas, and for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Notes 32 and 33 to the financial statements, respectively, are presented for purposes of additional analysis and are not required parts of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the 2022 audit resulting in this independent auditors' report is Maria Isabel E. Comedia.

PUNONGBAYAN & ARAULLO

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 9566629, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 92966-SEC (until financial period 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-021-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 31, 2023

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
RESOURCES			
CASH AND OTHER CASH ITEMS	9	**P 1,247,987,230**	P 1,430,787,675
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**6,102,228,578**	16,754,028,342
DUE FROM OTHER BANKS	10	**5,215,663,162**	3,474,970,323
TRADING AND INVESTMENT SECURITIES – Net	11		
At fair value through profit or loss (FVPL)		**2,222,021,039**	2,482,213,020
At fair value through other comprehensive income (FVOCI)		**10,820,216,925**	11,989,395,564
At amortized cost - net		**1,125,460,677**	883,787,046
LOANS AND OTHER RECEIVABLES – Net	12	**103,541,533,397**	91,674,544,156
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – Net	13	**708,318,079**	621,805,020
INVESTMENT PROPERTIES – Net	14	**1,257,271,069**	659,704,957
DEFERRED TAX ASSETS – Net	25	**1,356,780,139**	1,142,253,206
OTHER RESOURCES – Net	15	**952,585,285**	918,785,181
TOTAL RESOURCES		**P 134,550,065,580**	P 132,032,274,490
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	16		
Demand		**P 44,558,934,956**	P 47,578,111,107
Savings		**17,455,098,363**	23,206,594,816
Time		**52,512,126,159**	41,633,005,244
Total Deposit Liabilities		**114,526,159,478**	112,417,711,167
BILLS PAYABLE	17	**1,500,000,000**	-
CORPORATE NOTES PAYABLE	18	**-**	2,995,352,640
ACCRUED EXPENSES AND OTHER LIABILITIES	19	**3,947,573,513**	2,156,130,088
Total Liabilities		**119,973,732,991**	117,569,193,895
EQUITY	21		
Capital stock		**7,057,500,940**	7,057,500,940
Additional paid-in capital		**1,998,396,816**	1,998,396,816
Deposit on future stock subscription		**312,500,000**	-
Surplus		**6,812,226,971**	5,619,577,477
Revaluation reserves		**(1,604,292,138)**	(212,394,638)
Total Equity		**14,576,332,589**	14,463,080,595
TOTAL LIABILITIES AND EQUITY		**P 134,550,065,580**	P 132,032,274,490

See Notes to Financial Statements

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
INTEREST INCOME				
Loans and other receivables	12	**P 5,724,208,657**	P 5,586,338,153	P 6,516,984,585
Trading and investment securities	11	**637,292,253**	543,348,549	461,967,288
Due from Bangko Sentral ng Pilipinas and other banks	9, 10	**218,049,115**	204,977,490	124,201,484
		6,579,550,025	6,334,664,192	7,103,153,357
INTEREST EXPENSE				
Deposit liabilities	16	**976,041,438**	644,214,892	1,251,993,237
Bills payable	17	**25,239,713**	-	23,322,722
Corporate notes payable	18	**6,436,301**	171,200,433	171,693,218
Others	19, 23	**24,461,998**	22,906,674	28,568,854
		1,032,179,450	838,321,999	1,475,578,031
NET INTEREST INCOME		**5,547,370,575**	5,496,342,193	5,627,575,326
IMPAIRMENT LOSSES	28	**820,614,023**	747,357,300	2,335,791,829
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**4,726,756,552**	4,748,984,893	3,291,783,497
OTHER INCOME				
Service charges, fees and commissions		**727,958,296**	369,420,926	346,623,801
Trading gains – net	11	**-**	-	749,332,694
Miscellaneous – net	22	**218,226,956**	196,510,646	73,642,094
		946,185,252	565,931,572	1,169,598,589
OTHER EXPENSES				
Salaries and other employee benefits	23	**1,183,429,591**	975,882,289	1,054,049,100
Taxes and licenses		**647,080,896**	584,907,104	692,012,377
Trading losses – net	11	**402,252,951**	253,969,915	-
Depreciation and amortization	13, 14, 15	**328,281,618**	305,917,104	280,030,322
Occupancy	19	**260,086,593**	272,957,686	197,481,423
Insurance		**265,391,425**	263,368,784	242,332,405
Management and other professional fees		**192,763,571**	324,432,877	241,080,616
Representation and entertainment		**38,811,450**	45,010,803	50,688,230
Miscellaneous	22	**492,364,173**	495,574,483	506,445,711
		3,810,462,268	3,522,021,045	3,264,120,184
PROFIT BEFORE TAX		**1,862,479,536**	1,792,895,420	1,197,261,902
TAX EXPENSE	25	**551,030,042**	624,727,075	258,379,015
NET PROFIT		**P 1,311,449,494**	P 1,168,168,345	P 938,882,887
Earnings Per Share				
Basic and Diluted	29	**P 1.85**	P 1.81	P 1.46

See Notes to Financial Statements

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
NET PROFIT		**P 1,311,449,494**	P 1,168,168,345	P 938,882,887
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of post-employment defined benefit plan	23	**24,960,375**	11,603,384	(990,388)
Tax income (expense)	25	**(6,240,094)**	(9,280,963)	297,116
		18,720,282	2,322,421	(693,272)
Items that will be reclassified subsequently to profit or loss				
Fair value gains (losses) on investment securities at FVOCI during the year - net	11	**(1,404,660,931)**	(566,144,785)	414,518,483
Expected credit losses for FVOCI securities	11	**(6,564,187)**	-	-
Fair value losses (gains) reclassified to profit or loss during the year - net	11	**607,336**	(17,016,471)	(344,639,026)
		(1,410,617,782)	(583,161,256)	69,879,457
Other Comprehensive Income (Loss) - Net of Tax		**(1,391,897,500)**	(580,838,835)	69,186,185
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P 80,448,006)**	P 587,329,510	P 1,008,069,072

See Notes to Financial Statements

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	Capital Stock (see Note 21)			Additional Paid-in Capital (see Note 21)	Deposit on Future Stock Subscription (see Note 21)	Surplus (see Note 21)			Revaluation Reserves (see Note 21)			Total Equity
		Preferred Stock	Common Stock	Total			Appropriated	Unappropriated	Total	Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Accumulated Actuarial Losses	Total	
BALANCE AS AT JANUARY 1, 2022		P 620,000,000	P 6,437,500,940	P 7,057,500,940	P 1,998,396,816	P -	P 374,242,445	P 5,245,335,032	P 5,619,577,477	(P 125,395,426)	(P 86,999,212)	(P 212,394,638)	P 14,463,080,595
Deposit on future stock subscription	21	-	-	-	-	312,500,000	-	-	-	-	-	-	312,500,000
Dividends during the year	21	-	-	-	-	-	-	(118,800,000)	(118,800,000)	-	-	-	(118,800,000)
Appropriation during the year	21, 27	-	-	-	-	-	359,373,365	(359,373,365)	-	-	-	-	-
Total comprehensive income (loss)		-	-	-	-	-	-	1,311,449,494	1,311,449,494	(1,410,617,782)	18,720,282	(1,391,897,500)	(80,448,006)
BALANCE AS AT DECEMBER 31, 2022		**P 620,000,000**	**P 6,437,500,940**	**P 7,057,500,940**	**P 1,998,396,816**	**P 312,500,000**	**P 733,615,810**	**P 6,078,611,161**	**P 6,812,226,971**	**(P 1,536,013,208)**	**(P 68,278,930)**	**(P 1,604,292,138)**	**P 14,576,332,589**
BALANCE AS AT JANUARY 1, 2021		P 620,000,000	P 6,437,500,940	P 7,057,500,940	P 1,998,396,816	P -	P 46,814,378	P 4,404,594,754	P 4,451,409,132	P 457,765,830	(P 89,321,633)	P 368,444,197	P 13,875,751,085
Appropriation during the year	21, 27	-	-	-	-	-	327,428,067	(327,428,067)	-	-	-	-	-
Total comprehensive income (loss)		-	-	-	-	-	-	1,168,168,345	1,168,168,345	(583,161,256)	2,322,421	(580,838,835)	587,329,510
BALANCE AS AT DECEMBER 31, 2021		P 620,000,000	P 6,437,500,940	P 7,057,500,940	P 1,998,396,816	P -	P 374,242,445	P 5,245,335,032	P 5,619,577,477	(P 125,395,426)	(P 86,999,212)	(P 212,394,638)	P 14,463,080,595
BALANCE AS AT JANUARY 1, 2020		P 620,000,000	P 6,437,500,940	P 7,057,500,940	P 1,998,396,816	P -	P 541,778,181	P 2,970,748,064	3,512,526,245	P 387,886,373	(P 88,628,361)	P 299,258,012	P 12,867,682,013
Appropriation during the year	21, 27	-	-	-	-	-	2,563,095	(2,563,095)	-	-	-	-	-
Reversal of appropriation during the year	20	-	-	-	-	-	(497,526,898)	497,526,898	-	-	-	-	-
Total comprehensive income (loss)		-	-	-	-	-	-	938,882,887	938,882,887	69,879,457	(693,272)	69,186,185	1,008,069,072
BALANCE AS AT DECEMBER 31, 2020		P 620,000,000	P 6,437,500,940	P 7,057,500,940	P 1,998,396,816	P -	P 46,814,378	P 4,404,594,754	P 4,451,409,132	P 457,765,830	(P 89,321,633)	P 368,444,197	P 13,875,751,085

See Notes to Financial Statements

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 1,862,479,536**	P 1,792,895,420	P 1,197,261,902
Adjustments for:				
Interest income	9, 10, 11, 12	**(6,579,550,025)**	(6,334,664,192)	(7,103,153,357)
Interest received		**6,506,710,185**	6,349,841,558	6,829,853,954
Interest paid		**(1,057,649,309)**	(832,266,567)	(1,521,005,210)
Interest expense	16, 17, 18, 19, 23	**1,032,179,450**	838,321,999	1,475,578,031
Impairment losses	28	**820,614,023**	747,357,300	2,335,791,829
Depreciation and amortization	11, 12, 13	**328,281,618**	305,917,104	280,030,322
Unrealized (loss) gain on foreign currency revaluation of investment securities	11	**(197,693,919)**	(74,935,545)	95,954,725
Amortization of premium		**34,254,035**	21,852,544	42,467,101
Loss (gain) on sale of properties - net	22	**16,616,368**	(9,918,968)	(3,262,459)
Amortization of bond issue cost		**4,647,360**	7,667,366	7,261,617
Loss (gain) on redemptions of investment securities at FVOCI	11	**607,336**	(17,016,471)	(344,639,026)
Operating profit before working capital changes		**2,771,496,658**	2,795,051,548	3,292,139,429
Decrease (increase) in trading and investment securities at FVPL		**260,191,981**	9,618,710,119	(7,423,692,820)
Increase in loans and other receivables		**(13,764,592,500)**	(2,431,813,095)	(4,990,036,892)
Decrease in investment properties		**159,582,664**	45,811,821	16,381,174
Decrease (increase) in other resources		**169,998,841**	(19,354,879)	156,143,471
Increase in deposit liabilities		**2,137,775,005**	12,052,928,864	5,204,935,051
Increase (decrease) in accrued expenses and other liabilities		**1,100,138,774**	(399,031,930)	(224,185,309)
Cash generated from (used in) operations		**(7,165,408,577)**	21,662,302,448	(3,968,315,896)
Cash paid for income taxes		**(458,868,496)**	(568,475,563)	(514,906,178)
Net Cash From (Used in) Operating Activities		**(7,624,277,073)**	21,093,826,885	(4,483,222,074)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment securities at amortized cost	11	**(520,953,694)**	(208,273,009)	(123,022,531)
Acquisitions of investment securities at FVOCI	11	**(296,476,107)**	(16,899,893,203)	(919,018,601)
Proceeds from maturities of investment securities at amortized cost	11	**292,032,610**	155,825,123	155,738,699
Proceeds from sale, redemptions, and maturities of investment securities at FVOCI	11	**199,392,664**	9,342,138,182	5,462,924,070
Acquisitions of bank premises, furniture, fixtures and equipment	13	**(95,732,812)**	(196,150,225)	(92,795,120)
Acquisition of software licenses	15	**(16,418,729)**	(35,893,357)	(34,517,537)
Proceeds from sale of bank premises, furniture, fixtures and equipment	13	**9,684,420**	84,709,894	9,954,622
Net Cash From (Used in) Investing Activities		**(428,471,648)**	(7,757,536,595)	4,459,263,602
CASH FLOWS FROM FINANCING ACTIVITIES				
Settlement of corporate notes payable	18, 31	**(3,000,000,000)**	-	-
Proceeds from bills payable	17, 31	**2,000,000,000**	-	2,000,000,000
Settlement of bills payable	17, 31	**(500,000,000)**	-	(2,612,523,350)
Proceeds from deposit on future stock subscription	21	**312,500,000**	-	-
Payment of lease liabilities	19, 31	**145,630,698**	(110,982,739)	(114,476,127)
Payment of cash dividends	21	**(118,800,000)**	-	-
Net Cash Used in Financing Activities		**(1,160,669,302)**	(110,982,739)	(726,999,477)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(9,213,418,023)**	13,225,307,551	(750,957,949)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR				
Cash and other cash items	9	**1,430,787,675**	1,762,972,825	1,171,299,633
Due from Bangko Sentral ng Pilipinas	9	**16,754,028,342**	5,112,525,249	5,232,433,363
Due from other banks	10	**3,474,970,323**	2,528,609,425	2,808,949,984
Securities under reverse repurchase agreement	12	**2,538,411,628**	1,594,893,958	2,542,070,169
Foreign currency notes and coins on hand	15	**91,409,702**	65,298,662	60,504,919
		24,289,607,670	11,064,300,119	11,815,258,068
CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
Cash and other cash items	9	**1,247,987,230**	1,430,787,675	1,762,972,825
Due from Bangko Sentral ng Pilipinas	9	**6,102,228,578**	16,754,028,342	5,112,525,249
Due from other banks	10	**5,215,663,162**	3,474,970,323	2,528,609,425
Securities purchased under reverse repurchase agreement	12	**2,394,635,343**	2,538,411,628	1,594,893,958
Foreign currency notes and coins on hand	15	**115,675,334**	91,409,702	65,298,662
		P 15,076,189,647	P 24,289,607,670	P 11,064,300,119

Supplemental note details of non-cash transactions are presented in Note 31.

See Notes to Financial Statements

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos or As Otherwise Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Philippine Business Bank, Inc., A Savings Bank (the Bank or PBB) was incorporated in the Philippines on January 28, 1997 to engage in the business of thrift banking. It was authorized to engage in foreign currency deposit operations on August 27, 1997, and in trust operations on November 13, 2003. The Bank is a publicly listed entity in the Philippine Stock Exchange (PSE). It had its initial public offering (IPO) of shares on February 13, 2013 (see Note 21.1).

As a banking institution, the Bank's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). In this regard, the Bank is required to comply with rules and regulations of the BSP such as those relating to maintenance of reserve requirements on deposit liabilities, and those relating to adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. Its activities are subject to the provisions of the General Banking Law of 2000 [Republic Act (RA) No. 8791] and other relevant laws.

PBB is the first savings bank in the Philippines that obtained the BSP approval to issue foreign letters of credit and pay/accept/negotiate import/export drafts/bills of exchange under RA Nos. 8791 and 7906 and the Manual of Regulations for Banks. It was granted in April 2010.

The Bank operates in the Philippines and, as of December 31, 2022 and 2021, it has 157 and 160 branches, respectively, located nationwide.

The Bank's registered address, which is also the address of its principal place of business, is 350 Rizal Avenue Extension corner 8th Avenue, Grace Park, Caloocan City.

1.2 Approval of the Financial Statements

The financial statements of the Bank as at and for the year ended December 31, 2022 (including the comparative financial statements as at December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Bank's Board of Directors (BOD) on March 31, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies that have been used in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC), from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income, and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Bank presents a statement of comprehensive income separate from the statement of profit or loss.

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates. The financial statements of the Bank's foreign currency deposit unit (FCDU), which is reported in United States (US) dollar, are translated to Philippine peso based on Bankers Association of the Philippine (BAP) closing rate prevailing at the end of reporting period for the statement of financial position accounts and at BAP weighted average rate for the period for the profit and loss.

2.2 Adoption of Amended PFRS

(a) Effective in 2022 that are Relevant to the Bank

The Bank adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these amendments.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use.* The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Bank's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Bank's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Bank's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Bank's financial statements:

a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective in 2022 that is not Relevant to the Bank

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following annual improvements to PFRS 2018-2020 cycles are not relevant to the Bank's financial statements:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

- PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework*

- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Bank's products and services as disclosed in Note 8.

Each of these operating segments is managed separately as each of these services requires different technologies and resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies of the Bank used for segment reporting under PFRS 8, *Operating Segments,* is the same as those used in its financial statements. In addition, corporate resources which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Financial performance on operating segments is presented in Note 8.

2.4 Current versus Non-current Classification

The Bank presents assets and liabilities in the statement of financial position based on current or non-current classification which is presented in Note 20. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Bank classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their settlement date (i.e., the date that the Bank commits to purchase or sell the asset).

At initial recognition, the Bank measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are incremental or directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at FVPL are expensed outright in profit or loss. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described as follows.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect" or "HTC"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(b)]. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Investment Securities at Amortized Cost, Loans and Other Receivables and as part of Other Resources in respect of security deposits, and foreign currency notes and coins on hand which are included in the account.

For purposes of cash flows reporting and presentation, cash and cash equivalents include cash and other cash items, due from BSP and other banks, foreign currency notes and coins on hand and securities under reverse repurchase agreement (SPURRA) with original maturities of three months or less.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Bank accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Bank for trading or as mandatorily required to be classified as FVPL. The Bank has not made irrevocable designation of equity instruments at the reporting period.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of the Revaluation Reserves account in equity. When the asset is disposed of, the cumulative fair value gains or losses previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Surplus, except for those debt securities classified as FVOCI wherein fair value changes are recycled to profit or loss.

(iii) Financial Assets at Fair Value Through Profit or Loss

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVPL. The Bank's financial assets at FVPL include debt securities which are held for trading purposes or designated as at FVPL.

Financial assets at FVPL are measured at fair value with gains or losses recognized in profit or loss as part of Trading Gains or Losses in the statement of profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

(b) *Effective Interest Rate Method and Interest Income*

Interest income on financial assets measured at amortized cost and all interest-bearing debt financial assets classified as at FVPL, or at FVOCI, is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of effective interest rate. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

(c) *Impairment of Financial Assets*

The Bank assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI and other contingent accounts. The Bank considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments which are measured as 12-month ECL:

- all current loan accounts, except restructured loans;
- debt securities that are identified to have 'low credit risk' at the reporting date; and,
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Should there be a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments).

'Stage 2' financial instruments also include the following characteristics:

- performing accounts but with occurrence of loss event;
- accounts with missed payments but not yet classified as defaulted;
- current restructured loans; and,
- current loans that are rated as Especially Mentioned based on the Internal Credit Risk Rating System (ICRRS) of the Bank.

A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial assets considered as credit-impaired, purchased or originated credit-impaired assets, and those classified as Past Due, and Items in Litigation based on the ECL methodology of the Bank.

The Bank's definition of credit risk and information on how credit risk is mitigated by the Bank are disclosed in Note 4.3.

Measurement of ECL

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The key elements used in the calculation of ECL are as follows:

- *Probability of default (PD)* – This is a quantitative measure of default risk based on the general credit worthiness of the borrower or issuer. It is the likelihood of a borrower defaulting on its obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. A related measurement of default is the survival rate, which is the chance that the loan will be repaid.

- *Loss given default (LGD)* – The fraction of loan value or exposure that is likely to be lost in the event of borrower default. The loss statistic is specific to the facility structure and thus, associated with the facility risk rating. A related measure is the recovery rate, which is the percentage of the defaulted principal that can be recovered if default occurs.

- *Exposure at default (EAD)* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation. The EAD is measured at book value of facilities granted with an assumption that most short-term lines and credit commitments are fully drawn at default. In case of a loan commitment, the Bank shall include the potential availment (up to the current contractual limit) at the time of default should it occur.

The Bank calculates ECL either on an individual or a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, industry type, and geographical locations of the borrowers or counterparties.

The Bank applies a simplified ECL approach for its loans and other receivables wherein the Bank uses a provision matrix that considers historical changes in the behavior of the portfolio of credit exposures based on internally collected data to predict conditions over the span of a given observation period. These receivables include claims from various counterparties, which are not originated through the Bank's lending activities. For these instruments, the Bank measures the loss allowance at an amount equal to lifetime ECL.

The Bank recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account. With respect to investments in debt securities that are measured at FVOCI, the related loss allowance account is recognized in other comprehensive income and accumulated in the Revaluation Reserves account and does not reduce the carrying amount of the financial asset in the statement of financial position. For loan commitments, if any, the loss allowance is recognized as provisions (presented and included as part of the Accrued Expenses and Other Liabilities account in the statement of financial position).

Where a financial instrument includes a drawn and undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn commitment; the Bank presents a combined allowance for ECL for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as provisions.

(d) *Reclassification of Financial Assets*

The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets: (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Bank's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(e) *Derecognition of Financial Assets*

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(i) *Modification of Loans*

When the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced that will affect the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and/or,
- Insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized in profit or loss as either gain or loss on derecognition of financial assets. As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

(ii) Derecognition of Financial Assets Other than Through Modification

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(f) Classification and Measurement of Financial Liabilities

Financial liabilities include deposit liabilities, bills payable, corporate notes payable and accrued expenses and other liabilities (excluding tax-related payables and post-employment benefit obligation) and are recognized when the Bank becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as Interest Expense in the statement of profit or loss.

Deposit liabilities, bills payable and corporate notes payable are recognized initially at their fair value, which is the issuance proceeds (fair value of consideration received) net of direct issue costs and are subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments. Any difference between proceeds net of transaction costs and the redemption value is recognized in the profit or loss over the period of the borrowings.

Accrued expenses and other liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Bank and subject to the requirements of BSP Circular No. 888*, Amendments to Regulations on Dividend Declaration and Interest Payments on Tier 1 Capital Instruments*.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation, or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized as gain or loss in profit or loss.

2.6 Derivative Financial Instruments

The Bank uses derivative financial instruments, particularly plain vanilla foreign exchange forwards, to manage its risks associated with fluctuations in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive (recognized as part of Investment securities at FVPL under the Trading and Investment Securities account) and as liabilities (recognized under the Accrued Expenses and Other Liabilities account) when the fair value is negative.

The Bank's derivative instruments provide economic hedges under the Bank's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to profit or loss for the period.

2.7 Offsetting Financial Instruments

Financial assets and financial liabilities are offset, and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.8 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment losses.

The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Furniture, fixtures and equipment	5-7 years
Transportation equipment	5 years

Leasehold improvements are amortized using the estimated useful lives of six months to 13 years or the remaining term of the lease whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

Fully depreciated and fully amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and impairment loss, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss in the year the item is derecognized.

2.9 Investment Properties

Investment properties pertain to land, buildings or condominium units acquired by the Bank, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment. These properties are neither held by the Bank for sale in the next 12 months nor used in the rendering of services or for administrative purposes.

Investment properties are stated at cost, less accumulated depreciation, and any impairment losses (see Note 2.18). The cost of an investment property comprises its acquisition price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Investment properties, except land, are depreciated over a period of five to 10 years. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment (see Note 2.8).

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation.

Direct operating expenses related to investment properties, such as repairs and maintenance and real estate taxes, are normally charged against current operations in the period in which these costs are incurred.

Investment properties, including the related accumulated depreciation and any impairment losses, are derecognized upon disposal and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss under the Gain (or Loss) on sale of properties under Miscellaneous Income (or Expenses) in the statement of profit or loss, in the year of retirement or disposal.

2.10 Intangible Assets

Intangible assets include goodwill, branch licenses, club shares and computer software, which are included as part of Other Resources and are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets and branch licenses acquired at the date of acquisition. Branch licenses represent the rights given by the BSP to the Bank to establish a certain number of branches in various areas in the country.

Goodwill, branch licenses and club shares are classified as intangible assets with indefinite useful life, and thus, not subject to amortization but to an annual test for impairment (see Note 2.18). For purposes of impairment testing, goodwill is allocated to cash-generating units and is subsequently carried at cost less any allowance for impairment losses while branch licenses are tested for impairment individually based on recoverable amount (see Notes 15.2 and 15.3). For club shares, impairment loss is recognized when the fair value of the shares as of the reporting period is lower than the carrying amount.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of five years. In addition, intangible assets are subject to impairment testing when indications exist, as described in Note 2.18. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.11 Other Resources

Other resources pertain to other assets controlled by the Bank as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably.

Other acquired assets pertain to chattel properties acquired through repossession or dacion en pago from defaulting borrowers. These are stated at cost less accumulated depreciation and any impairment in value. Depreciation of other acquired assets is computed on a straight-line basis over the estimated useful life of three years. The carrying value of other acquired assets is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

2.12 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Bank that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

On the other hand, any reimbursement that the Bank is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.13 Equity

Capital stock represents the nominal value of the common and preferred shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

Deposits on future stock subscription represent the amount of money received from the principal shareholders as deposit on the subscription relative to the Bank's application for increase in authorized capital stock. Based on the requirements of the Securities and Exchange Commission (SEC), the Bank recognizes a deposit for future stock subscription as part of equity if all of the following criteria are met as at the end of the reporting period.

(a) Lack or insufficiency of authorized unissued shares of stock to cover for the deposit;

(b) Approval by the Bank's Board of Directors (BOD) and stockholders for the increase in authorized capital stock to cover the shares corresponding to the amount of the deposit; and,

(c) Application for the approval of the increase in authorized capital stock has been filed with the SEC.

If any of the foregoing criteria is not met at the end of the reporting period, the deposit for future stock subscription is recognized as a liability.

Appropriated surplus consist of:

(a) General loan loss reserve, which pertains to the accumulated amount of appropriation from Surplus made by the Bank arising from the excess of the one-percent general loan loss provisions (GLLP) for outstanding loans as required by the BSP under Circular No. 1011, *Guidelines on the Adoption of PFRS 9*, over the computed allowance for ECL for Stage 1 accounts; and,

(b) Reserve for trust business representing the accumulated amount set aside by the Bank under existing regulations requiring the Bank to appropriate and transfer to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

Unappropriated surplus includes all current and prior period results of operations as disclosed in the statement of profit or loss, less appropriated surplus and dividends declared.

Revaluation reserves comprise of the remeasurements of post-employment defined benefit plan and unrealized fair value gains or losses on mark-to-market valuation of financial assets at FVOCI.

2.14 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Bank and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual; and (d) the Bank's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

For purposes of reporting to the SEC in accordance with SEC Memorandum Circular No. 10-2019, *Rules on Material Related Party Transactions for Publicly-Listed Companies*, transaction amounting to 10% or more of the total assets that were entered into with related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors; vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Bank's total assets, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

2.15 Other Income and Expense Recognition

Other income is recognized only when (or as) the Bank satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts from Customers*. In such a case, the Bank applies PFRS 9 first to separate and measure the part of the contract that is covered by PFRS 9, and then applies PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

The Bank assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Bank concluded that it is acting as a principal in all its revenue arrangements.

For other income arising from these various banking services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

a. *Service charges, fees and commissions* – Service charges, fees and commissions are generally recognized when the service has been provided or after fulfilling the corresponding criteria. These include the commissions, deposit-related fees and other credit-related fees.

b. *Asset management services* – The Bank provides asset management services, which include trust and fiduciary activities. Related fees are recognized in profit or loss as follows:

    (i) *Asset management and trust fees* – these are service fees calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on the scheduled collection date. Revenue from asset management services is recognized over time as the services are provided.

    (ii) *Non-refundable upfront fees* – are charged to customers when opening certain types of trust account with the Bank. These fees give rise to material rights for future services and are recognized as revenue over the period for which a customer is expected to continue receiving asset management services.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

a. *Trading and securities gains (losses)* – These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVPL.

b. *Gain or loss from assets sold or exchanged* – Income or loss from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in profit or loss as part of Miscellaneous Income or Miscellaneous Expenses in the statement of profit or loss.

Costs and expenses are recognized in profit or loss upon utilization of the assets and/or services or at the date those are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if any (see Note 2.20).

2.16 Leases – Bank as a Lessee

The Bank considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.' To apply this definition, the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank amortizes the right-of-use asset on a straight-line basis from the lease commencement date over the useful life of the right-of-use asset or the term of the lease, whichever is shorter. The Bank also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including those determined to be fixed in substance), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for any short-term leases (less than 12 months) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The corresponding right-of-use assets and lease liabilities are presented as part of Bank Premises, Furniture, Fixtures and Equipment, and Accrued Expenses and Other Liabilities, respectively, in the statement of financial position.

2.17 Foreign Currency Transactions and Translation

The accounting records of the Bank's regular banking unit are maintained in Philippine pesos while the FCDU are maintained in US dollars. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

2.18 Impairment of Non-financial Assets

The Bank's premises, furniture, fixtures and equipment (including right-of-use assets), investment properties, and other resources (including branch licenses goodwill, club shares, computer software and other acquired assets) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life, such as goodwill and branch licenses (see Note 2.10) or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Impairment loss is charged pro rata to the other assets in the cash generating unit.

Except for assets with indefinite useful life, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed, if the cash generating units' recoverable amount exceeds its carrying amount.

2.19 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Bank's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory, and administered by a trustee.

The liability recognized in the statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates based on zero coupon government bonds as published by Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Interest Income or Interest Expense account in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Bank pays fixed contributions into an independent entity (e.g., Social Security System and Philhealth). The Bank has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are normally of a short-term nature.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Bonus Plans*

The Bank recognizes a liability and an expense for employee bonuses, based on a formula that is fixed regardless of the Bank's income after certain adjustments and does not take into consideration the profit attributable to the Bank's shareholders. The Bank recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accrued Expenses and Other Liabilities account in the statement of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

(f) *Short-term Benefits*

Short-term employee benefits include salaries, wages, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued Expenses and Other Liabilities in the statement of financial position.

2.20 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.21 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Bank has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.22 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit attributable to common shares by the weighted average number of common shares subscribed and issued during the period, after retroactive adjustment for any stock dividend declared in the current period, if any.

The diluted EPS is also computed by dividing net profit by the weighted average number of common shares subscribed and issued during the period. Currently, the Bank does not have dilutive potential shares outstanding; hence, the dilutive earnings per share is equal to the basic earnings per share.

Convertible preferred shares are deemed to have been converted to common shares at the issuance of preferred shares. As of December 31, 2022 and 2021, the Bank has no convertible preferred shares (see Note 21.1).

2.23 Trust and Fiduciary Operations

The Bank acts as trustee and in other fiduciary capacity that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and their income arising thereon are excluded from these financial statements, as these are neither resources nor income of the Bank.

2.24 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Bank's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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. Actual results may ultimately differ from these estimates. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Application of ECL to Financial Assets at FVOCI and Amortized Cost

The Bank uses external benchmarking and historical loss rates to calculate ECL for all debt instruments carried at FVOCI and amortized cost as well as loan commitments, if any. The allowance for impairment is based on the ECLs associated with the PD of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has significantly increased since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument (see Note 4.3).

(b) Evaluation of Business Model Applied and Testing the Cash Flow Characteristics of Financial Assets in Managing Financial Instruments

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. These business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument, or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment, trading and lending strategies. Furthermore, the Bank assesses whether the contractual terms of the 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. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion.

The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, it considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's investment objective for the business model.

(c) Distinction Between Investment Properties or Other Acquired Assets and Owner-occupied Properties

The Bank determines whether a property qualifies as investment property. In making this judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to properties but also to other assets used in the production or supply process.

The Bank classifies its acquired properties (foreclosed properties) as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as other acquired assets presented under Other Resources, if the Bank expects that the properties, which are other than land and building, will be recovered through sale rather than use, and as Investment Properties if the Bank intends to hold the properties, which could be land and/or building, to earn rental or for capital appreciation.

Some properties may comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in providing services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Bank accounts for the portions separately. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing services or for administrative purposes.

Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making its judgment.

(d) Determination of Branch Licenses Having Indefinite Useful Lives

The Bank's branch licenses were regarded as having an indefinite useful life considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

(e) Determination of Lease Term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Bank did not include renewal options as part of the lease term of as the terms are renewable upon mutual agreement.

The lease term is reassessed if an option is actually exercised or not exercised, or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(f) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.12 and relevant disclosures are presented in Note 26.

In dealing with the Bank's various legal proceedings, its estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Bank's internal and outside counsels acting in defense for the Bank's legal cases and are based upon the analysis of probable results.

Although the Bank does not believe that its dealing on these proceedings will have material adverse effect on the Bank's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on debt financial assets at amortized cost and at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behaviour (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.3.

The carrying value of investments in debt securities at amortized cost and at FVOCI, and loans and other receivables together with the analysis of the allowance for impairment on such financial assets, are shown in Notes 11 and 12, respectively.

(b) Fair Value Measurement for Financial Assets at FVPL and at FVOCI

The Bank carries certain financial assets at fair value which requires judgment and extensive use of accounting estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument or other more appropriated valuation techniques (see Note 7.2).

The amount of changes in fair value would differ if the Bank had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss or other comprehensive income.

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation (see Note 7.2).

The carrying values of the Bank's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 11.

(c) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, Computer Software, Club Shares, Other Acquired Assets, Goodwill and Branch Licenses

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties, computer software, club shares and other acquired assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Bank's goodwill, branch licenses and club shares are regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment, including right-of-use assets, investment properties, computer software and other acquired assets are analyzed in Notes 13, 14 and 15, respectively, while the carrying amounts of goodwill and branch licenses are analyzed in Note 15. Based on management's assessment as of December 31, 2022 and 2021, there are no changes in the useful lives of these assets.

Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determination of Realizable Amount of Deferred Tax Assets

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax assets, which management has assessed to be fully recoverable, as of December 31, 2022 and 2021 is disclosed in Note 25.

(e) Determination of Fair Value of Investment Properties

The Bank's investment properties are composed of parcels of land, buildings, condominium units and improvements which are held for capital appreciation and are measured using the cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined on the basis of the appraisals conducted by professional appraiser applying the relevant valuation methodologies as discussed therein.

At initial recognition, the Bank determines the fair value of the acquired properties based on valuations performed by both internal and external appraisers. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property. For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

The Bank's methodology in determining the fair value of acquired properties are further discussed in Note 7.

(f) Impairment of Non-financial Assets

Except for intangible assets with indefinite useful lives (i.e. goodwill and branch licenses), which are annually tested for impairment, PFRS requires that an impairment review be performed when certain impairment indications are present. The Bank's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.18. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Allowance for impairment recognized on investment properties and other properties held for sale are discussed in Notes 14 and 15. There are no impairment losses recognized in goodwill, branch licenses, bank premises, furniture, fixtures and equipment, and right-of-use assets.

(g) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic Environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(h) Valuation of Post-employment Benefits

The determination of the Bank's obligation and cost of post-employment benefit plan is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rates, expected rate of salary increases and employee turnover. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of defined benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 23.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's activities are exposed to credit, market and liquidity, and operational risks. Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures. Market risk covers price, liquidity, and interest rate risks in the Bank's investment portfolio. Liquidity risk may arise from shortage in funding and/or lack of market for sale of its assets. Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems, information technology and external events.

The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders.

4.1 Risk Management

The Bank continually advances on its risk management techniques and integrate this into the overall strategic business objectives to support the growth objectives of the Bank.

The Bank has automated the front office, back office, and middle office operations as far as market risk is concerned. This includes the integration of pre-deal limit checking, on-demand position monitoring, automated limit reporting and breach approval, and automated value-at-risk (VaR) calculations. In addition to the automation, the Bank continues to review its limits system to ensure that it only enters into transactions allowed under its existing policies and that adequate capital is available to cover market risk exposures.

On the credit side, the Bank institutes periodic improvements on its credit policies, which includes review and approval of large exposures and credit concentration within proper authority. The Bank also reviews remedial management action plans on the resolution of problematic loan accounts. The Bank continues to device ways to streamline and improve on its credit processes to ensures that commensurate controls are in place.

The Bank has completed the bank-wide operational risk and control self-assessment in support of the enterprise risk management framework of the Bank, and continues to use other operational risk management tools such as loss events monitoring and key risk indicators.

There is also an enterprise-wide training on risk awareness to ensure appreciation of the risk management objectives of the Bank, and how these relate to the overall objective and strategies of the Bank, resulting to appropriate identification and measurement of the key risks of all business and support units. Policies on Business Continuity and Information Security were further strengthened, strictly implemented, and continuously disseminated across all units of the Bank.

4.2 Enterprise Risk Management Framework

The Bank adopts an Enterprise Risk Management framework as its integrated approach to the identification, measurement, control and disclosure of risks, subject to prudent limits and stringent controls as established in its risk management framework and governance structure. The Bank has an integrated process of planning, organizing, leading, and controlling its activities in order to minimize the effects of risk on its capital and earnings. The Bank's BOD formulates the corporate risk policy, sets risk tolerances and appetite and provide risk oversight function through the Risk Oversight Committee (ROC), which in turn supervises the Chief Risk Officer and Head of the Enterprise Risk Management Group (ERMG) in the development and implementation of risk policies, processes and guidelines. The framework covers operational, market and liquidity, credit and counterparty, and other downside risks within the context of the supervisory risk guidelines of the BSP and aligned best practices on risk management.

4.3 Credit Risk

Credit risk pertains to the risk to income or capital due to failure by borrowers or counterparties to pay their obligations, either in full or partially as they fall due, deterioration in the credit quality of a borrower, issuer or counterparty, and the reduced recovery from a credit facility in the event of default. This is inherent in the Bank's lending, investing, and trading and is managed in accordance with the Bank's credit risk framework of risk identification, measurement, control and monitoring.

Credit risk is managed through a continuing review of credit policies, systems, and procedures. It starts with the definition of business goals and setting of risk policies by the BOD. Account officers and credit officers directly handle credit risk as guided by policies and limits approved by the BOD. ERMG, as guided by the ROC, performs an independent portfolio oversight of credit risks and reports regularly to the BOD and the ROC.

On the transactional level, exposure to credit risk is managed through a credit review process wherein a regular analysis of the ability of the obligors and potential obligors to meet interest and capital repayment obligations is performed. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. Moreover, in accordance with best practices, the Bank also adopts an internal credit risk rating system (ICRRS) for the purpose of measuring credit risk for every exposure in a consistent manner as accurately as possible and uses this information as a tool for business and financial decision-making.

4.3.1 Credit Risk Measurement

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Bank's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, EAD, and LGD, for purposes of measuring ECL as required by PFRS 9.

The initial recognition of credit risk by individual or group of related counterparties is done through its ICRRS. The ICRRS is tailored to consider various categories of counterparty. The rating system is further supplemented with external data such as credit rating agencies' scoring information on individual borrowers.

The ICRRS is created by the Bank with reference to the credit risk rating methodology utilized by an established rating agency to evaluate the creditworthiness of an individual borrower, regardless of the borrowing's status. The Bank reviews and updates its risk ratings for its loan and receivables portfolio on a regular basis, taking into account changes in the economy, business environment, industry, and borrower's circumstances. This periodic assessment of credit quality may result in a borrower's rating being improved or downgraded over time. The credit risk ratings in ICRRS are designed to increase the risk of default exponentially as the risk rating increases, as indicated by differences in the PD. Past due accounts, accounts identified for phase-out, and those that share characteristics with classified loans are all included in the ICRRS, and their loan loss provisions are based on the loss given default.

Management considers additional information for each type of loan portfolio held by the Bank:

(i) *Retail or Consumer Loans*

Subsequent to initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. The ECL parameters were carried on collective basis on shared credit risk characteristics of the borrowers and the repayment scheme of the products.

(ii) *Corporate and Commercial Loans*

For corporate and commercial loans, the rating is determined at the borrower level. A relationship manager incorporates any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This determines the internal credit rating and the PD.

(iii) *Debt Securities at Amortized Cost and at FVOCI*

For the Bank's debt securities, PD coming from Bloomberg are used. These default rates are continuously monitored and updated. The one-year PD is an estimate of the probability of a default, bankruptcy, government intervention or distressed exchange occurring in the next 12 months.

In the process of applying the Bank's ICRRS in determining indications of impairment on individually significant items of financial assets at amortized cost and debt securities at FVOCI, the Bank analyzes the credit quality of the corporate borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
Excellent	Borrowers have very strong debt service capacity and have conservative balance sheet leverage
Strong	Borrower normally has a comfortable degree of stability, substance and diversity
Good	Borrowers have low probability of going into default and bear characteristics of some degree of stability and substance though susceptible to cyclical changes and higher degree of concentration of business risk either by product or by market
Satisfactory	Borrowers where clear risk elements exist, and the probability of default is somewhat greater
Acceptable	Borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within acceptable period can be expected
Watch list	Borrowers for which unfavorable industry or company-specific risk factors represent a concern

Classified accounts or accounts already in default as defined are further mapped into BSP classification of non-performing accounts as follows:

Risk Rating	Rating Description/Criteria
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower

Risk Rating	Rating Description/Criteria
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable
Loss	Loans considered absolutely uncollectible or worthless

The Bank classifies consumer loans based on days past due following the categories that are consistent with the manner applied under the Bank's internal credit risk assessment and regulatory reporting as follows:

Bucket	**Classification**	**Secured**	**Unsecured**
Current	Unclassified	Unclassified	Unclassified
One to 30 days	Especially Mentioned	Unclassified	Especially Mentioned
31 to 60 days	Especially Mentioned	Especially Mentioned	Especially Mentioned
61 to 90 days	Substandard	Especially Mentioned	Substandard
91 to 180 days	Substandard	Substandard	Substandard
181 to 365 days	Doubtful	Doubtful	Doubtful
More than 365 days	Loss	Loss	Loss

The Bank assigns consumer loans based on classification into stages of impairment as follows:

Classification	**Stages**
Unclassified	1
Especially Mentioned	2
Defaulted	3

For purposes of the information disclosed for credit risk exposures, 'defaulted' accounts include those which are classified as Substandard, Doubtful, and Loss.

The groupings of financial instruments into a pool of shared credit quality are subject to the regular review in order to ensure that credit exposures within a particular group remain appropriately homogenous.

Credit exposures shall be regularly assessed and loan loss provision be recognized in a timely manner to ensure that capital is adequate to support such risk exposure. To ensure that this is rationally implemented, the Bank developed and adopted an internal loan loss methodology.

4.3.2 Credit Quality Analysis

The following table sets out information about the credit quality of loans and other receivables, financial assets measured at amortized cost, and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts for loan commitments and other contingent accounts, the amounts in the table represent the amounts committed. As of December 31, 2022 and 2021, there are no purchased or originated credit-impaired financial assets in the Bank's financial statements.

The following table shows the exposure (gross of unamortized charges and unearned discount) to credit risk for each internal risk grade and the related allowance for impairment as of December 31:

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate*				
Excellent	P 1,194,916,484	P -	P -	P 1,194,916,484
Strong	1,765,488,366	-	-	1,765,488,366
Good	22,762,858,546	924,654,276	3,349,959	23,690,862,781
Satisfactory	38,360,949,704	1,785,688,022	24,797,041	40,171,434,767
Acceptable	17,477,494,956	3,570,000	-	17,481,064,956
Watchlist	-	4,759,194,334	279,548,529	5,038,742,863
Classified	-	-	7,691,988,821	7,691,988,821
Substandard	-	-	385,451,100	385,451,100
	81,561,708,056	7,473,106,632	8,385,135,450	97,419,950,138
ECL allowance	(63,259,792)	(81,520,286)	(4,496,231,984)	(4,641,012,062)
Carrying amount	P 81,498,448,264	P 7,391,586,346	P 3,888,903,466	P 92,778,938,076
Receivables from customers – consumer				
Housing loans				
Unclassified	P 4,000,279,514	P -	P -	P 4,000,279,514
Especially Mentioned	-	77,660,350	-	77,660,350
Substandard	-	-	31,715,789	31,715,789
Doubtful	-	-	53,243,061	53,243,061
Loss	-	-	191,855,993	191,855,993
	4,000,279,514	77,660,350	276,814,843	4,354,754,707
ECL allowance	(2,415,277)	(2,635,686)	(10,826,950)	(15,877,913)
Carrying amount	P 3,997,864,237	P 75,024,664	P 265,987,893	P 4,338,876,794
Auto loans				
Unclassified	P 1,532,674,351	P -	P -	P 1,532,674,351
Especially Mentioned	-	27,694,587	-	27,694,587
Substandard	-	-	20,519,149	20,519,149
Doubtful	-	-	30,009,754	30,009,754
Loss	-	-	201,895,778	201,895,778
	1,532,674,351	27,694,587	252,424,681	1,812,793,619
ECL allowance	(3,015,949)	(3,038,459)	(52,088,566)	(58,142,974)
Carrying amount	P 1,529,658,402	P 24,656,128	P 200,336,115	P 1,754,650,645
Salary loans				
Unclassified	P 786,559,243	P -	P -	P 786,559,243
Especially Mentioned	-	79,150,745	-	79,150,745
Substandard	-	-	18,123,002	18,123,002
Doubtful	-	-	2,545,107	2,545,107
Loss	-	-	79,187,377	79,187,377
	786,559,243	79,150,745	99,855,486	965,565,474
ECL allowance	(6,437,290)	(8,007,297)	(87,863,662)	(102,308,249)
Carrying amount	P 780,121,953	P 71,143,448	P 11,991,824	P 863,257,225
Contract-to-sell				
Unclassified	P 7,604,337	P -	P -	P 7,604,337
ECL allowance	(12,344)	-	-	(12,344)
Carrying amount	P 7,591,993	P -	P -	P 7,591,993

**Excludes unamortized charges from capitalized commission amounting to P2.3 million*

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Total gross amount	**P 6,327,117,445**	**P 184,505,682**	**P 629,095,010**	**P 7,140,718,137**
Total ECL allowance	**(11,880,860)**	**(13,681,442)**	**(150,779,178)**	**(176,341,480)**
Total carrying amount	**P 6,315,236,585**	**P 170,824,240**	**P 478,315,832**	**P 6,964,376,657**
Other receivables				
Excellent	**P 2,527,525,038**	**P -**	**P -**	**P 2,527,525,038**
Strong	**136,805,515**	**-**	**-**	**136,805,515**
Good	**132,547,899**	**538,347**	**23,729**	**133,109,975**
Satisfactory	**174,878,896**	**3,327,731**	**-**	**178,206,627**
Acceptable	**100,407,732**	**380,837**	**368,160**	**101,156,729**
Watchlist	**-**	**15,036,889**	**5,189,914**	**20,226,803**
Classified	**-**	**-**	**593,910,980**	**593,910,980**
	3,072,165,080	**19,283,804**	**599,492,783**	**3,690,941,667**
ECL allowance	**(7,134,532)**	**(1,395,690)**	**(166,919,306)**	**(175,449,528)**
Carrying amount	**P 3,065,030,548**	**P 17,888,114**	**P 432,573,477**	**P 3,515,492,139**
Debt investment securities at FVOCI				
Excellent	**10,820,216,925**	**-**	**-**	**10,820,216,925**
ECL allowance**	**(10,793,644)**	**-**	**-**	**(10,793,644)**
	P 10,809,423,281	**P -**	**P -**	**P 10,809,423,281**
Debt investment securities at amortized cost				
Excellent	**P 1,138,759,769**	**P -**	**P -**	**P 1,138,759,769**
ECL allowance	**(13,299,092)**	**-**	**-**	**(13,299,092)**
Carrying amount	**P 1,125,460,677**	**P -**	**P -**	**P 1,125,460,677**

***Reported as part of unrealized fair value gains (losses) (NUGL)*

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate*				
Excellent	P 758,350,000	P -	P -	P 758,350,000
Strong	2,193,138,134	-	-	2,193,138,134
Good	25,162,297,356	310,664,969	194,539,755	25,667,502,080
Satisfactory	41,328,915,016	1,655,528,052	148,075,415	43,132,518,483
Acceptable	8,383,023,421	47,018,418	-	8,430,041,839
Watchlist	-	1,996,177,360	1,468,745,182	3,464,922,542
Classified	-	-	2,349,314,339	2,349,314,339
	77,825,723,927	4,009,388,799	4,160,674,691	85,995,787,417
ECL allowance	(1,183,680,765)	(151,667,981)	(2,338,544,024)	(3,673,892,770)
Carrying amount	P 76,642,043,162	P 3,857,720,818	P 1,822,130,667	P 82,321,894,647

**Excludes unamortized charges from capitalized commission amounting to P12.1 million*

Receivables from customers – consumer				
Housing loans				
Unclassified	P 2,030,295,493	P -	P -	P 2,030,295,493
Especially Mentioned	-	1,359,762,257	-	1,359,762,257
Substandard	-	-	91,390,270	91,390,270
Doubtful	-	-	67,803,784	67,803,784
Loss	-	-	230,138,556	230,138,556
	2,030,295,493	1,359,762,257	389,332,610	3,779,390,360
ECL allowance	(22,410,789)	(1,010,690)	(21,146,042)	(44,567,521)
Carrying amount	P 2,007,884,704	P 1,358,751,567	P 368,186,568	P 3,734,822,839
Auto loans				
Unclassified	P 718,102,932	P -	P -	P 718,102,932
Especially Mentioned	-	933,487,991	-	933,487,991
Substandard	-	28,346,338	68,993,972	97,340,310
Doubtful	-	-	35,653,618	35,653,618
Loss	-	-	202,852,875	202,852,875
	718,102,932	961,834,329	307,500,465	1,987,437,726
ECL allowance	(9,684,235)	(3,063,398)	(38,099,025)	(50,846,658)
Carrying amount	P 708,418,697	P 958,770,931	P 269,401,440	P 1,936,591,068

**Excludes unamortized charges from capitalized commission amounting to P12.1 million*

	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total
Salary loans				
Unclassified	P 108,134,413	P -	P -	P 108,134,413
Especially Mentioned		6,118,057	-	6,118,057
Substandard	-	4,417	940,002	944,419
Doubtful	-	-	952,313	952,313
Loss	-	-	89,084,488	89,084,488
	108,134,413	6,122,474	90,976,803	205,233,690
ECL allowance	(25,989,387)	(1,749,477)	(90,976,803)	(118,715,667)
Carrying amount	P 82,145,026	P 4,372,997	P -	P 86,518,023
Contract-to-sell				
Unclassified	P 12,940,372	P 2,431,032	P -	P 15,371,404
Loss	-	-	497,393	497,393
	12,940,372	2,431,032	497,393	15,868,797
ECL allowance	(291,636)	(2,431,032)	(497,393)	(3,220,061)
Carrying amount	P 12,648,736	P -	P -	P 12,648,736
Total gross amount	P 4,477,629,348	P 155,148,320	P 1,355,152,905	P 5,987,930,573
Total ECL allowance	(58,376,047)	(8,254,597)	(150,719,263)	(217,349,907)
Total carrying amount	P 4,419,253,301	P 146,893,723	P 1,204,433,642	P 5,770,580,666
Other receivables				
Excellent	P 2,716,096,719	P -	P -	P 2,716,096,719
Strong	376,048,368	-	-	376,048,368
Good	177,614,534	-	-	177,614,534
Satisfactory	238,585,624	7,246,170	1,992,039	247,823,833
Acceptable	77,762,661	70,679	889,955	78,723,295
Watchlist	-	13,632,193	11,777,820	25,410,013
Classified	-	-	409,533,964	409,533,964
	3,586,107,906	20,949,042	424,193,778	4,031,250,726
ECL allowance	(11,285,618)	(1,709,360)	(310,142,795)	(323,137,773)
Carrying amount	P 3,574,822,288	P 19,239,682	P 114,050,983	P 3,708,112,953
Debt investment securities at FVOCI				
Excellent	P 11,989,395,564	P -	P -	P 11,989,395,564
ECL allowance**	(4,229,457)	-	-	(4,229,457)
	P 11,985,166,107	P -	P -	P 11,985,166,107
Debt investment securities at amortized cost				
Excellent	P 885,404,986	P -	P -	P 885,404,986
ECL allowance	(1,617,940)	-	-	(1,617,940)
Carrying amount	P 883,787,046	P -	P -	P 883,787,046

***Reported as part of unrealized fair value gains (losses) (NUGL)*

As of December 31, 2022 and 2021, the Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P12,565.9 million and P21,659.8 million, respectively (see Notes 9 and 10). The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on S&P ratings.

4.3.3 Concentrations of Credit Risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below (amounts in thousands).

	2022			2021		
	Cash and Cash Equivalents*	**Receivables from Customers****	**Trading and Investment Securities**	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Concentration by sector:						
Financial and insurance activities	**P 15,076,190**	**P 4,363,124**	**P 11,491,803**	P 24,289,608	P 3,278,448	P 13,359,752
Wholesale and retail trade	**-**	**38,146,775**	**-**	-	33,421,613	-
Real estate activities	**-**	**16,512,161**	**316,317**	-	15,784,545	145,328
Manufacturing	**-**	**12,800,637**	**1,820,631**	-	10,540,381	1,303,490
Construction	-	**7,330,580**	-	-	6,053,936	-
Transportation and storage	**-**	**6,121,292**	**-**	-	6,990,355	-
Electricity, gas, steam and and air-conditioning supply	**-**	**4,757,477**	**121,812**	-	4,963,672	136,617
Accommodation and food service activities	**-**	**3,308,648**	**301,083**	-	2,655,107	253,489
Water supply, sewerage, waste management and remediation activities	**-**	**2,667,819**	**140,503**	-	2,467,987	158,337
Administrative and support services	**-**	**2,532,306**	**-**	-	2,399,622	-
Consumption	**-**	**1,843,519**	**-**	-	536,465	-
Agriculture, forestry and fishing	**-**	**1,321,665**	**-**	-	1,154,213	-
Professional, scientific, and technical activities	**-**	**735,066**	**-**	-	247,919	-
Mining and quarrying	**-**	**658,407**	**-**	-	52,210	-
Information and communication	**-**	**255,067**	**-**	-	305,538	-
Education	**-**	**227,863**	**-**	-	260,058	-
Human health and social service activities	**-**	**63,890**	**-**	-	45,499	-
Arts, entertainment and recreation	**-**	**20,110**	**-**	-	152,210	-
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	**-**	**5,074**	**-**	-	3,331	-
Other service activities	**-**	**889,188**	**-**	-	670,609	-
	P 15,076,190	**P 104,560,668**	**P 14,192,149**	P 24,289,608	P 91,983,718	P 15,357,013

**Cash and cash equivalents include cash and other cash items, due from BSP and other banks, SPURRA and foreign currency notes and coins on hand (see Note 2.5).*

***Receivables from customers are reported gross of unearned interests or discounts and excluding unamortized charges from capitalized commission.*

4.3.4 Amounts Arising from ECL

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt securities carried at FVOCI have significant increase in credit risk (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using PD, LGD and EAD.

(a) Significant Increase in Credit Risk (SICR)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Bank assesses on a periodic basis both the quantitative and qualitative information that is reasonable and supportable, including historical experience as appropriate. For corporate and commercial loans, these may include macroeconomic conditions, economic sector and geographical region relevant to the corporate counterparty or borrower and other factors that are counterparty specific. As the Bank holds various types of financial instruments, the extent of assessment may depend on the materiality of the financial instrument, or the complexity of the portfolio being assessed.

Retail or Consumer Loans

The Bank ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

- Stage 1 – comprises of all credit exposures that are considered 'performing' and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL.

- Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Bank's quantitative and qualitative criteria, though not yet deemed to be credit-impaired. Stage 2 includes credit exposures that are considered 'under-performing' in which credit risk assessment fall under the Especially Mentioned classification. Stage 2 financial instruments may also include those facilities where the credit risk has improved and have been reclassified from Stage 3 subject to the Bank's observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

- Stage 3 – comprises credit exposures which are assessed as 'credit-impaired', thus considered by the Bank as 'non-performing', which is assessed consistently with the Banks definition of default. Generally, this includes accounts classified as Substandard, Doubtful and Loss. The Bank recognizes a lifetime ECL for all credit-impaired financial assets.

Corporate and Commercial Loans

As outlined in PFRS 9, a '3-stage' impairment model was adopted by the Bank based on changes in credit quality since initial recognition of the financial asset. As discussed in Note 2.5(c), a financial asset that is not credit-impaired on initial recognition is classified as 'Stage 1', with credit risk continuously monitored by the Bank as its ECL is measured at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months. If an SICR since initial recognition is identified, the classification will be moved to 'Stage 2' but is not yet deemed to be credit-impaired. Such assessment is based on certain qualitative criteria as follows:

- Borrowers with past due accounts over the cure period of 30 days but with current accounts at the effectivity of the cure period policy shall be downgraded to Watchlist Rating.

- Watchlist borrowers can be upgraded upon completion of the observation period which shall be 12 months from the time of downgrading provided an updated ICRRS has been conducted. The seasoning means that there is no incident of past due even within the cure period.

- Borrowers with accounts that are all past due over the cure period shall be rated as Classified. Such shall be categorized as:

  (i) Classified secured less than 5 years past due
  (ii) Classified – Clean less than 3 years
  (iii) Classified over observation period

Generally, Watchlisted accounts shall be considered as Stage 2 accounts for purposes of provisioning while Classified accounts shall be Stage 3.

Debt Securities at Amortized Cost and at FVOCI

The Bank considers low credit risk for government debt securities and listed corporate debt securities when its credit risk rating is equivalent to a globally understood definition of 'investment grade' (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(b) Definition of Default and Credit-impaired Assets

Loans and other receivables

Credit impaired loans and other receivables are those classified as both past due and under Stage 3. The total credit impaired assets under corporate, consumer, and other receivables amount to P8,385.1 million, P629.1 million, and P599.5 million, respectively, as at December 31, 2022 and P4,160.7 million, P1,355.2 million, and P424.2 million respectively, as at December 31, 2021. The Bank defines a financial asset as in default, which is aligned with the definition of credit-impaired asset, when it meets one or more of the following criteria:

- *Quantitative* – in this criterion, the borrower is more than 30 days past due on its contractual payments.

- *Qualitative* – this includes instances where the borrower is unlikely to pay its obligations and is deemed to be in significant financial difficulty, which include cases of long-term forbearance, borrower's death, insolvency, breach of financial covenant/s, disappearance of active market for that financial instrument because of financial difficulties, and bankruptcy.

These criteria have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the Bank.

An instrument is considered to have cured when it no longer meets any of the default criteria for six consecutive months. The cure period sets the tolerance period wherein the borrowers are allowed to update the payments. This period was determined based on an analysis which considers the likelihood of a financial instrument returning to default status. The Bank considers verifiable collection experience and reasonable judgment that support the likelihood.

Unsecured and secured loans qualify for write-off when they remained unpaid and outstanding for more than 914 days and 1,095 days, respectively, and upon BOD approval.

Debt Securities

Debt securities are assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a "loss event") and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL.

Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution's held securities are no longer publicly traded is not evidence of impairment. A downgrade of an issuer's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (e.g., a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate).

In making an assessment of whether an investment in government debt securities is credit-impaired, the Bank considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

(c) Key Inputs, Assumptions and Estimation Techniques Used in Measurement of ECL

The ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the PD, LGD, and EAD, which are defined in Note 2.5(c). The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival i.e., the exposure has not been prepaid or defaulted in an earlier month. This effectively calculates an ECL for each future month, which is then discounted back to and summed at the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (usually, an observation period of five years).

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed.

For unsecured loan portfolio, LGD is typically set at portfolio level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information [see Note 4.3.4(d)]. Further, the assumptions underlying the calculation of the ECL, such as how the maturity profile of the PDs and how collateral values change, are monitored and reviewed by the Bank on a quarterly basis.

Significant changes in the estimation techniques or significant assumptions made by the Bank in 2022 and 2021 are disclosed in Note 4.3.5.

(d) Overlay of Forward-looking Information in the Measurement of ECL

The Bank incorporates forward-looking information (FLI) in its assessment of SICR and calculation of ECL. The Bank has performed historical analysis and has identified the key macroeconomic variables (MEVs) impacting credit risk associated with its borrowers and/or counterparties and the ECL for each portfolio of debt instruments.

The MEVs and their associated impact on the PD, EAD and LGD vary by financial instrument. The Bank formulates forecasts of MEVs (one base economic scenario, and two less likely scenarios – one upside and one downside) and are performed by the Bank's ERMG on a quarterly basis and provide the best estimate view of the economy over the next five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of EAD and LGD.

The base scenario is aligned with information used by the Bank for strategic planning and budgeting. The MEVs considered by the Bank includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting. Accordingly, the Bank has identified key drivers for credit risk for its corporate loans portfolio, which include gross domestic product and interest rates. The analysis of these scenarios takes into account the range of possible outcomes that each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each of the scenario, multiplied by the associated scenario weight, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3, hence, whether a 12-month or lifetime ECL should be recorded.

Following this assessment, the Bank measures ECL as either a probability-weighted 12-month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weights.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Bank's different product types to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Management has also considered other FLI not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL.

(e) Collective Basis of Measurement of ECL

For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as instrument, product type (auto loans, housing loans, etc.), repayment scheme, industry type, remaining life to maturity, and geographical locations of the borrowers and/or counterparties.

The groupings are subject to the regular review by the Bank's ERMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

4.3.5 Impact of COVID-19 on Measurement of ECL

In response to the COVID-19 situation and the Bank's expectations of economic impacts, the key conditions and assumptions utilized in the Bank's calculation of ECL have been revisited and recalibrated. The economic scenarios and forward-looking macroeconomic assumptions underpinning the ECL calculation are outlined in Note 4.3.1. As of December 31, 2022 and 2021, the expected impacts of COVID-19 have been reasonably captured using the Bank's business-as-usual (BAU) ECL methodology (i.e., the ECL methodology used in the prior years). Post-model adjustments (or the "COVID-19 overlay") was only considered in 2021. In 2022, the Bank no longer imputed a separate COVID-19 overlay on calculating for its ECL allowance due to the continued improvement of the country's economic status [see Note 4.3.5(b)].

The BAU ECL methodology has been structured and calibrated using historical trends and correlations as well as forward-looking economic scenarios. The severity of the current macroeconomic projections and the added complexity caused by the various support schemes and regulatory guidance could not be reliably modelled for the time being. Therefore, the BAU ECL model may generate results that are either overly conservative or overly optimistic depending on the specific portfolio or segment. As a result, post-model adjustments are needed to reflect the considerable uncertainty in BAU ECL methodology given the unprecedented impacts of COVID-19. Given that the BAU ECL model changes take a significant amount of time to develop and validate and the data limitation in respect of lagging credit information and granular behavior analysis of customers, the Bank expects that post-model adjustments will be applied for the foreseeable future. Notwithstanding that the measurement inputs and assumptions, including forward-looking macroeconomic assumptions, were recalibrated in response to COVID-19 situation, the fundamental ECL mechanics and methodology underpinning the Bank's measurement of ECL have remained consistent with the prior periods.

The Bank focused on supporting customers who are experiencing (i.e., those availing of reliefs) and about to experience financial difficulties (i.e., those with reprieved business operations) as a result of the COVID-19 situation and has offered a range of financial assistance measures including temporary loan repayment deferrals (principal and interest). In accordance with regulatory guidance, the Bank implemented mandatory payment holidays to all eligible loan accounts (see also Note 4.3.6).

The following are the considerations in measuring ECL under COVID-19 situation:

(a) Significant Increase in Credit Risk

The offer or uptake of COVID-19 related repayment deferrals (i.e., government mandated reliefs) do not itself constitute SICR event unless the exposure is considered to have experienced a SICR based on other available information. SICR has been reassessed with reference to the Bank' internal borrower risk rating which considers industry or segment assessment under COVID-19 situation, financial performance indicators, historical credit information of the borrower and other modifiers. The Bank's reassessment is to determine if changes in the customers' circumstances were sufficient to constitute SICR.

(b) COVID-19 Overlay

COVID-19 overlay represents adjustments in relation to data and model limitations as a result of the COVID-19 economic disruption. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at an exposure level. This also includes the effect of government and other support program. Considerations included the potential severity and duration of the economic disruption and the heightened credit risk of specific sectors and loan classes or segments.

The impact of post-model adjustments made in estimating the reported ECL as at December 31, 2021, and in the prior years are disclosed in Note 4.3.8. However, in 2022, with the continued improvement of the country's economic status, the Bank no longer imputed a separate COVID-19 overlay on calculating for its ECL allowance as it used to consider as post-model adjustments in the prior years. This is because the COVID-19 impact for 2022 has been considered as part of forward-looking macroeconomic information (overlay) and observable information due to the pandemic in the calculation of the probability of defaults for each loan portfolio. Consequently, the Bank continued to perform granular reassessment of borrowers based on continuing impact of COVID-19 to the customers' businesses and related industries as part of the Bank's own financial reliefs as discussed below.

4.3.6 Modifications of Financial Assets

(a) Financial Reliefs Provided by the Bank

In certain cases, the Bank modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Bank is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. Restructuring is most commonly applied to term or corporate loans.

In addition to the government-mandated reliefs, the Bank has also offered financial relief in response to the COVID-19 situation. These relief measures were granted to eligible customers. Relief measures are as follows:

- payment of amortization relief including extension of contractual terms;
- principal and interest relief including lower amortization on extended terms; and,
- change from loan line to term loan (i.e., consolidation of amounts due).

The outstanding balance of restructured loans amounts to P5,012.8 million and P1,370.0 million as of December 31, 2022 and 2021, respectively. The related allowance for credit loss of such loans amounts to P339.9 million and P209.3 million as of the same dates, respectively. Of the total outstanding restructured loans as of December 31, 2022, and 2021, P2,489.2 million and P832.2 million, respectively, are due to impact of COVID-19 situation.

(b) Assessment of SICR

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the performance of the financial asset subsequent to its modification.

The Bank may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Bank continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets [see also Note 4.3.5(a)].

4.3.7 Credit Risk Exposures

The Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets, except for certain secured loans and receivables from customers, as shown below.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2022				
Loans and discounts:				
Corporate	P 97,419,950,137	P 88,920,302,286	P 8,499,647,850	P 88,920,302,286
Consumer	7,140,718,137	14,956,711,062	-	7,140,718,137
Sales contract receivables	23,755,833	77,235,110	-	23,755,833
	P104,584,424,107	**P103,954,248,458**	**P 8,499,647,850**	**P 96,084,776,256**
2021				
Loans and discounts:				
Corporate	P 85,995,787,417	P 69,679,935,573	P16,349,040,908	P 69,679,935,573
Consumer	5,987,930,573	5,715,725,754	272,204,819	5,715,725,754
Sales contract receivables	42,335,023	112,173,460	-	42,335,023
	P92,026,053,013	P 75,507,834,787	P16,621,245,727	P 75,437,996,350

An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2022 and 2021 is shown below.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2022				
Loans and discounts:				
Corporate	P 8,385,135,450	P 7,912,415,970	P 472,719,480	P 7,912,415,970
Consumer	629,095,010	4,484,196,529	-	629,095,010
Sales contracts receivables	6,920,364	14,121,410	-	6,920,364
	P 9,021,150,824	**P12,410,733,909**	**P 472,719,480**	**P 8,548,431,344**
2021				
Loans and discounts:				
Corporate	P 4,160,674,691	P 2,379,409,841	P 1,781,264,850	P 2,379,409,841
Consumer	1,355,152,905	1,234,652,770	120,500,135	1,234,652,770
Sales contracts receivables	4,574,779	18,242,513	-	4,574,779
	P 5,520,402,375	P 3,632,305,124	P 1,901,764,985	P 3,618,637,390

The following table sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31:

	Notes	**2022**	2021
Cash and cash equivalents	9, 10, 12, 15	**P 15,076,189,647**	P24,289,607,670
Debt securities			
At FVOCI	11.2	**10,820,216,925**	11,989,395,564
At amortized cost	11.3	**1,125,460,677**	883,787,046
		11,945,677,602	12,873,182,610
		P 27,021,867,249	P37,162,790,280

Cash and cash equivalents include loans and advances to banks (i.e., Due from BSP, Due from Other Banks, SPURRA and Foreign currency coins and notes on hand).

Debt securities includes government and corporate bonds. These are held by the BSP, financial institutions and other counterparties that are reputable and with low credit risk; hence, ECL is negligible.

4.3.8 Allowance for Expected Credit Loss

The following tables show the reconciliation of the loss allowance for ECL by class of financial instruments at the beginning and end of 2022 and 2021:

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – corporate				
Balance at January 1	**P 1,183,680,765**	**P 151,667,981**	**P2,338,544,024**	**P 3,673,892,770**
Transfers to:				
Stage 1	**1,288,736**	**(1,288,736)**	**-**	**-**
Stage 2	**(12,448,950)**	**12,647,537**	**(198,587)**	**-**
Stage 3	**(1,264,834,996)**	**(156,874,716)**	**1,421,709,712**	**-**
Net remeasurement of loss allowance	**49,106,082**	**64,652,399**	**625,412,926**	**739,171,407**
New financial assets originated	**885,346,880**	**53,507,070**	**377,770,337**	**1,316,624,287**
Derecognition of financial assets	**(778,878,725)**	**(42,791,249)**	**(237,291,318)**	**(1,058,961,292)**
Write-offs	**-**	**-**	**(29,715,110)**	**(29,715,110)**
Balance at December 31	**P 63,259,792**	**P 81,520,286**	**P4,496,231,984**	**P 4,641,012,062**
Receivables from customers – consumer				
Balance at January 1	**P 58,376,047**	**P 8,254,597**	**P 150,719,263**	**P 217,349,907**
Transfers to:				
Stage 1	**85,155**	**(9,584)**	**(75,571)**	**-**
Stage 2	**(1,302,357)**	**7,349,866**	**(6,047,509)**	**-**
Stage 3	**(5,009,584)**	**(2,109,710)**	**7,119,294**	**-**
Net remeasurement of loss allowance	**(27,500,504)**	**(1,319,289)**	**48,777,628**	**19,957,835**
New financial assets originated	**11,458,954**	**6,077,988**	**4,995,693**	**22,532,635**
Derecognition of financial assets	**(24,226,851)**	**(4,562,426)**	**(54,709,620)**	**(83,498,897)**
Balance at December 31	**P 11,880,860**	**P 13,681,442**	**P 150,779,178**	**P 176,341,480**
Other receivables				
Balance at January 1	**P 11,285,618**	**P 1,709,360**	**P 310,142,795**	**P 323,137,773**
Transfers to:				
Stage 1	**15,225**	**(14,654)**	**(571)**	**-**
Stage 2	**(16,225)**	**19,655**	**(3,430)**	**-**
Stage 3	**(20,521,207)**	**(1,906,293)**	**22,427,500**	**-**
Net remeasurement of loss allowance	**17,115,863**	**1,441,616**	**(157,791,302)**	**(139,233,823)**
New financial assets originated	**192,371**	**260,004**	**2,557,154**	**3,009,529**
Derecognition of financial assets	**(937,113)**	**(113,998)**	**(10,412,840)**	**(11,463,951)**
Write-offs	**-**	**-**	**-**	**-**
Balance at December 31	**P 7,134,532**	**P 1,395,690**	**P 166,919,306**	**P 175,449,528**
Debt investment securities at FVOCI				
Balance at January 1	**P 4,229,457**	**P -**	**P -**	**P 4,229,457**
Net remeasurement of loss allowance	**6,564,187**	**-**	**-**	**6,564,187**
Balance at December 31	**P 10,793,644**	**P -**	**P -**	**P 10,793,644**
Debt investment securities at amortized cost				
Balance at January 1	**P 1,617,940**	**P -**	**P -**	**P 1,617,940**
Net remeasurement of loss allowance	**11,681,152**	**-**	**-**	**11,681,152**
	P 13,299,092	**P -**	**P -**	**P 13,299,092**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 605,811,633	P 798,233,131	P1,678,350,198	P 3,082,394,962
Transfers to:				
Stage 1	20,824,700	(19,840,342)	(984,358)	-
Stage 2	(10,620,919)	12,314,353	(1,693,434)	-
Stage 3	(171,309,092)	(771,722,644)	943,031,736	-
Net remeasurement of loss allowance	357,431,840	169,134,045	14,004,585	540,570,470
New financial assets originated	800,108,428	111,490,499	87,452,464	999,051,391
Derecognition of financial assets	(418,565,825)	(147,941,061)	(373,357,344)	(939,864,230)
Write-offs	-	-	(8,259,823)	(8,259,823)
Balance at December 31	P 1,183,680,765	P 151,667,981	P2,338,544,024	P 3,673,892,770

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – consumer				
Balance at January 1	P 181,832,540	P 92,135,107	P 269,108,131	P 543,075,778
Transfers to:				
Stage 1	1,962,509	(1,414,654)	(547,855)	-
Stage 2	(3,934,557)	3,970,115	(35,558)	-
Stage 3	(19,373,335)	(7,521,847)	26,895,182	-
Net remeasurement of loss allowance	(105,626,461)	(67,118,953)	(111,469,748)	(284,215,162)
New financial assets originated	31,151,415	3,198,709	29,172,336	63,522,460
Derecognition of financial assets	(27,636,064)	(14,993,880)	(62,403,225)	(105,033,169)
Balance at December 31	P 58,376,047	P 8,254,597	P 150,719,263	P 217,349,907
Other receivables				
Balance at January 1	P 15,327,959	P 20,062,451	P 113,125,353	P 148,515,763
Transfers to:				
Stage 1	1,476,203	(1,463,498)	(12,705)	-
Stage 2	(57,782)	61,468	(3,686)	-
Stage 3	(1,540,191)	(10,310,502)	11,850,693	-
Net remeasurement of loss allowance	(2,861,356)	(6,047,596)	188,261,716	179,352,764
New financial assets originated	628,451	548,031	700,044	1,876,526
Derecognition of financial assets	(1,687,666)	(1,140,994)	(3,763,918)	(6,592,578)
Write-offs	-	-	(14,702)	(14,702)
Balance at December 31	P 11,285,618	P 1,709,360	P 310,142,795	P 323,137,773
Debt investment securities at FVOCI	P 4,229,457	P -	P -	P 4,229,457
Debt investment securities at amortized cost	P 1,617,940	P -	P -	P 1,617,940

Post-model adjustments made in estimating the reported ECL allowance as at December 31, 2021 to reflect the impact of COVID-19 situation are set out in the table below.

	BAU ECL	COVID-19 Overlay	Total ECL
Corporate	P 3,673,358,860	P 533,910	P 3,673,892,770
Consumer	216,982,677	376,230	217,358,907
Other receivables	123,129,559	200,008,214	323,137,773
Debt investments at FVOCI	4,229,457	-	4,229,457
Debt investments at amortized cost	1,617,940	-	1,617,940
	P 4,019,318,493	P 200,918,354	P 4,220,236,847

4.3.9 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The table in the succeeding page provides information on how the significant changes in the gross carrying amounts (i.e., gross of unamortized charges and unearned discount) of financial instruments in 2022 and 2021 contributed to the changes in the allowance for ECL.

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	**P77,825,723,927**	**P 4,009,388,799**	**P 4,160,674,691**	**P 85,995,787,417**
Transfers to:				
Stage 1	**1,142,944,355**	**(1,142,944,355)**	**-**	**-**
Stage 2	**(1,281,028,202)**	**1,417,509,535**	**(136,481,333)**	**-**
Stage 3	**(3,307,373,309)**	**(337,845,060)**	**3,645,218,369**	**-**
New financial assets originated	**59,798,285,706**	**4,954,309,760**	**1,308,075,682**	**66,060,671,148**
Derecognition of financial assets	**(52,616,844,421)**	**(1,427,312,047)**	**(592,351,959)**	**(54,636,508,427)**
Balance at December 31	**P 81,561,708,056**	**P 7,473,106,632**	**P 8,385,135,450**	**P 97,419,950,138**
Receivables from customers – consumer				
Balance at January 1	**P 4,477,629,348**	**P 155,148,320**	**P 1,355,152,905**	**P 5,987,930,573**
Transfers to:				
Stage 1	**367,972,530**	**(6,806,321)**	**(361,166,209)**	**-**
Stage 2	**(9,467,639)**	**93,444,074**	**(83,976,435)**	**-**
Stage 3	**(103,174,778)**	**(24,839,505)**	**128,014,283**	**-**
New financial assets originated	**2,911,564,363**	**37,932,767**	**-**	**2,949,497,130**
Derecognition of financial assets	**(1,317,406,379)**	**(70,373,653)**	**(408,929,534)**	**(1,796,709,566)**
Balance at December 31	**P 6,327,117,445**	**P 184,505,682**	**P 629,095,010**	**P 7,140,718,137**
Other receivables				
Balance at January 1	**P 3,575,236,654**	**P 23,468,203**	**P 432,545,869**	**P 4,031,250,726**
Transfers to:				
Stage 1	**12,399,876**	**(10,798,619)**	**(1,601,257)**	**-**
Stage 2	**(4,623,453)**	**6,666,607**	**(2,043,154)**	**-**
Stage 3	**(104,450,110)**	**(4,764,608)**	**109,214,718**	**-**
New financial assets originated	**207,738,316**	**7,269,374**	**61,849,764**	**276,857,454**
Derecognition of financial assets	**(614,136,203)**	**(2,557,153)**	**(473,157)**	**(617,166,513)**
Balance at December 31	**P 3,072,165,080**	**P 19,283,804**	**P 599,492,783**	**P 3,690,941,667**
Debt investment securities at FVOCI				
Balance at January 1	**P 11,989,395,564**	**P -**	**P -**	**P 11,989,395,564**
New financial assets purchased	**296,476,107**	**-**	**-**	**296,476,107**
Fair value losses	**(1,404,660,931)**	**-**	**-**	**(1,404,660,931)**
Disposals, maturities, and redemptions	**(200,000,000)**	**-**	**-**	**(200,000,000)**
Foreign currency revaluation	**197,693,919**	**-**	**-**	**197,693,919**
Amortization of premium	**(58,687,734)**	**-**	**-**	**(58,687,734)**
Balance at December 31	**P 10,820,216,925**	**P -**	**P -**	**P 10,820,216,925**
Debt investment securities at amortized cost				
Balance at January 1	**P 885,404,986**	**P -**	**P -**	**P 885,404,986**
New financial assets purchased	**520,953,694**	**-**	**-**	**520,953,694**
Maturities	**(292,032,610)**	**-**	**-**	**(292,032,610)**
Amortization of discount	**24,433,699**	**-**	**-**	**24,433,699**
Balance at December 31	**P 1,138,759,769**	**P -**	**P -**	**P 1,138,759,769**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 77,147,854,992	P 4,209,573,724	P 3,248,995,131	P 84,606,423,847
Transfers to:				
Stage 1	1,000,477,584	(847,939,528)	(152,538,056)	-
Stage 2	(381,666,946)	409,698,461	(28,031,515)	-
Stage 3	(279,123,823)	(1,289,591,354)	1,568,715,177	-
New financial assets originated	47,191,996,179	2,749,133,032	528,030,425	50,469,159,636
Derecognition of financial assets	(46,853,814,059)	(1,221,485,536)	(1,004,496,471)	(49,079,796,066)
Balance at December 31	P 77,825,723,927	P 4,009,388,799	P 4,160,674,691	P 85,995,787,417
Receivables from customers – consumer				
Balance at January 1	P 4,492,474,764	P 489,483,998	P 799,693,207	P 5,781,651,969
Transfers to:				
Stage 1	175,901,239	(125,737,396)	(50,163,843)	-
Stage 2	(54,399,837)	58,631,036	(4,231,199)	-
Stage 3	(407,313,577)	(154,259,524)	561,573,101	-
New financial assets originated	1,683,393,448	30,488,227	311,586,193	2,025,467,868
Derecognition of financial assets	(1,412,426,689)	(143,458,021)	(263,304,554)	(1,819,189,264)
Balance at December 31	P 4,477,629,348	P 155,148,320	P 1,355,152,905	P 5,987,930,573

	2021			
	Stage 1	Stage 2	Stage 3	Total
Other receivables				
Balance at January 1	P 2,365,273,217	P 86,191,836	P 428,333,767	P 2,879,798,820
Transfers to:				
Stage 1	65,946,233	(56,109,545)	(9,836,688)	-
Stage 2	(906,337)	1,083,127	(176,790)	-
Stage 3	(7,375,878)	(23,475,735)	30,851,613	-
New financial assets originated	2,819,716,322	16,633,577	14,688,859	2,851,038,758
Derecognition of financial assets	(1,656,545,651)	(3,374,218)	(39,666,983)	(1,699,586,852)
Balance at December 31	P 3,586,107,906	P 20,949,042	P 424,193,778	P 4,031,250,726
Debt investment securities at FVOCI				
Balance at January 1	P 4,950,635,772	P -	P -	P 4,950,635,772
New financial assets purchased	16,899,893,203	-	-	16,899,893,203
Fair value losses	(566,144,785)	-	-	(566,144,785)
Disposals, maturities, and redemptions	(9,325,121,711)	-	-	(9,325,121,711)
Foreign currency revaluation	74,935,545	-	-	74,935,545
Amortization of premium	(44,802,460)	-	-	(44,802,460)
Balance at December 31	P 11,989,395,564	P -	P -	P 11,989,395,564
Debt investment securities at amortized cost				
Balance at January 1	P 827,023,655	P -	P -	P 827,023,655
New financial assets purchased	208,273,009	-	-	208,273,009
Maturities	(155,825,123)	-	-	(155,825,123)
Amortization of discount	5,933,445	-	-	5,933,445
Balance at December 31	P 885,404,986	P -	P -	P 885,404,986

4.3.10 Collateral Held as Security and Other Credit Enhancements

The Bank holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2022 and 2021.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2022 and 2021 are presented below and in the succeeding page.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
2022				
Real properties	P65,994,627,199	P 7,918,174,083	P10,663,633,394	P 84,576,434,676
Chattel	8,960,121,821	3,037,923,809	1,697,969,106	13,696,014,736
Hold-out deposits	5,598,556,713	48,232,333	35,010,000	5,681,799,046
	P80,553,305,733	**P11,004,330,225**	**P 12,396,612,500**	**P103,954,248,458**

	Stage 1	Stage 2	Stage 3	Total
2021				
Real properties	P53,181,430,546	P 3,022,257,052	P 2,465,808,127	P 58,669,495,725
Chattel	11,118,417,380	1,241,213,509	1,161,496,997	13,521,127,886
Hold-out deposits	3,305,319,009	6,892,167	5,000,000	3,317,211,176
	P67,605,166,935	P 4,270,362,728	P 3,632,305,124	P 75,507,834,787

As of December 31, 2022 and 2021, the Bank has recognized certain properties arising from foreclosures in settlement of loan account amounting to P788.0 million and P513.0 million, respectively (see Note 14).

The Bank's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place. The Bank does not generally use the non-cash collateral for its own operations.

There were no changes in the Bank's collateral policies in 2022 and 2021.

4.3.11 Write-Offs

The Bank writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Bank may write-off financial assets that are still subject to enforcement activity. The total financial assets written-off in 2022 and 2021 amounted to P29.7 million and P8.3 million, respectively (see Note 28). The Bank still seeks to recover amounts legally owed in full, but which have been partially written-off due to lack of reasonable expectation of full recovery.

4.3.12 Maximum Exposure to Credit Risk of Financial Instruments not Subject to Impairment

The following table contains analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e., FVPL):

	2022	2021
Corporate debt securities	**P 1,752,979,314**	P 2,094,229,968
Government securities	**469,041,725**	387,983,052
	P 2,222,021,039	P 2,482,213,020

4.3.13 Sensitivity Analysis on ECL Measurement

Set out below are the changes in the Bank's ECL as of December 31, 2022 and 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions:

	Change in MEV assumption +/ - 1%	Impact on ECL Allowance: Increase in assumption	Impact on ECL Allowance: Decrease in assumption
2022			
Corporate loans	GDP rate, U.S. dollar exchange rate, CPI rate and Inflation rate	P 46,521,592	(P 46,521,592)
Housing loans	CPI rate and Unemployment rate	1,558,691	(1,558,691)
Auto loans	PPP rate and CPI rate	5,705,066	(5,705,066)
Salary loans	PPP rate and CPI rate	10,370,390	(10,370,390)
2021			
Corporate loans	GDP rate, PPP rate, CPI rate and Inflation rate	P 50,515,388	(P 53,595,451)
Housing loans	GDP rate, PPP rate and CPI rate	9,603,602	(8,756,261)
Auto loans	PPP rate and CPI rate	3,639,753	(3,385,290)
Salary loans	PPP rate and CPI rate	14,969,874	(14,014,289)

4.4 Market Risk

The Bank's market risk exposure arises from adverse movements in interest rates and prices of assets that are either carried in the banking book or held as positions in the trading book (financial instruments), mismatches in the contractual maturity of its resources and liabilities, embedded optionality in the loans and deposits due to pre-terminations, and potential cash run offs arising from changes in the overall liquidity and funding conditions in the market.

Market risk related to the Bank's financial instruments includes foreign currency, interest rate and price risks.

(a) Foreign Currency Risk

The Bank manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

The Bank's foreign currency exposure is primarily limited to the foreign currency deposits, which are sourced within the Philippines or generated from remittances by Filipino expatriates and overseas Filipino workers. Also, foreign currency trading with corporate accounts and other financial institutions is a source of foreign currency exposure for the Bank. At the end of each month, the Bank reports to the BSP on its acquisition and disposition of foreign currency resulting from its daily transactions.

The breakdown of the financial assets and financial liabilities as to foreign currency (translated into Philippine pesos) and Philippine peso-denominated balances as of December 31, 2022 and 2021 follows (amounts in thousands):

	Foreign Currency	Philippine Peso	Total
2022			
Financial Assets:			
Cash and other cash items	**P -**	**P 1,247,987**	**P 1,247,987**
Due from BSP	**-**	**6,102,229**	**6,102,229**
Due from other banks	**3,522,588**	**1,693,075**	**5,215,663**
Trading and investment securities at:			
FVPL	**1,355,446**	**866,575**	**2,222,021**
FVOCI	**1,859,627**	**8,960,590**	**10,820,217**
Amortized cost	**589,898**	**535,563**	**1,125,461**
Loans and other receivables – net	**673,745**	**102,867,788**	**103,541,533**
Other resources	**115,675**	**43,602**	**159,277**
	P 8,116,979	**P 122,317,409**	**P 130,434,388**
Financial Liabilities:			
Deposit liabilities	**P 7,526,598**	**P 106,999,561**	**P 114,526,159**
Bills payable	**-**	**1,500,000**	**1,500,000**
Accrued expenses and other liabilities	**143,503**	**2,611,697**	**2,755,200**
	P 7,670,101	**P 111,111,258**	**P 118,781,359**
2021			
Financial Assets:			
Cash and other cash items	P -	P 1,430,788	P 1,430,788
Due from BSP	-	16,754,028	16,754,028
Due from other banks	2,231,585	1,243,385	3,474,970
Trading and investment securities at:			
FVPL	1,591,475	890,738	2,482,213
FVOCI	2,146,546	9,842,850	11,989,396
Amortized cost	-	883,787	883,787
Loans and other receivables – net	829,349	90,845,195	91,674,544
Other resources	91,410	43,077	134,487
	P 5,809,877	P 123,014,336	P 128,824,213
Financial Liabilities:			
Deposit liabilities	P 7,017,079	P 105,400,632	P 112,417,711
Corporate notes payable	-	2,995,353	2,995,353
Accrued expenses and other liabilities	18,494	1,411,104	1,429,598
	P 7,035,573	P 109,807,089	P 116,842,662

(b) Interest Rate Risk

Interest rate risk is the probability of decline in net interest earnings as a result of an adverse movement of interest rates.

In measuring interest rate exposure from an earnings perspective, the Bank calculates the Earnings at Risk (EAR) to determine the impact of interest rate changes on the Bank's accrual portfolio. The EAR is the potential decline in net interest income due to the adverse movement in interest rates. To quantify interest rate exposure, the statement of financial position is first classified into interest rate sensitive and non-interest rate sensitive asset and liability accounts and then divided into pre-defined interest rate sensitivity gap tenor buckets with corresponding amounts slotted therein based on the term to next re-pricing date (the re-pricing maturity for floating rate accounts) and remaining term to maturity (the equivalent re-pricing maturity for fixed rate accounts).

The rate sensitivity gaps are calculated for each time band and on a cumulative basis. The gap amount for each bucket is multiplied by an assumed change in interest rate to determine EAR. A negative interest rate sensitivity gap position implies that EAR increases with a rise in interest rates, while a positive interest rate sensitivity gap results in a potential decline in net interest rate income as interest rates fall. To supplement the EAR, the Bank regularly employs sensitivity analysis on the Bank's interest rate exposure.

To mitigate interest rate risk, the Bank follows a prudent policy on managing resources and liabilities so as to ensure that exposure to interest rate risk are kept within acceptable levels. The BOD has also approved the EAR Limit which is reviewed regularly.

The analyses of the groupings of resources, liabilities, capital funds and off-book financial position items as of December 31, 2022 and 2021 based on the expected interest realization or recognition follows (amounts in thousands):

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
2022						
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 1,247,987	P 1,247,987
Due from BSP	5,700,000	-	-	-	402,229	6,102,229
Due from other banks	2,887,525	-	-	-	2,328,138	5,215,663
Trading and investment securities	34,987	598,927	117,528	12,947,215	469,042	14,167,699
Loans and other receivables – net	57,025,475	17,708,400	11,214,379	17,593,279	-	103,541,533
Other resources*	-	-	-	-	4,274,955	4,274,955
Total Resources	65,647,987	18,307,327	11,331,907	30,540,494	8,722,351	134,550,066

** Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.*

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
Liabilities and Equity:						
Deposit liabilities	P 36,616,593	P18,435,606	P 7,947,712	P 2,897,271	P 48,628,977	P114,526,159
Bills payable	-	-	1,000,000	500,000	-	1,500,000
Accrued expenses and other liabilities	9,658	457,549	1,443	-	3,478,924	3,947,574
Total Liabilities	36,626,251	18,893,155	8,949,155	3,397,271	52,107,901	119,973,733
Equity	-	-	-	-	14,576,333	14,576,333
Total Liabilities and Equity	36,626,251	18,893,155	8,949,155	3,397,271	66,684,234	134,550,066
On-book Gap	29,021,736	(585,828)	2,382,752	27,143,223	(57,961,883)	-
Cumulative On-book Gap	29,021,736	28,435,908	30,818,669	57,961,883	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	1,186,305	1,186,305
Off-book Gap	-	-	-	-	(1,186,305)	(1,186,305)
Net Periodic Gap	29,021,736	(585,828)	2,382,752	27,143,223	(59,148,188)	(1,186,305)
Cumulative Total Gap	**P29,021,736**	**P28,435,908**	**P30,818,660**	**P57,961,883**	**(P 1,186,305)**	**P -**
2021						
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 1,430,788	P 1,430,788
Due from BSP	15,961,702	-	-	-	792,326	16,754,028
Due from other banks	1,046,093	-	-	-	2,428,877	3,474,970
Trading and investment securities	80,002	34,927	292,663	14,559,821	387,983	15,355,396
Loans and other receivables – net	54,367,069	14,964,246	11,592,835	10,750,394	-	91,674,544
Other resources*	-	-	-	-	3,342,548	3,342,548
Total Resources	71,454,866	14,999,173	11,885,498	25,310,215	8,382,522	132,032,274
Liabilities and Equity:						
Deposit liabilities	27,767,057	9,839,239	3,270,455	4,073,346	67,467,614	112,417,711
Corporate notes payable	-	-	2,995,353	-	-	2,995,353
Accrued expenses and other liabilities	-	-	-	-	2,156,130	2,156,130
Total Liabilities	27,767,057	9,839,239	6,265,808	4,073,346	69,623,744	117,569,194
Equity	-	-	-	-	14,463,080	14,463,080
Total Liabilities and Equity	27,767,057	9,839,239	6,265,808	4,073,346	84,086,824	132,032,274
On-book Gap	43,687,809	5,159,934	5,619,690	21,236,869	(75,704,302)	-
Cumulative On-book Gap	43,687,809	48,847,743	54,467,433	75,704,302	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	502,701	502,701
Off-book Gap	-	-	-	-	(502,701)	(502,701)
Net Periodic Gap	43,687,809	5,159,934	5,619,690	21,236,869	(76,207,003)	(502,701)
Cumulative Total Gap	P43,687,809	P48,847,743	P54,467,433	P75,704,303	(P 502,701)	P -

** Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.*

(c) Price Risk

In measuring the magnitude of exposures related to the Bank's trading portfolio arising from holding of government and other debt securities, the Bank employs VaR methodology. VaR is an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movement of the relevant market risk factors, and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Bank uses a 99% confidence level for this measurement, i.e., losses could exceed the VaR in one out of 100 trading days.

In calculating the severity of the market risk exposure for fixed income securities, the Bank takes into account the cash flow weighted term or modified duration of the securities comprising the portfolio, the yield to maturity, and mark-to-market value of the component securities position in the trading book. As the VaR methodology requires a minimum historical period of reckoning with market movements from a transparent discovery platform, the Bank uses yield and price data from Bloomberg in the calculation of the volatility of rates of return and security prices, consistent with BSP valuation guidelines.

In assessing market risk, the Bank scales the calculated VaR based on assumed defeasance or holding periods that range from one day and ten days consistent with best practices and BSP standards.

As a prudent market risk control and compliance practice, the BOD has approved a market risk limit system which includes: (i) VaR limit on a per instrument and portfolio; (ii) loss limit on per investment portfolio, (iii) off-market rate limits on per instrument type; and, (iv) holding period for investment securities.

In recognition of the limitations of VaR related to the assumptions on which the model is based, the Bank supplements the VaR with a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position.

The following table shows the VaR position and ranges of the Bank's financial assets at FVPL and at FVOCI portfolios as at December 31 (amounts in thousands):

	2022	2021
VaR Position:		
Financial assets at FVPL	**P 2,222,021**	P 2,482,213
Financial assets at FVOCI	**10,820,217**	11,989,396
VaR Ranges:		
Minimum	**131,139**	91,264
Maximum	**169,777**	171,283
Average	**151,310**	132,670

Stress test on the December 31, 2022 and 2021 portfolio shows the potential impact on profit and capital funds of parallel increase in interest rates of financial assets at FVPL and at FVOCI as follows (in thousands):

2022				
	Current	**Sensitivities**		
Currency	**Market Value**	**+100 bps**	**+300 bps**	**+500 bps**
Philippine peso	P 9,827,165	(P 463,059)	(P 1,389,178)	(P 2,315,297)
US dollar	3,215,073	(355,560)	(1,066,681)	(1,777,801)
Total	**P 13,042,238**	**(P 818,619)**	**(P 2,455,859)**	**(P 4,093,098)**

2021				
	Current	Sensitivities		
Currency	Market Value	+100 bps	+300 bps	+500 bps
Philippine peso	P 10,733,588	(P 554,256)	(P 1,662,768)	(P 2,771,281)
US dollar	3,738,021	(451,726)	(1,355,179)	(2,258,631)
Total	P 14,471,609	(P 1,005,982)	(P 3,017,947)	(P 5,029,912)

(d) Liquidity Risk

Liquidity risk is the risk to income and capital as a result of the Bank failing its commitment for funds as they fall due. The Bank manages its liquidity risk through the management's monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder.

A maturity ladder relates the inflows to outflows of funds at selected maturity dates and is constructed to measure liquidity exposure. The ladder shows the Bank's statement of financial position distributed into tenor buckets across the term structure on the basis of the term to final maturity or cash flow dates. The amount of net inflows which equals the difference between the amounts of contractually maturing assets (inflows) and liabilities (outflows) is computed per tenor bucket and on a cumulative basis incorporating certain behavioral and hypothetical assumptions regarding the flows from assets and liabilities including contingent commitments over time. The calculated periodic and cumulative gaps constitute the Bank's run off schedule, which indicate the Bank's net funding requirements in local and foreign currency.

To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the Bank called Maximum Cumulative Outflow (MCO) limit is observed per currency based on the recommendation of management, which model and assumptions are reviewed by the Asset and Liability Committee (ALCO) and the ROC prior to the confirmation by the BOD.

The analysis of the cash flow gap analysis of resources, liabilities, capital funds and off-book financial position items as of December 31, 2022 and 2021 follows (amounts in thousands).

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
2022					
Resources:					
Cash and other cash items	P 1,247,987	P -	P -	P -	P 1,247,987
Due from BSP	5,700,000	-	-	402,229	6,102,229
Due from other banks	5,215,663	-	-	-	5,215,663
Trading and investment securities	2,268,158	598,927	117,528	11,183,086	14,167,699
Loans and other receivables	4,515,101	5,665,549	14,102,966	79,257,917	103,541,533
Other resources*	3,518,917	820	3,467	751,751	4,274,955
Total Resources	22,465,826	6,265,296	14,223,961	91,594,983	134,550,066
Liabilities and Equity:					
Deposit liabilities	10,736,931	4,123,390	5,579,979	94,085,859	114,526,159
Corporate notes payable	-	-	1,000,000	500,000	1,500,000
Accrued expenses and other liabilities	1,906,899	1,983,356	57,319	-	3,947,574
Total Liabilities	12,643,830	6,106,746	6,637,298	94,585,859	119,973,733
Equity	-	-	-	14,576,333	14,576,333
Total Liabilities and equity	13,703,541	6,106,746	6,637,298	108,102,481	134,550,066
On-book Gap	8,762,285	158,550	7,586,663	(16,507,498)	-
Cumulative On-book Gap	8,762,285	8,920,835	16,507,498	-	-
Contingent Resources	-	-	-	-	-
Contingent Liabilities	(284,899)	(901,406)	-	-	(1,186,305)
Off-book Gap	284,899	901,406	-	-	1,186,305
Net Periodic Gap	9,047,184	1,059,956	7,586,663	(16,507,498)	1,186,305
Cumulative Total Gap	**P 9,047,184**	**P 10,107,140**	**P 17,693,803**	**P 1,186,305**	**P -**
2021					
Resources:					
Cash and other cash items	P 1,430,788	P -	P -	P -	P 1,430,788
Due from BSP	15,961,702	-	-	792,326	16,754,028
Due from other banks	3,474,970	-	-	-	3,474,970
Trading and investment securities	2,546,342	34,927	292,663	12,481,464	15,355,396
Loans and other receivables	3,888,154	4,546,503	12,224,260	71,015,627	91,674,544
Other resources*	91,410	172,148	6,063	3,072,927	3,342,548
Total Resources	27,393,366	4,753,578	12,522,986	87,362,344	132,032,274

** Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.*

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
Liabilities and Equity:					
Deposit liabilities	P 97,058,339	P 8,969,261	P 2,323,395	P 4,066,716	P 112,417,711
Corporate notes payable	-	-	2,995,353	-	2,995,353
Accrued expenses and other liabilities	1,278,142	10,760	168,575	698,653	2,156,130
Total Liabilities	98,336,481	8,980,021	5,487,323	4,765,369	117,569,194
Equity	-	-	-	14,463,080	14,463,080
Total Liabilities and equity	98,336,481	8,980,021	5,487,323	19,228,449	132,032,274
On-book Gap	(70,943,115)	(4,226,443)	7,035,663	68,133,895	-
Cumulative On-book Gap	(70,943,115)	(75,169,558)	(68,133,895)	-	-
Contingent Resources	-	-	-	-	-
Contingent Liabilities	498,002	4,699	-	-	502,701
Off-book Gap	(498,002)	(4,699)	-	-	(502,701)
Net Periodic Gap	(71,441,117)	(4,231,142)	7,035,663	68,133,895	(502,701)
Cumulative Total Gap	(P 71,441,117)	(P 75,672,259)	(P 68,636,596)	(P 502,701)	P -

The MCO measures the maximum funding requirement the Bank may need to support its maturing obligations. To ensure that the Bank maintains a prudent and manageable level of cumulative negative gap, the Bank maintains a pool of highly liquid assets in the form of tradable investment securities. Moreover, the BOD has approved the MCO Limits which reflect the Bank's overall appetite for liquidity risk exposure. This limit is reviewed every year. Compliance to MCO Limits is monitored and reported to the BOD and senior management. In case of breach in the MCO Limit, the Risk Management Center elevates the concern to the BOD through the ROC for corrective action.

Additional measures to mitigate liquidity risks include reporting of funding concentration, short-term liquidity reporting, available funding sources, and liquid assets analysis.

More frequent analysis of projected funding source and requirements as well as pricing strategies is discussed thoroughly during the weekly ALCO meetings.

Pursuant to applicable BSP regulations, the Bank is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Bank's demand deposit accounts with the BSP. The BSP also requires the Bank to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

4.4.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Bank maintains significant exposure. Specifically, the Bank ensures that its measurement, monitoring, and control systems account for these exposures as well. The Bank sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Bank also assesses its access to foreign exchange markets when setting up its risk limits.

4.4.2 Liquidity Risk Stress

To augment the effectiveness of the Group's gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the Bank are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in BSP Circular No. 981, *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported monthly to ALCO and ROC.

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations, or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss.

Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The ROC of the Bank assists management in meeting its responsibility to understand and manage operational risk exposures.

The ROC applies a number of techniques to efficiently manage operational risks. Among these are enumerated as follows:

- Each major business line has an embedded operational risk management officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ROC to keep them up-to-date with different operational risk issues, challenges and initiatives.
- With ROC's bottom-up self-assessment process, which is conducted at least annually, areas with high-risk potential are highlighted and reported, and control measures are identified. The results of said self-assessment exercise also serve as one of the inputs in identifying specific key risk indicators (KRIs).
- KRIs are used to monitor the operational risk profile of the Bank and of each business unit and alert the management of impending problems in a timely fashion.
- Internal loss information is collected, reported, and utilized to model operational risk.
- The ROC reviews product and operating manuals, policies, procedures, and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

(a) Reputational Risk

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Bank to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels or processes may generate adverse public opinion such that it seriously affects the Bank's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The Bank adopted a reputation risk monitoring and reporting framework to manage public perception.

(b) *Legal Risk and Regulatory Risk Management*

Changes in laws and regulations and fiscal policies could adversely affect the Bank's operations and financial reporting. In addition, the Bank faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Bank uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness, and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions.

In addition, the Bank seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Bank's Compliance Program, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Office is committed to safeguarding the integrity of the Bank by maintaining a high level of regulatory compliance.

The Compliance Office is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing on branches and head office units, and reporting compliance findings to the Corporate Governance and the BOD.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, RA No. 10365, RA No. 10927 and RA No. 11521, in March 2003, June 2012, February 2013, June 2016 and July 2020 (which effected in February 2021), respectively. Under the AMLA, as amended, the Bank is required to submit "Covered Transaction Reports" to the Anti-Money Laundering Council (AMLC) involving single transactions in cash or other equivalent monetary instruments in excess of P0.5 million within one banking day, exceeding P1 million for transactions (in cash or other equivalent monetary instrument) with or involving jewelry dealers, dealers in precious metals/precious stones; exceeding P5 million for casino cash transactions; and exceeding P7.5 million for cash transaction with or involving real estate developers or brokers. The Bank is also required to submit "Suspicious Transaction Reports" to the AMLC in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in RA No. 10168. In addition, the AMLA requires that the Bank safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction.

In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 was implemented superseding all policies on AMLA. The Circular requires the Bank to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MTPP) designed according to the covered institution's corporate structure and risk profile.

In an effort to further prevent money laundering activities, the Bank revised its KYC policies and guidelines in order to comply with the aforementioned Circular. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Bank is required to conduct watchlist screening and risk profile its clients to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Decisions to enter into a business relationship with a high risk customer requires senior management approval.

The Bank's procedures for compliance with the AMLA are set out in its MTPP. The Bank's Chief Compliance Officer, through the Anti-Money Laundering Unit (AMLU) and Compliance Testing Unit (CTU), monitors AMLA compliance and conducts regular compliance testing of business units.

All banking units are required to submit to the Compliance Office certificates of compliance with the applicable banking laws, rules, regulations and standards including the Anti-Money Laundering Rules and Regulations on a quarterly basis.

The Chief Compliance Officer regularly reports to the Board through the Corporate Governance Committee the results of their monitoring of AMLA compliance.

5. CAPITAL MANAGEMENT AND BSP REPORTING COMPLIANCE

5.1 Capital Management and Regulatory Capital

The Bank's lead regulator, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets. PBB, being a stand-alone thrift bank, is required under BSP regulations to comply with Basel 1.5. Under this regulation, the qualifying capital account of the Bank should not be less than an amount equal to 10% of its risk weighted assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio consists of Tier 1 capital plus Tier 2 capital elements net of the required deductions from capital such as:

(a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
(b) total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI);
(c) deferred tax asset net of deferred tax liability;
(d) goodwill;
(e) sinking fund for redemption of redeemable preferred shares; and,
(f) other regulatory deductions.

Risk weighted assets is the sum of the Bank's credit risk weighted assets, operational risk weighted assets, and market risk weighted assets. The latter was due to the Bank's authority to engage in derivatives as end-user under a Type 3 Limited End-User Authority. Risk weighted assets are computed using the standardized approach for credit and market risks while basic indicator approach with modification was used for operational risk.

The following are the risk-based capital adequacy of the Bank as of December 31, 2022, 2021 and 2020 as reported to the BSP (amounts in millions):

		2022		2021		2020
Net Tier 1 Capital	**P**	**14,710**	P	13,254	P	12,939
Tier 2 Capital		**893**		893		858
Total Qualifying Capital	**P**	**15,603**	P	14,147	P	13,797
Risk Weighted Assets:						
Credit Risk Weighted Assets	**P**	**101,812**	P	109,690	P	85,745
Operational Risk Weighted Assets		**8,793**		7,927		6,375
Market Risk Weighted Assets		**2,015**		2,055		5,379
Total Risk-Weighted Assets	**P**	**112,620**	P	119,672	P	97,499
Capital ratios:						
Total qualifying capital expressed as percentage of total risk-weighted assets		**13.9%**		11.8%		14.2%
Net Tier 1 capital expressed as percentage of total risk-weighted assets		**13.1%**		11.1%		13.3%

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

The Bank's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

A bank's regulatory capital is analyzed into two tiers, which are Tier 1 Capital plus Tier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital equivalent to 50% of the following:

(a) Investments in equity of unconsolidated subsidiary banks and other financial allied undertakings, but excluding insurance companies;

(b) Investments in debt capital instruments of unconsolidated subsidiary banks;

(c) Investments in equity of subsidiary insurance companies and non-financial allied undertakings;

(d) Reciprocal investments in equity of other banks/enterprises; and,

(e) Reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-banks.

Provided, that any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio.

As of December 31, 2022 and 2021, the Bank has no exposure in item (a) to item (e) above. There were no material changes in the Bank's management of capital during the current year.

As of December 31, 2022 and 2021, the Bank has satisfactorily complied with the capital-to-risk assets ratio.

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regular net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects (mainly in the recognition of deferred tax assets). Thrift banks with head office in the National Capital Region and have more than 50 branches are required to comply with the minimum capital requirement of P2.0 billion. The Bank has complied with the minimum capital requirement at the end of each reporting period.

5.2 Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, *Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks, and Quasi-Banks*, which provide guidance on and prescribes the prudential requirement for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e., both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances.

The minimum liquidity ratio (MLR) of 20% shall be complied with on an ongoing basis absent a period of financial stress effective January 1, 2019. However, the Bank was only able to comply with the MLR requirement starting June 2019.

On April 7, 2020, the BSP issued Memorandum No. M-2020-020, *Reduction in the Minimum Liquidity Ratio in Response to Covid-19*, which reduced the MLR for stand-alone thrift banks, rural banks and cooperative banks from 20% to 16% until December 31, 2020. On December 1, 2020, the BSP issued an extension on the effectivity of the temporary reduction of MLR thru Memorandum No. M-2020-085 until December 31, 2021. Furthermore, Memorandum No. M-2022-004, *Extension of BSP Prudential Relief Measures*, further extended the reduction of MLR to 16% for stand-alone thrift banks, rural banks and cooperative banks until December 31, 2022.

The Bank's MLR are analyzed below (amounts in millions except MLR figure).

		2022		2021
Eligible stock liquid assets	**P**	**25,873**	P	39,631
Total qualifying liabilities		**118,968**		135,734
MLR		**21.75%**		29.20%

5.3 Leverage Ratio

On June 9, 2015, the BSP issued Circular No. 881, *Implementing Guidelines on the Based III Leverage Ratio Framework*, which provides the implementing guidelines on the leverage ratio framework designed to act as a supplementary measure to the risk-based capital requirements. It sets out a minimum leverage ratio of 5.00% and shall be complied with at all times.

The Basel III leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure which include on-balance sheet and securities financing transactions exposures and off-balance sheet items.

The Bank's Basel III leverage ratio as reported to the BSP are as follows:

		2022		2021
Tier 1 Capital	**P**	**12,988**	P	12,966
Exposure measure		**132,656**		150,663
Leverage ratio		**9.79%**		8.61%

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The following table summarizes the carrying values and fair values of the financial assets and financial liabilities in the statements of financial position:

	Notes	**Carrying Values**	**Fair Values**
December 31, 2022:			
Financial Assets			
At amortized cost:			
Cash and other cash items	9	**P 1,247,987,230**	**P 1,247,987,230**
Due from BSP	9	**6,102,228,578**	**6,102,228,578**
Due from other banks	10	**5,215,663,162**	**5,215,663,162**
Investment securities – net	11	**1,125,460,677**	**1,117,453,416**
Loans and other receivables – net	12	**103,541,533,397**	**96,243,658,498**
Other resources	15	**159,277,091**	**159,277,091**
At fair value:			
FVPL securities	11	**2,222,021,039**	**2,222,021,039**
FVOCI securities	11	**10,820,216,925**	**10,820,216,925**
		P 130,434,388,099	**P 123,128,505,939**

	Notes	Carrying Values	Fair Values
Financial Liabilities			
At amortized cost:			
Deposit liabilities	16	**P 114,526,159,478**	**P 114,045,686,752**
Accrued expenses and other liabilities	19	**2,755,200,476**	**2,755,200,476**
Bills payable	17	**1,500,000,000**	**1,491,148,004**
		P 118,781,359,954	**P 118,292,035,232**
December 31, 2021:			
Financial Assets			
At amortized cost:			
Cash and other cash items	9	P 1,430,787,675	P 1,430,787,675
Due from BSP	9	16,754,028,342	16,754,028,342
Due from other banks	10	3,474,970,323	3,474,970,323
Investment securities – net	11	883,787,046	886,085,840
Loans and other receivables – net	12	91,674,544,156	98,565,014,525
Other resources	15	134,486,746	134,486,746
At fair value:			
FVPL securities	11	2,482,213,020	2,482,213,020
FVOCI securities	11	11,989,395,564	11,989,395,564
		P 128,824,212,872	P 135,716,982,035
Financial Liabilities			
At amortized cost:			
Deposit liabilities	16	P 112,417,711,167	P 154,133,982,421
Corporate notes payable	18	2,995,352,640	2,995,352,640
Accrued expenses and other liabilities	19	1,429,598,435	1,429,598,435
		P 116,842,662,242	P 158,558,933,496

The Bank concluded that the carrying amounts of foregoing other financial assets and financial liabilities which are measured at amortized cost approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Bank's debt securities are determined based on the procedures and methodologies discussed in Note 7.2.

6.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets, presented in the statements of financial position at gross amounts, are covered by enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position	Related amounts not set-off in the statements of financial position: Financial Instruments	Related amounts not set-off in the statements of financial position: Collateral received	Net amount
December 31, 2022				
Loans and receivables – net	**P103,541,533,397**	**(P 6,631,799,046)**	**P -**	**P 96,909,734,351**
Deposit liabilities	**114,526,159,478**	**(5,681,799,046)**	**-**	**108,844,360,432**
Bills payable	**1,500,000,000**	**(950,000,000)**	**-**	**550,000,000**
December 31, 2021				
Loans and receivables – net	P 91,674,544,156	(P 3,317,211,176)	P -	P 88,357,332,980
Deposit liabilities	112,417,711,167	(3,317,211,176)	-	109,100,499,991

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Bank and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument, which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

7.2 Financial Instruments Measured at Fair Value

The table shows the fair value hierarchy of the Bank's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2022 and 2021 (amounts in millions).

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Financial assets at FVPL				
Corporate debt securities	**P 1,753**	**P -**	**P -**	**P 1,753**
Government debt securities	**469**	**-**	**-**	**469**
	P 2,222	**P -**	**P -**	**P 2,222**
Financial assets at FVOCI				
Government debt securities	**P 9,980**	**P -**	**P -**	**P 9,980**
Corporate debt securities	**841**	**-**	**-**	**841**
	P 10,821	**P -**	**P -**	**P 10,821**
December 31, 2021				
Financial assets at FVPL				
Corporate debt securities	P 2,094	P -	P -	P 2,094
Government debt securities	388	-	-	388
	P 2,482	P -	P -	P 2,482
Financial assets at FVOCI				
Government debt securities	P 11,180	P -	P -	P 11,180
Corporate debt securities	809	-	-	809
	P 11,989	P -	P -	P 11,989

Derivative financial assets are categorized within Level 2 and are determined through valuation techniques using the net present value computation.

The fair value of the debt securities of the Bank is determined as follows:

(a) Fair values of peso and foreign-denominated government debt securities issued by the Philippine government, are based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithm of direct observations or observed comparables.

(b) Fair values of actively traded corporate debt securities are determined based on their market prices quoted in the Philippine Dealing System (PDS) or based on the direct reference price per Bloomberg at the end of each reporting period; hence, categorized within Level 1.

Debt securities will be categorized within Level 2 if prices include inputs from observed comparables or from direct observations but did not meet the active market criteria.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

7.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (amount in millions).

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Financial Assets:				
Cash and other cash items	**P 1,248**	**P -**	**P -**	**P 1,248**
Due from BSP	**6,102**	**-**	**-**	**6,102**
Due from other banks	**5,216**	**-**	**-**	**5,216**
Investment securities at amortized cost	**1,117**	**-**	**-**	**1,117**
Loans and other receivables	**2,395**	**-**	**93,849**	**96,244**
Other financial assets	**116**	**-**	**44**	**160**
	P 16,194	**P -**	**P 93,893**	**P 110,087**
Financial Liabilities:				
Deposit liabilities	**P -**	**P -**	**P 114,046**	**P 114,046**
Bills payable	**1,491**	**-**	**-**	**1,491**
Accrued expenses and other liabilities	**-**	**-**	**2,755**	**2,755**
	P 1,491	**P -**	**P 116,801**	**P 118,292**
December 31, 2021				
Financial Assets:				
Cash and other cash items	P 1,431	P -	P -	P 1,431
Due from BSP	16,754	-	-	16,754
Due from other banks	3,475	-	-	3,475
Investment securities at amortized cost	886	-	-	886
Loans and other receivables	2,538	-	96,027	98,565
Other financial assets	91	-	43	134
	P 25,175	P -	P 96,070	P 121,245
Financial Liabilities:				
Deposit liabilities	P -	P -	P 154,134	P 154,134
Corporate notes payable	-	-	2,995	2,995
Accrued expenses and other liabilities	-	-	1,430	1,430
	P -	P -	P 158,559	P 158,559

The fair values of financial assets and financial liabilities not presented at fair value in the statements of financial position are determined as follows:

(a) *Cash and Other Cash Items*

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines (see Note 9). Other cash items include cash items other than currency and coins on hand (see Note 15) such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours. Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

(b) *Due from BSP and Other Banks and SPURRA*

Due from BSP pertains to deposits made by the Bank to BSP for clearing and reserve requirements while SPURRA pertain to loans and receivables from BSP arising from overnight lending from excess liquidity. Due from other banks includes interbank deposits and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(c) *Investment Securities at Amortized Cost*

The fair value of investment securities at amortized cost consisting of government securities and corporate debt securities is determined based on reference prices appearing in Bloomberg and PDS.

(d) *Loans and Other Receivables*

Loans and other receivables are net of impairment losses. The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flows expected to be received. Long term interest-bearing loans are periodically repriced at interest rates equivalent to the current market rates, to determine fair value.

(e) *Other Financial Assets*

Other financial assets pertain to foreign currency notes and coins, security deposits and petty cash fund which are included in the Other Resources account. Due to their short duration, the carrying amounts of these items in the statements of financial position are considered to be reasonable approximation of their fair values.

(f) *Deposits Liabilities and Borrowings*

The estimated fair value of deposits with no stated maturity, which includes noninterest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount of short-term bills payable approximate their fair values. For corporate notes payable categorized within Level 3, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid or based on their cost which management estimates to approximate their fair values.

(g) Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities classified as financial liabilities are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. Due to their short-duration, management ascertained that the fair values of these short-term liabilities approximate their carrying values.

7.4 Fair Value Measurement of Investment Properties Carried at Cost

The total estimated fair values of the Bank's investment properties, categorized under Level 3 of the fair value hierarchy amount to P2,031.7 million and P1,030.3 million as of December 31, 2022 and 2021, respectively (see Note 14).

The fair value of these investment properties was determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 3 fair value of land was derived using observable recent prices of the reference properties adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value. On the other hand, if fair value of the land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations, fair value is included in Level 2. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property, minor adjustments on the price is made to consider peculiarities of the property with that of the benchmark property.

(b) Fair Value Measurement for Building and Improvements

The Level 3 fair value of the buildings and improvements included in Investment Properties was determined using the replacement cost approach that reflects the cost to a market participant to construct an asset of comparable usage, constructions standards, design and lay-out, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance, and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021.

8. SEGMENT REPORTING

The Bank's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Bank in reporting to its chief operating decision-maker for its strategic decision-making activities.

Management currently identifies the Bank's three service lines as primary operating segments.

(a) *Consumer Banking* – includes auto financing, home financing, and salary or personal loans;

(b) *Corporate Banking* – includes term loans, working capital credit lines, bills purchase and discounting lines; and,

(c) *Treasury Operations* – manages liquidity of the Bank and is a key component in revenue and income generation through its trading and investment activities.

These segments are the basis on which the Bank reports its segment information. Transactions between the segments are on normal commercial terms and conditions.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

8.1 Analysis of Primary Segment Information

The contribution of these various business activities to the Bank's revenues and income for the years 2022, 2021 and 2020 are as follows (amounts in millions):

	Consumer	Corporate	Treasury	Total
2022				
Net interest and other income				
From external customers				
Interest income	P 501	P 5,161	P 918	P 6,580
Interest expense	(78)	(810)	(144)	(1,032)
Net interest income	423	4,351	774	5,548
Non-interest income	64	664	99	827
	487	5,015	873	6,375
Expenses				
Operating expenses excluding depreciation and amortization	185	2,528	692	3,405
Impairment losses	73	748	-	821
Depreciation and amortization	17	245	66	328
	275	3,521	758	4,554
Segment operating income	**P 212**	**P 1,494**	**P 115**	**P 1,821**

	Consumer	Corporate	Treasury	Total
Total resources and liabilities				
Total resources	**P 7,242**	**P 98,766**	**P 27,063**	**P 133,071**
Total liabilities	**P 6,441**	**P 87,852**	**P 25,681**	**P 119,974**
2021				
Net interest and other income				
From external customers				
Interest income	P 132	P 5,454	P 748	P 6,334
Interest expense	(17)	(721)	(100)	(838)
Net interest income	115	4,733	648	5,496
Non-interest income	9	370	128	507
	124	5,103	776	6,003
Expenses				
Operating expenses excluding depreciation and amortization	133	1,913	1,074	3,120
Impairment losses	18	729	-	747
Depreciation and amortization	14	204	88	306
	165	2,846	1,162	4,173
Segment operating income	(P 41)	P 2,257	(P 386)	P 1,830
Total resources and liabilities				
Total resources	P 6,076	P 87,265	P 37,427	P 130,768
Total liabilities	P 5,319	P 76,387	P 35,863	P 117,569
2020				
Net interest and other income				
From external customers				
Interest income	P 646	P 5,871	P 586	P 7,103
Interest expense	(134)	(1,220)	(122)	(1,476)
Net interest income	512	4,651	464	5,627
Non-interest income	9	341	808	1,158
	521	4,992	1,272	6,785
Expenses				
Operating expenses excluding depreciation and amortization	178	2,060	681	2,919
Impairment losses	232	2,104	-	2336
Depreciation and amortization	15	210	55	280
	425	4,374	736	5,535
Segment operating income	P 96	P 618	P 536	P 1,250
Total resources and liabilities				
Total resources	P 7,246	P 83,621	P 27,642	P 118,509
Total liabilities	P 6,284	P 72,521	P 27,085	P 105,891

8.2 Reconciliation

Presented below is a reconciliation of the Bank's segment information to the key financial information presented in its financial statements (amounts in millions).

	2022	2021	2020
Net interest and other income			
Total segment revenues	**P 6,375**	P 6,003	P 6,785
Unallocated income	**119**	59	12
Net interest and other income as reported in profit or loss	**P 6,494**	P 6,062	P 6,797
Profit or loss			
Total segment operating income	**P 1,821**	P 1,830	P 1,250
Unallocated profit (loss)	**41**	(37)	(53)
Net profit before tax as reported in profit or loss	**P 1,862**	P 1,793	P 1,197
Resources			
Total segment resources	**P 133,071**	P 130,768	P 118,509
Unallocated assets	**1,479**	1,264	1,258
Total resources	**P 134,550**	P 132,032	P 119,767
Liabilities			
Total segment liabilities	**P 119,974**	P 117,569	P 105,891
Unallocated liabilities	**-**	-	-
Total liabilities	**P 119,974**	P 117,569	P 105,891

The Bank has no intersegment revenues during 2022, 2021 and 2020.

9. CASH AND CASH EQUIVALENTS

This account is composed of the following (see also Note 4.3.3):

	Notes	2022	2021
Cash and other cash items		**P 1,247,987,230**	P 1,430,787,675
Due from BSP			
Mandatory reserves		**400,931,278**	792,326,215
Other than mandatory reserves		**5,701,297,300**	15,961,702,127
		6,102,228,578	16,754,028,342
Due from other banks	10	**5,215,663,162**	3,474,970,323
Securities purchased under Reversed repurchase agreement	12	**2,394,635,343**	2,538,411,628
Foreign currency notes and coins on hand	15	**115,675,334**	91,409,702
		P 15,076,189,647	P24,289,607,670

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines. Other cash items include cash items other than currency and coins on hand (see Note 15) such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours.

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims (see Note 16).

Due from BSP other than mandatory reserves bears annual effective interest rates as follows:

2022	2021	2020
3.75% – 4.25%	1.5% – 2.0%	1.5% – 4.0%

The total interest income earned in 2022, 2021 and 2020 amounted to P182.3 million, P202.1 million and P116.1 million, respectively, and are included as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

10. DUE FROM OTHER BANKS

The balance of this account represents deposits with the following:

	2022	2021
Local banks	**P 3,794,059,572**	P 2,323,873,120
Foreign banks	**1,421,603,590**	1,151,097,203
	P 5,215,663,162	P 3,474,970,323

Interest rates on these deposits range from 0.05% to 6.25% per annum in 2022, from 0.06% to 1.50% per annum in 2021 and from 0.13% to 1.50% per annum in 2020. The total interest income earned in 2022, 2021 and 2020 amounted to P35.8 million, P2.8 million and P8.1 million, respectively, and are included as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

11. TRADING AND INVESTMENT SECURITIES

The components of this account are presented below.

	Notes	**2022**	2021
Financial assets at FVPL	11.1	**P 2,222,021,039**	P 2,482,213,020
Financial assets at FVOCI	4.3.2, 11.2	**10,820,216,925**	11,989,395,564
Investment securities at amortized cost – net	4.3.2, 11.3	**1,125,460,677**	883,787,046
		P 14,167,698,641	P15,355,395,630

Interest income on trading and investment securities consists of:

	2022	2021	2020
Investment securities at FVPL			
Government debt securities	**P 74,227,351**	P 96,776,353	P 75,863,938
Corporate bonds	**19,344,197**	75,409,678	43,633,414
Investment securities at FVOCI			
Government debt securities	**461,354,034**	275,910,094	240,068,725
Corporate bonds	**25,672,766**	59,363,525	55,279,605
Investment securities at amortized cost			
Government debt securities	**29,191,239**	29,026,227	30,032,388
Corporate bonds	**27,502,666**	6,862,672	17,089,218
	P637,292,253	P543,348,549	P461,967,288

Trading gains (losses) – net consist of the following:

	2022	2021	2020
Investment securities at FVPL			
Realized	**P 5,351,266**	(P250,260,387)	P309,469,887
Unrealized	**(406,996,881)**	(20,725,999)	95,223,781
	(401,645,615)	(270,986,386)	404,693,668
Investment securities at FVOCI	**(607,336)**	17,016,471	344,639,026
	(P402,252,951)	(P253,969,915)	P749,332,694

11.1 Investment Securities at FVPL

The account is composed of the following:

	2022	2021
Corporate bonds	**P 1,752,979,314**	P 2,094,229,968
Government debt securities	**469,041,725**	387,983,052
	P 2,222,021,039	P 2,482,213,020

Effective interest rates of investment securities at FVPL range from:

	2022	2021	2020
Government debt securities	**3.0% – 9.3%**	1.3% – 2.6%	2.5% – 6.3%
Corporate bonds	**2.8% – 7.3%**	2.8% – 7.3%	3.0% – 7.3%

11.2 Investment Securities at FVOCI

The account is composed of the following:

	2022	2021
Government debt securities	**P 9,979,504,483**	P11,179,968,102
Corporate bonds	**840,712,442**	809,427,462
	P 10,820,216,925	P11,989,395,564

Effective interest rates of investment securities at FVOCI range from:

	2022	2021	2020
Government debt securities	**2.4% – 6.9%**	2.5% – 7.3%	4.8% – 5.8%
Corporate bonds	**3.3% – 4.9%**	3.0% – 7.2%	3.7% – 5.8%

The Bank has recognized impairment losses amounting to P6.6 million in 2022 and is presented as part of NUGL in the 2022 statement of comprehensive income. No similar transaction transpired in 2021 and 2020. As of December 31, 2022, and 2021 and 2020, the allowance for impairment amounted to P10.8 million, P4.2 million and P4.2 million, respectively. A reconciliation of the allowance for impairment at the beginning and end of 2022 and 2021 is shown in Note 4.3.8.

In compliance with current banking regulations relative to the Bank's trust functions, certain securities of the Bank, with a face value of P130.0 million, P144.8 million and P145.0 million as of December 31, 2022, 2021 and 2020, respectively, are deposited with the BSP (see Note 27).

Changes in the investment securities at FVOCI are summarized below.

	2022	2021
Balance at beginning of year	**P 11,989,395,564**	P 4,950,635,772
Fair value losses - net	**(1,404,660,931)**	(566,144,785)
Additions	**296,476,107**	16,899,893,203
Maturities	**(200,000,000)**	(9,063,541,111)
Foreign currency revaluation	**197,693,919**	74,935,545
Amortization of premium	**(58,687,734)**	(44,802,460)
Disposals and redemptions	**-**	(261,580,600)
Balance at end of year	**P 10,820,216,925**	P11,989,395,564

The reconciliation of NUGL on investment securities at FVOCI reported in equity is shown in Note 21.5.

11.3 Investment Securities at Amortized Cost

This account is composed of the following:

	Notes	**2022**	2021
Government securities		**P 548,861,486**	P 631,915,575
Corporate bonds		**589,898,283**	253,489,411
	4.3.2	**1,138,759,769**	885,404,986
Allowance for impairment	4.3.2, 28	**(13,299,092)**	(1,617,940)
		P 1,125,460,677	P 883,787,046

The reconciliation of the carrying amounts of investment securities at amortized cost in are presented below.

	2022	2021
Balance at beginning of year	**P 883,787,046**	P 825,405,715
Additions	**520,953,694**	208,273,009
Maturities and redemptions	**(292,032,610)**	(155,825,123)
Amortization of discount	**24,433,699**	5,933,445
Impairment during the year	**(11,681,152)**	-
Balance at end of year	**P 1,125,460,677**	P 883,787,046

Effective interest rates of investment securities at amortized cost range from:

	2022	2021	2020
Government debt securities	**3.6% – 8.1%**	1.4% – 7.5%	3.5% – 8.1%
Corporate bonds	**3.8% – 7.3%**	3.7%	4.0% – 6.2%

12. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	Notes	2022	2021
Receivable from customers:			
Loans and discounts		**P104,562,986,705**	P 91,995,855,801
Unearned discount		**(195,092,794)**	(143,364,376)
		104,367,893,911	91,852,491,425
Customers' liabilities on acceptances, letters of credit and trust receipts		**475,500,889**	5,182,455
		104,843,394,800	91,857,673,880
Other receivables:			
SPURRA	9	**2,394,635,343**	2,538,411,628
Accrued interest receivable		**1,104,104,007**	1,031,264,167
Accounts receivable		**109,803,002**	360,123,269
Deficiency claims receivable		**58,643,482**	59,116,639
Sales contract receivable		**23,755,833**	42,335,023
		3,690,941,667	4,031,250,726
	4.3.2	**108,534,336,467**	95,888,924,606
Allowance for ECL	4.3.2, 28	**(4,992,803,070)**	(4,214,380,450)
		P103,541,533,397	P91,674,544,156

SPURRA are secured by certain treasury bills of the BSP. SPURRA, which represent loans and receivables from BSP as of December 31, 2022 and 2021, arise from overnight lending of excess liquidity.

A summary of the Bank's maximum exposure to credit risk on loans and other receivables is disclosed in Note 4.3.7.

The breakdown of receivable from customers as to type of security is disclosed in Note 32.e.

Of the total loans and discounts of the Bank as of December 31, 2022 and 2021, 88.8% and 81.0%, respectively, are subject to periodic interest repricing.

Annual effective interest rates range from:

	2022	2021	2020
Loans and discounts	**0.0% – 189.7%**	0.0% – 189.7%	0.8% – 189.7%
Other receivables	**5.0% – 12.0%**	2.0% – 12.0%	3.34% – 12.0%

The total interest income earned amounted to:

	2022	2021	2020
Loans and discounts	**P 5,661,250,576**	P 5,581,166,828	P6,507,773,693
Other receivables	**62,958,081**	5,171,325	9,210,892
	P 5,724,208,657	P 5,586,338,153	P6,516,984,585

Interest income recognized on impaired loans and other receivables amounted to P161.4 million, P19.0 million and P98.1 million in 2022, 2021 and 2020, respectively.

As of December 31, 2022, two loan receivables amounting to P475.0 million each are assigned as collateral to secure borrowings under rediscounting privileges (see Note 17). These loan receivables have an interest rate of 5.11% and matures on April 24, 2024 and September 9, 2024, respectively. There is no related ECL allowance required on these loan receivables. No similar transactions in 2021.

Certain qualified micro, small and medium enterprises (MSME) loans with outstanding balance of P9,000.7 million and P8,356.6 million (gross of allowance for impairment) as of December 31, 2022, and 2021, respectively, were used as alternative compliance with the BSP reserve requirement (see Note 16).

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2022 and 2021 are shown below.

	Land	Building	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improve-ments	Right-of-use Asset	Total
December 31, 2022							
Cost	**P 90,802,205**	**P 181,811,222**	**P 645,220,653**	**P 160,226,285**	**P 707,140,278**	**P 653,989,851**	**P 2,439,190,494**
Accumulated depreciation and amortization	**-**	**(83,134,095)**	**(512,999,133)**	**(113,510,563)**	**(654,256,847)**	**(366,971,777)**	**(1,730,872,415)**
Net carrying amount	**P 90,802,205**	**P 98,677,127**	**P 132,221,520**	**P 46,715,722**	**P 52,883,431**	**P 287,018,074**	**P 708,318,079**
December 31, 2021							
Cost	P 90,802,205	P 179,106,104	P 605,828,278	P 170,877,667	P 690,929,772	P 541,876,739	P 2,279,420,765
Accumulated depreciation and amortization	-	(78,214,390)	(469,161,081)	(132,311,518)	(628,368,432)	(349,560,324)	(1,657,615,745)
Net carrying amount	P 90,802,205	P 100,891,714	P 136,667,197	P 38,566,149	P 62,561,340	P 192,316,415	P 621,805,020
January 1, 2021							
Cost	P 90,802,205	P 139,077,249	P 595,348,440	P 164,952,138	P 664,504,260	P 491,151,973	P 2,145,836,265
Accumulated depreciation and amortization	-	(70,789,215)	(438,858,170)	(127,395,421)	(594,437,226)	(224,390,093)	(1,455,870,125)
Net carrying amount	P 90,802,205	P 68,288,034	P 156,490,270	P 37,556,717	P 70,067,034	P 266,761,880	P 689,966,140

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 is shown below.

	Land	Building	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improve-ments	Right-of-use Assets	Total
Balance at January 1, 2022 net of accumulated depreciation and amortization	**P 90,802,205**	**P 100,891,714**	**P 136,667,197**	**P 38,566,149**	**P 62,561,340**	**P 192,316,415**	**P 621,805,020**
Additions	**-**	**4,033,804**	**43,905,449**	**29,534,805**	**18,258,754**	**228,888,547**	**324,621,359**
Disposals	**-**	**-**	**(3,550,351)**	**(5,366,940)**	**(767,129)**	**-**	**(9,684,420)**
Depreciation and amortization charges for the year	**-**	**(6,248,391)**	**(44,800,775)**	**(16,018,292)**	**(27,169,534)**	**(134,186,888)**	**(228,423,880)**
Balance at December 31, 2022 net of accumulated depreciation and charges for the year	**P 90,802,205**	**P 98,677,127**	**P 132,221,520**	**P 46,715,722**	**P 52,883,431**	**P 287,018,074**	**P 708,318,079**
Balance at January 1, 2021 net of accumulated depreciation and amortization	P 90,802,205	P 68,288,034	P 156,490,270	P 37,556,717	P 70,067,034	P 266,761,880	P 689,966,140
Additions	-	80,513,154	48,147,875	40,567,552	26,921,644	50,724,767	246,874,992
Disposals	-	(41,754,470)	(20,701,054)	(21,814,360)	(440,010)	-	(84,709,894)
Depreciation and amortization charges for the year	-	(6,155,004)	(47,269,894)	(17,743,760)	(33,987,328)	(125,170,232)	(230,326,218)
Balance at December 31, 2021 net of accumulated depreciation and charges for the year	P 90,802,205	P 100,891,714	P 136,667,197	P 38,566,149	P 62,561,340	P 192,316,415	P 621,805,020
Balance at January 1, 2020 net of accumulated depreciation and amortization	P 90,802,205	P 70,466,621	P 148,156,743	P 50,739,485	P 94,907,961	P 298,290,049	P 753,363,064
Additions	-	3,376,242	63,646,029	11,853,995	13,918,854	80,913,835	173,708,955
Disposals	-	-	(5,301,233)	(3,771,733)	(881,656)	-	(9,954,622)
Depreciation and amortization charges for the year	-	(5,554,829)	(50,011,269)	(21,265,030)	(37,878,125)	(112,442,004)	(227,151,257)
Balance at December 31, 2020 net of accumulated depreciation and charges for the year	P 90,802,205	P 68,288,034	P 156,490,270	P 37,556,717	P 70,067,034	P 266,761,880	P 689,966,140

As of December 31, 2022 and 2021, the cost of the Bank's fully depreciated bank premises, furniture, fixtures, and equipment that are still used in operations amounts to P282.5 million and P214.3 million, respectively.

The BSP requires that investment in bank premises, furniture, fixtures, and equipment do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2022 and 2021, the Bank has satisfactorily complied with this requirement.

The Bank leases office space for its branches. Leases have terms ranging from one to 20 years with renewal options and annual escalation rates from 3% to 10% in 2022 and 4% to 10% in 2021. The Bank has 159 and 164 total number of right-of-use assets with an average remaining life of two years and one year as of December 31, 2022 and 2021, respectively.

Each lease imposes a restriction that the right-of-use assets can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Bank is prohibited from selling or pledging the underlying leased assets as security. The Bank must keep those premises in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The use of extension and termination options gives the Bank added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Bank's business expansion unit's strategy and the economic benefit of exercising the option exceeds the expected overall cost.

14. INVESTMENT PROPERTIES

Investment properties consist of various land and buildings and improvements acquired through foreclosure or dacion as payment of outstanding loans by the borrowers.

The gross carrying amounts and accumulated depreciation and allowance for impairment of investment properties at the beginning and end of 2022 and 2021 are shown below.

	Land	Buildings and Improvements	Total
December 31, 2022			
Cost	**P 1,217,176,034**	**P 494,655,876**	**P 1,711,831,910**
Accumulated depreciation	**-**	**(119,345,473)**	**(119,345,473)**
Allowance for impairment	**(263,348,376)**	**(71,866,992)**	**(335,215,368)**
Net carrying amount	**P 953,827,658**	**P 303,443,411**	**P 1,257,271,069**
December 31, 2021			
Cost	P 845,301,059	P 237,523,654	P 1,082,824,713
Accumulated depreciation	-	(88,699,529)	(88,699,529)
Allowance for impairment	(258,493,111)	(75,927,116)	(334,420,227)
Net carrying amount	P 586,807,948	P 72,897,009	P 659,704,957
January 1, 2021			
Cost	P 489,175,815	P 125,950,955	P 615,126,770
Accumulated depreciation	-	(79,515,180)	(79,515,180)
Allowance for impairment	(30,485,508)	(5,245,891)	(35,731,399)
Net carrying amount	P 458,690,307	P 41,189,884	P 499,880,191

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2022 and 2021 are shown below.

	Land	Buildings and Improvements	Total
Balance at January 1, 2022, net of accumulated depreciation and impairment	**P 586,807,948**	**P 72,897,009**	**P 659,704,957**
Additions	**484,202,972**	**303,787,452**	**787,990,424**
Disposals	**(101,183,262)**	**(43,015,770)**	**(144,199,032)**
Depreciation for the year	**-**	**(30,225,280)**	**(30,225,280)**
Impairment losses	**(16,000,000)**	**-**	**(16,000,000)**
Balance at December 31, 2022, net of accumulated depreciation and impairment	**P 953,827,658**	**P 303,443,411**	**P 1,257,271,069**
Balance at January 1, 2021, net of accumulated depreciation and impairment	P 458,690,307	P 41,189,884	P 499,880,191
Additions	379,456,225	133,573,194	513,029,419
Disposals	(23,330,981)	(12,561,872)	(35,892,853)
Depreciation for the year	-	(18,622,972)	(18,622,972)
Impairment losses	(228,007,603)	(70,681,225)	(298,688,828)
Balance at December 31, 2021, net of accumulated depreciation and impairment	P 586,807,948	P 72,897,009	P 659,704,957
Balance at January 1, 2020, net of accumulated depreciation and impairment	P 454,714,482	P 39,653,717	P 494,368,199
Additions	15,058,824	12,746,243	27,805,067
Disposals	(11,082,999)	(235,715)	(11,318,714)
Depreciation for the year	-	(10,974,361)	(10,974,361)
Balance at December 31, 2020, net of accumulated depreciation and impairment	P 458,690,307	P 41,189,884	P 499,880,191

As of December 31, 2022 and 2021, additional investment properties amounted to P788.0 million and P513.0 million, respectively. Meanwhile, investment properties still subject to redemption by the borrowers based on the prescribed redemption period by the relevant law amounted to P526.0 million and P172.2 million, respectively.

Gain on disposal of investment properties amounted to P2.3 million, P9.9 million and P5.1 million in 2022, 2021 and 2020, respectively, which were presented as part of Gain (Loss) on sale of properties under Miscellaneous Income (Expense) in the statements of profit or loss (see Notes 22.1 and 22.2).

In 2022 and 2021, the Bank recognized additional impairment losses resulting from decline in fair value of certain investment properties due to factors such the continuing pandemic and changes in the property market.

Expenses incurred on investment properties include real property taxes and depreciation. Real property taxes incurred on these investment properties amounted to P56.4 million, P37.7 million and P19.7 million in 2022, 2021 and 2020, respectively, and are presented as part of Miscellaneous, as Litigation on asset acquired, under Other Expenses in the statements of profit or loss (see Note 22.2). Depreciation recognized are included in Depreciation and amortization under Other Expenses in profit or loss.

The total estimated fair values of the Bank's investment properties amount to P2,031.7 million and P1,030.3 million as of December 31, 2022 and 2021, respectively (see also Note 7.4).

15. OTHER RESOURCES

This account consists of the following as of December 31:

	Notes	**2022**	2021
Branch licenses	15.2	**P 250,800,000**	P 250,800,000
Goodwill	15.3	**121,890,408**	121,890,408
Foreign currency notes and coins on hand	6	**115,675,334**	91,409,702
Prepaid expenses		**109,005,718**	55,422,792
Computer software – net	15.1	**86,908,147**	117,577,998
Other acquired assets – net	15.4	**67,839,997**	75,061,542
Security deposits	6	**43,601,757**	43,077,044
Club shares		**38,000,000**	38,000,000
Stationery and supplies		**29,685,034**	28,192,348
Due from head office or branches		**-**	65,094,128
Sundry debits		**-**	3,886,784
Miscellaneous	15.5	**90,833,627**	30,027,172
		954,240,022	920,439,918
Allowance for impairment		**(1,654,737)**	(1,654,737)
		P 952,585,285	P 918,785,181

15.1 Computer Software

The movements in computer software are shown below.

	2022	2021
Balance at beginning of year	**P 117,577,998**	P 127,441,973
Additions	**16,418,729**	35,893,357
Amortization	**(47,088,580)**	(45,757,332)
Balance at end of year	**P 86,908,147**	P 117,577,998

15.2 Branch Licenses

In 2019 and 2016, the Bank have opened branches in Metro Manila, Southern Luzon, Vis-Min, CAMANAVA, and Central Luzon. The total cost of branch licenses amounted to P0.3 million in 2019 and P1.8 million in 2016.

On February 27, 2014, the Bank received the approval from the BSP of its application for new licenses. This is in line with the Bank's branch expansion program for which it has allocated a portion of its IPO proceeds to cover the cost of new licenses in the following areas plus processing fees which amounted to P2.2 million: CAMANAVA, Vis-Min Area, Central Luzon and Southern Luzon. In November 2011, the Monetary Board of BSP approved the request of the Bank to establish 15 branches in selected restricted cities in Metro Manila for a total consideration of P226.5 million which was paid by the Bank to the BSP in January 2012.

In December 2011, the Bank acquired four licenses from Prime Savings Bank, Inc. for a total consideration of P20.0 million.

As indicated in Notes 2.11, 2.19 and 3.2(f), branch licenses are tested for impairment annually. The recoverable amount of the CGU has been based on Value-in-Use (VIU) calculation using the excess projected net income from forecasts approved by the Bank's management covering a five-year period and a terminal growth rate. The key assumptions used in the estimation of the VIU in 2022 and 2021 include using a discount rate of 13.9% and 10.0%, respectively, and terminal value growth rate of 6.0% and 6.5%, respectively.

Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project excess net income. Future net income and growth rates were based on experience, strategies developed, and prospects. The discount rate used for the computation of the discounted excess earnings is the weighted average cost of capital and was determined by reference to the BVAL rate of treasury bond, adjusted for a risk premium. The terminal growth rate was determined based on the average annual GDP growth rate.

The recoverable amount has been based on fair value reflecting market conditions less costs to sell. The Bank used the prevailing price of the special licensing fees as required by the BSP before acceptance of branch application. As of December 31, 2022 and 2021, the Bank has assessed that the recoverable amount of these branch licenses is the same as the carrying value; hence, no impairment loss is required to be recognized in the statements of profit or loss.

15.3 Goodwill

Goodwill arose from the following acquisitions:

Rural Bank of Kawit (RBK)	P	59,513,648
Kabalikat Rural Bank, Inc. (KRBI)		49,878,393
Bataan Savings and Loan Bank, Inc. (BLSB)		12,498,367
	P	**121,890,408**

In September 2014, as part of the Bank's expansion strategy, the BOD approved the acquisition of all the assets and assumption of all the obligation of RBK in exchange for P15.0 million. Upon approval by the BSP on February 1, 2016, the Bank recognized the assets and liabilities of RBK at their fair values, resulting in the recognition of P59.5 million goodwill.

KRBI, which is located in Sta. Maria Bulacan, Philippines, was acquired in 2010, which also resulted in the recognition of goodwill amounting to P49.9 million.

In July 2015, the Bank entered into a Sale and Purchase Agreement with BLSB, whereby the Bank acquired all the assets of BLSB and assumed the payment of all its obligation. The agreed purchase price was P68.8 million which has been fully paid by the Bank in 2015. On July 12, 2017, the BSP approved the acquisition; hence, the Bank recognized the assets and liabilities of BLSB at their approximate fair values resulting in the recognition of P12.5 million goodwill.

The Bank acquired the foregoing smaller banks with the objective of availing the branch incentives under the Strengthening Program for Rural Bank Plus; and, its expected future economic benefits and synergies that will result from incorporating the operations of these acquired rural banks with that of the Bank which expands its presence in the small and medium enterprise market. Accordingly, the Bank acquired them at a premium resulting in the recognition of goodwill.

As indicated in Notes 2.18 and 3.2(f), goodwill is tested for impairment annually. The Bank engaged a third-party specialist to perform an independent impairment testing of goodwill. The recoverable amount of the CGU has been based on VIU calculation using the cash flow projections from financial budgets approved by the Bank's senior management covering a five-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 experience, 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 comparable entities within the industry.

In 2022 and 2021, the discount rates applied to cash flow projections are 13.9% and 10.0%, respectively, while the growth rates used to extrapolate cash flows for the five-year period are 6.0% and 6.5% for 2022 and 2021, respectively. The growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

As at December 31, 2022 and 2021, the Bank has assessed that the carrying amount of the goodwill is fully recoverable. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss in both years.

15.4 Other Acquired Assets

This account pertains to chattel properties acquired by the Bank from defaulting borrowers. Movements of other acquired assets is shown below.

	2022	2021
Cost		
Balance at beginning of year	**P 92,825,041**	P 35,626,806
Additions	**230,550,281**	137,609,115
Disposals	**(222,469,415)**	(80,410,880)
Balance at end of year	**100,905,907**	92,825,041
Accumulated depreciation		
Balance at beginning of year	**17,763,499**	8,903,816
Depreciation	**22,543,878**	11,210,583
Disposals	**(7,241,467)**	(2,350,900)
Balance at end of year	**33,065,910**	17,763,499
	P 67,839,997	P 75,061,542

As of December 31, 2022 and 2021, additional repossessed chattel properties amount to P230.6 million and P137.6 million, respectively. Among these, repossessed chattel properties still subject to redemption by the borrowers based on the prescribed redemption period by the amounted to P4.7 million and P20.3 million, respectively.

Loss on disposal of the assets amounted to P18.9 million and P1.8 million in 2022 and 2020, respectively, and gain on disposal of the assets amounted to P0.1 million in 2021 were presented in the statements of profit or loss as part of Gain (Loss) on sale of properties under Miscellaneous Income (Expenses) [see Notes 22.1 and 22.2].

15.5 Miscellaneous

Miscellaneous includes various deposits, petty cash fund, creditable withholding taxes and other assets.

16. DEPOSIT LIABILITIES

The classification of the Bank's deposit liabilities as to currency follows:

	2022	2021
Philippine peso	**P106,999,561,254**	P105,400,631,735
Foreign currencies	**7,526,598,224**	7,017,079,432
	P114,526,159,478	P112,417,711,167

Annual interest rates on deposit liabilities range from:

	2022	2021	2020
Philippine peso	**0.1% – 6.3%**	0.1% – 1.5%	0.1% – 1.5%
Foreign currencies	**0.1% – 4.0%**	0.1% – 1.0%	0.1% – 0.9%

The total interest expense amounted to:

	2022	2021	2020
Time	**P 942,058,513**	P 587,522,775	P1,191,974,953
Savings	**20,171,069**	56,654,969	59,904,351
Demand	**13,811,856**	37,148	113,933
	P 976,041,438	P 644,214,892	P1,251,993,237

Deposit liabilities as of December 31, 2022 and 2021 include those that are from DOSRI as of December 31, 2022 and 2021 (see Note 24.1).

Under existing BSP regulations, the Bank is subject to reserve requirement equivalent to 3.0% of non-FCDU deposit liabilities. On April 6, 2012, the BSP issued an amendment to the existing provisions as to the eligibility of cash and deposit accounts with BSP as forms of reserve requirements. As indicated in the amendment, cash and other cash items are no longer considered as eligible reserves.

Pursuant to BSP Circular No. 1087, *Alternative Compliance with the Reserve Requirements of Banks and Non-bank Financial Institutions with Quasi-banking Functions,* the Bank used qualified MSME loans as allowable alternative compliance with the reserve requirement both in 2022 and 2021 (see Note 12).

The Bank's available reserves as of December 31, 2022 and 2021 amount to P9,401.6 million and P9,148.9 million, respectively, and is compliant with these BSP regulations (see Notes 9 and 12).

17. BILLS PAYABLE

On July 11, 2022, the Bank obtained unsecured, short-term bills payable with a total of P1,000 million from the Land Bank of the Philippines which composed of two unsecured short-term bills both with principal amounts of P500 million bearing an interest of 3.50% and 4.25% per annum, which are payable quarterly with maturity dates of October 7, 2022 and July 6, 2023, respectively. On October 7, 2022, when the short-term bills payable matured and was settled, the Bank obtained another P500 million, from the same local bank bearing an interest of 4.90% per annum, which are payable quarterly with maturity date of September 29, 2023.

On October 20, 2022, the Bank obtained a rediscounting bill payable from the same bank amounting to P500 million bearing an interest rate of 4.75% per annum with maturity date of September 9, 2024. This bill is secured with certain loans and receivables of the Bank (see Notes 6.2 and 12).

In 2020, the outstanding balance of bills payable availed in 2019 with annual interest rate ranging from 5.75% to 4.50% were fully settled.

The total interest expense for the year ended December 31, 2022, and 2020 amounted to P25.2 million and P23.3 million, respectively, and is recognized as part of Interest Expense in the 2022 and 2020 statements of profit or loss. No similar transaction in 2021.

18. CORPORATE NOTES PAYABLE

On March 20, 2019, the BOD approved the authorization of the Bank to arrange a debt program of up to P10,000.0 million to finance the Bank's growing funding requirements. In July 2019, the Bank issued unsecured corporate notes with principal amount of P3,000.0 million bearing an interest ranging from 5.2% to 5.5% per annum, payable quarterly with maturity date of July 31, 2022.

On January 17, 2022, the Bank fully paid the outstanding amount of its corporate notes payable. Unamortized bond issue cost amounted to P4.7 million as of December 31, 2021 (nil in 2022). The related amortization of the bond issue cost is recorded as part of Interest Expense on Corporate Notes Payable in the statements of profit or loss. The total interest expense in 2022, 2021, and 2020 amounted to P6.4 million, P171.2 million, and P171.7 million, respectively.

The financial covenant, as stipulated in the terms of the corporate notes, requires the Bank to maintain a minimum risk-based capital adequacy ratio. As of December 31, 2022 and 2021, the Bank is compliant with the covenant.

19. ACCRUED EXPENSES AND OTHER LIABILITIES

19.1 Accrued Expenses and Other Liabilities

The breakdown of this account follows:

	Notes	**2022**	2021
Accrued expenses		**P 853,596,078**	P 739,160,760
Manager's checks		**614,264,001**	328,280,215
Bills purchase		**535,250,054**	-
Accounts payable		**485,606,125**	435,428,790
Outstanding acceptances		**468,649,993**	5,182,455
Lease liabilities	19.2	**333,084,279**	249,826,430
Income tax payable		**231,558,886**	139,397,340
Payment orders payable		**145,912,544**	958,503
Withholding taxes payable		**67,675,812**	39,937,869
Post-employment defined benefit obligation	23.2	**58,493,927**	75,815,072
Due to BSP		**55,876,619**	51,055,370
Others		**97,605,195**	91,087,284
		P 3,947,573,513	P2,156,130,088

Accrued expenses include primarily accruals on interest on corporate notes payable, Agri-agra penalty, profit sharing of the employees, other employee benefits, utilities, janitorial and security services fees.

Bills purchase represent the checks presented for encashment pending the clearing process of the Bank to allow its clients to meet their needs for liquidity.

Outstanding acceptances pertain to obligations recognized by the Bank in its undertaking arising from letters of credit extended to its borrowers.

Payment orders payable represents the amount transmitted by the Bank to a beneficiary's bank which is issued upon its receipt of the payment order as instructed by the sender.

Others primarily include SSS and Pag-IBIG premiums and loans payable, sundry credits and unclaimed balances.

19.2 Lease Liabilities

The movements in the lease liability recognized are as follows:

	Note	**2022**	2021
Balance at beginning of year		**P 249,826,430**	P 310,084,402
Additions		**228,888,547**	50,724,767
Payments of principal portion of lease liability	31	**(145,630,698)**	(110,982,739)
Balance at end of year		**P 333,084,279**	P 249,826,430

The total interest expense incurred on the lease liability amounted to P20.6 million, P19.7 million and P25.5 in 2022, 2021 and 2020, respectively, and is presented as part of Others under the Interest Expense section of statements of profit or loss.

As at December 31, 2022 and 2021, the Bank has no committed leases which have not yet commenced.

The Bank has elected not to recognize lease liabilities for short-term leases. Payments made under such leases are expensed on a straight-line basis. The expenses relating to short-term leases amounted to P42.1 million and P67.4 million and P25.1 million for 2022, 2021 and 2020, respectively, and is presented as part of Occupancy under Other Expenses in the statements of profit or loss.

At December 31, 2022 and 2021, the Bank is committed to short-term leases, and the total commitment at that date is nil and P24.8 million, respectively.

The maturity analysis of lease liabilities at December 31, 2022 and 2021 is as follows:

	2022			2021		
	Lease Payments	**Finance Charges**	**Net Present Value**	Lease Payments	Finance Charges	Net Present Value
First year	**P 152,915,448**	**P 14,328,896**	**P 138,586,552**	P 110,820,718	P 12,450,964	P 98,369,754
Second year	**100,829,234**	**7,926,537**	**92,902,697**	84,395,223	6,066,168	78,329,055
Third year	**59,980,299**	**4,168,463**	**55,811,836**	44,982,196	2,361,270	42,620,926
Fourth year	**31,694,514**	**2,013,435**	**29,681,079**	21,346,363	777,233	20,569,130
Fifth year	**11,133,492**	**636,861**	**10,496,631**	3,054,412	298,575	2,755,837
Beyond fifth year	**6,252,218**	**646,734**	**5,605,484**	7,316,286	134,558	7,181,728
	P 362,805,205	**P 29,720,926**	**P 333,084,279**	P 271,915,198	P 22,088,768	P 249,826,430

20. 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.

	Notes	2022 Within One Year	2022 Beyond One Year	2022 Total	2021 Within One Year	2021 Beyond One Year	2021 Total
Financial Resources							
Cash and other cash items	9	P 1,247,987,230	P -	P 1,247,987,230	P 1,430,787,675	P -	P 1,430,787,675
Due from BSP	9	6,102,228,578	-	6,102,228,578	16,754,028,342	-	16,754,028,342
Due from other banks	10	5,215,663,162	-	5,215,663,162	3,474,970,323	-	3,474,970,323
Loans and other receivables	12	55,978,963,250	47,562,570,147	103,541,533,397	40,035,907,534	51,638,636,622	91,674,544,156
Financial assets at FVPL	11.1	2,222,021,039	-	2,222,021,039	2,482,213,020	-	2,482,213,020
Financial assets at FVOCI	11.2	324,998,274	10,495,218,651	10,820,216,925	203,379,945	11,786,015,619	11,989,395,564
Investments at amortized cost	11.3	426,085,876	699,374,801	1,125,460,677	204,150,171	679,636,875	883,787,046
Other resources	15	115,675,334	43,601,757	159,277,091	91,409,702	43,077,044	134,486,746
		P 71,633,622,743	P 58,800,765,356	P 130,434,388,099	P 64,676,846,712	P 64,147,366,160	P128,824,212,872
Non Financial Resources							
Bank premises, furniture, fixtures and equipment - net	13	P -	P 708,318,079	P 708,318,079	P -	P 621,805,020	P 621,805,020
Investment properties - net	14	-	1,257,271,069	1,257,271,069	-	659,704,957	659,704,957
Deferred tax assets - net	24	-	1,356,780,139	1,356,780,139	-	1,142,253,206	1,142,253,206
Other resources	15	138,690,752	654,617,442	793,308,194	178,210,870	606,087,565	784,298,435
		138,690,752	3,976,986,729	4,115,677,481	178,210,870	3,029,850,748	3,208,061,618
		P 71,772,313,495	P 62,777,752,085	P 134,550,065,580	P 64,855,057,582	P 67,177,216,908	P132,032,274,490
Financial Liabilities							
Deposit liabilities	16	P 109,802,114,829	P 4,724,044,649	P 114,526,159,478	P 108,350,995,546	P 4,066,715,612	P112,417,711,167
Bills Payable	17	1,000,000,000	500,000,000	1,500,000,000	-	-	-
Corporate notes payable	18	-	-	-	-	2,995,352,640	2,995,352,640
Accrued expenses and other liabilities	19	2,616,613,924	138,586,552	2,755,200,476	1,278,141,759	151,456,676	1,429,598,435
		113,418,728,753	5,362,631,201	118,781,359,954	109,629,137,305	7,213,524,937	116,842,662,242
Non Financial Liabilities							
Accrued expenses and other liabilities	19	299,234,698	893,138,339	1,192,373,037	179,335,209	547,196,444	726,531,653
		P 113,717,963,451	P 6,255,769,540	P 119,973,732,991	P109,808,472,514	P 7,760,721,381	P117,569,193,895

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	Number of Shares 2022	Number of Shares 2021	Amount 2022	Amount 2021
Preferred shares – P10 par value Authorized – 130,000,000 shares Issued and outstanding	**62,000,000**	62,000,000	**P 620,000,000**	P 620,000,000
Common shares – P10 par value Authorized – 870,000,000 shares Issued and outstanding	**643,750,094**	643,750,094	**P 6,437,500,940**	P6,437,500,940

The Bank's preferred shares are nonvoting, nonconvertible, and are redeemable at the option of the Bank. These shares are entitled to dividend of noncumulative 8.0% per annum.

On February 17, 2017, the BOD approved the redemption of all the issued and outstanding preferred shares of the Bank at par value of P620.0 million through staggered redemption. However, as at December 31, 2022 and 2021, none of the preferred shares have been redeemed yet and the Bank has considered conversion of the preferred shares to common shares instead.

On January 9, 2013, the PSE approved the Bank's application for the listing of its common shares. The approval covered the IPO of 101,333,400 unissued common shares of the Bank at P31.50 per share and the listing of those shares in the PSE's main board on February 19, 2013, its day of listing. The Bank offered its 101,333,400 unissued common to the public at the approved P31.50 per share resulting in the recognition of additional paid-in capital of P1,998.4 million, net of transaction costs (see Note 21.4).

On August 16, 2021, during the special BOD meeting of the Bank, the BOD approved to increase its authorized capital stock with the intention of raising capital via stock rights offering. On September 30, 2021, during the special stockholders' meeting, the stockholders approved the increase in authorized capital stock from P10,000 million to P15,000.0 million divided into 1,370 million common shares with par value of P10 and 130 million preferred shares with par value of P10.

On May 21, 2021 and June 25, 2021, during the regular BOD meeting and annual stockholder's meeting, respectively, the BOD and stockholders approved the change of the preferred shares features from nonconvertible to convertible to common shares and from nonredeemable to redeemable. However, it did not materialize due to the complexities in the requirements. Hence, on April 20, 2022 and July 27, 2022, during the regular BOD meeting and annual stockholder's meeting, respectively, the BOD and stockholders re-approved the change of the preferred shares feature from nonconvertible to convertible to common shares. The changes in the features of preferred shares are still subject to BSP and SEC's approval as of the report date.

During the regular BOD meeting of the Bank on April 20, 2022, the BOD re-approved the increase in the Bank's authorized capital stock (ACS) in line with the continuing expansion of the Bank's core deposit-and-lending business since the application for increase of capital, as provided in the Revised Corporation Code, must be made within six months from approval of the BOD and shareholders. On July 27, 2022, during the annual stockholders' meeting, the stockholders also re-approved such increase in authorized capital stock. On November 28, 2022, the Bank received the certificate of authority from the BSP for the increase in ACS, and subsequently, on January 19, 2023, the Bank has obtained the necessary approval from the Securities and Exchange Commission (SEC).

On August 17, 2022, during the regular BOD meeting of the Bank, the BOD approved the offer consisting of P1,750,000,000 worth of shares, which (a) P1,250,000,000 shall consist of advance subscriptions by the Principal Shareholders out of the P5,000,000,000 increase in ACS of the Bank, by way of private placement; and (b) up to P500,000,000 stock rights offer (SRO) to eligible shareholders as of record date equivalent to 50,000,000 common shares at P10.00 per share, for the purpose of increasing capital and for general corporate requirements.

Related to the increase in ACS as discussed above, the Bank's principal shareholders have subscribed to P1,250.0 million equivalent to 25% of the P5,000.0 million increase in ACS. On September 21, 2022, the principal shareholders paid P312.5 million or 25% of the minimum paid-up capital increase requirement and is presented as Deposit on Future Stock Subscription in the 2022 statement of financial position. On September 26, 2022, the Bank filed the application for the increase in ACS with the SEC from P10,000 million to P15,000 million. To support the increase in ACS, the Principal Shareholders subscribed to 125,000,000 shares through a private placement transaction.

On January 10, 2023, the Bank received P937.5 million from the Principal Shareholders as full payment. Subsequently, on January 20, 2023, the Bank issued the 125,000,000 shares to the Principal Shareholders following the receipt of SEC approval on the P5,000 million increase in ACS on January 19, 2023. Accordingly, after the private placement, the Bank's total outstanding and issued common shares is 768,750,094.

On February 13, 2023, the Bank received the Notice of Confirmation of Exempt Transaction from the SEC with respect to the Bank's stock rights offering. Subsequently, on February 22, 2023, the PSE has approved the Bank's application to list up to 50,000,000 common shares subject to its SRO which is offered to its eligible shareholders as of March 10, 2023, the record date. The offer period started on March 17, 2023 and ended on March 23, 2023.

As of December 31, 2022 and 2021, the Bank has 67 and 69 holders, respectively, of its listed common stock. The Bank has 643,750,094 common shares traded in the PSE as of December 31, 2022 and 2021 and its share price closed at P10.20 and P10.00, respectively, as at the same dates.

21.2 Dividends

On April 20, 2022, the Bank's BOD approved the declaration of cash dividend on preferred shares amounting to P118.8 million, which was fully paid on May 4, 2022 (see Note 29). The dividend was based on the cumulative balance of the outstanding preferred shares for the years 2019 to 2021.

The cash dividends on preferred shares are analyzed as follows:

	No. of Shares	Per Share	Total
Tranche 1	1,200,000	P 24	P 28,800,000
Tranche 2	1,250,000	18	22,500,000
Tranche 3	3,750,000	18	67,500,000
			P 118,800,000

The Bank has no dividends in arrears on its preferred shares.

21.3 Appropriated Surplus

Reconciliation of appropriated surplus is as follows:

		Trust Reserves		General Loan Loss Reserves		Total
Balance at January 1, 2022	**P**	**16,834,370**	**P**	**357,408,075**	**P**	**374,242,445**
Appropriation during the year		**5,393,328**		**353,980,037**		**359,373,365**
Balance at December 31, 2022	**P**	**22,227,698**	**P**	**711,388,112**	**P**	**733,615,810**
Balance at January 1, 2021	P	12,514,382	P	34,299,996	P	46,814,378
Appropriation during the year		4,319,988		323,108,079		327,428,067
Balance at December 31, 2021	P	16,834,370	P	357,408,075	P	374,242,445
Balance at January 1, 2020	P	9,951,287	P	531,826,894	P	541,778,181
Appropriation during the year		2,563,095		-		2,563,095
Reversal during the year		-		(497,526,898)		(497,526,898)
Balance at December 31, 2020	P	12,514,382	P	34,299,996	P	46,814,378

Trust reserves represents portion of the Bank's income from trust operations were made in compliance with BSP regulations (see Note 27).

On August 16, 2003, the BOD approved the establishment of a sinking fund for the exclusive purpose of the redemption of redeemable preferred shares should the Bank opt to redeem the shares. However, as of December 31, 2022 and 2021, the sinking fund for the redemption of redeemable preferred shares is yet to be established.

21.4 Paid-in Capital from IPO

As mentioned in Note 21.1, the Bank's common shares were listed at the PSE in February 2013. The total proceeds received from the IPO amounted to P3,191.9 million which exceeded par value by P1,998.4 million, net of share issuance cost of P180.2 million. The excess over par value is presented as Additional Paid-in Capital in the statements of financial position.

21.5 Revaluation Reserves

Revaluation reserves pertain to the accumulated actuarial losses of post-employment defined benefit plan and unrealized fair value gains and losses on FVOCI securities.

	Notes	NUGL on Securities at FVOCI	Accumulated Actuarial Losses	Total
Balance at January 1, 2022		**(P 125,395,426)**	**(P 86,999,212)**	**(P 212,394,638)**
Fair value losses on FVOCI securities during the year	11.2	**(1,404,660,931)**	**-**	**(1,404,660,931)**
Expected credit losses for FVOCI securities	11.2	**(6,564,187)**	**-**	**(6,564,187)**
Fair value gains reclassified to profit or loss	11.2	**607,336**	**-**	**607,336**
Remeasurements of post-employment defined benefit plan	23.2	**-**	**24,960,375**	**24,960,375**
Other comprehensive income (loss)		**(1,410,617,782)**	**24,960,375**	**(1,385,657,407)**
Tax expense	25	**-**	**(6,240,093)**	**(6,240,093)**
		(1,410,617,782)	**18,720,282**	**(1,391,897,500)**
Balance at December 31, 2022		**(P 1,536,013,208)**	**(P 68,278,930)**	**(P 1,604,292,138)**
Balance at January 1, 2021		P 457,765,830	(P 89,321,633)	P 368,444,197
Fair value losses on FVOCI securities during the year	11.2	(566,144,785)	-	(566,144,785)
Fair value gains reclassified to profit or loss	11.2	(17,016,471)	-	(17,016,471)
Remeasurements of post-employment defined benefit plan	23.2	-	11,603,384	11,603,384
Other comprehensive income (loss)		(583,161,256)	11,603,384	(571,557,872)
Effect of change in lower tax rate		-	(6,380,117)	(6,380,117)
Tax expense	25	-	(2,900,846)	(2,900,846)
		(583,161,256)	2,322,421	(580,838,835)
Balance at December 31, 2021		(P 125,395,426)	(P 86,999,212)	(P 212,394,638)
Balance at January 1, 2020		P 387,886,373	(P 88,628,361)	P 299,258,012
Fair value gains on FVOCI securities during the year	11.2	414,518,483	-	414,518,483
Fair value gains reclassified to profit or loss	11.2	(344,639,026)	-	(344,639,026)
Remeasurements of post-employment defined benefit plan	23.2	-	(990,388)	(990,388)
Other comprehensive income (loss)		69,879,457	(990,388)	68,889,069
Tax income	25	-	297,116	297,116
		69,879,457	(693,272)	69,186,185
Balance at December 31, 2020		P 457,765,830	(P 89,321,633)	P 368,444,197

22. MISCELLANEOUS INCOME AND EXPENSES

22.1 Miscellaneous Income

This includes the following:

	Notes	2022	2021	2020
Trade finance charges		**P 62,650,287**	P 32,480,126	P 6,606,473
Trust fees	27	**53,933,280**	43,199,876	25,630,951
Foreign currency gains – net		**44,648,107**	84,504,397	33,737,895
Gain on sale of properties – net	14, 15.4	**-**	9,918,968	3,262,459
Others		**56,995,282**	26,407,279	4,404,316
		P218,226,956	P 196,510,646	P 73,642,094

Others include rental of safe/night deposit box and dividend income.

22.2 Miscellaneous Expenses

This include the following:

	Notes	2022	2021	2020
Transportation and travel		**P100,763,779**	P110,140,390	P117,844,264
Fines, penalties and other charges		**77,092,877**	96,280,380	84,035,000
Communication		**68,456,000**	74,118,818	63,675,782
Litigation on asset acquired	14	**56,422,759**	37,738,099	19,738,236
Banking fees		**48,034,939**	37,972,892	34,056,238
Information technology		**47,913,679**	51,824,352	35,283,039
Office supplies		**21,101,151**	14,690,620	15,325,867
Loss on sale of properties – net	14, 15.4	**16,616,368**	-	-
Amortization of deferred charges		**3,508,772**	4,824,561	877,193
Freight		**3,238,319**	4,837,154	2,909,459
Membership dues		**3,050,210**	5,961,276	1,925,192
Advertising and publicity		**2,866,648**	2,585,401	2,664,979
Donations and contributions		**17,361**	20,788	1,134,182
Others		**43,281,311**	54,579,752	126,976,280
		P492,364,173	P495,574,483	P506,445,711

Others also include brokerage fees, commissions, appraisal and processing fees incurred by the Bank.

23. EMPLOYEE BENEFITS

23.1 Salaries and Other Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are broken down below.

	Note	**2022**	2021	2020
Salaries and wages		**P 705,621,515**	P 652,594,531	P 599,214,259
Bonuses		**175,210,399**	162,328,264	45,531,106
Social security costs		**46,088,185**	42,307,832	37,119,050
Post-employment defined benefit plan	23.2	**40,967,463**	41,244,233	41,062,356
Short-term medical benefits		**40,140**	1,085,340	309,960
Other short-term benefits		**215,501,889**	76,322,089	330,812,369
		P1,183,429,591	P 975,882,289	P1,054,049,100

23.2 Post-employment Benefit

(a) Characteristics of the Defined Benefit Plan

The Bank maintains a funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by the Bank's trust department that is legally separated from the Bank. The Bank's Retirement Plan Committee, in coordination with the Bank's trust department, who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2022 and 2021.

The amounts of post-employment defined benefit obligation (see Note 19) recognized in the statements of financial position are determined as follows:

	2022	2021
Fair value of plan assets	**P 306,774,356**	P 286,806,438
Present value of the defined benefit obligation	**(365,268,283)**	(362,621,510)
	(P 58,493,927)	(P 75,815,072)

The movements in the present value of the post-employment defined benefit obligation are as follows:

	2022	2021
Balance at beginning of year	**P 362,621,510**	P 339,707,080
Current service cost	**40,967,462**	41,244,233
Interest expense	**18,421,173**	13,316,518
Benefits paid	**(35,329,924)**	(16,466,770)
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(39,995,010)**	(23,244,329)
Experience adjustments	**19,452,858**	4,733,493
Changes in demographic assumptions	**(869,786)**	3,331,285
Balance at end of year	**P 365,268,283**	P 362,621,510

The movements in the fair value of plan assets are presented below.

	2022	2021
Balance at beginning of year	**P 286,806,438**	P 258,357,011
Contributions to the plan	**37,133,819**	37,943,819
Benefits paid	**(35,329,924)**	(16,466,770)
Interest income	**14,615,586**	10,548,545
Return on plan assets (excluding amounts included in net interest)	**3,548,437**	(3,576,167)
Balance at end of year	**P 306,774,356**	P 286,806,438

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2022	2021
Cash and cash equivalents	**P 36,843,600**	P 18,728,460
Corporate bonds	**224,834,926**	236,070,379
Equity securities	**37,058,342**	22,055,415
Accrued interest income	**8,037,488**	9,952,184
	P 306,774,356	P 286,806,438

The fair values of the above equity securities, government and corporate bonds are determined based on quoted market prices in active markets.

The plan assets earned actual return of P18.2 million and loss of P7.0 million in 2022 and 2021, respectively.

Plan assets include certain financial instruments of the Bank (see Note 24).

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2022	2021	2020
Reported in profit or loss:			
Current service cost	**P 40,967,462**	P 41,244,233	P 41,062,356
Net interest expense	**3,805,587**	2,767,973	3,058,046
	P 44,773,049	P 44,012,206	P 44,120,402
Reported in other comprehensive income:			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	**(P 39,995,010)**	(P 23,244,329)	(P 11,805,775)
Experience adjustments	**19,452,858**	4,733,493	(8,657,437)
Changes in demographic assumptions	**(869,786)**	3,331,285	4,580,568
Return on plan assets (Excluding amounts included in net interest expense)	**(3,548.437)**	3,576,167	16,873,032
	(P 24,960,375)	(P 11,603,384)	P 990,388

Current service cost is presented as part of Salaries and Other Employee Benefits (see Note 23.1) under the caption Other Expenses while net interest expense is presented as Interest Expense in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2022	2021	2020
Discount rates	**7.22%**	5.08%	3.92%
Expected rate of salary increases	**6.00%**	6.00%	6.00%
Employee turnover	**12.11%**	11.83%	12.50%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 26 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon bond government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt and equity securities. Due to the long-term nature of the plan obligation, a level of continuing debt and equity investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described as follows.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2022 and 2021:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2022			
Discount rate	**+4.9%/-4.5%**	**P 17,737,097**	**(P 16,257,874)**
Salary rate	**+4.9%/-4.5%**	**(16,586,838)**	**17,775,229**
Increase in DBO if no attrition rate	**+7.4%**	**27,028,799**	**-**
December 31, 2021			
Discount rate	+5.5%/-5.0%	P 18,074,235	(P 19,880,371)
Salary rate	+5.4%/-5.0%	(19,506,371)	18,087,352
Increase in DBO if no attrition rate	+35.2%	127,584,681	-

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Bank through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve those long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Bank actively monitors how the duration, and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

As of December 31, 2022 and 2021, the plan is heavily invested in cash and cash equivalents and debt and equity securities. The Bank believes that cash and cash equivalents and debt and equity securities offer the best returns over the long term with an acceptable level of risk.

There has been no change in the Bank's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan currently is underfunded by P58.5 million based on the latest actuarial valuation. While there is no minimum funding requirement in the country, the Bank is funding its plan assets to manage the cash flow risk in about five years' time when a significant number of employees is expected to retire.

The Bank expects to pay P37.0 million as contribution to retirement benefit plan in 2022.

The maturity profile of undiscounted expected benefit payments from the plan for the next 10 years follows:

	2022	2021
Within one year	P 129,262,753	P 115,034,793
More than one year to five years	185,346,585	147,415,576
More than five years to 10 years	321,353,929	301,319,359
	P 635,963,267	P 563,769,728

The weighted average duration of the defined benefit obligation at the end of the reporting period is 4.7 years.

24. RELATED PARTY TRANSACTIONS

A summary of the Bank's transactions with related parties is presented below.

Related Party Category	Note	Amount of Transaction 2022	Amount of Transaction 2021	Amount of Transaction 2020	Outstanding Balance 2022	Outstanding Balance 2021
Key management personnel:						
Deposit liabilities	24.1	(P 70,219,016)	P 23,381,665	P 18,910,570	P 32,072,650	P 104,250,875
Interest expense	24.1	215,806	468,908	1,055,506	-	-
Loans	24.2	(7,101,214)	7,996,369	5,443,377	9,857,038	16,958,252
Interest income	24.2	(846,286)	1,208,365	521,139	599,481	1,445,767
Compensation	24.4	193,106,967	201,006,922	173,943,541	-	-
Other related parties:						
Deposit liabilities	24.1	764,053,229	216,755,922	2,527,224,276	8,550,573,641	8,004,070,546
Interest expense	24.1	68,083,107	51,631,841	115,342,717	-	-
Loans	24.2	553,051,659	(559,959,065)	(401,154,581)	737,606,073	143,429,638
Interest income	24.2	(4,011,453)	20,662,763	28,111,843	18,078,593	22,090,046
Retirement fund:						
Contribution	24.3	37,943,819	37,943,819	37,133,819	-	-
Plan assets	24.3	24,139,206	28,449,427	26,350,572	306,774,356	286,806,438

Details of the foregoing transactions are as follows:

24.1 Deposits

The total balance of deposits are inclusive of the corresponding accrued interest as of December 31, 2022 and 2021.

Deposit liabilities transactions with related parties have similar terms with other counterparties (see Note 16). Annual interest rates on deposit liabilities range from 0.1% to 6.3% in 2022, 0.1% to 1.5% in 2021, and from 0.1% to 1.5% in 2020.

24.2 Loans

The Bank has loan transactions with its key management personnel and other related parties. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks and are normally settled in cash. Based on management's assessment as at December 31, 2022 and 2021, allowance for impairment of P8.7 million and P6.9 million, respectively, is recognized on the Bank's loans to key management personnel and other related parties.

Other information relating to the loans, other credit accommodations and guarantees granted to key management personnel and other related parties are presented in Note 32(f).

As of December 31, 2022 and 2021, the Bank has an approved line of credit to certain related parties totaling P749.2 million and P163.8 million, respectively, and all were used to guarantee the obligation of the respective related parties to other creditors up to the extent of the unused line of credit.

24.3 Transactions with Retirement Fund

The Bank's transactions with its retirement fund as of December 31, 2022 and 2021 relate only to its contributions to the plan and certain placements made by the plan to the Bank.

The retirement plan assets are placed with the Bank, as administered by the Bank's trust department, comprise cash in bank, short-term placements, corporate bonds, and equity securities amounting to P306.8 million and P286.8 million in 2022 and 2021, respectively, as disclosed in Note 23.2.

Cash and cash equivalents include time deposits issued by the Bank amounting to P36.8 million and P11.4 million as of December 31, 2022 and 2021, respectively.

Equity securities include shares issued by the Bank with fair value of P37.0 million and P20.7 million as of December 31, 2022 and 2021, respectively.

The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments by any restrictions or liens.

24.4 Key Management Personnel Compensation

Salaries and short-term benefits received by key management personnel are summarized below.

	2022	2021	2020
Short-term benefits	**P193,106,967**	P184,540,152	P167,058,946
Post-employment benefits	**6,923,573**	16,466,770	6,884,595
	P200,030,540	P201,006,922	P173,943,541

The composition of the Bank's short-term benefits are as follows:

	2022	2021	2020
Salaries and wages	**P147,856,807**	P140,142,135	P129,013,729
Bonuses	**37,497,977**	34,779,490	32,227,373
Social security costs	**2,935,449**	4,921,757	2,531,250
Other short-term benefits	**4,816,734**	4,696,770	3,286,594
	P193,106,967	P184,540,152	P167,058,946

25. TAXES

The components of tax expense for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 25% in 2022 and 2021 and 30% in 2020			
Regular Banking Unit (RBU)	**P635,251,297**	P571,455,784	P662,222,544
FCDU	**3,107,463**	5,893,524	4,020,284
Final tax at 20% in 2022 and 2021 and 10% in 2020	**133,438,308**	126,607,501	219,087,325
Effect of change in tax rate	**-**	(64,856,483)	-
	771,797,068	639,100,326	885,330,153
Deferred tax income relating to origination and reversal of temporary differences	**(220,767,026)**	(197,519,954)	(626,951,138)
Effect of change in tax rate	**-**	183,146,703	-
	(220,767,026)	(14,373,251)	(626,951,138)
	P551,030,042	P624,727,075	P258,379,015
Reported in other comprehensive income			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 6,240,093**	P 2,900,846	(P 297,116)
Effect of change in tax rate	**-**	6,380,117	-
	P 6,240,093	P 9,280,963	(P 297,116)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss is presented below.

	2022	2021	2020
Tax on pretax profit at 25% in 2022 and 2021 and 30% in 2020	**P465,619,884**	P448,223,855	P359,178,571
Adjustment for income subjected to lower tax rates	**(30,453,805)**	(36,830,374)	(133,171,819)
Effect of change in tax rate	**-**	118,130,386	-
Tax effects of:			
Non-deductible expenses	**174,694,555**	122,335,653	108,588,680
Non-taxable income	**(58,830,592)**	(27,132,445)	(76,216,417)
Tax expense	**P551,030,042**	P624,727,075	P258,379,015

In 2022 and 2021, the Bank is subject to minimum corporate income tax (MCIT) computed at 1% of gross income, net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. No MCIT was reported in 2022 and 2021 as the RCIT was higher than MCIT in those years.

The net deferred tax assets as of December 31, 2022 and 2021 relate to the following:

	2022	2021
Deferred tax assets:		
Allowance for impairment	**P1,331,077,627**	P1,136,091,936
Lease liabilities	**83,271,070**	62,456,608
Accumulated depreciation of investment properties	**38,102,846**	26,615,758
Provision for bonus and accrued leave conversion	**19,748,687**	19,748,687
Post-employment benefit liability	**14,623,482**	18,953,767
Unamortized past service cost	**4,766,624**	6,470,851
	1,491,590,336	1,270,337,607
Deferred tax liabilities:		
Right-of-use asset	**(71,754,518)**	(48,079,104)
Accrued interest receivable	**(50,104,802)**	(65,508,092)
Unamortized payments on documentary stamp tax	**(7,173,764)**	(8,720,092)
Gain on bargain purchase	**(5,777,113)**	(5,777,113)
	(134,810,197)	(128,084,401)
Net deferred tax assets	**P1,356,780,139**	P1,142,253,206

The movements in net deferred tax assets for the years ended December 31 follow:

	Statements of Profit or Loss			**Statements of Comprehensive Income**		
	2022	2021	2020	**2022**	2021	2020
Impairment losses	**(P 194,985,691)**	P 3,181,276	(P 612,071,791)	**P -**	P -	P -
Amortization of right-of-use asset	**23,675,414**	(31,949,460)	(9,458,451)	**-**	-	-
Lease liabilities	**(20,814,462)**	30,568,713	10,068,687	**-**	-	-
Accrued interest income	**(15,403,290)**	(17,872,344)	(9,250,695)	**-**	-	-
Provision for director's bonus	**-**	3,949,737	-	**-**	-	-
Depreciation expense of investment properties	**(11,487,088)**	(90,059)	(3,001,760)	**-**	-	-
Post-employment benefit obligation	**(1,909,808)**	(3,829,710)	(2,095,975)	**6,240,093**	9,280,963	(297,116)
Unamortized past service cost	**1,704,227**	3,349,998	2,551,886	**-**	-	-
Gain on bargain purchase	**-**	(1,155,423)	-	**-**	-	-
Unamortized payments on documentary stamp tax	**(1,546,328)**	(525,979)	(3,693,039)	**-**	-	-
Deferred tax expense (income)	**(P 220,767,026)**	(P 14,373,251)	(P 626,951,138)	**P 6,240,093**	P 9,280,963	(P 297,116)

As of December 31, 2022 and 2021, the Bank has unrecognized deferred tax assets amounting to P4.7 million and P1.9 million, respectively, relating to certain allowance for impairment. For the years ended December 31, 2022 and 2021, the Bank opted to claim itemized deductions.

26. COMMITMENTS AND CONTINGENT LIABILITIES

The following are the other commitment contingent liabilities of the Bank:

(a) In the normal course of the Bank's operations, the Bank has various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, and others, which are not reflected in the financial statements. See Note 32(h) for details.

(b) There are other commitments, guarantees and contingent liabilities that arise in the normal course of the Bank's operations that are not reflected in the financial statements. The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable.

As of December 31, 2022 and 2021, management is of the opinion that losses, if any, from the foregoing items will not have a material effect on the Bank's financial statements.

27. TRUST OPERATIONS

The following securities and other properties held by the Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the statements of financial position since these are not resources of the Bank:

	2022	2021
Loans and other receivables	**P 2,847,983,141**	P 1,834,562,621
Due from banks	**1,441,380,126**	2,516,070,571
Investment securities	**5,134,549,235**	3,311,702,026
Other assets	**2,484,000,000**	2,484,000,000
	P 11,907,912,502	P10,146,335,218

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

(a) Government bonds owned by the Bank with face value of P130.0 million and P144.8 million as of December 31, 2022 and 2021, respectively, are deposited with the BSP (see Note 11.2); and

(b) 10% of the trust income is transferred to appropriated surplus. This transfer is required until the surplus reserve for trust function is equivalent to 20% of the Bank's authorized capital stock (see Note 21.3). Additional reserve for trust functions amounted to P5.4 million, P4.3 million and P2.6 million in 2022, 2021 and 2020, respectively, and are presented as part of Appropriated Surplus in the Bank's statements of changes in equity.

Income from trust operations, shown as part of Miscellaneous Income in the statements of profit or loss, amounted to P53.9 million, P43.2 million and P25.6 million in 2022, 2021 and 2020, respectively (see Note 22.1).

28. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized below.

	Notes	2022	2021
Balance at beginning of year:			
Loans and other receivables	12	**P 4,214,380,450**	P 3,773,986,503
Investment properties	14	**334,420,227**	35,731,399
Investment securities at amortized cost	11.3	**1,617,940**	1,617,940
Other resources	15	**1,654,737**	1,654,737
		4,552,073,354	3,812,990,579
Impairment losses – net	11.3, 12, 14	**820,614,023**	747,357,300
Write-offs	12	**(29,715,110)**	(8,274,525)
		790,898,913	739,082,775
Balance at end of year:			
Loans and other receivables	12	**4,992,803,070**	4,214,380,450
Investment properties	14	**335,215,368**	334,420,227
Investment securities at amortized cost	11.3	**13,299,092**	1,617,940
Other resources	15	**1,654,737**	1,654,737
		P 5,342,972,267	P 4,552,073,354

29. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

	2022	2021	2020
Net profit	**P 1,311,449,494**	P 1,168,168,345	P 938,882,887
Dividends on preferred shares	**(118,800,000)**	-	-
Net profit attributable to common shareholders	**1,192,649,494**	1,168,168,345	938,882,887
Divided by the weighted average number of outstanding common shares	**643,750,094**	643,750,094	643,750,094
Basic earnings per share	**P 1.85**	P 1.81	P 1.46

As of December 31, 2022, 2021 and 2020, the Bank has no outstanding potentially dilutive securities; hence, basic earnings per share is equal to diluted earnings per share.

30. OTHER MATTERS

30.1 Continuing Impact of COVID-19 Pandemic on Bank's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. In 2022, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions. Demand and supply of products are slowly returning to pre-pandemic levels. As a result, overall continuing impact of the COVID-19 pandemic to the Company is continuously improving and Company's operations is slowly going back to its pre-pandemic levels.

The management will continue to take the following actions to continually improve the Bank's operations:

- Perform comprehensive review of loan accounts to assess reprieved businesses and industry due to COVID-19 situation;

- Ensure continued access to credit facilities for clients with resilient and sustainable businesses amid the COVID-19 situation. The Bank to proactively work with clients for the restructuring of loan terms to address temporary tightness/liquidity problems; and,

- Continue to focus on its products, processes, and people. The Bank continues to deepen its relationships with SME businesses, offer product bundling and cross-selling, and shift from traditional marketing to digital banking and online selling. In terms of process, the Bank remains committed to taking a customer-driven and personalized marketing approach, reducing turn-around times, and revisiting its loan policies to adopt best practices. The Bank supports the training of its people via online courses, strengthening rewards and recognition systems, and upskilling employees.

As the economy continue with its recovery from pandemic-related issues in 2022, the Bank saw more normalized operations and increasingly positive results. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to the effects of the pandemic.

30.2 Impact of Russia-Ukraine conflict

The Ongoing Russia and Ukraine War started February 2022 has caused a surge in World crude oil and commodity prices, resulting in high record imports and trade deficit in the Philippines. This global inflation triggered the US Federal Open Market Committee to implement aggressive rate hikes, strengthening the US dollar to a record high of P59.00. In response, the BSP implemented local policy rate hikes totaling 350 basis points in 2022, with additional 50 bps in February 2023 and another 25 bps in March 2023 to manage domestic inflation and align with US Federal hikes to stabilize the peso exchange rate. These policy rate hikes have increased the cost of deposits and led the unrealized market losses in the Bank's investment and trading securities at FVOCI portfolio due to market fluctuations. Despite these measures, the BSP expects inflation to remain above its target of 2% to 4% until December 2023 largely driven by the high prices of consumer prices.

To mitigate the increase in cost of funds incurred by banks, the BSP is closely monitoring demand for higher interest rates and evaluating its loan pricing scheme. Specifically, the Bank anticipates higher loan demand in 2023 due to the continuous improvement on the Philippine economy and to post a better-than-expected GDP growth of 7.6% in 2022 and continue its resiliency in 2023.

The Bank is also focusing on embracing the digitalization and plans to launch its mobile banking product in 2023 to maintain its competitive edge among peer banks.

Lastly, the Treasury Department of the Bank is positioning itself to strengthen its banking books portfolio and trading books beginning 2023, as BSP has been closely monitoring the inflationary pressures and has implemented several policy measures to help manage inflation, this measures will help the policy makers to reach its goal of 2% to 4% inflation target in 2023 and may seriously consider pausing its policy rate hikes by end of first half of the year and remain neutral up to the end of this year.

31. SUPPLEMENTARY INFORMATION TO STATEMENTS OF CASH FLOWS

31.1 Significant Non-cash Transactions

Significant non-cash transactions in 2022 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P228.9 million (see Notes 13 and 19) relating to renewal of leases.

- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P788.0 million and P230.6 million, respectively (see Notes 14 and 15.4).

Significant non-cash transactions in 2021 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P50.7 million (see Notes 13 and 19) relating to renewal of leases.

- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P513.0 million and P137.6 million, respectively (see Notes 14 and 15.4).

Significant non-cash transactions in 2020 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P80.9 million (see Notes 13 and 19) relating to renewal of leases.

- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P27.8 million and P24.0 million, respectively (see Notes 14 and 15.4).

31.2 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of the Bank's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bills Payable (see Note 17)	Corporate Notes Payable (see Note 18)	Lease Liabilities (see Note 19)	Total Financing Activities
Balance at January 1, 2022	P -	P 2,995,352,640	P 249,826,430	P 3,245,179,070
Cash flow from financing activities –				
Availments	2,000,000,000	-	-	2,000,000,000
Payments / redemption	(500,000,000)	(3,000,000,000)	(145,630,698)	(3,645,630,698)
Non-cash financing activities:				
Amortization of discount	-	4,647,360	-	4,647,360
Additions to lease liabilities	-	-	228,888,547	228,888,547
Balance at December 31, 2022	**P 1,500,000,000**	**P -**	**P 333,084,279**	**P 1,833,084,279**
Balance at January 1, 2021	P -	P 2,987,685,274	P 310,084,402	P 3,297,769,676
Cash flow from financing activities –				
Payments / redemption	-	-	(110,982,739)	(110,982,739)
Non-cash financing activities:				
Amortization of discount	-	7,667,366	-	7,667,366
Additions to lease liabilities	-	-	50,724,767	50,724,767
Balance at December 31, 2021	P -	P 2,995,352,640	P 249,826,430	P 3,245,179,070
Balance at January 1, 2020	P 612,523,250	P 2,980,423,657	P 343,646,694	P 3,936,593,701
Cash flow from financing activities:				
Availments	2,000,000,000	-	-	2,000,000,000
Payments / redemption	(2,612,523,250)	-	(114,476,127)	(2,726,999,377)
Non-cash financing activities:				
Amortization of discount	-	7,261,617	-	7,261,617
Additions to lease liabilities	-	-	80,913,835	80,913,835
Balance at December 31, 2020	P -	P 2,987,685,274	P 310,084,402	P 3,297,769,676

32. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) Selected Financial Performance Indicators

The following are some indicators of the Bank's financial performance.

	2022	2021	2020
Return on average capital			
Net profit / Average total capital accounts	**9.0%**	8.2%	7.0%
Return on average resources			
Net profit / Average total resources	**1.0%**	0.9%	0.8%

	2022	2021	2020
Net interest margin			
Net interest income / Average interest earning resources	**4.3%**	4.5%	5.0%

(b) Capital Instruments Issued

As of December 31, 2022 and 2021, the Bank has no capital instruments considered in the computation of the Bank's regulatory and qualifying capital in accordance with Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements,* which may include, instruments recorded as part of equity or a financial liability qualifying as Tier 2 capital.

(c) Significant Credit Exposures for Loans

The Bank's concentration of credit as to industry for its receivables from customers gross of allowance for ECL follows (amounts in thousands):

	2022		2021	
	Amount	**Percentage**	Amount	Percentage
Wholesale and retail trade	**P 38,146,775**	**36.5%**	P 33,421,613	36.3%
Real estate activities	**16,512,161**	**15.8%**	15,784,545	17.1%
Manufacturing	**12,800,637**	**12.2%**	10,540,381	11.5%
Construction	**7,330,580**	**7.0%**	6,053,936	6.6%
Transportation and storage	**6,121,292**	**5.9%**	6,990,355	7.6%
Electricity, gas, steam and air-conditioning supply	**4,757,477**	**4.5%**	4,963,672	5.4%
Financial and insurance activities	**4,363,124**	**4.2%**	3,278,448	3.6%
Accommodation and food service activities	**3,308,648**	**3.2%**	2,655,107	2.9%
Water supply, sewerage, waste management and remediation activities	**2,667,819**	**2.6%**	2,467,987	2.7%
Administrative and support services	**2,532,306**	**2.4%**	2,399,622	2.7%
Consumption	**1,843,519**	**1.8%**	536,465	0.6%
Agriculture, forestry and fishing	**1,321,665**	**1.3%**	1,154,213	1.3%
Professional, scientific, and technical activities	**735,066**	**0.7%**	247,919	0.3%
Mining and quarrying	**658,407**	**0.6%**	52,210	0.1%
Information and communication	**255,067**	**0.2%**	305,538	0.3%
Education	**227,863**	**0.2%**	260,058	0.3%
Human health and social service activities	**63,890**	**0.1%**	45,499	0.1%
Arts, entertainment and recreation	**20,110**	**0.0%**	152,210	0.1%
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	**5,074**	**0.0%**	3,331	0.0%
Other service activities	**889,188**	**0.9%**	670,609	0.8%
	P 104,560,668	**100%**	P 91,983,718	100%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

(d) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below and in the succeeding page (in thousands).

	2022		
	Performing	**Non-performing**	**Total Loan Portfolio**
Gross carrying amount:			
Corporate	P 92,554,189	P 4,865,761	P 97,419,950
Consumer	6,391,124	749,594	7,140,718
	98,945,313	5,615,355	104,560,668
Allowance for ECL	(1,454,933)	(3,362,421)	(4,817,354)
Net carrying amount	**P 97,490,380**	**P 2,252,934**	**P 99,743,314**

	2021		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Corporate	P 77,657,629	P 2,912,246	P 80,569,875
Consumer	10,347,137	1,066,706	11,413,843
	88,004,766	3,978,952	91,983,718
Allowance for ECL	(566,568)	(3,324,675)	(3,891,243)
Net carrying amount	P 87,438,198	P 654,277	P 88,092,475

As at December 31, 2022 and 2021, the nonperforming loans (NPLs) not fully covered by allowance for credit losses follow (in thousands):

	2022	2021
Gross NPLs	**P 5,615,355**	P 3,978,952
NPLs fully covered by allowance for impairment	**(3,362,421)**	(3,324,675)
	P 2,252,934	P 654,277

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal 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.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written off.

Restructured loans amount to P5,012.8 million and P1,370.0 million as of December 31, 2022 and 2021, respectively. The related allowance for credit loss of such loans amounted to P330.5 million and P22.7 million as of December 31, 2022 and 2021, respectively.

Interest income recognized on impaired loans and receivables amounted to P161.4 million and P19.0 million in 2022 and 2021, respectively.

(e) *Analysis of Loan Portfolio as to Type of Security*

As to security, receivable from customers, gross of allowance and unearned discount, are classified into the following (amounts in thousands):

	2022	2021
Secured:		
Real estate mortgage	**P 39,086,194**	P 45,773,388
Chattel mortgage	**6,873,037**	9,191,885
Deposit hold-out	**5,681,799**	3,304,536
	51,641,030	58,269,809
Unsecured	**52,919,638**	33,713,909
	P 104,560,668	P 91,983,718

(f) *Information on Related Party Loans*

In the ordinary course of business, the Bank has loan transactions with each other, their other affiliates, and with certain DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31, 2022 and 2021 in accordance with BSP reporting guidelines (amounts in thousands):

	DOSRI Loans		Related Party Loans (inclusive of DOSRI)	
	2022	2021	**2022**	2021
Total outstanding loans	**P 702,982**	P 709,762	**P 748,463**	P 853,192
% of loans to total loan portfolio	**0.67%**	0.8%	**0.71%**	0.93%
% of unsecured loans to total DOSRI/related party loans	**7.0%**	8.3%	**6.21%**	12.58%
% of past due loans to total DOSRI/related party loans	**0.0%**	0.0%	**3.0%**	3.0%
% of non-performing loans to total DOSRI/ related party loans	**0.0%**	0.0%	**3.0%**	6.0%

Secured DOSRI loans are collateralized by hold-out on deposits and are payable within three months to five years.

(g) *Secured Liabilities and Assets Pledged as Security*

As of December 31, 2022, certain loan and other receivables of the Bank amounting to P950.0 million were used to secure a P500.0 million long-term bills payable. As of December 31, 2021, there are no assets pledged by the Bank as security for liabilities.

(h) *Contingencies and Commitments Arising from Off-balance Sheet Items*

The summary of the Bank's commitments and contingent accounts arising from transactions not given recognition in the statements of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2022 and 2021 are as follows:

	2022	2021
Investment management accounts	**P 10,221,845,347**	P 8,308,580,613
Trust and other fiduciary accounts	**1,618,211,721**	1,814,508,813
Outstanding letters of credit	**1,529,583,090**	747,471,735
Unit investment trust fund	**21,684,433**	23,245,786
Outward bills for collection	**4,661,575**	1,012,942
Items held for safekeeping	**88,546**	123,946
Items held as collateral	**162,885**	12,315
Late payment/deposits received	**-**	2,480,000
Other contingent accounts	**2,237,701,579**	625,213,351

33. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) Gross Receipts Tax

In lieu of the value-added tax, the Bank is subject to the Gross Receipts Tax (GRT), pursuant to Sections 121 and 122 of the Tax Code, which is imposed on banks, non-banks financial intermediaries and finance companies.

In 2022, the Bank reported total GRT amounting to P336,265,315 [see Note 33(c)].

GRT is levied on the Bank's lending income, which includes interest, commission and discounts arising from instruments with maturity of five years or less and other income. The tax is computed at the prescribed rates of either 5% or 1% of the related income.

(b) Documentary Stamp Tax

The Bank is enrolled under the Electronic Documentary Stamp Tax (e-DST) System starting July 2010. In 2022, DST remittance thru e-DST amounted to P803,398,935, while DST on deposits for remittance amounted to P324,862,667. In general, the Bank's DST transactions arise from the execution of debt instruments, lease contracts and deposit liabilities.

DST on loan documents and letters of credit in 2022 amounting to P478,536,268 were charged to borrowers and these were properly remitted by the Bank.

DST accruing to the Bank amounted to P282,493,764 and is presented as part of the Taxes and licenses in the 2022 statement of profit or loss [see Note 33(c)].

(c) Taxes and Licenses

Details of taxes and licenses for the year ended December 31, 2022 follow:

	Notes		
DST	33(b)	P	282,493,764
Gross receipts tax	33(a)		336,265,315
Business tax			23,768,810
Real property tax			3,540,947
Miscellaneous			1,012,060
		P	**647,080,896**

DST includes unamortized amount of P28.7 million recognized as deductible in full for income tax purposes.

(d) Withholding Taxes

Details of total withholding taxes for the year ended December 31, 2022 are shown below.

Final	P	184,864,503
Compensation and benefits		100,893,484
Expanded		46,299,907
	P	**332,057,894**

(e) Deficiency Tax Assessments and Tax Cases

As of December 31, 2022, the Bank does not have any outstanding final deficiency tax assessments from the BIR nor does it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR in any open taxable year.

(f) Other Required Tax Information

The Bank did not have any transactions in 2022 which are subject to excise tax, customs duties, and tariff fees.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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350 Rizal Avenue Extension corner 8th Avenue
Grace Park, Caloocan City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Philippine Business Bank, Inc., A Savings Bank (the Bank) for the year ended December 31, 2022, on which we have rendered our report dated March 31, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Bank's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Maria Isabel E. Comedia**
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 9566629, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 92966-SEC (until financial period 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-021-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 31, 2023

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
List of Supplementary Information
December 31, 2022

* *These schedules and supplementary information are not included as these are not applicable to the Bank.*

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
Schedule A - Financial Assets
December 31, 2022
(Amounts in Philippine Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount	Amount Shown in the Statement Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
1. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)				
Bureau of the Treasury	P 9,660,660,000	P 8,617,733,212	P 8,617,733,212	P 384,108,747
A. Debt Securities				
Ayala Land Inc.	40,000,000	38,651,991	38,651,991	2,688,588
Aboitiz Equity Ventures	317,085,500	287,850,609	287,850,609	10,840,321
First Pacific Co Ltd.	111,510,000	104,281,922	104,281,922	3,477,557
Petron Corporation	135,000,000	121,811,891	121,811,891	4,645,062
SM Investments Corp.	55,755,000	54,009,869	54,009,869	1,697,002
JG Summit Holdings Inc	267,568,245	234,106,160	234,106,160	8,717,195
Republic of the Philippines	1,672,650,000	1,361,771,271	1,361,771,271	58,511,612
	2,599,568,745	2,202,483,713	2,202,483,713	90,577,337
	12,260,228,745	**10,820,216,925**	**10,820,216,925**	**474,686,084**
2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)				
A. Debt Securities				
Republic of the Philippines	501,795,000	469,041,725	469,041,725	8,558,096
First Pacific Co Ltd.	126,006,300	117,115,954	117,115,954	4,784,808
JG Summit Holdings Inc	223,020,000	195,129,119	195,129,119	7,241,443
Manila Water Co Inc.	167,265,000	140,502,600	140,502,600	7,298,232
D&L industries Inc	300,000,000	284,634,608	284,634,608	8,365,469
San Miguel Corporation	500,000,000	499,863,984	499,863,984	16,916,000
Ayala Corporation	167,265,000	107,489,507	107,489,507	6,377,431
Aboitiz Equity Ventures	90,000,000	82,076,792	82,076,792	2,967,905
SM Investments Corp.	501,795,000	326,166,750	326,166,750	26,726,201
	2,577,146,300	**2,222,021,039**	**2,222,021,039**	**89,235,585**
3. HELD TO COLLECT (HTC)				
Bureau of the Treasury	465,851,796	463,734,360	463,734,360	25,316,405
A. Debt Securities				
Del Monte	301,077,000	297,837,686	297,837,686	11,665,723
DDPC Worldwide PTE Ltd (Double Dragon Properties Corp.)	278,775,000	267,702,838	267,702,838	15,623,752
Land Bank of the Philippines	88,495,099	85,041,148	85,041,148	4,256,356
Republic of the Philippines	11,151,000	11,144,646	11,144,646	121,950
	679,498,099	661,726,318	661,726,318	31,667,781
	1,145,349,895	**1,125,460,677**	**1,125,460,677**	**56,984,186**
GRAND TOTAL	**P 15,982,724,940**	**P 14,167,698,641**	**P 14,167,698,641**	**P 620,905,855**

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
Schedule B - Amounts Receivable from Directors, Officers Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022

Name and Designation of debtor	Balance at beginning of the period	Additions	Deductions		Current	Non Current	Balance at end of period
			Amounts collected	Amounts written off			
RECEIVABLES FROM CUSTOMER							
Advances to Officers and Employees	P 58,762,184	P 25,687,900	(P 32,468,271)	P -	P 51,981,813	P -	P 51,981,813
Alberto peligrino dbu albert trucking service	6,197,591	-	-	-	-	6,197,591	6,197,591
All Medica Global Corp	4,600,000	-	-	-	4,600,000	-	4,600,000
Atractivo, Rosalie dbu EDSA Enterprise	1,336,125	-	-	-	1,336,125	-	1,336,125
Avante, Reynaldo Rivera	166,666	-	-	-	166,666	-	166,666
Avante, Leah Rivera	383,397	-	-	-	383,397	-	383,397
Chua Alex DBU A Five transport	18,505,794	-	-	-	-	18,505,794	18,505,794
Elbert O. Ricohermoso dbu Roelka Trading	1,086,925	-	-	-	-	1,086,925	1,086,925
First Global Packaging corporation	5,266,742	-	-	-	5,266,742	-	5,266,742
Marietta C. Binuya dbu Megashare Enterprises	75,939	-	-	-	75,939	-	75,939
Tan, Maria Theresa L.	7,862,119	-	-	-	7,862,119	-	7,862,119
Alfredo M. Yao	650,000,000	-	-	-	650,000,000	-	650,000,000
Subtotal	754,243,482	25,687,900	(32,468,271)	-	721,672,801	P 25,790,310	747,463,111
CONTINGENT ACCOUNTS							
Zest-O Corporation	1,000,000	-	-	-	1,000,000	-	1,000,000
Subtotal	1,000,000	-	-	-	1,000,000	-	1,000,000
TOTAL	**P 755,243,482**	**P 25,687,900**	**(P 32,468,271)**	**P -**	**P 722,672,801**	**P -**	**P 748,463,111**

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
Schedule D - Long-Term Debt
December 31, 2022
(Amounts in Philippine Pesos)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption"Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption"Long-Term Debt" in Related Statement of Financial Position
Bills payable	P 1,500,000,000	P 1,000,000,000	P 500,000,000

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
Schedule G - Capital Stock
December 31, 2022

Title of Issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of Shares Held by		
				Related parties	Directors, officers and employees	Others
Common Stock	870,000,000	643,750,094	-	401,891,231	5,547,677	236,311,186
Preferred Stock	130,000,000	62,000,000	-	62,000,000	-	-
Total	**1,000,000,000**	**705,750,094**	**-**	**463,891,231**	**5,547,677**	**236,311,186**

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2022
PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
350 Rizal Ave. Ext., 8th Avenue Grace Park, Caloocan City

Unappropriated Retained Earnings at Beginning of Year		P 5,245,335,032
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax asset		(1,113,253,469)
Realized trading losses on investment securities		(20,725,999)
		(1,133,979,468)
Unappropriated Retained Earnings Available for Dividend declaration at beginning of Year, as Adjusted		4,111,355,564
Net Profit Realized during the Year	P 1,311,449,494	
Non-actual/unrealized income, net of tax		
Deferred income tax	(220,767,026)	
Unrealized trading gains on investment securities	(406,996,881)	683,685,587
Other Transactions During the Year		
Additional appropriation for general loan loss reserve	(353,980,037)	
Appropriation for trust reserves	(5,393,328)	
Dividends declared	(118,800,000)	(478,173,365)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 4,316,867,786**

PHILIPPINE BUSINESS BANK, INC.
Supplemental Schedule of Financial Soundness Indicators
December 31, 2022 and 2021

Ratio	Formula	2022		2021	
Current ratio	Total Current Resources / Total Current Liabilities	P 71,772,313,495 / 114,217,963,451	0.63	P 64,651,677,637 / 109,808,472,514	0.59
Acid test ratio	Cash and Cash Equivalents + Financial Assets at Fair Value through Profit or Loss / Total Current Liabilities	14,787,900,009 / 114,217,963,451	12.95	24,141,999,360 / 109,808,472,514	21.99
Solvency ratio	Total Liabilities / Total Resources	119,973,732,991 / 134,550,065,580	89.17	117,569,193,895 / 132,032,274,490	89.05
Debt-to-equity ratio	Total Liabilities / Total Equity	119,973,732,991 / 14,576,332,589	8.23	117,569,193,895 / 14,463,080,595	8.13
Assets-to-equity ratio	Total Resources / Total Equity	134,550,065,580 / 14,576,332,589	9.23	132,032,274,490 / 14,463,080,595	9.13
Interest rate coverage ratio	Earnings before Interest and Taxes / Interest Expense	2,894,658,986 / 1,032,179,450	2.80	2,631,217,419 / 838,321,999	3.14
Return on equity	Net Profit / Average Total Equity	1,311,449,494 / 14,519,706,592	9.03	1,168,168,345 / 14,169,415,840	8.24
Return on assets	Net Profit / Average Total Resources	1,311,449,494 / 133,291,170,035	0.98	1,168,168,345 / 125,899,616,474	0.93
Net profit margin	Net Profit / Interest Income	1,311,449,494 / 6,579,550,025	0.20	1,168,168,345 / 6,334,664,192	0.18
Other Ratios:					
Net Interest Margin	Net Interest Income / Average Interest Earning Resources	5,547,370,575 / 128,143,031,115	0.04	5,496,342,193 / 121,026,563,200	0.05
Capital to risk assets ratio	Total capital / Risk resources	14,576,332,589 / 112,620,024,767	0.13	14,463,080,595 / 119,671,831,389	0.12

Philippine Business Bank, Inc., A Savings Bank
Sustainability Report 2022

April 2023

Table of Contents

About the Report

Philippine Business Bank is pleased to report its performance in terms of culture, sustainability, and responsible banking, informing of the main actions and commitments of the Bank in these areas and in relation to its main stakeholders (employees, customers, shareholders and society).

PBB's 2022 Sustainability Report is compliant with the Securities and Exchange Commission Memorandum Circular No. 4 Series of 2019 "Sustainability Reporting Guidelines for Publicly Listed Companies."

Information from our corporate units and branches on their performance on economic, environmental, and social aspects following our sustainability framework of "Economic Viability, People, and Planet" were gathered. Data covered are for the whole year of 2022.

In addition, the Bank also reports on the main initiatives it develops with society and the environment, particularly in the communities where it operates, with special attention to the Bank's relationship with the partner schools/ universities under the AMY Foundation.

This report has been prepared in accordance with GRI Standards: Core option. The Reporting Principles for defining the content herein are as follows:

Reporting principles for defining report content

- **Stakeholder Inclusiveness** - identified stakeholders and response to their expectations
- **Sustainability Context** - identified performance measures in the wider context of sustainability
- **Materiality** - identified economic, social and environmental issues that impact our business growth and of utmost importance to our stakeholders
- **Completeness** - identified material topics which are covered within identified boundaries were ensured to provide sufficient information that reflects the significant economic, social and environmental in within the reporting period.

The Bank's sustainability performance indicators on corporate social responsibility demonstrates our pledge to support answers to education, people's welfare and partnering for organizational success.

The Banking data, of the bank's annual report, is where all this information is collected, and has been verified by the Punongbayan & Araullo (P&A), an independent firm that has also audited the PBB 's annual accounts in that year.

The data and contents of this report aims to provide complete, accurate, reliable, and timely information to the Bank's stakeholders especially about the risks that affect the bank and its environment. The actions that management implement to ensure that the risks identified are mitigated are also provided as disclosures.

Contextual Information

Company Details	
Name of Organization	Philippine Business Bank Inc., A Savings Bank
Location of Headquarters	350 Rizal Avenue corner 8th Avenue, Grace Park, Caloocan City
Report Boundary: Legal entities included in this report	-
Primary Activities, Brands, Products, and Services	**Deposits and investment services**: regular savings account, regular checking account, CA Flexi (checking & passbook savings in one account), ATM account, CA/SA (auto-transfer), Campus Savers, peso time deposit, Hi-5 time deposit, FCDU savings, FCDU time deposit, Hi-Green deposit **Commercial, industrial, and developmental loans**: agri-agra loans, bills purchase, bus and taxi loan, contract to sell financing, discounting line, fleet financing, loan line, omnibus line, specialized lending facilities for SMEs (DBP, IGLF, ISSEP, SSS developmental loans), term loan, trade finance **Consumer loans:** auto, housing, salary, second-hand auto loans **Trust products and services:** employee benefit plans under trust, escrow agency, individual FCDU trust, insurance trust, investment management account (personal or corporate), mortgage trust indenture, PBB diamond trust fund (UITF), personal management trust, safekeeping, trustee of pre-need plans **Other services:** advisory services, SSS and Philhealth payments, bills payment/collection services, group payroll services, local payment orders, mail and telegraphic transfers, night depository box, PBB gold sale, safety deposit box facilities
Highest Ranking Person responsible for this report	Judith C. Songlingco Senior Assistant Vice President – Corporate Affairs Unit

Economic Disclosures

Revenue Generated and Distributed

Disclosure	**Amount in Php**
Direct profit/revenue generated	6,091,302,876
Direct profit/revenue distributed	3,408,209,317
Operating costs (wages)	
- **Employee wages and benefits**	1,183,429,591
- **Payments to suppliers, other operating costs**	294,871,127
- **Dividends given to stockholders and interest payments to loan providers**	150,476,014
- **Taxes given to government**	647,080,896
- **Investments to communities (CSR)**	-
Revenue/Economic value retained	1,862,479,536

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management approach**
Revenue retained	Investors/Stockholders, clients, suppliers, regulators, society	An existing Board approved policy, procedures and guidelines is in place for planning, setting strategic goals/targets and measuring the Bank's performance. Metrics and regular performance monitoring are in place to regularly check the bank's status. The Bank also adheres to the regulatory policies that allow the bank to set limits and aims to ensure capital preservation.

What are the risks identified?	Which stakeholders are affected?	Management Approach
Operational losses (such as loss of clients and financial losses) arising from reputational risks (issues of fraud/corruption) (Identified as Low Risk)	Clients, Investors, Stockholders, employees	Revenues that the Bank generates dividends and other monetary advantages to our investors, stockholders, employees as well as our clients. The Bank ensures that the economic metrics to measure and monitor the Bank's performance are in place. For preserving our economic value generated, the Bank has existing policies and procedures to avoid exposure to various risks such as but not limited to operational and reputational losses. As part of sound corporate governance, the Bank's Board of Directors is responsible for setting up the risk governance framework and ensuring proper implementation thereof. As such, Board approved policies are in place for mitigation of risks that are identified by the Bank. A system of managing risks is also in place for revenue preservation. All employees are required to adhere to the Bank's Code of Conduct to avoid certain reputational risks as well as to adhere to certain policies that ensures that corruption issues are avoided. Rules from regulators are also adhered that minimize the Bank's exposure to losses. The Bank also has auditors as well as compliance personnel who conduct checking of the adherence of the employees to rules and regulations.

What are the opportunities identified?	Which stakeholders are affected?	Management approach
Development of new products and services that aims to increase the Bank's economic value and increase the profit to be distributed to its investors, employees and to the society	Investor/Stockholders, clients, employees, society	The Bank has an existing Project Management Group that is in charge of digital products and services that aim to capture additional clients and to increase the Bank's profitability. Our organization, particularly the branches, handles the sales and marketing so these products and services are available to its targeted clients. The performance of the branch head is quantitatively measured to ensure that goals are achieved.

Climate related risks and opportunities

Governance	Strategy	Risk Management	Metrics and Targets
Recommended Disclosures			
Describe Board oversight of climate related risks and opportunities	Climate related risks are considered in the bank-wide assessment of risks as documented in the Bank's Risk and Control Self-Assessment. These climate-related risks are also required to be reported thru the Bank's internal reporting system. These risks are regularly monitored and managed accordingly.	The Bank has an existing Board approved policy for assessing, monitoring, and managing the climate related risks identified. Further, the Bank has an existing Business Continuity Plan to address the risk exposures to climate related risks.	Bank's exposures to climate risks are indicated in the Bank's Risk and Control Self-Assessment. Loss Events Reports are also required to be used in assessing the value and impact of climate related risks. The Bank has a business continuity plan (BCP) that addresses potential losses due to climate related risks.

Governance	Strategy	Risk Management	Metrics and Targets
Recommended Disclosures			
Describe the management's role in assessing and managing climate related risks and opportunities	Management is assigned to assess, monitor and implement the controls for climate related risks. Management is required to regularly report exposures to climate related risks.	As the Bank's internal policy on risk management, and business continuity plan, Management should implement the reporting and assessing of the risk exposures of the Bank to climate related risks.	The Bank has a business continuity plan (BCP) that takes into consideration potential climate risk individuals.

Procurement Practices

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Quantity
	95%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Procurement practice of the Bank affects its suppliers/vendors	Suppliers, vendors, clients	The Bank has an existing Board approved procurement and vendor accreditation policies that provides guidelines to its employees and suppliers. The guidelines also set the bank's bidding process that opens opportunities to all prospective suppliers/vendors. Regulatory rules from BSP for the Bank's transactions with Vendors and third-party providers.

		For the bank's organization structure, the Bank has a General Services and Administration Group that handles the execution of procurement process. The Bank also has a Bid Committee in charge of processing the accreditation and procurement process.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
No material risk identified	None	Not applicable
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Incorporating good Corporate Social Responsibility and Sustainability practices	Suppliers, Vendors, Clients	Board approved policies and procedures are in place on how to deal with suppliers, vendors. Accreditation policies which are followed by the Bank include checking the propriety of the documents of the suppliers (i.e financial capacity, legal existence/registration documents). The Bank also extends its business to its supplier by offering them the Bank's product and services hereby encouraging sustainability.

Anti-Corruption
Training on Anti-Corruption Policies and Procedures

Disclosure	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated	100% covered by Orientation under Code of Conduct and AMLA training
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated	100%
Percentage of directors and management that have received anti-corruption training	100% covered by Orientation, AMLA for SOs, and AMLA training
Percentage of employees that have received anti-corruption training	100% covered by Orientation, AMLA training

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Risk exposure to corruption	Stockholders/Investors, Employees, Clients	Board approved policies and procedures against corruption are in place such as but not limited to Code of Conduct, Whistle Blowing Policy, Conflict of Interest Policies, Insider Trading Policy. Compliance review with these policies is conducted by the Bank to protect its stakeholders.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Reputational Risk (Identified as Low Risk)	Stockholders/Investors, Employees, Clients	Board approved policies and procedures against corruption are in place such as but not limited to Code of Conduct, Whistle Blowing Policy, Conflict of Interest Policies, Insider Trading Policy, Social Media Policy. Compliance review with these policies is conducted by the Bank to protect its stakeholders. Internal Audit is conducted regularly. The Bank also has consumer protection policies that aim to address the concerns of its clients, ranging from simple inquiries to complex concerns. Further, the Bank adheres to consumer protection policies that are implemented by its regulator, BSP.

What are the opportunities identified?	Which stakeholders are affected?	Management approach
Good company image attracts clients/customers that increase the Bank's economic value	Investors/Stockholders, Clients, employees	The Bank's employees are required to adhere to the Board approved policies that are in place to avoid corruption. The good company image hence attracts prospective clients, business partners and stakeholders.

Incidents of Corruption

Number of incidents in which directors were removed or disciplined for corruption	0
Number of incidents in which employees were dismissed or disciplined for corruption	0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0

In 2021, PBB focused on continuing to build upon its strategy and initiatives with respect to Environmental, Social and Governance ("ESG") topics. The Bank recognize the continuing importance of these matters and will continue to align its business strategies with these goals. PBB understands that a thoughtful, coordinated approach to ESG will support a healthier, more sustainable future for its stakeholders including investors, employees, communities the Bank serves, and customers.

PBB expects to build upon its core values as a community financial institution and its core mission of serving the financial needs of the community. The Bank expects its developing ESG strategy will align with the nature and scale of its business in respecting the environment and the evolution of ESG principles in the banking industry.

Environmental Disclosures

Some of PBB's specific efforts and commitments for 2021 and 2022 are summarized below.

- Migrated loan documentation (particularly CRECOM documents) to digital only process to eliminate the use of paper as part of the Bank's initiative to implement a digital workstream for the Bank's processes.
- Commitment to expanding digital documentation processes and energy efficiency throughout the organization.

- Responsible waste management and recycling practices including recycling of electronic equipment.
- Updated the Bank's vendor management program to assess our vendor's alignment with our ESG strategy.

Energy Consumption Within the Organization

Disclosure	Quantity/Unit
Energy consumption (renewable)	None
Energy consumption (LPG)	None
Energy consumption (electricity)	933,639 kwh

Reduction of Energy Consumption

Disclosure	Quantity/Unit
Energy consumption (renewable)	None
Energy consumption (LPG)	None
Energy consumption (electricity)	297,248 kwh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Branches and Head Office premises	Employees, clients	The Bank is committed to achieve its energy efficiency goals to decrease operational cost and to reduce the environmental impact of its operations.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
None	None	Not applicable
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Reduction in energy consumption increases the Bank's economic value	Employees, Client, Stockholders/Investors	The Bank will include in its planning the possibility of energy reduction.

Water Consumption Within the Organization

Disclosure	Quantity/Unit
Water withdrawal	Maynilad and Manila Water
Water consumption	14,847 cubic meters (estimate only)
Water recycled and reused	Amount is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank

Materials Used by the Organization

Disclosure	Quantity/Unit
Materials used by weight or volume	
Paper	4000 reams
Ballpen	1800 pcs
Adding Machine Tape	990 pcs
Blue Binder (short)	1776 pcs
Blue Binder (long)	1548 pcs
Brown envelope (short)	5800 pcs
Brown envelope (long)	6700 pcs
Epson Ribbon (FX2175)	550 pcs
Fastener	500 boxes
Folder	15000 pcs
Masking tape	150 pcs
Packaging tape	1000 pcs
Paper clip jumbo	600 pcs
passbook Ribbon -Epson PLQ -20	1300 pcs
Scotch Tape	3200 pcs
Staple wire	900 boxes
Thermal roll (ATM receipt)	1000 rolls
Window envelope	100 boxes
Percentage of recycled input materials used to manufacture the organization's primary products and services	Not material to the Bank.

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank

Ecosystems and Biodiversity (upland/watershed/coastal or marine) –
NOTE: This section is not material to the Bank.

Disclosure	Quantity/Unit
Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected	Not material to the Bank
Habitats protected or restored	Not material to the Bank
IUCN Red List species and national conservation list species with habitats in areas affected by operation	Not material to the Bank

Management Approach Disclosure
NOTE: This section is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank

Environmental Impact Management

Disclosure	Quantity/Unit
Energy Indirect (Scope 2) Emissions	660 tons CO2e (estimate)
Emissions of ozone depleting substances (ODS)	PBB does not track ODS as this is not material to the Company.

Management Approach Disclosure

Note: This section is not material to the Bank.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.

Air Pollutants

Note: This section is not material to the Bank

Disclosure	Quantity/Unit
NOx	PBB does not track NOx as this is not material to the Company.
SOx	PBB does not track SOxas this is not material to the Company.
Persistent Organic Pollutants	PBB does not track pollutants as this is not material to the Company.
Volatile organic compounds (VOCs)	PBB does not track VOCs as this is not material to the Company.
Hazardous air pollutants (HAPs)	PBB does not track HAPs as this is not material to the Company.
Particulate matter (PM)	PBB does not track PM as this is not material to the Company.

Management Approach Disclosure

Note: This section is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management approach>**
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank

Solid and Hazardous Waste

Note: Data is not available for the reporting period.

Disclosure	**Quantity/Unit**
Total solid waste generated	Data not available
Reusable	Data not available
Recyclable	Data not available
Composted	Data not available
Incinerated	Data not available
Residuals/Landfilled	Data not available

Hazardous Waste:

Note: In 2022, PBB had no electronic/hazardous waste collection initiative.

Disclosure	**Quantity/Unit**
Amount of hazardous waste transported	Data not available
Amount of hazardous waste in storage	Data not available

Management Approach Disclosure (Non-hazardous and hazardous waste)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None	None	The Bank complies with relevant local policies for solid and hazardous waste management.
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
None	None	The Bank complies with relevant local policies for solid and hazardous waste management.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
None	None	The Bank complies with relevant local policies for solid and hazardous waste management.

Effluents
Note: This is not material to the Bank

Disclosure	Quantity/Unit
Total volume of water discharges	Not applicable
Percent of wastewater recycled	Not applicable

Management Disclosure Approach
Note: This is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach>
Not applicable	Not applicable	Not applicable
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable	Not applicable	Not applicable
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not applicable	Not applicable	Not applicable

Environmental Compliance

Disclosure	
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0
No. of cases resolved through dispute resolution mechanism	0

Management Approach:

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None	None	The Bank adheres to the rules and regulations set by the DENR and other relevant regulatory agencies.
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
None	None	The Bank adheres to the rules and regulations set by the DENR and other relevant regulatory agencies.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
None	None	The Bank adheres to the rules and regulations set by the DENR and other relevant regulatory agencies.

Social Disclosures

Employee Management, Employee Hiring and Benefits, Employee Data

Disclosure	Quantity/Unit
Total number of employees	1660
Female Employees	1088
Male Employees	572
Attrition rate	18.51%
Monthly salary of the lowest paid employee	12,500

Provide list of benefits:

Benefit	% of employees who availed for the year
SSS	24.81%
PhilHealth	6.69%
Pag-Ibig	10.23%
Parental leaves	ML – 3.54% PL – 0.81%
Vacation leaves	85.78%
Sick leaves	40.63%
Medical benefits aside from PhilHealth	53%
Housing assistance aside from Pag-Ibig	0.00%
Retirement fund (aside from SSS)	2%
Further education support	3.22%
Company stock options	0.00%
Telecommunicating	0.00%
Flexible working hours	7.75%

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Talent acquisition, development and retention	Employees	The Bank has Board-approved policies and procedures that set the guidelines to be followed for talent acquisition, development and employee retention. The Bank also offers competitive Board-approved compensation and employee benefit packages to ensure employee engagement and retention. An employee is also entitled to benefit packages to assist them during calamities or personal emergencies such as sickness and death.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Employees needing refresher trainings for the emerging requirements/competencies needed for work	Employees	The Bank supports the continuing education and learning of employees by providing internal and external training programs, as well as development programs to train high potential employees for higher positions in the organization.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Enhancing the skills and potential of the employees increase the economic value of the company	Employees	The Bank provides Board-approved performance-based rewards and recognition to further engage the employees. This includes the distribution of performance-based bonus on top of guaranteed bonuses, and yearly merit increases. The Bank provides for opportunities for employees to move up the corporate ladder through regular promotions of deserving employees.

		The Bank believes that engaged employees lead to higher employee morale and productivity; employee pride and loyalty, excellent customer service, thereby attracting more clients and ensuring client retention.

Employee Training and Development

Disclosure	
Total training hours provided to employees in 2022	**38,785**
Female employees	27,704
Male employees	11,081
Average training hours provided to employees	**20.87**
Female employees	22.91
Male employees	17.07

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management approach**
Learning and Development programs of the Bank	Employees	The Bank is offering internal and external trainings and development programs for employee development and growth.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Lack of training may cause poor service quality to clients and poor performance of job functions thereby decreasing the company's economic value	Employees, clients	The Bank has existing training programs for its employees especially for customer service. The Performance Appraisal of an employee includes trainings attended or facilitated, and customer service ratings.

What are the opportunities identified?	Which stakeholders are affected?	Management approach
Improved performance and service quality to clients	Employees, Clients	Board approved performance evaluation is established to measure and monitor the performance of its employees. Customer helplines, surveys and feedbacks are also in place to monitor the clients' concerns. The Consumer Protection of the bank provides for many venues for clients to give feedback or to lodge concerns and complaints.

Labor Management Relations

Disclosure	
% of employees covered by collective bargaining agreements	0%, the Bank has no union
Number of consultations conducted with employees concerning employee-related policies	0% as related to union issues

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Employees	The Bank always maintains an open communication policy with employees. There are existing venues to bring forth employee concerns and issues such as with supervisors, with HR or with the Committee on Employee Discipline. The President conducts on-line consultations (Kapihan) with selected employees, and the participants are given the opportunity to bring concerns to the President's attention.

What are the risks identified?	Which stakeholders are affected?	Management approach
Not material to the Bank	Employees	The Bank has existing Health, Safety and Welfare Program for its employees.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Higher productivity and employee well-being and morale because of health and safety program for employees	Employees, clients	The Bank always maintains an open communication policy with employees. There are existing venues to bring forth employee concerns and issues such as with supervisors, with HR or with the Committee on Employee Discipline. The President conducts on-line consultations (Kapihan) with selected employees, and the participants are given the opportunity to bring concerns to the President's attention.

Diversity & Equal Opportunity

Disclosure	
Percent of female workers in the workforce in 2022	65.5%
Percent of male workers in the workforce 2022	34.5%
Ratio of male to female employees 2022	1:2
Number of employees from indigenous communities and/or vulnerable sectors 2022	44 senior citizens

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management approach**
Talent acquisition, management, development and retention	Employees	The Bank does not discriminate its employees on the basis of gender, age, sex, indigenous communities, and vulnerable sectors. The Bank has existing policies that require its employees to adhere to labor laws and regulations.
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Reputational Risk that may arise from labor issues due to discrimination	Employees, Stockholders/Investors	The Bank does not discriminate its employees of the basis of gender, age, sex, indigenous communities, and vulnerable sectors. The Bank has existing policies that require its employees to adhere to labor laws and regulations.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Acquisition of talented and motivated employees which can increase the economic value of the company	Employees	The Bank uses various talent acquisition channels wherein every applicant has equal opportunity to apply and be taken in, depending on the requirements of the position, and the value that the candidate brings to the bank.

Workplace Conditions Labor Standards, and Human Rights

Safe Man-Hours in 2022	3,365,440
No. of work-related injuries in 2022	2
No of work-related fatalities in 2022	0
No. of work-related ill health in 2022	330 COVID-19 cases
Number of safety drills in 2022	3 (Fire, Earthquake and Bomb Threat drill)

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management approach**
Across all units of the Bank	Employees, Clients	The Bank has an existing Board-approved Health, Safety and Welfare Program for its employees. Safety and Security Drills are also conducted to ensure that employees as well as its clients will be protected in case of peril. The Bank also adheres to the work and safety guidelines that are implemented by the government authorities.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Safety risks	Employees	The Bank has an existing Board approved Health, Safety and Welfare Program for its employees. Safety and Security Drills are also conducted to ensure that employees as well as its clients will be protected in case of peril. The Bank also adheres to the work and safety guidelines that are implemented by the government authorities.

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
Improve the safety and security of the employees	Employees, Clients	The Bank has an existing Corporate Security Group which is in charge of conducting the safety drills to be conducted within the Bank. The Security Group also monitors the conduct of safety and security drills. The Bank also adheres to the work and safety guidelines by the government authorities.

Labor Laws and Human Rights

Topic	Quantity	Unit
No. of legal actions or employee grievances involving forced or child labor	0	0

Are there policies that explicitly disallows violations to labor laws and human rights (e.g. harassment, bullying) in the workplace

Topic	Y	N
Forced labor	✓	
Child labor	✓	
Human Rights	✓	
Environmental performance	✓	
Bribery and corruption	✓	

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Across all units	Employees	The Bank adheres to the rules and regulations implemented by DOLE and other regulatory agencies.
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
None	None	The Bank adheres to the rules and regulations implemented by DOLE and other regulatory agencies.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
None	None	The Bank adheres to the rules and regulations implemented by DOLE and other regulatory agencies.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, provide a link to the policy or attach the policy. **(attached: General Services Center Manual for Accreditation of Suppliers)**

Topic	Y/N	If yes, cite reference in the supplier policy
Environmental performance	General Requirement for the Satisfactory Rating on Supplier's Stakeholders	Page 1 – SELECTION OF SUPPLIERS/CONTRACTORS PORTION
Forced Labor		
Child Labor		
Human Rights		
Bribery and corruption		

Relationship with Community
Significant Impacts on Local Communities

List/Identify operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Does the particular operation have impacts on indigenous peoples? (Y/N)	Collective or individual rights that have been identified as particular concerns for the community	Mitigating measures (if negative impact)/ Enhancement measures (if positive)
Blood letting	PBB Z-Square building	N/A	N/A	Collective	N/A

BE A SUPERHERO!

Philippine Business Bank, in partnership with the AMY Foundation and the Philippine Red Cross (Caloocan City chapter), paid tribute to voluntary PBB employees and non PBB employees for their life-saving gift of blood that sought to inspire more people to follow their example.

This year's theme, "Be a Superhero," highlights the underpinning role of voluntary blood donors in maintaining a safe and adequate blood supply.

Giving blood is a heroic life-saving act of solidarity to improve the quality of life for patients suffering from life-threatening conditions and to support medical and surgical procedures. PBB is grateful to all the 38 silent heroes who voluntarily donate blood. The one-day blood drive successfully collected 21 blood bags, held on September 29, 2022 at the PBB Office of the Z-Square Mall.

Customer Management

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management approach</th></tr>
<tr><td>All Business Generation Units (Branches, Lending, Trust, Treasury)</td><td>Clients</td><td rowspan="5">The Bank ensures that the Client's welfare is of utmost importance. As such, the Bank ensures that all employees are equipped with training to provide good customer service quality.

Service Quality is also included in the performance assessment of the Bank's employees.

Further, postings of information needed by the clients are also provided to help them with their concerns.

Customer helplines, feedback and complaints are also in place to ensure that the needs and concerns of clients are addressed.

The Bank adheres to the regulatory requirements for handling and management of customer concerns.</td></tr>
<tr><td>What are the risks identified?</td><td>Which stakeholders are affected?</td></tr>
<tr><td>None</td><td>None</td></tr>
<tr><td>What are the opportunities identified?</td><td>Which stakeholders are affected?</td></tr>
<tr><td>None</td><td>None</td></tr>
</table>

Health and Safety

Topic	
Number of substantiated complaints on product or service health & safety	2
Number of complaints addressed	2

Substantiated complaints include customer complaints that went through the organization's formal communication channels and grievance mechanisms, as well as complaints that were lodged with or acted upon by government agencies.

Management Approach

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management approach</th></tr>
<tr><td>Not material to the Bank</td><td>Not material to the Bank</td><td rowspan="6">The Bank has an existing Board approved Health, Safety and Welfare Program for its employees.

Likewise, the Bank has a Board approved Consumer Protection Framework for protecting its clients.

The Bank commits to resolve the concerns filed to the Bank within the required turnaround time per its internal policy and per BSP requirement.

Further, the Bank implements a monitoring system to address the concerns of the clients and its employees.</td></tr>
<tr><td>What are the risks identified?</td><td>Which stakeholders are affected?</td></tr>
<tr><td>Not material to the Bank</td><td>Not material to the Bank</td></tr>
<tr><td>What are the opportunities identified?</td><td>Which stakeholders are affected?</td></tr>
<tr><td>To improve the standard of service provided to the clients.</td><td>Employees, Clients</td></tr>
</table>

Marketing and Labelling

Topic	
Number of substantiated complaints on marketing and labelling?	0
Number of complaints addressed	0

Substantiated complaints include customer complaints that went through the organization's formal communication channels and grievance mechanisms, as well as complaints that were lodged with or acted upon by government agencies.

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None reported for the reference period	None reported for the reference period	None reported for the reference period
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
None reported for the reference period	None reported for the reference period	None reported for the reference period
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
None identified for the reference period	None identified for the reference period	None identified for the reference period

Customer Privacy

Topic	Number
Number of substantiated complaints on customer privacy	0
Number of complaints addressed	0
No. of customers, users, and account holders whose information is used for secondary purposes	0

Management Approach

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management approach</th></tr>
<tr><td>None reported for the reference period</td><td>None reported for the reference period</td><td rowspan="5">The Bank has existing Board approved Data Privacy Protection Framework which implements the protection guidelines for the clients and employees.

The Bank also has an existing Data Privacy Unit that monitors the Bank's compliance with Data</td></tr>
<tr><td>What are the risks identified?</td><td>Which stakeholders are affected?</td></tr>
<tr><td>None reported for the reference period</td><td>None reported for the reference period</td></tr>
<tr><td>What are the opportunities identified?</td><td>Which stakeholders are affected?</td></tr>
</table>

Company which protects data privacy of its employees and clients attracts prospective clients as well as retain existing clients	Employees, clients	Privacy Regulations. Trainings were also provided to employees for Data Privacy.

Data Security

Topic	**Number**
Number of data breaches, including leaks, thefts and losses of data	**0**

Management Approach

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management approach</th></tr>
<tr><td>None reported for the reference period</td><td>None reported for the reference period</td><td rowspan="5">The Bank has existing Board approved Data Privacy Protection Framework which implements the protection guidelines for the clients and employees.

The Bank also has an existing Data Privacy Unit that monitors the Bank’s compliance with Data Privacy Regulations.

Trainings were also provided to employees for Data Privacy.</td></tr>
<tr><td>What are the risks identified?</td><td>Which stakeholders are affected?</td></tr>
<tr><td>None reported for the reference period</td><td>None reported for the reference period</td></tr>
<tr><td>What are the opportunities identified?</td><td>Which stakeholders are affected?</td></tr>
<tr><td>Company which protects data privacy of its employees and clients attracts prospective clients as well as retain existing clients</td><td>Clients, employees</td></tr>
</table>

End of Report.