

COVER SHEET

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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 s s a v i n g s b a n k
.
.

(Company's Full Name)

3 5 0 R I Z A L A V E N U E E X T E N S I O N
C O R N E R 8 T H A V E N U E G R A C E P A R K
C A L O O C A N C I T Y

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

Rolando G. Alvendia

Contact Person

363-3333 local 2004

Company Telephone Number

Month Day

Fiscal Year

Preliminary Information Statement

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

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☒ Preliminary Information Statement

☐ Definitive Information Statement

2. Name of Registrant as specified in its charter PHILIPPINE BUSINESS BANK, INC.

3. Caloocan City, Philippines

Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number A199701584

5. BIR Tax Identification Code 000-005-469-606

6. 350 Rizal Avenue corner 8th Avenue, Gracepark, Caloocan City 1400
Address of principal office Postal Code

7. Registrant's telephone number, including area code (02) 8363-33-33

8. July 27, 2022 @ 2:00 p.m. to be conducted virtually via Zoom.
Date, time and place of the annual meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders on or before July 06, 2022.

10. In case of Proxy Solicitations:

PHILIPPINE BUSINESS BANK IS NOT SOLICITING PROXIES.

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding

Common

643,750,094

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

PHILIPPINE STOCK EXCHANGE

COMMON SHARES OF STOCK

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that pursuant to Section 4, Article II of the Amended By-Laws, the Annual Stockholder's Meeting of **PHILIPPINE BUSINESS BANK ("PBB")** will be held on Friday, July 27, 2022 at 2:00 PM to be conducted virtually via Zoom, due to the COVID-19 pandemic situation, to confirm and ratify the following agenda, to wit:

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Annual Stockholders Meeting held on June 25, 2021
5. President & CEO's report on management operations for 2021
6. Ratification of the Audited Financial Statements for the year ending 31st December 2021
7. Ratification of Past Actions of the Board and of Management
8. Ratification/Confirmation of the appointment of external auditor by the Board of Directors
9. Election of Directors for 2022-2023
10. Approval of the Amendment of the Bank's Article 7 of the Articles of Incorporation
11. Other Matters
12. Adjournment

Only Stockholders of Record as of 5:30 p.m. of July 06, 2022 shall be entitled to vote at this meeting.

REQUIREMENTS AND PROCEDURES FOR ELECTRONIC VOTING *IN ABSENTIA* AND PARTICIPATION BY REMOTE COMMUNICATION

I. Registration

Stockholders intending to participate virtually should pre-register at corpsec@pbb.com.ph on or before July 20, 2022 along with the following requirements:

- Scanned copy of valid government-issued ID showing the photo, signature and personal details.
- Contact number and valid/active e-mail address.
- For Corporate stockholders, scanned copy of the Secretary's Certificate authorizing the representative to participate in the virtual meeting for and in behalf of the corporation.
- For Scripless Stockholders or under PCD Brokers, scanned copy of the Broker Certification on the stockholder's number of shareholdings.

Validation process will be conducted together with Stock Transfer Services, Inc. (STSI). Successful registrants will receive an electronic confirmation via email with instructions on how to join the virtual meeting.

II. Electronic Voting *In Absentia*

All agenda items will be available in the link above-mentioned. Stockholders can vote on each agenda item and may choose to vote "Vote for Approval", "Vote Against" or "Abstain".

For the election of directors, a stockholder may distribute his votes equally among all the nominees or cast such number of votes for each nominee as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned by the stockholder, multiplied by the number of directors to be elected.

The Office of the Corporate Secretary, with the assistance of the STSI's representatives, will count and tabulate the votes cast *in absentia* together with the votes cast by proxy.

III. Participation through remote communication

The Bank's ASM will be broadcasted live and successful registrants can participate via remote communication. Instructions and procedures on how to attend the meeting through remote communication will be sent to the email address of the stockholder indicated in the registration form.

Stockholders who will not be able to join the virtual meeting may send their authorized representatives on their behalf. The Proxy instrument must be duly notarized and must be submitted on or before July 15, 2022.

For Proxy forms and other concerns, you may email us at corpsec@pbb.com.ph.

Due to the continuing COVID-19 pandemic the Definitive Information Statement and other relevant documents in relation to the annual stockholders' meeting may be accessed through the Bank's Official Website www.pbb.com.ph and through the PSE EDGE portal at <https://edge.pse.com.ph>

The meeting will be audio and virtually recorded and a copy of which will be available upon request.

All votes will be validated by our external auditor, Punongbayan and Araullo (P&A).



ATTY. ROBERTO S. SANTOS
Corporate Secretary

Annual Meeting of the Stockholders
July 27, 2022 @ 2:00 p.m.
Agenda items for confirmation and ratification of the stockholders

Agenda Item No. 1 - Call to Order

At 2:00 p.m. on July 27, 2022, Mr. Jeffrey S. Yao, Chairman of the Board of Directors, will call the meeting to order.

Agenda Item No. 2 - Proof of Notice of Meeting

Atty. Roberto S. Santos, Corporate Secretary, will certify that the Notice of Meeting has been duly published and distributed to all Stockholders as of Record Date of July 06, 2022 pursuant to existing SEC regulations.

Agenda Item No. 3 - Certification of Quorum

Atty. Roberto S. Santos, Corporate Secretary, will also certify whether the required quorum is present to continue with the meeting.

Agenda Item No. 4 - Approval of the Minutes of the Annual Stockholders Meeting held on June 25, 2021

- 1.) Call to Order
- 2.) Proof of Notice of Meeting
- 3.) Certification of Quorum
- 4.) Approval of the Minutes of the Annual Stockholders Meeting held on August 07, 2020
- 5.) President & CEO's report on management operations for 2020
- 6.) Ratification of the Audited Financial Statements for the year ending 31st December 2020
- 7.) Ratification of Past Actions of the Board and of Management
- 8.) Ratification/Confirmation of the appointment of external auditor by the Board of Directors
- 9.) Election of Directors for 2021-2022
- 10.) Approval of the Amendment of the Bank's Article 7 of the Articles of Incorporation
- 11.) Other Matters
- 12.) Adjournment

Agenda Item No. 5 - President & CEO's report on management operations for 2021

Mr. Rolando R. Avante, Vice-Chairman & President/C.E.O., will report on the highlights of the Bank's Performance for 2021.

Agenda Item No. 6 - Ratification of the Audited Financial Statements for the year ending 31st December 2021

The Bank's Audited Financial Statements for the year ending 31st December 2021 will be presented for ratification.

Agenda Item No. 7 - Ratification of Past Actions of the Board and of Management

Please refer to the attached Annex "A" for the list of all acts, transactions and resolutions of the Board of Directors, management and all Committees done in the ordinary course of business most relate to regular banking transactions, products, services and credit matters.

Agenda Item No. 8 - Ratification/Confirmation of the appointment of external auditor by the Board of Directors

The Bank will retain the services of P&A as its external auditor for 2022 and the same will be submitted to the stockholders for ratification.

Agenda Item No. 9 - Election of Directors for 2022-2023

The Chairman will present the nominees for election as members of the Board of Directors, including five (5) independent directors.

Agenda Item No. 10 - Approval of the Amendment of the Bank's Article 7 of the Articles of Incorporation

The Bank approves the following:

Articles of Incorporation

ARTICLE	FROM	TO
SEVENTH	That the authorized capital stock of the corporation is TEN BILLION PESOS (P10,000,000,000.00) in lawful money of the Philippines, divided into EIGHT HUNDRED SEVENTY MILLION (870,000,000) common shares with par value of TEN PESOS (P10.00) per share and ONE HUNDRED THIRTY MILLION (130,000,000) preferred shares with par value of TEN PESOS (P 10.00) per share (as amended on July 16, 2012), which preferred shares shall have the following features: (α) That the preferred shares shall be non-voting except in those cases where the law expressly allows them to vote; (B) That the said shares shall be perpetual; meaning non-redeemable; (χ) That they shall be entitled to receive dividend at such rate as the Board of Directors may reasonably determine, payable out of the net profits, before any dividend is declared upon the common stock of the company. Should the net profit in any year be insufficient to pay such preferred dividend, either in whole or in part, the unpaid portion thereof shall not be a charge against the future net profits of the company, but the same shall be paid only from net profits of the particular year to which it may pertain. (as amended on July 27, 2007)", which is the correct sub paragraph (B) and (C) recorded in its Amended Articles of Incorporation.	That the authorized capital stock of the corporation is FIFTEEN BILLION PESOS (P15,000,000,000.00) in lawful money of the Philippines, divided into ONE BILLION THREE HUNDRED SEVENTY MILLION (1,370,000,000) common shares with par value of TEN PESOS (P10.00) per share and ONE HUNDRED THIRTY MILLION (130,000,000) preferred shares with par value of TEN PESOS (P10.00) per share (as amended on July 16, 2012), which preferred shares shall have the following features: (α) That the preferred shares shall be non-voting except in those cases where the law expressly allows them to vote; (B) That the said shares shall be convertible; (χ) That they shall be entitled to receive dividend at such rate as the Board of Directors may reasonably determine, payable out of the net profits, before any dividend is declared upon the common stock of the company. Should the net profit in any year be insufficient to pay such preferred dividend, either in whole or in part, the unpaid portion thereof shall not be a charge against the future net profits of the company, but the same shall be paid only from net profits of the particular year to which it may pertain. (as amended on July 27, 2007)", which is the correct sub paragraph (B) and (C) recorded in its Amended Articles of Incorporation.

Agenda Item No. 11 - Other Matters

Stockholders are allowed to raise questions and concerns during the meeting.

Agenda Item No. 12 - Adjournment

Mr. Jeffrey S. Yao, Chairman, will adjourn the Bank's Annual Stockholders' Meeting for 2022.

P R O X Y

KNOW ALL MEN BY THESE PRESENTS:

That I, _____, a shareholder of PHILIPPINE BUSINESS BANK, INC. ("PBB"), do hereby nominate, constitute and appoint _____, with power of substitution, as my Attorney and Proxy to represent me and vote all shares registered in my name in the books of PBB or owned by me, at the Annual Meeting of Stockholders of PBB to be held on July 27, 2022 at 2:00 PM to be conducted virtually via Zoom, due to COVID-19 pandemic situation and any adjournment thereof, as fully to all intents and purposes as I might or could lawfully do if present and acting in person, and hereby ratifying and confirming any and all matters which may properly come before said meeting, or adjournment thereof. In case of the non-attendance of my attorney or proxy above-named at said meeting, I hereby authorize and empower the Chairman of the meeting or, in his absence, the Corporate Secretary, to fully exercise all rights as my attorney or proxy at said meeting. This Proxy authorizes my attorney to act among other things on the following matters:

1.) Election of Directors

To vote for nominees listed below (except if the box corresponds to "Do not Vote")

Nominees	Vote in Favor	Do not Vote
Jeffrey S. Yao		
Rolando R. Avante		
Roberto A. Atendido		
Honorio O. Reyes-Lao		
Leticia M. Yao		
Benjamin R. Sta. Catalina, Jr.		

2.) Election of Independent Directors

To vote for nominees listed below (except if the box corresponds to "Do not Vote")

Nominees	Vote in Favor	Do not Vote
Narciso De Leon Eraña		
Roberto C. Uyquiengco		
Astero L. Favis, Jr.		
Benel D. Laguna		
Chief Justice Diosdado M. Peralta (Ret.)		

3.) Other Items

	Vote for Approval	Vote Against	Abstain
1.) Approval of the Minutes of the Annual Stockholders' Meeting held on June 25, 2021			
President & CEO's report on management operations for 2021			
Ratification of the Audited Financial Statements for the year ending 31 st December 2021			
Ratification of Past Actions of the Board and of Management			
Ratification/Confirmation of the Appointment of External Auditor by the Board of Directors			

Election of Directors for 2022-2023			
Approval of the Amendment of the Bank's Article 7 of the Articles of Incorporation			

INSTRUCTION: Please check the appropriate column, otherwise you shall be deemed to have conferred discretionary authority in favor of the Chairman of the Meeting or in his absence, the Corporate Secretary to vote your shares in favor of the approval of the above matters.

4.) Revocability of Proxy

The person/stockholder giving the proxy has the right to revoke the proxy by personally appearing during the meeting or by execution of another proxy at a later date, subject to the pertinent requirements of law and SEC Circular No. 5, Series of 1996.

The power and authority hereby granted shall remain valid and effective until such time that the same is withdrawn by me through notice in writing delivered to the Corporate Secretary before the date of any such meeting or adjournment (s) thereof. Likewise, the said authority is effective for subsequent annual meetings within a period of five (5) years from the date of this Proxy unless otherwise instructed, as follows:

() THIS PROXY IS TO BE USED ONLY FOR THE 2022 ANNUAL STOCKHOLDERS' MEETING OF PBB.

In case the security holder fails to indicate his vote on the matters in the Agenda by placing the corresponding marks on the columns provided therein, the same is considered a waiver on his right to manifest his vote thereon and management can exercise its discretion in voting on such matters in the manner provided herein.

PRINTED NAME OF SHAREHOLDER
Dated this ____ day of _____

SIGNATURE OF SHAREHOLDER OR
AUTHORIZED SIGNATORY

Important: The Office of the Secretary must receive this Proxy not later than July 15, 2022 and must be notarized.

REPUBLIC OF THE PHILIPPINES)
CITY OF _____) S.S.

SUBSCRIBED AND SWORN TO before me at the above locality this ____ day of _____ 2022, affiant personally appeared before me and exhibiting to me his / her _____, issued on _____ at _____.

WITNESS MY HAND AND SEAL on the place and date first above written.

NOTARY PUBLIC

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 2022.

PHILIPPINE BUSINESS BANK, INC.

SEC FORM 20-IS

INFORMATION REQUIRED IN INFORMATION STATEMENT

GENERAL INFORMATION

Date, time and place of meeting of security holders.

Date : July 27, 2022
Time : 2:00 p.m. to be conducted virtually via Zoom
Place : No physical venue for the meeting due to COVID-19 pandemic.

Mailing Address of Principal Office:

350 Rizal Avenue corner 8th Avenue,
Gracepark, Caloocan City

This information statement may be accessed through the Bank's Official Website www.pbb.com.ph and through the PSE EDGE portal at <https://edge.pse.com.ph>, on or before July 06, 2022.

Record Date

The record date for the purpose of determining the stockholders entitled to notice of and to vote at the Annual Meeting is July 06, 2022. (the "Record Date").

Dissenters' Right of Appraisal

At the scheduled regular meeting, there are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided in Sections 80 and 81, Title X of the Revised Corporation Code of the Philippines which state that "Sec. 80. When the Right of Appraisal May Be Exercised. Any stockholder of a Corporation shall have the right to dissent and demand payment of the fair value of the shares in the following instances: a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code c) In case of merger or consolidation; and d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation. Section 81. How Right is Exercised. The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken for payment xxx."

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- A) No current director or officer of PBB, or nominee for election as director of the Bank or any associate of any of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in stockholders' meeting, other than election to office.
- B) No director has informed PBB in writing that he intends to oppose any action to be taken by the Bank at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

- A) Class of Voting Securities : 643,750,094 Common Shares are entitled to vote on July 27, 2022 Annual Stockholders Meeting.

- B) Record Date : Only the stockholders of record as of July 06, 2022 are entitled to notice of and to vote at the meeting.
- C) Foreign Ownership : 9,573,924 shares as of May 31, 2022 which is 1.49% of the total outstanding shares.

Nomination and Election of Directors and Independent Directors and Manner of Voting

The method of counting the votes of the shareholders shall be in accordance with Sections 23 of the Revised Corporation Code of the Philippines, Section 15 of the General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38.1 of the Amended Implementing Rules and Regulations of the Securities Regulation Code and Section X141 of the Manual of Regulations for Banks, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors.

All nomination forms shall be submitted to any of the members of the Nomination Committee or to the Corporate Secretary on or before July 01, 2022. The Nomination Committee shall pre-screen the qualifications of all the nominees and shall prepare a Final List of Candidates, which shall contain all the information about all the nominees for Independent Directors as required under existing rules and regulations.

As to the manner of voting, Article II, Section 7 of the Bank's By-laws provides that during the annual meeting, a stockholder may vote in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact. For this purpose, the proxy instrument must be duly notarized and presented and validated by the Corporate Secretary. Counting will be done by tabulation of the votes by the Corporate Secretary, who acts as the election inspector, with the assistance of her staff and the stock and transfer agent.

Under Section 23 of The Revised Corporation Code of the Philippines, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may also distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.

PBB is not soliciting proxy from any of its stockholders.

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 May 30, 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	Percent 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	PCD Nominee Corporation- Filipino 37/F, Tower 1, Enterprise Center, Ayala Avenue, Makati City	Various stockholders/clients. None among the stockholders under the PCD holds 5% or more of the Bank's securities.	Filipino	218,532,450	33.95%
Common	Zest-O Corporation 574 EDSA Caloocan City Stockholder (Represented by Carolyn S. Yao, authorized to vote the shares of Zest-O Corp.)	The record owner is the beneficial owner of the shares indicated	Filipino	162,052,922	25.17%

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.

Security Ownership of Management

The following directors and executive officers of the Company directly own approximately [0.84%] percent of the Company's issued and outstanding common stock as of May 30, 2022 as follows:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Common	Jeffrey S. Yao	1,620,536 / Direct	Filipino	0.25
Common	Rolando R. Avante	1,724,822 / Direct	Filipino	0.27
Common	Leticia M. Yao	1,680,536 / Direct	Filipino	0.25
Common	Narciso DL. Eraña	100 / Direct	Filipino	negligible
Common	Benjamin R. Sta. Catalina, Jr.	56,358 / Direct	Filipino	0.01
Common	Roberto C. Uyquiengco	1,000 / Direct	Filipino	negligible
Common	Honorio O. Reyes-Lao	84,374 / Direct 170,624 / Indirect	Filipino	0.01 0.03
Common	Roberto A. Atendido	108,750 / Direct	Filipino	0.02
Common	Asterio L. Favis, Jr.	100 / Direct	Filipino	negligible
Common	Benel D. Laguna	100 / Direct	Filipino	negligible
Common	Diosdado M. Peralta	100 / Direct	Filipino	negligible
Common	Joseph Edwin S. Cabalde	14 / Direct	Filipino	negligible
Common	Atty. Roberto S. Santos	15,000 / Direct	Filipino	negligible

The aggregate shareholdings of the Bank's Directors and Officers as a group is 0.84%.

Directors and Executive Officers

The Bank is being overseen by its Board of Directors consisting of six (6) regular directors and five (5) Independent Directors. The Board of Directors are elected annually by the stockholders and shall each serve a term of one (1) year until the election and qualification of a new set of Board of Directors. The Board of Directors shall elect among themselves a Chairman and a Vice-Chairman.

Directors and Executive Officers:

a. 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	78	Filipino	Chairman Emeritus	2010
Jeffrey S. Yao	54	Filipino	Chairman	2019
Rolando R. Avante	63	Filipino	Vice Chairman & President / CEO	2019
Honorio O. Reyes- Lao	77	Filipino	Director	2010
Roberto A. Atendido	74	Filipino	Director	2012
Leticia M. Yao	68	Filipino	Director	2009
Benjamin R. Sta. Catalina, Jr.	74	Filipino	Director	2012
Narciso D.L. Eraña	68	Filipino	Independent Director	2018

Atty. Roberto C. Uyquiengco	74	Filipino	Independent Director	2018
Benel D. Laguna	65	Filipino	Independent Director	2021
Asterio L. Favis, Jr.	69	Filipino	Independent Director	2021
Diosdado M. Peralta	70	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, 78 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; Ex-officio membership: Audit, Corporate Governance, and Risk Oversight Committees; Adviser: IT Steering Committee

Rolando R. Avante (Filipino, 63 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 and FATCA, Asset and Liability Management, Bid, Capital Planning, Credit, Executive, Management, Remedial and Special Assets Management, and Trust; Ex-Officio membership: Audit, Corporate Governance, and Risk Oversight Committees

Roberto A. Atendido (Filipino, 74 years old)

Mr. Roberto A. Atendido was appointed to the Board in 2012 and was last re-elected as Director on June 25, 2021.

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, Risk Oversight, and Trust

Honorio O. Reyes- Lao (Filipino, 77 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): Executive, Risk Oversight, and Trust

Benjamin R. Sta. Catalina, Jr. (Filipino, 74 years old)

Mr. Benjamin R. Sta. Catalina, Jr. was appointed Independent Director to the Board on 2012 and last re-elected as Director on June 25, 2021. 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

Leticia M. Yao (Filipino, 68 years old)

Dra. Leticia M. Yao was appointed to the Board in 2009 and last re-elected as Director on June 25, 2021.

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): Trust

Narciso DL. Eraña (Filipino, 68 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, and Risk Oversight

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, 65 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 Laguna teaches part-time at the Ateneo de Manila University and the De La Salle University in Manila.

Mr. Laguna 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, 69 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 NCCA High School Basketball Team (1970-1971).

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

Diosdado M. Peralta (Filipino, 70 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 May 2022:

Rolando R. Avante (Filipino, 63 years old)

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

Joseph Edwin S. Cabalde (Filipino, 52 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, 48 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, and Management

Cynthia A. Almirez (Filipino, 56 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 Futtam 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 and FATCA, Bid, Employee Discipline, IT Steering, and Management

Reynaldo T. Boringot (Filipino, 63 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, 59 years old)

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, 66 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 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, 54 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, 51 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, 55 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 overall 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 and FATCA, Employee Discipline, and Management

Felipe V. Frigal (Filipino, 67 years old)

Mr. Felipe V. Frigal 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. Frigal had various trainings and seminars in supervision, decision-making, crisis management/problem solving, leadership, Allen Management, organizational development, and basic and core credit.

Mr. Frigal 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 and FATCA, Asset and Liability Management, Bid, Capital Planning, Credit, Employee Discipline; 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, 60 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, 37 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, 65 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

Rolando G. Alvendia (Filipino, 58 years old)

Mr. Rolando Alvendia is PBB's Chief Accountant and Head of General Accounting Center.

In his over 30 years of banking experience, he started his banking career at United Coconut Planters Bank as an Accounting Supervisor from 1986 to 1995 and was an Administrative Assistant at International Exchange Bank from 1995 to 1998. He started his career at PBB's General Accounting Center in 1998, where he rose from Assistant Manager to Vice President.

Mr. Alvendia is a graduate of Bachelor of Accountancy from the Polytechnic University of the Philippines and is a Certified Public Accountant.

Committee(s): Management

Atty. Roberto S. Santos (Filipino, 72 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 and FATCA, Management, and Remedial and Special Assets Management

Enrico T. Teodoro (Filipino, 49 years old)

Mr. Enrico Teodoro is the System Support and Application Development Center Head and OIC of Project Management Group of PBB.

He joined PBB in 1997 after his stints as Data Encoder at Ace Promotion and Marketing Corporation from 1994 to 1995 and a System Analyst and Programmer at Premier Development Bank from 1995 to 1997. He started his PBB career as an Administrative Assistant in 1997 and was the Officer-In-Charge of the Bank's Information Technology Group from 2015 to 2017.

He is a graduate from the Baguio Colleges Foundation with a Bachelor of Science in Information and Computer Course degree.

Committee(s): Management

Ma. Joyce G. Zarate (Filipino, 58 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

Atty. Leonardo C. Bool (Filipino, 59 years old)

Atty. Leonardo C. Bool, is the Assistant Corporate Secretary holding the position of Senior Assistant Vice President. He obtained his college degree, Bachelor of Science in Commerce, Major in Accounting, at the University of Santo Tomas. Also, he obtained his Bachelor of Laws (LlB) at the same University. He is a Certified Public Accountant and a Lawyer at the same time. Prior to joining Philippine Business Bank, Atty. Bool was employed with Philippine Banking Corporation (later on merged with Global Business Bank) for 13 years from 1987 to 2000. From 2000 to 2004, he was with Export & Industry Bank (EIB). After his resignation with EIB, starting 2005 to 2010, he engaged in a full-time law practice handling civil, criminal, labor, corporate and administrative cases.

Committee(s): Employee Discipline and Management

Laurence R. Rapanut (Filipino, 59 years old)

Ms. Laurence R. Rapanut is the Senior Assistant Vice President and Internal Auditor of PBB. Her work experiences include: Junior Audit Examiner of Far East Bank and Trust Company from June 1983 to January 1988; Junior Audit Examiner to Branch Controller of First Philippine International Bank from September 1988 to January 1995; Branch Accountant - Assistant Manager to Senior Assistant Manager of Westmont Bank from April 1996 to December 2000; and Senior Assistant Manager to Manager of United Overseas Bank from January 2001 to January 2006. She joined PBB in March 2006 as Supervising Audit Examiner - Manager of Internal Audit Center.

Committee(s): Bid, Employee Discipline and Management

Emma K. Lee (Filipino, 63 years old)

Ms. Emma Lee was appointed Head of Systems and Methods Center with a rank of Assistant Vice President. She started her banking career as a Client Servicing Clerk/New Account Clerk, Current Account Bookkeeper, Management Trainee, Service Head, and Branch Operations Officer in different savings and commercial banks. Ms. Lee has been with Philippine Business Bank for more than eleven (11) years where she was initially assigned to the AML Unit of the Compliance Office as an AML Compliance Officer for more than eight years and was later assigned to head the Systems and Methods Center in June 2017 up to the present.

Ms. Lee is a Bachelor of Science Major in Accounting graduate from the University of Sto. Tomas.

Committee(s): Management

Judith C. Songlingco (Filipino, 50 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 -Dasmarias, 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

Election of Members of the Board

There will be election of the members of the Board during the annual stockholders' meeting. The Stockholders of PBB may nominate individuals to be members of the Board of Directors.

All nominations shall be in writing duly signed by the nominating stockholders or their duly authorized (in writing) representatives, with the written acceptance and conformity of their nominee. The nomination must indicate whether the nominees are intended to be independent directors and shall contain the nominees age, educational attainment, full disclosure of work and/or business experience and/or affiliations. The Directors and Independent Directors shall be elected from among the Bank's Stockholders. All nominees for Directors and Independent Directors must possess the minimum requirements/qualifications and none of the disqualifications prescribed by Article III of the By-Laws, Bangko Sentral ng Pilipinas, Securities and Exchange Commission, and other regulatory agencies/offices

of listed banks, which include Sec. 23 and 27 of The Revised Corporation Code (RA 11232). Sec. 15 of The General Banking Law (RA No. 8791), Sec. 38 of The Securities Regulation Code, Sec. 38 of the Revised Implementing Rules and Regulations (RIRR) of the Securities Regulation Code. Sec. X141 of the Manual of Regulations for Banks, and other relevant circulars or memoranda.

After the nomination, the Nomination Committee shall prepare a Final List of Candidates, which shall contain all the information about all the nominees for Independent Directors as required under existing rules and regulations. The list shall be made available to the Securities and Exchange Commission and to all the stockholders through the filing and distribution of the Information Statement or in such other reports required by the Securities and Exchange Commission. The name of the person or group of persons who recommended the nomination of the Independent Directors shall be identified in such report including any relationship with the nominee.

The Nomination Committee consists of Atty. Roberto C. Uyquiengco, Acting Chairman, Benel D. Laguna, Member, Narciso DL. Eraña, Member, Roberto A. Atendido, Member, Diosdado M. Peralta, Member.

The nomination Committee created under PBB's Revised Manual on Corporate Governance endorsed the nominees for independent directors for re-election at the upcoming annual stockholders' meeting, in accordance with the qualification set forth in the Manual, as follows:

1. He is a holder of at least one (1) share of stock of PBB;
2. He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
3. He shall be at least twenty-one (21) years old;
4. He shall have proven to possess integrity and probity;
5. He should possess all the qualification required under pertinent regulation of the Bangko Sentral ng Pilipinas;
6. He is not hostile to or antagonistic to, or engaged in any business, which competes with or is antagonistic to that of the Bank or any of its affiliates and subsidiaries.

Independent Directors

The Nomination committee has determined that the nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Revised Manual on Corporate Governance.

Recommended Directors For 2022-2023

The Nomination Committee of the Board of Directors of PBB has determined that the following, all of whom are incumbent directors, possess all the qualifications and none of the disqualifications for directorship set out in PBB's Manual on Corporate Governance, duly adopted by the Board pursuant to SRC Rule 38.1. Below is the final list of candidates prepared by the Nomination Committee:

Jeffrey S. Yao

Rolando R. Avante

Honorio O. Reyes-Lao

Roberto A. Atendido

Leticia M. Yao

Benjamin R. Sta. Catalina, Jr.

Narciso De Leon Eraña (Independent Director) - Nominated by Jeffrey S. Yao. Not related to the nominee.

Roberto C. Uyquiengco (Independent Director) - Nominated by Roberto A. Atendido. Not related to the nominee.

Astero L. Favis, Jr. (Independent Director) - Nominated by Narciso DL. Eraña. Not related to the nominee.

Benel D. Laguna (Independent Director) - Nominated by Honorio O. Reyes-Lao. Not related to the nominee.

(Ret.) Chief Justice Diosdado M. Peralta (Independent Director) - Nominated by Benjamin R. Sta. Catalina, Jr. Not related to the nominee.

A certification on the qualifications of the Independent Directors and that none of the above-named directors and officers work with the government is attached herewith as Annexes "A", "A-1", "A-2", "A-3", "A-4" and "B".

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.

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.

Item 12. Certain Relationships and Related Transactions

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

		2020		2021	
		Transaction	Balance	Transaction	Balance
Key management personnel					
Compensation		173,943,541	-	201,006,922	-
Deposit liabilities		18,910,570	80,869,210	23,381,665	104,250,875
Loans		5,443,377	8,961,883	7,996,369	16,958,252
Interest expense		1,055,506	-	468,908	-
Interest income		521,139	237,402	1,208,365	1,445,767
Other related parties:					
Deposit liabilities		2,527,224,276	7,787,314,624	216,755,922	8,004,070,546
Loans		(401,154,581)	703,388,703	(559,959,065)	143,429,638
Interest expense		115,342,717	-	51,631,841	-
Interest income		28,111,843	1,427,283	20,662,763	22,090,046
Retirement Fund					
Contribution		37,133,819	-	37,943,819	-
Plan Assets		26,350,572	258,357,011	28,449,427	286,806,438

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, 2020 and 2021.

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, 2020	December 31, 2021
Total outstanding DOSRI loans	₱ 712,351	₱ 709,762
% of loans to total loan portfolio	0.8%	0.8%
% of unsecured loans to total DOSRI/related party loans	8.1%	8.3%
% 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 (5 th 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.

	2019	2020	2021
Short-term benefits	₱ 154,170,851	₱ 167,058,946	₱ 184,540,152
Post-employment benefits	15,264,380	6,884,595	16,466,770
Total	₱ 169,435,231	₱ 173,943,541	₱ 201,006,922

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

	2019	2020	2021
Salaries and wages	₱ 119,612,861	₱ 129,013,729	₱ 140,142,135
Bonuses	30,079,925	32,227,373	34,779,490
Social security costs	2,033,845	2,531,250	4,921,757
Other short-term benefits	2,444,220	3,286,595	4,696,770
Total	₱ 154,170,851	₱ 167,058,946	₱ 184,540,152

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.

Holders

As of May 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	218,821,260	33.99%
Zest-O Corporation	162,052,923	25.17%
PCD Nominee Corporation - Non Filipino	9,395,949	1.46%
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%
James G. Dy	468,750	0.07%
Julian Lu	375,000	0.06%
Peter Y. See	375,000	0.06%
Siot Keng Go Dy	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%
Others	1,209,251	0.16%

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 August 16, 2021, the Board of Directors approved the increase of PBB's authorized capital stock to ₱15.0 billion from ₱10.0 billion, subject to the approval of BSP and SEC. 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.

Item 6. Compensation of Directors and Executive Officers

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

In Php millions		Aggregate Compensation Paid as a Group			
NAME	POSITION	2019	2020	2021	2022 (Estimate)
CEO and the four (4) most highly compensated officers of the Bank namely:		45.67	46.02	32.28	30.87
1. Rolando R. Avante	President & CEO				
2. YAP, PETER NG	SEVP/ Chief Marketing Officer / Retail Banking Head				
3. REYES, ARLON B.	EVP / Head - Commercial Banking Group				
4. CABALDE, JOSEPH EDWIN SIMON	EVP / Treasurer				
5. SIA, ROSENDO GALO	SVP/ Business Development Executive				
Total Aggregate Compensation of Directors and Officers of the Bank as a group:		Salary	Other Compensation	Bonus	Total
2019		430.69	30.9	102.73	564.32
2020		463.44	36.14	108.25	607.83
2021		481.84	34.87	113.40	630.11
2022 ESTIMATE		520.58	27.66	94.92	643.16

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 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. Ferarez.

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

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 2021. In addition, there were no disagreements with P&A on the accounting and financial disclosures.

Members of Audit Committee

The following are the members of the Audit Committee:

1.) Benel D. Laguna	-	Chairman/Independent Director
2.) Atty. Roberto C. Uyquiengco	-	Independent Director
3.) Asterio L. Favis, Jr.	-	Independent Director
4.) Benjamin R. Sta. Catalina, Jr.	-	Director

The Audit Committee provides oversight of the Bank's financial reporting and control and internal and external audit functions. It monitors and evaluates the adequacy and effectiveness of the internal control system of the Bank. It assists the Board in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, accounting policies, and auditing and financial reporting practices.

The committee conducts its meeting every second (2nd) Wednesday of the month and reports its activities to the Board on regular basis.

OTHER MATTERS.

Actions with respect to reports

The following matters will be submitted for approval of the stockholders at the Annual Stockholders Meeting on July 27, 2022.

- a.) Approval of the Minutes of the Annual Stockholders Meeting held on June 25, 2021
- b.) President & CEO's report on management operations for 2021
- c.) Ratification of the Audited Financial Statements for the year ending 31st December 2021
- d.) Ratification of Past Actions of the Board and of Management
- e.) Ratification/Confirmation of the appointment of external auditor by the Board of Directors
- f.) Election of Directors for 2022-2023
- g.) Approval of the Amendment of the Bank's Article 7 of the Articles of Incorporation

In the June 25, 2021 Annual Stockholder's Meeting held at virtually, the following matters were presented before the body:

- A. Approval of the Minutes of the Annual Stockholders Meeting held on August 07, 2020
- B. President & CEO's report on management operations for 2020
- C. Ratification of the Audited Financial Statements for the year ending 31st December 2020
- D. Ratification of Past Actions of the Board and of Management
- E. Ratification/Confirmation of the appointment of external auditor by the Board of Directors
- F. Election of Directors for 2021-2022

The list of all acts, transactions and resolutions of the Board of Directors, management and all Committees done in the ordinary course of business will be too voluminous to be included in this report. Please refer to the attached Annex "C". Most relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is required to act upon.

Below is the list of reports on SEC FORM 17-C for the period of June 2021 to May 31, 2022:

Date of Report	Material Information / Event Reported
June 03, 2021	Foreign Ownership Report
June 03, 2021	Report on Number of Shareholders
June 04, 2021	Statement of Changes in Beneficial Ownership of Securities
	Rolando R. Avante
June 04, 2021	Definitive Information Statement (DIS)
June 07, 2021	Annual Report (Amended-1)
June 08, 2021	List of Stockholders as of Record Date
June 08, 2021	Foreign Ownership as of Record Date
June 10, 2021	Definitive Information Statement (DIS) (Amended-1)
June 25, 2021	Results of Annual Stockholders' Meeting
June 25, 2021	Results of Organizational Meeting
July 01, 2021	Foreign Ownership Report
July 01, 2021	Report on Number of Shareholders
July 02, 2021	Public Ownership Report
July 12, 2021	List of Top 100 Stockholders
July 21, 2021	Change in Directors and/or Officers
	Designation & Appointment of CCO)
August 02, 2021	Other SEC Forms, Reports & Requirements
	General Information Sheet for 2021
August 02, 2021	Foreign Ownership Report
August 02, 2021	Report on Number of Shareholders
August 03, 2021	Material Information / Transactions
	Published Statement of Conditions
August 06, 2021	Press Release
August 06, 2021	Quarterly Report
August 16, 2021	Amendment to Articles of Incorporation
August 23, 2021	Notice of Special Stockholders' Meeting
August 25, 2021	Preliminary Information Statement (PIS)
August 27, 2021	Change in Directors and/or Officers
	Appointment of Chief Risk Officer
September 02, 2021	Foreign Ownership Report
September 02, 2021	Report on Number of Shareholders
September 09, 2021	Definitive Information Statement (DIS)
September 14, 2021	List of Stockholders
September 30, 2021	Results of Special Stockholders' Meeting
September 30, 2021	Amendments to Articles of Incorporation
October 01, 2021	Amendments to Articles of Incorporation (Amended-1)
October 04, 2021	Foreign Ownership Report
October 04, 2021	Report on Number of Shareholders
October 04, 2021	Public Ownership Report
October 11, 2021	List of Top 100 Stockholders
October 15, 2021	Change in Directors and/or Officers
	Resignation of Senior Officer
October 15, 2021	Change in Directors and/or Officers
	Retraction of appointment of Chief Risk Officer

October 29, 2021	Material Information / Transactions
	Published Statement of Conditions
November 03, 2021	Foreign Ownership Report
November 03, 2021	Report on Number of Shareholders
November 05, 2021	Press Release
November 05, 2021	Quarterly Report
November 11, 2021	Change in Directors and/or Officers
	Notice of Demise of Director
November 23, 2021	Statement of Changes in Beneficial Ownership of Securities
	Rolando R. Avante
November 24, 2021	Statement of Changes in Beneficial Ownership of Securities
	Rolando R. Avante
November 29, 2021	Statement of Changes in Beneficial Ownership of Securities
	Rolando R. Avante
December 01, 2021	Statement of Changes in Beneficial Ownership of Securities
	Rolando R. Avante
December 02, 2021	Foreign Ownership Report
December 02, 2021	Report on Number of Shareholders
December 03, 2021	Statement of Changes in Beneficial Ownership of Securities
	Rolando R. Avante
December 22, 2021	Change in Directors and/or Officers
	Appointment of Senior Vice-President & Chief Risk Officer
January 04, 2022	Foreign Ownership Report
January 04, 2022	Report on Number of Shareholders
January 07, 2022	Public Ownership Report
January 12, 2022	List of Top 100 Stockholders
January 19, 2022	Change in Directors and/or Officers
	New Independent Director
February 02, 2022	Material Information / Transactions
February 03, 2022	Report on Number of Shareholders
February 03, 2022	Foreign Ownership Report
February 17, 2022	Change in Directors and/or Officers
	Appointment & Promotion of Senior Officers
March 01, 2022	Foreign Ownership Report
March 01, 2022	Report on Number of Shareholders
April 04, 2022	Foreign Ownership Report
April 04, 2022	Report on Number of Shareholders
April 11, 2022	Public Ownership Report
April 12, 2022	List of Top 100 Stockholders
April 20, 2022	Material Information / Transactions
	Declaration of Cash Dividends
April 20, 2022	Amendments to Articles of Incorporation
April 20, 2022	Notice of Annual Stockholders Meeting
April 21, 2022	Material Information / Transactions
	Declaration of Cash Dividends

May 04, 2022	Foreign Ownership Report
May 04, 2022	Report on Number of Shareholders
May 06, 2022	Material Information / Transactions
	Published Statement of Conditions
May 16, 2022	Request for Extension to file SEC FORM 17-A
May 16, 2022	Request for Extension to file SEC FORM 17-Q
May 19, 2022	Postponement of Annual Stockholders' Meeting
May 26, 2022	Press Release
May 26, 2022	Material Information / Transactions
May 31, 2022	Integrated Corporate Governance Report
May 31, 2022	Annual Report
May 31, 2022	Press Release

Name of Directors	Board		Executive		Audit		Corporate Governance	
	Attended	%	Attended	%	Attended	%	Attended	%
Jeffrey S. Yao	12	100%	12	100%				
Rolando R. Avante	12	100%	12	100%				
Danilo A. Alcoseba ¹	5	100%			5	100%	4	100%
Roberto A. Atendido	12	100%					12	100%
Honorio O. Reyes-Lao	12	100%	12	100%				
Benjamin R. Sta. Catalina, Jr.	12	100%			12	100%		
Dra. Leticia M. Yao	12	100%						
Narciso DL. Eraña	12	100%					12	100%
Atty. Roberto C. Uyquiengco	12	100%			12	100%	12	100%
Asterio L. Favis, Jr. ²	11	100%			11	100%		
Benel D. Laguna ³	10	91%			10	91%	10	91%

¹ Director Alcoseba Passed Away last 11 November 2021

² Director Favis, Jr. was elected last 25 June 2021 at the Philippine Business Bank Annual Stockholder's Meeting

³ Director Eraña was elected last 25 June 2021 at the Philippine Business Bank Annual Stockholder's Meeting

Diosdado M. Peralta ⁴	4	100%				5	100%
Total number of meetings held during the the period (June 2021 - May 2022)	12		12		12		12

Name of Directors	Related Party Transactions ⁵		Risk Oversight ⁶		Trust ⁷	
	Attended	%	Attended	%	Attended	%
Jeffrey S. Yao						
Rolando R. Avante					4	100%
Danilo A. Alcoseba ⁸			5	100%		
Roberto A. Atendido	1	100%	12	100%	4	100%
Honorio O. Reyes-Lao			5	100%	3	100%
Benjamin R. Sta. Catalina, Jr.	12	100%	12	100%		
Dra. Leticia M. Yao					4	100%
Narciso DL. Eraña	12	100%	12	100%	1	100%
Atty. Roberto C. Uyquiengco	1	100%	12	100%		
Asterio L. Favis, Jr. ⁹	11	100%	11	100%		
Benel D. Laguna ¹⁰			10	91%		

4 CJ Peralta (Ret.) was elected last 19 January 2022

5 Director Atendido and Director Uyquiengco was still a member of the RPT Committee last June 2021

6 Director Reyes-Lao served as Member of ROC only on June 2021 & February 2022 – May 2022

7 Director Reyes-Lao stepped down from Trust Committee last 20 April 2022 while Director Eraña was elected as Trust Committee Member last 20 April 2022

8 Director Alcoseba Passed Away last 11 November 2021

9 Director Favis, Jr. was elected last 25 June 2021 at the Philippine Business Bank Annual Stockholder's Meeting

10 Director Eraña was elected last 25 June 2021 at the Philippine Business Bank Annual Stockholder's Meeting

Diosdado M. Peralta ¹¹	5	100%				
Total number of meetings held during the period (June 2021 - May 2022)	12		12		4	

Amendment of Charter, By-Laws or Other Documents

During the Special Board Meeting of Philippine Business Bank, Inc. held on 21 May 2021, the Board of Directors of the Bank confirmed the approval for the amendment of the Articles of Incorporation (AOI) of the Bank, to wit;

Articles of Incorporation

ARTICLE	FROM	TO
SEVENTH	That the authorized capital stock of the corporation is TEN BILLION PESOS (P10,000,000,000.00) in lawful money of the Philippines, divided into EIGHT HUNDRED SEVENTY MILLION (870,000,000) common shares with par value of TEN PESOS (P10.00) per share and ONE HUNDRED THIRTY MILLION (130,000,000) preferred shares with par value of TEN PESOS (P 10.00) per share (as amended on July 16, 2012), which preferred shares shall have the following features: (a) That the preferred shares shall be non-voting except in those cases where the law expressly allows them to vote; (b) That the said shares shall be perpetual; meaning non-redeemable; (c) That they shall be entitled to receive dividend at such rate as the Board of Directors may reasonably determine, payable out of the net profits, before any dividend is declared upon the common stock of the company. Should the net profit in any year be insufficient to pay such preferred dividend, either in whole or in part, the unpaid portion thereof shall not be a charge against the future net profits of the company, but the same shall be paid only from net profits of the particular year to which it may pertain. (as amended on July 27, 2007)", which is the correct sub paragraph (B) and (C) recorded in its Amended Articles of Incorporation.	That the authorized capital stock of the corporation is FIFTEEN BILLION PESOS (P15,000,000,000.00) in lawful money of the Philippines, divided into ONE BILLION THREE HUNDRED SEVENTY MILLION (1,370,000,000) common shares with par value of TEN PESOS (P10.00) per share and ONE HUNDRED THIRTY MILLION (130,000,000) preferred shares with par value of TEN PESOS (P10.00) per share (as amended on July 16, 2012), which preferred shares shall have the following features: (a) That the preferred shares shall be non-voting except in those cases where the law expressly allows them to vote; (b) That the said shares shall be convertible; (c) That they shall be entitled to receive dividend at such rate as the Board of Directors may reasonably determine, payable out of the net profits, before any dividend is declared upon the common stock of the company. Should the net profit in any year be insufficient to pay such preferred dividend, either in whole or in part, the unpaid portion thereof shall not be a charge against the future net profits of the company, but the same shall be paid only from net profits of the particular year to which it may pertain. (as amended on July 27, 2007)", which is the correct sub paragraph (B) and (C) recorded in its Amended Articles of Incorporation.

The changes in the features of the preferred shares from non-convertible and non-redeemable to convertible is to enable the Bank to capitalize on lower financing costs in today's market and position the Bank for future sustained asset growth once the economy recovers.

Authorization or Issuance of Securities Other than for Exchange

No action is to be taken in relation to the authorization or issuance of any securities other than for exchange for outstanding securities of the Bank.

¹¹ CJ Peralta (Ret.) was elected last 19 January 2022

Voting Procedures

Vote Requirement

1.) For election of Directors

Pursuant to Section 23 of the Revised Corporation Code, the eleven (11) nominees receiving the highest number of votes shall be declared elected.

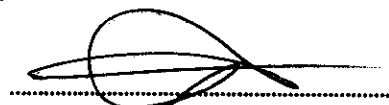
2.) For other matters submitted to a vote, a majority vote of the shareholders present either in person or by a duly notarized proxy instrument is necessary for the approval of such matter.

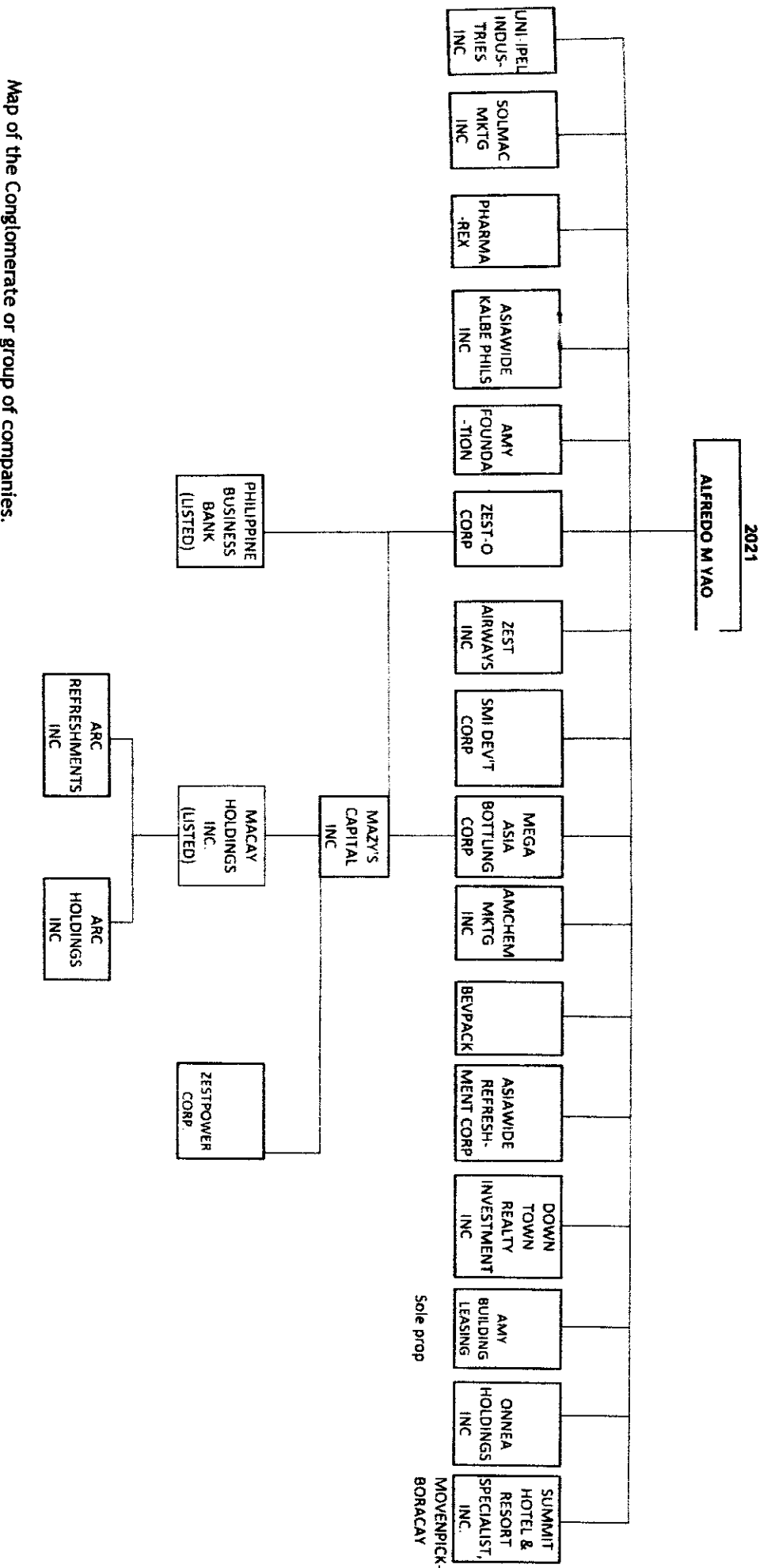
The method of counting the votes of the shareholders shall be in accordance with Sections 23 of the Revised Corporation Code of the Philippines, Section 15 of the General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38.1 of the Amended Implementing Rules and Regulations of the Securities Regulation Code and Section X141 of the Manual of Regulations for Banks, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors. Counting will be done by tabulation of the votes by the Corporate Secretary, who acts as the election inspector, with the assistance of her staff and the stock and transfer agent.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Caloocan City on day **20** of **JUN.** **2022**

By:


.....
ATTY. ROBERTO S. SANTOS
Corporate Secretary



Philippine Business Bank Inc., A Savings Bank (PBB) is the largest stand-alone savings bank in the country with P132.0 billion in total assets as of December 2021. PBB is the financial services arm of the Yao Group, which has interests in fruit juice manufacturing and distribution, soda and real estate, and remains the only listed independent savings bank in the Philippine Stock Exchange.

ANNEX A

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BENEL D. LAGUA**, Filipino, of legal age and a resident of **21 Arsobispo St. New Intramuros Village, Matandang Balara, Quezon City**, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Philippine Business Bank, Inc. (A Savings Bank)** and have been its independent director since **25 June 2021**.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Bangko ng Kabuhayan, Inc. (A Rural Bank)	Independent Director	2 years
Philippine Tuberculosis Society, Inc.	Director	6 months
De La Salle University	Professional Lecturer (Part-Time)	23 years
Ateneo De Manila University	Instructor/Lecturer (Part-Time)	42 years
Manila Times, Manila Bulletin and Business World	Columnist	22 years
Philippine Institute for Pure and Applied Chemistry	Director	5 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Philippine Business Bank, Inc. (A Savings Bank)**, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholders of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Philippine Business Bank, Inc. (A Savings Bank) of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this _____ day of _____, at ALBUQUERQUE.



BENEL D. LAGUA
 Affiant

SUBSCRIBED AND SWORN to before me this _____ day of _____ at _____
 affiant personally appeared before me and exhibited to me his TIN 107-272-894

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CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Narciso De Leon Eraña**, Filipino, of legal age and a resident of 217 M. Paterno, San Juan, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Philippine Business Bank, Inc. (A Savings Bank)** and have been its independent director since **April 30, 2018**.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Beraña, Inc.	Director / Treasurer	1988 - present
Francis Court Townhouses Corp.	Director	1993 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Philippine Business Bank, Inc. (A Savings Bank)**, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholders of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

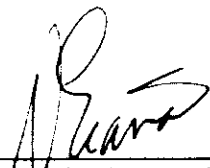
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Philippine Business Bank, Inc. (A Savings Bank) of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this _____ day of _____, at CALOODAN CITY.



Narciso De Leon Eraña
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of _____ at _____
affiant personally appeared before me and exhibited to me his TIN 108-099-974.

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ALDO G. FLORES



CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ROBERTO C. UYQUIENGCO**, Filipino, of legal age and a resident of No. 103 Queensland Street, Vista Real Classica, Batasan Hills, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Philippine Business Bank, Inc. (A Savings Bank)** and have been its independent director since **April 30, 2018**.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
GREENLEAF FOREIGN EXCHANGE CORP., MAKATI	Chairman & CEO	2012-present
Chinabank Academy	Training Consultant	2013-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Philippine Business Bank, Inc. (A Savings Bank)**, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholders of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

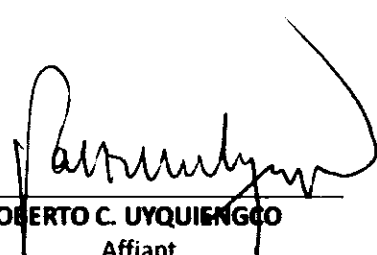
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Philippine Business Bank, Inc. (A Savings Bank) of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this _____ day of SEPTEMBER, at CALABOCAN CITY.


ROBERTO C. UYQUIENGCO
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of _____ at _____
affiant personally appeared before me and exhibited to me his TIN 125-402-064.

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ANNEX A-3"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **DIOSDADO M. PERALTA**, Filipino, of legal age and a resident of **10 Dominador Lim St. BF Homes Inner Circle, Parañaque City**, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Philippine Business Bank, Inc. (A Savings Bank)** and have been its independent director since **19 January 2022**.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
International Container Terminals Services, Inc.	Independent Director	10 mos.
Bloomerry Resorts Corporation	Independent Director	8 mos.
San Miguel Corporation	Independent Director	9 mos.
Manila Hotel Corporation	Independent Director	8 mos.
Various Law Schools and Bar Review Centers	Professor and Bar Lecturer	28 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Philippine Business Bank, Inc. (A Savings Bank)**, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholders of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

ANNEX A-4

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ASTERIO L. FAVIS, JR.** Filipino, of legal age and a resident of **33 Yuchengco Drive Malayan Village Alabang Hills Muntinlupa City**, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Philippine Business Bank, Inc. (A Savings Bank)** and have been its independent director since **25 June 2021**.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Makati Finance Corporation	Independent Director	2 years
Amalgamated Investment	Consultant	4 years
Ateneo-BAP Institute of Banking	Consultant	6 years
Aspirations International Inc. (Toby's Sports Franchise)	Director/Vice-President	27 years
Favis Development and Management Corp.	Director	38 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Philippine Business Bank, Inc. (A Savings Bank)**, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholders of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Philippine Business Bank, Inc. (A Savings Bank) of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this _____ day of _____, at CALOCAN, CTD.

ASTERIO L. FAVIS, JR.
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of _____, at _____, affiant personally appeared before me and exhibited to me his TIN 108-160-842-000.

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REPUBLIC OF THE PHILIPPINES)
CITY OF CALOOCAN) S.S.

ANNEX B

CERTIFICATION

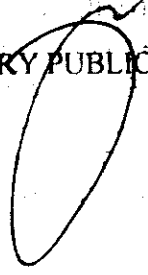
This is to certify that at present, none of the incumbent directors and officers of Philippine Business Bank, Inc. ("PBB"), with principal office address at *No. 350 Rizal Avenue Extension corner 8th Avenue, Gracepark, Caloocan City*, works with the Philippine Government or any of its agency/ies.

This certification is being issued for whatever legal purposes it may serve.

Done this 09th day of June 2022 at Caloocan City, Philippines.


ATTY. ROBERTO S. SANTOS
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of _____, affiant personally appeared before me and exhibiting to me his TIN : 123-467-623, bearing his photograph and genuine signature as competent evidence of their identity in accordance with the 2004 Rules on Notarial Practice, and acknowledge to me that he is the same person who executed the foregoing affidavit.


NOTARY PUBLIC

Doc. No. 484
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Book No. 6
Series of 2022.

ANNEX C

Past Actions
of the
Board and
Management



REGULAR MEETING OF THE BOARD OF DIRECTORS
Through Remote Communication (via Zoom)
9:00 am; June 16, 2021

AGENDA

- I. Call to Order**
- II. Roll Call and Declaration of Quorum**
- III. Approval of Minutes of the Previous Board Meeting**
 - Minutes of the Regular Board Meeting held last May 19, 2021
- IV. FINANCIAL REPORT ~ VP ROLANDO ALVENDIA**
 - Statement of Financial Position and Statement of Income (as of May 31, 2021)
- V. CORPORATE PLANNING GROUP ~ AVP MM Rea**
 - Loan Portfolio Update (as of May 2021)
- VI. TREASURY SERVICES GROUP**
 - For Approval:
 1. San Miguel Corporation (SMC) and Its Affiliates – Purchase of USD Perpetual Bond
- VII. LOAN ACCOUNTS FOR BOARD APPROVAL**
 - A. COMMERCIAL BANKING GROUP – CENTER 7 ~ AVP Arvin Costan**
 1. Kywayne Trading Corp. - IOL
 - B. COMMERCIAL BANKING GROUP – CENTER 3 ~ SM Raisheena D. Tagapan**
 1. Realsteel Corp. - for discussion
 2. Plutus Holding Corp.
 - C. COMMERCIAL BANKING GROUP – CENTER 6 ~ AVP Lizel P. Bacalla**
 1. Redviper Ventures and Development Corporation
 2. JMC Konstrukt Aggregates, Equipment and Designs, Inc.

D. COMMERCIAL BANKING GROUP – CENTER 1 ~ SAVP Jacqueline Korionoff

1. Goldenseven Marketing Corp. dbu 167 Hypermart Mktg.
2. One Sky Stainless & Aluminum Supplies Ent. Co.
3. Cassina Marketing Corp.
4. Cityrecycle Corp. or Philcycle Plastic Corp. or Robert Lee
5. Xinyuan Plastic Recycling Corp.
6. J & F Dept. Store or J & F Dept. Store Corp.
7. C Teknik Development Corp.
8. Sheirman Construction Consolidated Inc.
9. New Oriental Club88 Corporation
10. Ecology Specialist, Inc. – Approved Collateral

E. CORPORATE BANKING GROUP ~ FVP Eduardo Que

1. Zest-O Corporation
2. Steelasia Mfg. Corp.
3. Sonic Steel Industries Inc.
4. Somico Steel Mill Corp.
5. United Steel Technology International Corp.
6. Interoil Trading Inc.
7. S-Ang Construction and General Trading Inc. - IOL
8. Newington Builders Inc. - IOL
9. Primelux Properties Inc. - IOL
10. Primecut Builders Inc. - IOL
11. Jollville Leisure and Resort Corporation - IOL
12. Starlite Gallant Ferries Inc. - IOL
13. Starlite Premiere Ferries Inc. - IOL
14. Starlite Ferries Inc. - IOL
15. PNX-Chelsea Shipping Corp. - IOL
16. Sps. Dennis & Cherylyn Uy - IOL
17. Primeeast Properties Inc. - IOL
18. Solar Philippines Power Project Holdings Inc. - IOL
19. Solar Philippines Commercial Rooftop Projects Inc. - IOL

VIII. BOARD COMMITTEES

a. Corporate Governance Committee ~ Director Roberto C. Uyquiengco

- For Approval:
 - a. Updates on Succession Plan
- For Notation:
 - a. Corporate Governance Committee Minutes of Regular Meeting dated May 12, 2021
 - b. Corporate Governance Committee Minutes of Special Meeting dated June 3, 2021

b. Audit Committee ~ Director Benjamin R. Sta. Catalina, Jr.

- For Approval:
 - a. Amendments to the Audit Manual
 - b. Amendments to the Audit Committee Charter
- For Notation:
 - a. Minutes of the May 12, 2021 Audit Committee Meeting

c. Risk Oversight Committee ~ Director Narciso DL Erana

- For Approval:
 - a. Documentation of Delta Economic Value of Equity (EVE) Methodologies
- For Notation:
 - a. Minutes of the May 12, 2021 Risk Committee Meeting
 - b. Vulnerability Assessment and Penetration Testing (VAPT) Updates
 - c. Risk Oversight Report for June 2021 (May 2021 Data)
 - d. Risk Appetite Statement – April 2021
 - e. Risk Dashboard – April 2021

d. Related Party Transactions Committee ~ Director Roberto C. Uyquiengco

- For Approval:
 - a. Request for endorsement to Board for Approval:
 - Sheirman Construction Consolidated Inc. - Renewal of Loan Line vs Trade Receivables
 - Zest-O Corporation – Renewal with decrease in amount of Loan Line
- For Notation:
 - a. RPT Minutes of Meeting dated May 12, 2021
 - b. Exposures to Related Party Transactions as of May 2021



REGULAR MEETING OF THE BOARD OF DIRECTORS
Through Remote Communication (via Zoom)
9:00 am; July 21, 2021

AGENDA

- I. Call to Order**
- II. Roll Call and Declaration of Quorum**
- III. Approval of Minutes of the Previous Board Meeting**
 - Minutes of the Regular Board Meeting held last June 16, 2021
- IV. FINANCIAL REPORT ~ VP Rolando Alvendia**
 - Statement of Financial Position and Statement of Income (as of June 30, 2021)
- V. CORPORATE PLANNING GROUP ~ AVP MM Rea**
 - For Approval: Increase in PBB's Authorized Capital Stock
 - Loan Portfolio Update (as of June 2021)
- VI. INFORMATION TECHNOLOGY STEERING COMMITTEE (ITSC) – FVP Mayi Valdes**
 - For Notation:
 - 1. Minutes of the Meetings from December 2020 – June 2021
- VII. REMEDIAL MANAGEMENT DIVISION – AM Edmund Vista**
 - For Approval:
 - 1. Sale of ROPA FAO: Alex Chua DBU A Five Transport
- VIII. BANK POLICES FOR CONFIRMATION OF APPROVAL**
 - For Approval:
 - 1. Proposed Manual on Foreign Exchange (FX) – [Updated as of March 17, 2021]

IX. LOAN ACCOUNTS FOR BOARD APPROVAL

A. COMMERCIAL BANKING GROUP – CENTER 6 ~ AVP Lizel P. Bacalla

1. Johndorf Ventures Corporation

B. BINONDO LENDING CENTER – VP Johanna C. Tan

1. Columbia Technologies Inc.

C. COMMERCIAL BANKING GROUP – CENTER 2 – SAVP Iris P. Almerino

1. Phil. Koktai Metal, Inc.
2. Atkins Import & Export Resources, Inc.
3. D&L Industries, Inc. (DNL)

D. COMMERCIAL BANKING GROUP – CENTER 5 ~ AVP Victorino Vasco

1. Toyota Alabang, Inc.
2. Fruitas Holdings, Inc./ Fruitasgroup, Inc./ Buko ni Fruitas, Inc./ Negril Trading, Inc.
3. San Miguel Yamamura Packaging Corp. (SMYPC) / Can Asia, Inc. (CAI) - IOL

E. COMMERCIAL BANKING GROUP – CENTER 3 ~ SM Raisheena D. Tagapan

1. PH Excellent Stainless Steel Corp.
2. OneManaoagSolar Corp. (OMSC) - IOL

F. COMMERCIAL BANKING GROUP – CENTER 1 ~ SAVP Jacqueline Korionoff

1. Liwayway Marketing Corporation
2. Ankong Holdings Inc. dbu CKK Mobile Communications Ltd.
3. Merchandise Trading Inc.
4. Diamond Packaging Industrial Sales Corp. – IOL

G. COMMERCIAL BANKING GROUP – CENTER 7 ~ AVP Arvin Costan

1. Uraya Land Development Inc. - IOL
2. Volgaoil Corporation
3. Great Providence Wood Products Corp.
4. Sps. Adan Co (aka Xu Mou Ze) & Jocelyn B. Xu
5. Charverson Wood Industry Corporation
6. Innov Block Development Corp.

H. CORPORATE BANKING GROUP ~ FVP Eduardo Que

1. Jeti Petroleum, Inc.
2. Sps. Joel D. & Ma. Lourdes H. Aguilar
3. Shogun Ships Co., Inc. - IOL

4. Honex Marketing Corporation
5. Housy Realty Corporation – IOL

X. BOARD COMMITTEES

a. Corporate Governance Committee ~ Director Roberto C. Uyquiengco

- For Approval:
 - a. HRG Matters:
 - Endorsement of the Appointment of Atty. Sergio M. Ceniza as Chief Compliance Officer (CCO) of PBB
 - Senior Officers Promotion
 - b. Compliance Matters:
 - 2020 IACGR
 - AML – LOC Updates as of June 30, 2021
 - RLOC Updates as of June 30, 2021
 - Proposed Amendments to the Money Laundering & Terrorist Financing Prevention Program (MLPP)
 - c. Capital Planning Committee:
 - Amendments to the Capital Planning Guidelines
- For Notation:
 - a. Corporate Governance Committee Minutes of Regular Meeting dated June 9, 2021

b. Audit Committee ~ Director Benel D. Laguna

- For Approval:
 - a. Amendment to the Audit Committee Charter
- For Notation:
 - a. Results of the Regular Audit (as of July 2021)
 - b. Minutes of the June 9, 2021 Audit Committee Meeting

c. Risk Oversight Committee ~ Director Narciso DL Erana

- For Approval:
 - a. Updated FX Position Limit
 - b. Enterprise Information Security Policy
 - c. Proposed Acceptable Use on Bank's Computer and Systems
- For Notation:
 - a. Minutes of June 2021 Risk Committee Meeting
 - b. Risk Oversight Report for July 2021 (June Data)
 - c. May 2021 Risk Appetite Statement
 - d. May 2021 Risk Dashboard

d. Related Party Transactions Committee ~ Director Asterio L. Favis, Jr.

- For Approval:
 - a. Request for endorsement to Board for Approval:
 - RE-Application of Payment of the DIAMOND PACKAGING INDUSTRIAL SALES CORP. of Short Term Loan vs. REM, CHM and & CS of Michael U. Ong and Claire Ong - Partial Secured
 - Sale of ROPA FAO: Alex Chua DBU A Five Transport
- For Notation:
 - a. RPT Minutes of Meeting dated June 9, 2021
 - b. Exposures to Related Party Transactions as of June 30, 2021



REGULAR MEETING OF THE BOARD OF DIRECTORS
Through Remote Communication (via Zoom)
9:00 am; August 18, 2021

AGENDA

- I. Call to Order**
- II. Roll Call and Declaration of Quorum**
- III. Approval of the Minutes of the previous Board Meeting**
 - Minutes of the Regular Board Meeting held last July 21, 2021
- IV. FINANCIAL REPORT ~ VP Rolando Alvendia**
 - For Notation:
 1. Statement of Financial Position and Statement of Income (as of July 31, 2021)
- V. CORPORATE PLANNING GROUP ~ FVP JDSison & SAVP MM Rea**
 - For Notation:
 1. Capital Raising Updates
 2. Loan Portfolio Update (as of July 2021)
- VI. BANK POLICES FOR BOARD APPROVAL**
 - For Approval:
 1. Cash Card Product Manual – VP Joyce Zarate
- VII. REMEDIAL MANAGEMENT COMMITTEE**
 - For Approval:
 1. Remedial Management Committee – AVP Katherine Pura
- VIII. LOAN ACCOUNTS FOR BOARD APPROVAL**
 - A. COMMERCIAL BANKING GROUP – CENTER 1 ~ SAVP Jacqueline Korionoff**
 1. R.G. Simbulan & Partners Corporation
 2. Powertrac Incorporated
 3. Manila Credit Corporation
 4. Trans-Phil House Corporation

5. Unitop General Merchandise Inc.

B. CORPORATE BANKING GROUP ~ FVP Eduardo Que

1. Central Dragon Steel Corporation
2. Grandmore Phils. Steel Corporation
3. Steeltower Steel Corporation
4. Primeeast Properties Inc.

C. COMMERCIAL BANKING GROUP – CENTER 7 ~ AVP Arvin Costan

1. Francisco T. Cruz DBU Davao Kian Bee Trading
2. Unichan Inc. OR Seafeliz Inc.
3. Sps. Antonio Loy P. Chan and Anselma L. Chan
4. DCLA Plaza Co., Inc.
5. Filipinas 168 Shopping Mall Inc.

D. COMMERCIAL BANKING GROUP – CENTER 2 – SAVP Iris P. Almerino

1. Primewater Infrastructure Corporation & Prime Asset Ventures Inc.

E. CONSUMER BANKING GROUP

1. Jan Rurik De Leon Padiernos

IX. BOARD COMMITTEES

a. Corporate Governance Committee ~ Director Roberto C. Uyquiengco

- For Approval:
 - a. HRG Matters:
 - Senior Officer's Promotion
- For Notation:
 - a. Corporate Governance Committee Minutes of Regular Meeting dated July 14, 2021

b. Audit Committee ~ Director Benel D. Laguna

- For Notation:
 - a. Results of the Regular Audit (as of August 2021)
 - b. Minutes of the July 14, 2021 Audit Committee Meeting

c. Risk Oversight Committee ~ Director Narciso DL Erana

- For Approval:
 - a. Access Control Policy
 - b. Information Security Incident Management Policy
 - c. Updated FVOCI Limit

- For Notation:
 - a. Minutes of July 2021 Risk Committee Meeting
 - b. Risk Oversight Report for August 2021 (July Data)
 - c. July 2021 Risk Appetite Statement
 - d. June 2021 Risk Dashboard

d. Related Party Transactions Committee ~ Director Asterio L. Favis, Jr.

- For Notation:
 - a. RPT Minutes of Meeting dated July 14, 2021
 - b. Exposures to Related Party Transactions as of July 31, 2021



REGULAR MEETING OF THE BOARD OF DIRECTORS
Through Remote Communication (via Zoom)
9:00 am; September 15, 2021

AGENDA

- I. Call to Order**
- II. Roll Call and Declaration of Quorum**
- III. Approval of the Minutes of the previous Board Meeting**
 - Minutes of the Regular Board Meeting held last August 18, 2021
- IV. FINANCIAL REPORT ~ VP Rolando Alvendia**
 - For Notation:
 1. Statement of Financial Position and Statement of Income (as of August 31, 2021)
- V. CORPORATE PLANNING GROUP ~ FVP JDSison & SAVP MM Rea**
 - For Notation:
 1. Loan Portfolio Update (as of August 2021)
- VI. HUMAN RESOURCES GROUP ~ SVP Consuelo Dantes**
 - For Approval:
 1. Customer Complaint Semi-Annual Report dated July 19, 2021
- VII. REMEDIAL MANAGEMENT COMMITTEE ~ AVP Katherine Pura**
 - For Approval
 1. Sale of PBB Repo Trucks Formerly Owned by Four Truck Cargo DBU Emmanuel Dihiansan – Buyer, Mr. Carlos Dichoso
- VIII. INFORMATION TECHNOLOGY GROUP ~ FVP Jose Maria Valdes**
 - For Approval
 1. Extension/Renewal of Treasury Guava System Annual Subscription
- IX. LOAN ACCOUNTS FOR BOARD APPROVAL**
 - A. CORPORATE BANKING GROUP ~ FVP Rodel Geneblazo**
 1. Leejay L. Evangelista

B. COMMERCIAL BANKING GROUP – CENTER 1 ~ SAVP Jacqueline Korionoff

1. High Steel Product Company, Inc.

C. COMMERCIAL BANKING GROUP – CENTER 2 – SAVP Iris P. Almerino

1. All Home Corporation or Allday Marts Inc. or CMStar Management, Inc.

D. BINONDO LENDING GROUP ~ VP Johanna C. Tan

1. Upson International Corporation

E. COMMERCIAL BANKING GROUP – CENTER 3 ~ Center Head Raisheena D. Tagapan

1. Homms Trading Corporation
2. Homman Builders & Development Corp.

F. COMMERCIAL BANKING GROUP – CENTER 7 ~ AVP Arvin Costan

1. Philippine GBCB Management Corporation (PGMC)
2. QL8 Corporation
3. Uraya Land Development, Inc.

G. COMMERCIAL BANKING GROUP – CENTER 5 ~ AVP Victorino Vasco III

1. University of Perpetual Help System Laguna, Inc.
2. Harbour Centre Port Holdings, Inc. (HCPHI)/ Z.C. Integrated Port Services, Inc. (ZCIPSI)

X. BOARD COMMITTEES

a. Corporate Governance Committee ~ Director Roberto C. Uyquiengco

- For Notation:
 - a. Corporate Governance Committee Minutes of Regular Meeting dated August 11, 2021

b. Audit Committee ~ Director Benel D. Laguna

- For Notation:
 - a. Results of the Regular Audit (as of September 2021)
 - b. Minutes of the August 11, 2021 Audit Committee Meeting

c. Risk Oversight Committee ~ Director Narciso DL Erana

- For Approval:
 - a. Guidelines for Managing Key Risk Indicators
 - b. Proposed Updates in MCO Methodologies
 - c. Information Security Aspect of Business Continuity
 - d. Human Resource Security Policy
- For Notation:
 - a. Minutes of August 2021 Risk Committee Meeting
 - b. Risk Oversight Report for September 2021 (August Data)

- c. August 2021 Risk Appetite Statement
- d. July 2021 Risk Dashboard

d. Related Party Transactions Committee ~ Director Asterio L. Favis, Jr.

- o For Approval
 - a. Sale of PBB Repo Trucks Formerly Owned by Four Truck Cargo DBU Emmanuel Dihiansan – Buyer, Mr. Carlos Dichoso
- o For Notation
 - a. RPT Minutes of Meeting dated August 11, 2021
 - b. Exposures to Related Party Transactions as of August 31, 2021

e. Trust Committee ~ Director Honorio O. Reyes-Lao

- o For Notation:
 - a. Trust Committee Minutes of the Meeting dated April 28, 2021
 - b. Unit Investment Trust Fund (UITF), Peso Money Market Fund of PBB Trust and Investment Center



REGULAR MEETING OF THE BOARD OF DIRECTORS
Through Remote Communication (via Zoom)
9:00 am; October 20, 2021

AGENDA

I. Call to Order

II. Roll Call and Declaration of Quorum

III. Approval of the Minutes of the previous Board Meeting

- Minutes of the Regular Board Meeting held last September 15, 2021

IV. FINANCIAL REPORT ~ VP Rolando Alvendia

- For Notation:
 1. Statement of Financial Position and Statement of Income (as of September 30, 2021)

V. CORPORATE PLANNING GROUP ~ FVP JDSison & SAVP MM Rea

- For Notation:
 1. Updates on PBB Stock Rights Offering
 2. Loan Portfolio Update (as of September 2021)

VI. TREASURY SERVICES GROUP ~ EVP Jay Cabalde & VP Joy Gallega

- For Approval:
 1. Petron Corporation Renewal of Line
 2. Purchase of USD Perpetual Bonds issued by Ayala Corporation Finance Limited amounting to \$5,000,000.00

VII. REMEDIAL AND SPECIAL ASSETS MANAGEMENT COMMITTEE ~ Vice-Chairman Rolando R. Avante

- For Notation
 1. Minutes of the Meeting dated 13 September 2021

VIII. BRANCH EXPANSION UNIT ~ VP MARCIA ANN G. GUEVARA

- For Approval
 1. Proposed Relocation Site of PBB Del Monte Branch

IX. LOAN ACCOUNTS FOR BOARD APPROVAL

A. CONSUMER BANKING GROUP ~ FVP Rodel Geneblazo

1. Karen Joy Apostol Cheng and Kierby Janine Apostol Cheng

B. COMMERCIAL BANKING GROUP – CENTER 2 – SAVP Iris P. Almerino

1. Phil Koktai Metal, Inc.

C. COMMERCIAL BANKING GROUP – CENTER 5 ~ AVP Victorino Vasco III

1. LCC Group of Companies

D. BINONDO LENDING GROUP ~ VP Johanna C. Tan

1. Upson International Corporation - IOL

E. COMMERCIAL BANKING GROUP – CENTER 1 ~ SAVP Jacqueline Korionoff

1. Jolly Plastic Molding Corporation
2. All Link Hotel and Resorts Group Limited Incorporated – IOL

F. COMMERCIAL BANKING GROUP – CENTER 7 ~ AVP Arvin Costan

1. Ong Family Group of Accounts
2. 808 Prime Holdings Inc.
3. Glacier Panay Refrigeration Services Corp.

G. COMMERCIAL BANKING GROUP – CENTER 3 ~ Center Head Raisheena Tagapan

1. Realsteel Corporation

H. CORPORATE BANKING GROUP ~ FVP Eduardo Que

1. Expressions Stationery Shop Inc. – IOL
2. Central A.S. Metal Corporation
3. Brillo Del Este Development Corp.
4. Folife Marketing Corp.
5. Galeo Equipment Corp.

X. BOARD COMMITTEES

a. Corporate Governance Committee ~ Director Roberto C. Uyquiengco

- For Notation:
 - a. Corporate Governance Committee Minutes of Regular Meeting dated September 08, 2021

b. Audit Committee ~ Director Benel D. Laguna

- For Notation:
 - a. Key Issues in BSP Meeting with Independent Directors in relation to Audit Committee
 - b. P&A Grant Thornton discussed the Audit Plan for Philippine Business Bank
 - c. Cash-In-Vault Continued Audit Finding
 - d. Results of the Regular Audit (as of October 2021)
 - e. Minutes of the September 08, 2021 Audit Committee Meeting

- For Approval:
 - f. 2021 Audit Plan Revisions

c. Risk Oversight Committee ~ Director Narciso DL Eraña

- For Approval:
 - a. Documentation of Value at Risk (Var) Methodologies and Updates on Foreign Exchange (FX) Assumptions
 - b. Information System Acquisition, Development and Maintenance Policy
 - c. Physical and Environmental Security Policy
- For Notation:
 - a. Minutes of September 2021 Risk Committee Meeting
 - b. Risk Oversight Report for October 2021 (September Data)
 - c. September 2021 Risk Appetite Statement
 - d. August 2021 Risk Dashboard

d. Related Party Transactions Committee ~ Director Asterio L. Favis, Jr.

- For Approval
 - a. Housing Loan of Cheng, Karen Joy and Cheng, Kierby Janine, amounting P5,005,689.76 (and with existing loan balance of P10.94M as Co-borrower);
- For Notation
 - a. RPT Minutes of Meeting dated September 08, 2021
 - b. Exposures to Related Party Transactions as of September 30, 2021



Making Things Happen... Today!

REGULAR MEETING OF THE BOARD OF DIRECTORS

Through Remote Communication (via Zoom)

9:00 am; November 17, 2021

AGENDA

I. Call to Order

II. Roll Call and Declaration of Quorum

III. Approval of the Minutes of the previous Board Meeting

- Minutes of the Regular Board Meeting held last October 20, 2021

IV. FINANCIAL REPORT ~ VP Rolando Alvendia

- For Notation:
 1. Statement of Financial Position and Statement of Income (as of October 31, 2021)

V. CORPORATE PLANNING GROUP ~ FVP JDSison & SAVP MM Rea

- For Notation:
 1. Loan Portfolio Update (as of October 2021)
- Update:
 1. Stock Rights Offering

VI. REMEDIAL AND SPECIAL ASSETS MANAGEMENT COMMITTEE ~ Vice-Chairman Rolando R. Avante

- For Notation
 1. Minutes of the Meeting dated 25 October 2021
- For Approval
 1. Sale of ISB ROPA Repossessed Car Formerly Owned by Rachel Rubio (Buyer is Mr. Artemio Jose Orticio)

VII. LOAN ACCOUNTS FOR BOARD APPROVAL

A. CONSUMER BANKING GROUP ~ FVP Rodel Geneblazo

1. Spouses Wanzhe & Daisy Chen
2. Jan Rurik D. Padiernos and Sps. Sheila Marie B. Romero & Michael Odylon L.

B. COMMERCIAL BANKING GROUP – CENTER 3 – Center Head Raisheena D. Tagapan

1. Good Provider Financing and Leasing Corp./Plutus Holding Corp.
2. Alexander Dy Wongchuking/ Caesar Dy Wongchuking/ Cackam Trading and Realty Corp.
3. Realsteel Corp.
4. Targetline Marketing Corp.
5. 8 Vast Horizon Realty Corp.

C. COMMERCIAL BANKING GROUP – CENTER 7 ~ AVP Arvin Costan

1. Kywayne Trading Corp. – IOL
2. Nader & Ebrahim S/O Hassan Philippines, Inc. (NEH Phil Group) - Update

D. COMMERCIAL BANKING GROUP – CENTER 6 ~ Center Head Lizel Bacalla

1. Energy and Building Application Technologies Corp. (EBATECH Corp.)
2. Premium Megastructures

E. CORPORATE BANKING GROUP ~ FVP Eduardo Que

1. Shawill Corp.
2. Golden Sun 999 Realty and Development Corp.
3. SL Agritek

F. COMMERCIAL BANKING GROUP – CENTER 5 ~ AVP Victorino Vasco III

1. Fruitas Holdings, Inc./Fruitas Group Inc./Buko ni Fruitas Inc./Negril Trading Inc.
2. Globalport Zamboanga Terminal Inc.

G. COMMERCIAL BANKING GROUP – CENTER 2 ~ SAVP Iris Almerino

1. Asian Dragon Petroleum Philippines, Inc.

H. COMMERCIAL BANKING GROUP – CENTER 1 ~ SAVP Jacqueline Korionoff

1. Twinpack Container Corp.
2. CP Me Industrial Sales Corporation or Uno Dragon Metal Corp.
3. Powertrac Incorporated or Jalminelle Realty Corp. or Fast Pace Tractor Corp. or JLU Holdings Inc.
4. New Oriental Club88 Corp.
5. Expedition Construction Corp.
6. Simon L. Paz

VIII. BOARD COMMITTEES

a. Corporate Governance Committee ~ Director Roberto C. Uyquiengco

- For Notation:
 - a. Corporate Governance Committee Minutes of Regular Meeting dated October 13, 2021

b. Audit Committee ~ Director Benel D. Laguna

- For Notation:
 - a. Results of the Regular Audit (as of November 2021)
 - b. Minutes of the October 13, 2021 Audit Committee Meeting

c. Risk Oversight Committee ~ Director Narciso DL Eraña

- For Approval:
 - a. SWIFT Independent Assessment Project
 - b. Information Security Organization Policy
 - c. Information Security Compliance Policy
- For Notation:
 - a. Minutes of October 13, 2021 Risk Oversight Committee Meeting
 - b. BSP Advanced Report on Examination Findings
 - c. Gap Analysis Report on Circular 1085
 - d. Risk Oversight Report for November 2021 (October Data)
 - e. October 2021 Risk Appetite Statement
 - f. October 2021 Risk Dashboard

d. Related Party Transactions Committee ~ Director Asterio L. Favis, Jr.

- For Approval:
 - a. Twinpack Container Corp.
 - b. Sale of ISB ROPA Repossessed Car Formerly Owned by Rachel Rubio (Buyer is Mr. Artemio Jose Orticio)
- For Notation
 - a. RPT Minutes of Meeting dated October 13, 2021
 - b. Exposures to Related Party Transactions as of October 31, 2021

e. Trust Committee ~ Director Honorio O. Reyes-Lao

- For Notation:
 - a. Minutes of July 28, 2021 Trust Committee Meeting



REGULAR MEETING OF THE BOARD OF DIRECTORS
Through Remote Communication (via Zoom)
9:00 am; December 15, 2021

AGENDA

- I. Call to Order**
- II. Roll Call and Declaration of Quorum**
- III. Approval of the Minutes of the previous Board Meeting**
 - Minutes of the Regular Board Meeting held last November 17, 2021
- IV. FINANCIAL REPORT ~ VP Rolando Alvendia**
 - For Notation:
 - 1. Statement of Financial Position and Statement of Income (as of November 30, 2021)
- V. CORPORATE PLANNING GROUP ~ FVP JDSison & SAVP MM Rea**
 - For Notation:
 - 1. Loan Portfolio Update (as of November 2021)
 - For Approval:
 - 1. PBB 2022 Profit Plan
- VI. TREASURY SERVICES GROUP ~ EVP Jay Cabalde & VP Joy Gallega**
 - For Approval:
 - 1. Purchase of Bonds issued by Del Monte Pacific Limited amounting to \$5,000,000.00
- VII. REMEDIAL AND SPECIAL ASSETS MANAGEMENT COMMITTEE ~ Vice-Chairman Rolando R. Avante**

- For Notation
 1. Minutes of the Meeting dated 22 November 2021

VIII. LOAN ACCOUNTS FOR BOARD APPROVAL

A. CONSUMER BANKING GROUP ~ FVP Rodel Geneblazo

- Jan Rurik de Leon Padiernos and Sps. Sheila Marie & Michael Romero

B. COMMERCIAL BANKING GROUP – CENTER 2 ~ SAVP Iris P. Almerino

- Elizabeth Go Siong Tan DBU Elison's Steel Bars Marketing
- South Miles Metal and Steel Corp.

C. COMMERCIAL BANKING GROUP – CENTER 3 ~ Center Head Raisheena D. Tagapan

- SCTEX Iron and Steel Corporation

D. COMMERCIAL BANKING GROUP – CENTER 1 ~ SAVP Jacqueline Korionoff

- New Marketlink Pharmaceutical Corp.
- Tao Commodity Trader Inc. DBU Tao Seeds
- Healthsolutions Ent. Inc.
- Unicorn Metal Corp.
- Always Full Holdings Corp.
- WNF Trading Inc.

E. COMMERCIAL BANKING GROUP – CENTER 6 ~ AVP Lizel S. Bacalla

- James Garcia Lu Group of Companies
- Ong Family Group of Companies – IOL

F. COMMERCIAL BANKING GROUP – CENTER 7 ~ AVP Arvin Costan

- Volgaoil Corporation – IOL
- Great Providence Wood Products Corp. – IOL
- Jingdong Corporation
- Emilyn Roxan Yu Go DBU Kaking Home Depot
- Hong Fortis Corp.
- Qmix Concrete 2Go Corp.
- JMC Southern First Inc.
- Jenson Land and Realty Development Corp.
- Caraga Filchin Corp.

- Goldens Dynasty Motors Inc.
- Golden Senioritas Inc.

G. CORPORATE BANKING GROUP ~ FVP Eduardo Que

- Interoil Trading Inc.
- Amchem Marketing Inc.
- Steeltower Steel Corporation
- Sps. Dennis A. & Cherylyn C. Uy. – IOL

IX. BOARD COMMITTEES

a. Corporate Governance Committee ~ Director Roberto C. Uyquiengco

- For Notation:
 - a. Corporate Governance Committee Minutes of Regular Meeting dated November 10, 2021

b. Audit Committee ~ Director Benel D. Laguna

- For Notation:
 - a. Results of the Regular Audit (as of December 2021)
 - b. Minutes of the November 10, 2021 Audit Committee Meeting

c. Risk Oversight Committee ~ Director Narciso DL Eraña

- For Approval:
 - a. Credit Stress Testing Framework
 - b. ERM Risk & Control Assessment Framework
 - c. Environment & Social Risk Management Framework
 - d. 2021 Performance Rating Framework for Risk Coordinators
 - e. 2022 Table of Organization & Manpower Requirements
- For Notation:
 - a. Minutes of the November 10, 2021 ROC Meeting
 - b. 2022 Budget Risk Assessment
 - c. Risk Dashboard – October 2021
 - d. Regular Risk Management Reports – October 2021

d. Related Party Transactions Committee ~ Director Asterio L. Favis, Jr.

- For Approval:
 - a. Amchem Marketing Inc.

- For Notation:
 - a. RPT Minutes of Meeting dated November 10, 2021
 - b. Exposures to Related Party Transactions as of November 30, 2021

e. Trust Committee ~ Director Honorio O. Reyes-Lao

- For Approval:
 - 1. New Unit Investment Trust Fund (UITF)
 - a. PBB Peso Long Term Bond Fund
 - b. PBB Peso Balanced Fund
 - c. PBB PSE Index Fund

X. OTHER MATTERS

- Request for Board Confirmation of the Salary Loan Availments of the Bank employees covering the period 01 October to 30 November 2021



REGULAR MEETING OF THE BOARD OF DIRECTORS
Through Remote Communication (via Zoom)
9:00 am; January 19, 2022

AGENDA

- I. Call to Order**
- II. Roll Call and Declaration of Quorum**
- III. Approval of the Minutes of the previous Board Meeting**
 - Minutes of the Regular Board Meeting held last December 15, 2021
- IV. Election/Appointment of New Independent Director**
- V. FINANCIAL REPORT ~ VP Rolando Alvendia**
 - For Notation:
 - 1. Statement of Financial Position and Statement of Income (as of December 31, 2021)
- VI. CORPORATE PLANNING GROUP ~ FVP JDSison & SAVP MM Rea**
 - For Notation:
 - 1. Loan Portfolio Update (as of December 2021)
- VII. TREASURY SERVICES GROUP ~ EVP Jay Cabalde & VP Joy Gallega**
 - For Approval:
 - 1. Process for Selected Bond Investment in the amount of up to USD 5.0MM or its Peso Equivalent
- VIII. INFORMATION TECHNOLOGY GROUP ~ FVP Jose Valdes**
 - For Notation:
 - 1. Live Implementation of New Core Banking System

IX. LOAN ACCOUNTS FOR BOARD APPROVAL

A. CONSUMER BANKING GROUP ~ FVP Rodel Geneblazo

- Jacky Castro Chan & Tommy Ong Chan

B. COMMERCIAL BANKING GROUP – CENTER 7 ~ AVP Arvin Costan

- DCLA Plaza Co. Inc. - IOL

C. CORPORATE BANKING GROUP ~ FVP Eduardo Que

- Newington Builders Inc. – IOL
- S-Ang Construction and General Trading Inc. – IOL
- Alsons Realty Corp – IOL
- Solar Philippines Power Project Holdings, Inc.
- S-Ang Construction and Gen. Trading Inc.

D. COMMERCIAL BANKING GROUP – CENTER 1 ~ SAVP Jacqueline Korionoff

- First Global Packaging Corp.
- Henry Payas dbu Allantoge Monggo Sprout Delivery Services
- Fasconstrak Asia Const. Corp. or Philesie Realty Corp. or Grand Lion Realty Corp.
- Donggwang Clark Corp.
- Oversea Plastic Manufacturing
- Advance Pipe Manufacturing Corp.

X. BOARD COMMITTEES

a. Corporate Governance Committee ~ Director Roberto C. Uyquiengco

- For Notation:
 - a. Corporate Governance Committee Minutes of Regular Meeting dated December 07, 2021

b. Audit Committee ~ Director Benel D. Lagua

- For Notation:
 - a. Results of the Regular Audit (as of January 2022)
 - b. Minutes of the December 07, 2021 Audit Committee Meeting

c. Risk Oversight Committee ~ Director Narciso DL Eraña

- For Notation:
 - a. Minutes of the December 07, 2021 ROC Meeting
 - b. Risk Dashboard – December 2021
 - c. Regular Risk Management Reports – December 2021

d. Related Party Transactions Committee ~ Director Asterio L. Favis, Jr.

- For Notation:
 - a. RPT Minutes of Meeting dated December 07, 2021
 - b. Exposures to Related Party Transactions as of December 31, 2021



REGULAR MEETING OF THE BOARD OF DIRECTORS
Through Remote Communication (via Zoom)
9:00 am; February 16, 2022

AGENDA

I. Call to Order

II. Roll Call and Declaration of Quorum

III. Approval of the Minutes of the previous Board Meeting

- Minutes of the Regular Board Meeting held last January 19, 2022
- Minutes of the Special Board Meeting held last January 26, 2022

IV. FINANCIAL REPORT ~ VP Rolando Alvendia

- For Notation:
 1. Statement of Financial Position and Statement of Income (as of January 31, 2022)

V. CORPORATE PLANNING GROUP ~ FVP JDSison & SAVP MM Rea

- For Notation:
 1. Loan Portfolio Update (as of January 2022)

VI. TREASURY SERVICES GROUP ~ EVP Jay Cabalde & VP Joy Gallega

- For Notation:
 1. Treasury Market Updates for the Year 2022

VII. HUMAN RESOURCES GROUP ~ SVP Consuelo Dantes

- For Confirmation:
 1. Bank Employee Salary Loan Availment for the period of Dec 01-31, 2021 & Jan 1-31, 2022

VIII. BRANCH BANKING GROUP ~ AVP Erwin Jordan

- For Confirmation:
 1. Approval of Temporary Closure of Boracay Branch

IX. LOAN ACCOUNTS FOR BOARD APPROVAL

A. COMMERCIAL BANKING GROUP – CENTER 6 ~ Center Head Lizel Bacalla

1. Profood International Corp.

B. COMMERCIAL BANKING GROUP – CENTER 7 ~ AVP Arvin Costan

1. Arkila Dabaw Realty Inc.
2. Davao San-Ei Trading Inc.
3. Volgaoil Corporation
4. Great Providence Wood Products Corporation

C. CORPORATE BANKING GROUP ~ FVP Eduardo Que

1. Cdavao Trading, Inc.
2. South Luzon Steel Industrial Corp.
3. Interoil Trading Inc.
4. Central Dragon Steel Corporation

D. COMMERCIAL BANKING GROUP – CENTER 1 ~ SAVP Jacqueline Korionoff

1. Gammon Resources, Inc.
2. Merchandise Trading, Inc.
3. Ecopark Energy of Valenzuela Corp.
4. Industrial & Transport Equipment Inc. or Ark Diversified and Automotors Group Inc.
5. Sps. Francis & Sabina Choa
6. Autophil Zone Sales Corp.

X. BOARD COMMITTEES

a. Corporate Governance Committee ~ Director Roberto C. Uyquiengco

- For Approval:
 - a. Endorsement of the Appointment of Ms. Cynthia A. Almirez as Operations & Control Group (OCG) Head
 - b. Senior Officers Promotions
 - c. Bangko Sentral ng Pilipinas (BSP) Letter of Commitment

- For Notation:
 - d. Corporate Governance Committee Minutes of Regular Meeting dated January 12, 2022

b. Audit Committee ~ Director Benel D. Laguna

- For Notation:
 - a. Results of the Regular Audit (as of February 2022)
 - b. Minutes of the January 12, 2022 Audit Committee Meeting

c. Risk Oversight Committee (ROC) ~ Director Narciso DL Eraña

- For Approval:
 - a. Proposed 2022 Market & Liquidity Risk Limits
 - b. Proposed Information Asset Management and Classification Policy
- For Notation:
 - a. Minutes of the January 12, 2022 ROC Meeting
 - b. Risk Appetite Statement – January 2022
 - c. Regular Risk Management Reports – January 2022

d. Related Party Transactions (RPT) Committee ~ Director Asterio L. Favis, Jr.

- For Notation:
 - a. RPT Minutes of Meeting dated January 12, 2022
 - b. Exposures to Related Party Transactions as of January 31, 2022

e. Trust Committee ~ Director Honorio O. Reyes-Lao

- For Notation:
 - 1. Minutes of the Trust Committee Meeting dated 27 October 2021

XI. OTHER MATTERS:

- a. Approval of the Board for (Ret.) Chief Justice Diosdado M. Peralta's interlocking position as Independent Director of Philippine Business Bank, Inc. and Bloomberry Resorts Corporation, and that there are no conflict of interest for his appointment in both positions.
- b. For Notation of Presentation of Proposed Retap Offering of Double Dragon Corporation



REGULAR MEETING OF THE BOARD OF DIRECTORS
Through Remote Communication (via Zoom)
9:00 am; March 16, 2022

AGENDA

I. Call to Order

II. Roll Call and Declaration of Quorum

III. Approval of the Minutes of the previous Board Meeting

- Minutes of the Regular Board Meeting held last February 16, 2022

IV. FINANCIAL REPORT ~ VP Rolando Alvendia

- For Notation:
 1. Statement of Financial Position and Statement of Income (as of February 28, 2022)

V. CORPORATE PLANNING GROUP ~ FVP JDSison & SAVP MM Rea

- For Notation:
 1. Loan Portfolio Update (as of February 2022)

VI. TREASURY SERVICES GROUP ~ EVP Jay Cabalde & VP Joy Gallega

- For Approval:
 1. Proposed 2022 Interbank Counterparty Limits

VII. REMEDIAL MANAGEMENT DIVISION ~ AVP Katherine Pura

- For Approval:
 1. Sale of Philippine Business Bank (PBB) Repossessed Truck Formerly Owned by Four Truck Cargo Doing Business Under (DBU) Emmanuel Dihiansan – Buyer, Mr. Carlos Dichioso (2nd Truck)

- For Notation:
 1. Remedial & Special Assets Management Committee Minutes of the Meeting dated 28 February 2022

VIII. LOAN ACCOUNTS FOR BOARD APPROVAL

A. COMMERCIAL BANKING GROUP – CENTER 3 ~ Center Head Raisheena D. Tagapan

1. John Edgar Cruz Lim dbu Easyon Trading & VJL Mktg.

B. COMMERCIAL BANKING GROUP – CENTER 1 ~ SAVP Jacqueline A. Korionoff

1. Delbros Inc.
2. Mevbuilt Inc.
3. Simon L. Paz

C. COMMERCIAL BANKING GROUP – CENTER 5 ~ AVP Victorino Vasco III

1. LCC Group of Companies - IOL
2. Atlantic, Gulf and Pacific Company of Manila, Incorporated

D. COMMERCIAL BANKING GROUP - CENTER 7 ~ AVP Arvin Costan

1. Sps. Antonio M. Lim & Lu Yuyin dbu Yangze Rice Mill
2. New Hope Flour Milling Corp.
3. Philippine Sanjia-Steel Corp. Shanghai Stainless Steel Supply Corp.
4. Shanghai Stainless Steel Supply Corp.
5. Uraya Land Development Inc.

E. CORPORATE BANKING GROUP ~ FVP Eduardo Que

1. Ferex Agrochem Development Corp.
2. SR Metals, Inc.
3. Great Buys Home Depot Inc.

F. COMMERCIAL BANKING GROUP – CENTER 2 ~ Unit Head Randy Rolda

1. All Home Corporation
2. Asian Dragon Petroleum Philippines, Inc.

IX. BOARD COMMITTEES

a. Corporate Governance Committee ~ Director Roberto C. Uyquiengco

- For Approval:
 - a. Reply to BSP Directives
- For Notation:
 - a. Corporate Governance Committee Minutes of Regular Meeting dated February 09, 2022

b. Audit Committee ~ Director Benel D. Laguna

- For Notation:
 - a. Results of the Regular Audit (as of March 2022)
 - b. Minutes of the February 09, 2022 Audit Committee Meeting

c. Risk Oversight Committee (ROC) ~ Director Narciso DL Eraña

- For Approval:
 - a. Proposed 2022 Market & Liquidity Risk Limits – Part 2
- For Notation:
 - a. Minutes of the February 09, 2022 ROC Meeting
 - b. Risk Appetite Statement – January 2022
 - c. Capital Adequacy Ratio – January 2022
 - d. Regular Risk Management Reports – January & February 2022

d. Related Party Transactions (RPT) Committee ~ Director Asterio L. Favis, Jr.

- For Approval:
 - a. Renewal of Lease for PBB Taguig City Branch Lite with SOLMAC Marketing
 - b. Sale of PBB Repossessed Truck Formerly Owned by Four Truck Cargo Doing Business Under (DBU) Emmanuel Dihiansan – Buyer, Mr. Carlos Dichioso (2nd Truck)
- For Notation:
 - a. RPT Minutes of Meeting dated February 09, 2022
 - b. Exposures to Related Party Transactions as of February 28, 2022

e. Trust Committee ~ Director Honorio O. Reyes-Lao

- For Notation:

1. Minutes of the Trust Committee Meeting dated 26 January 2022

X. OTHER MATTERS:

1. Bank Employee Salary Loan Availment for the period of Feb. 1-28, 2022
2. Customer Complaint Semi-Annual Report for the period July – Dec. 2021
3. For Confirmation: Proposed Retap Offering of Double Dragon Corporation



REGULAR MEETING OF THE BOARD OF DIRECTORS
Through Remote Communication (via Zoom)
9:00 am; April 20, 2022

AGENDA

- I. Call to Order**
- II. Roll Call and Declaration of Quorum**
- III. Approval of the Minutes of the previous Board Meeting**
 - Minutes of the Regular Board Meeting held last March 16, 2022
- IV. FINANCIAL REPORT ~ SVP Cynthia Almirez**
 - For Notation:
 - 1. Statement of Financial Position and Statement of Income (as of March 31, 2022)
- V. CORPORATE PLANNING GROUP ~ FVP JDSison & SAVP MM Rea**
 - For Notation:
 - 1. Loan Portfolio Update (as of March 2022)
 - For Confirmation:
 - 2. Capital Raising Activity
- VI. INFORMATION TECHNOLOGY GROUP (ITG) ~ FVP Jose Maria Valdes**

For Approval: Proposed Changes to the ITG Table of Organization
- VI. LOAN ACCOUNTS FOR BOARD APPROVAL**
 - A. COMMERCIAL BANKING GROUP – CENTER 6 ~ Center Head Lizel Bacalla**
 - 1. Ong Family Group of Accounts – IOL

2. Ong Family Group of Accounts – IOL
3. PLK Philippines Inc.

B. COMMERCIAL BANKING GROUP – CENTER 5 ~ AVP Victorino Vasco III

1. University of Perpetual Help Rizal Inc.
2. Paradigm PH Power Corp.
3. DoubleDragon Corporation
4. MerryMart Consumer Corp.

C. COMMERCIAL BANKING GROUP – CENTER 3 ~ Center Head Raisheena D. Tagapan

1. Superb Catch Inc.
2. Czark Mak Corporation

D. COMMERCIAL BANKING GROUP – CENTER 2 ~ Unit Head Randy Rolda

1. MGS Construction Inc.

E. CORPORATE BANKING GROUP ~ FVP Eduardo Que

1. Newington Builders Inc. – IOL
2. S-Ang Construction and Gen. Trading Inc.
3. Seignior Manufacturing Corp.
4. Ma. Patricia Cusi Ramos
5. Golden Sun 999 Realty & Devt Corp. – IOL

F. COMMERCIAL BANKING GROUP - CENTER 7 ~ AVP Arvin Costan

1. Metro Steeltower Industrial Corp.
2. Agan Land Corp.
3. Alex Bautista She dbu Yang Yang Trading Center
4. Kywayne Trading Corp. – IOL
5. Jenson Land and Realty Devt Corp. - IOL

G. COMMERCIAL BANKING GROUP – CENTER 1 ~ SAVP Jacqueline A. Korionoff

1. Alpha Ace United Trading Corp.
2. Puzzlefit Corporation
3. Angkong Holdings, Inc.
4. Three Star Marketing Agricorps Corp. or Sidney Lim/William Lim
5. Unitop General Merchandise, Inc.
6. Unitop Gen. Mdse. or Ri-Rance Realty Corp. or Ricardo Brito

7. All Link Hotel and Resorts Group Ltd. Inc. – IOL
8. MOA Cloudzone Corp.
9. Simbulan Industries Phils. Inc.
10. R. G. Simbulan & Partners Corp.

VII. BOARD COMMITTEES

a. Corporate Governance Committee ~ Director Roberto C. Uyquiengco

- For Approval:
 - a. Directors and Officers Liability Insurance
 - b. Creation of RPT Management Committee and its Charter
 - c. 2022 Compliance Plans and Programs
 - d. PBB Letter of Commitment (BSP Initial Evaluation Reports)
 - e. Reconstitution of Trust Committee
- For Notation:
 - a. Corporate Governance Committee Minutes of Regular Meeting dated March 09, 2022

b. Audit Committee ~ Director Benel D. Laguna

- For Notation:
 - a. Results of the Regular Audit (as of April 2022)
 - b. Minutes of the March 09, 2022 Audit Committee Meeting

c. Risk Oversight Committee (ROC) ~ Director Narciso DL Eraña

- For Approval:
 - a. Proposed Updates in the Model Risk Management Framework
 - b. Implementation of Information Asset Register
 - c. Reputational Risk Management (RRM) Framework
- For Notation:
 - a. Minutes of the March 09, 2022 ROC Meeting
 - b. Risk Appetite Statement – February 2022
 - c. Capital Adequacy Ratio – February 2022
 - d. Regular Risk Management Reports – February & March 2022

d. Related Party Transactions (RPT) Committee ~ Director Asterio L. Favis, Jr.

- For Approval:
 - a. 2022 Amendments to RPT Policy
 - b. Creation of RPT Management Committee and its Charter

- For Notation:
 - a. RPT Minutes of Meeting dated March 09, 2022
 - b. Exposures to Related Party Transactions

VIII. OTHER MATTERS:

1. Bank Employee Salary Loan Availment for the period of March 1-31, 2022



SPECIAL MEETING OF THE BOARD OF DIRECTORS
Through Remote Communication (via Zoom)
3:00 pm; April 27, 2022

AGENDA

- I. Call to Order**
- II. Roll Call and Declaration of Quorum**
- III. AUDITED FINANCIAL STATEMENT BY P&A ~ SVP Cynthia Almirez**
 - For Approval:
 - 1. PBB 2021 Audited Financial Statement by Punongbayan & Araullo
- IV. LOAN ACCOUNTS FOR BOARD APPROVAL**
 - A. COMMERCIAL BANKING GROUP – CENTER 6 ~ Center Head Lizel Bacalla**
 - 1. Southeastasia Retail Inc.
 - 2. PLK Philippines Inc.
 - B. COMMERCIAL BANKING GROUP – CENTER 5 ~ AVP Victorino Vasco III**
 - 1. Atlantic Gulf & Pacific Company of Manila Inc. – IOL
 - C. COMMERCIAL BANKING GROUP – CENTER 2 ~ Unit Head Randy Rolda**
 - 1. Phil Koktai Metal, Inc. – IOL
- V. OTHER MATTERS**



REGULAR MEETING OF THE BOARD OF DIRECTORS
Through Remote Communication (via Zoom)
9:00 am; May 18, 2022

AGENDA

- I. Call to Order**
- II. Roll Call and Declaration of Quorum**
- III. Approval of the Minutes of the previous Board Meeting**
 - Minutes of the Regular Board Meeting held last April 20, 2022
 - Minutes of the Special Board Meeting held last April 27, 2022
- IV. FINANCIAL REPORT ~ SVP Cynthia Almirez**
 - For Notation:
 1. Statement of Financial Position and Statement of Income (as of April 30, 2022)
- V. CORPORATE PLANNING GROUP ~ FVP JDSison & SAVP MM Rea**
 - For Notation:
 1. Loan Portfolio Update (as of April 2022)
- VI. INFORMATION TECHNOLOGY GROUP (ITG) ~ FVP Jose Maria Valdes**
 - For Notation:
 1. Anti-Money Laundering Act Updates
 - For Approval:
 2. Digitalization of Customer Records (DigiCur) Updates
 3. Managed Security Operations Center (MSOC)

VII. LOAN ACCOUNTS FOR BOARD APPROVAL

A. COMMERCIAL BANKING GROUP – CENTER 1 ~ SAVP Jacqueline A. Korionoff

1. JLU Holdings, Inc. – IOL

B. COMMERCIAL BANKING GROUP – CENTER 2 ~ Unit Head Randy Rolda

1. Ford Tractor Phils., Inc.

C. COMMERCIAL BANKING GROUP – CENTER 3 ~ Center Head Raisheena D. Tagapan

1. Extensive Wood Processing Corp.
2. Realsteel Corporation – IOL

D. COMMERCIAL BANKING GROUP - CENTER 7 ~ AVP Arvin Costan

1. Jinyi Import & Export Trading Co., Inc.

E. CORPORATE BANKING GROUP ~ FVP Eduardo Que

1. Oriental Assurance Corporation (OAC)

VIII. BOARD COMMITTEES

a. Corporate Governance Committee ~ Director Roberto C. Uyquiengco

- For Approval:
 - a. Confirmation of lower interest rates of all PBB Employee Loans
- For Notation:
 - a. Corporate Governance Committee Minutes of Regular Meeting dated April 13, 2022

b. Audit Committee ~ Director Asterio L. Favis, Jr. (Acting Chairman)

- For Notation:
 - a. Results of the Regular Audit (as of May 2022)
 - b. Minutes of the April 13, 2022 Audit Committee Meeting

c. Risk Oversight Committee (ROC) ~ Director Narciso DL Eraña

- For Approval:

- a. Information Security Risk Assessment Guidelines
- b. Proposed Update in Maximum Cumulative Outflow (MCO) Methodology

- For Notation:

- a. Minutes of the April 13, 2022 ROC Meeting
- b. Risk Appetite Statement – March 2022
- c. Capital Adequacy Ratio – March 2022
- d. Regular Risk Management Reports – March & April 2022

d. Related Party Transactions (RPT) Committee ~ Director Asterio L. Favis, Jr.

- For Notation:

- a. RPT Minutes of Meeting dated April 13, 2022
- b. Exposures to Related Parties

IX. OTHER MATTERS:

For Confirmation:

1. Bank Employee Salary Loan Availment for the period of April 1-30, 2022
2. Revised Central Clearing Center Manual (Updates as of March 2022)
3. Procedures on Logging In and Out to Intellect ARX (Under the Intellect Digital Core System)
4. General Ledger (GL) Chart of Accounts and Manual GL Entry Procedures (Under the Intellect Digital Core System)
5. Loan Management System (LMS) Manual



FOR SEC FILING

Financial Statements and
Independent Auditors' Report

Philippine Business Bank, Inc., A Savings Bank

December 31, 2021, 2020 and 2019

Punongbayan & Araullo

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

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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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (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.

Emphasis of Matter

We draw attention to Note 29 to the financial statements, which describes management's assessment of the continuing impact on the Bank's financial statements of the business disruption brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

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.

(a) Expected Credit Loss on Loans and Other Receivables***Description of the Matter***

As of December 31, 2021, the Bank's loans and other receivables and allowance for expected credit losses (ECL) on loans and other receivables amounts to P91.7 billion and P4.2 billion, respectively. We have identified the Bank's ECL 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 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 unprecedented impact of COVID-19 pandemic to the Bank's loans and other receivables. Given that changing the existing ECL model will 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 management has retained application of the post-model adjustments in the existing ECL model in 2021 to reflect the continuing impact of the COVID-19 pandemic and the Bank's financial support program to its customers on a reasonable and supportable basis. The incorporation of post-model adjustments has considered granular reassessment of customers based on perceived and expected COVID-19 impact on borrowers' businesses and related industries and additional qualitative factors that would elevate COVID-19 pandemic-related changes to SICR. Consequently, this resulted in a more complex judgement and 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 27.

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:

- assessed the Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and evaluated the appropriateness of the specific 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 perceived and expected COVID-19 impact to the customers' businesses and related industries, and additional qualitative factors considered (e.g., availment of government-mandated reliefs and Bank's financial relief measures) of that would elevate COVID-19 pandemic-related changes to SICR;
- assessed the appropriateness of the specific post-model adjustments applied for each portfolio;
- 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;
- 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; and,
- tested the effective interest rate used in discounting the ECL.

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 of December 31, 2021, goodwill amounted to P121.9 million, while the branch licenses amounted to P250.8 million. 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 due to COVID-19 situation. 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. Considering the impact of COVID-19 pandemic, 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, independence, 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 cash-generating units 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 factoring the impact of the COVID-19 pandemic.

(c) Implementation of the New Banking System

Description of the Matter

During the year, the Bank implemented a new banking system which entailed changes in the integral processes of the Bank and significant data migration. The changes affected the Bank's Customer Information File and Know your Customer, Checking Account Savings Account, Deposits, General Ledger, Loan Management System, and Digital Branch, among others. The new banking system involves highly complex information technology (IT) system. Its implementation forms a critical component of the Bank's financial reporting activities and impacts all account balances. The Bank places significant reliance on its IT systems and the associated controls. Moreover, our audit approach could significantly differ depending on the appropriateness of migration to the new system and on the effective operation of the Bank's IT controls. Hence, we considered such as a key audit matter.

How the Matter was Addressed in the Audit

With the assistance of the Firm's IT specialists, the following audit procedures were performed to determine appropriateness of migration to the new banking system and assess the effectiveness of the IT system and controls over financial reporting:

- identified IT risks for the IT system based on our understanding of the flows of transactions and the IT environment;
- determined whether IT general and application controls, individually or in combination with other controls, is appropriately designed to address the associated IT risk;
- tested the operating effectiveness of the relevant IT general and application controls, including system access and system change management, technology infrastructure, and program development and maintenance;
- performed understanding and walkthroughs over significant financial accounting processes that have been updated in new IT environment;
- performed understanding and assessment of the data migration plan and data migration procedures (on the database and data level) performed by the Bank; and,
- evaluated the design and implementation of process level controls over migration of financial data and determine the accuracy and completeness of migrated data to the new banking system in comparison to respective information in the legacy system.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Bank's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the 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, 2021, 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, 2021, and 2020 required by the BSP, and for the year ended December 31, 2021, 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 2021 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. 8852330, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-4 (until Oct. 7, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-021-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

May 27, 2022

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
<u>RESOURCES</u>			
CASH AND OTHER CASH ITEMS	9	P 1,430,787,675	P 1,762,972,825
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	16,754,028,342	5,112,525,249
DUE FROM OTHER BANKS	10	3,474,970,323	2,528,609,425
TRADING AND INVESTMENT SECURITIES – Net	11		
At fair value through profit or loss (FVPL)		2,482,213,020	12,100,923,139
At fair value through other comprehensive income (FVOCI)		11,989,395,564	4,950,635,772
At amortized cost - net		883,787,046	825,405,715
LOANS AND OTHER RECEIVABLES – Net	12	91,674,544,156	89,276,088,648
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – Net	13	621,805,020	689,966,140
INVESTMENT PROPERTIES – Net	14	659,704,957	499,880,191
DEFERRED TAX ASSETS – Net	24	1,142,253,206	1,137,160,918
OTHER RESOURCES – Net	15	918,785,181	882,790,436
TOTAL RESOURCES		P 132,032,274,490	P 119,766,958,458
<u>LIABILITIES AND EQUITY</u>			
DEPOSIT LIABILITIES	16		
Demand		P 47,578,111,107	P 1,280,455,415
Savings		23,206,594,816	48,676,500,356
Time		41,633,005,244	50,437,153,226
Total Deposit Liabilities		112,417,711,167	100,394,108,997
CORPORATE NOTES PAYABLE	17	2,995,352,640	2,987,685,274
ACCRUED EXPENSES AND OTHER LIABILITIES	18	2,156,130,088	2,509,413,102
Total Liabilities		117,569,193,895	105,891,207,373
EQUITY	20		
Capital stock		7,057,500,940	7,057,500,940
Additional paid-in capital		1,998,396,816	1,998,396,816
Surplus		5,619,577,477	4,451,409,132
Revaluation reserves		(212,394,638)	368,444,197
Total Equity		14,463,080,595	13,875,751,085
TOTAL LIABILITIES AND EQUITY		P 132,032,274,490	P 119,766,958,458

See Notes to Financial Statements

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
INTEREST INCOME				
Loans and other receivables	12	P 5,586,338,153	P 6,516,984,585	P 6,623,714,504
Trading and investment securities	11	543,348,549	461,967,288	438,338,936
Due from Bangko Sentral ng Pilipinas and other banks	9, 10	204,977,490	124,201,484	32,147,874
		6,334,664,192	7,103,153,357	7,094,201,314
INTEREST EXPENSE				
Deposit liabilities	16	644,214,892	1,251,993,237	2,336,614,176
Corporate notes payable	17	171,200,433	171,693,218	71,661,457
Bills payable		-	23,322,722	104,442,612
Others	18, 22	22,906,674	28,568,854	30,502,328
		838,321,999	1,475,578,031	2,543,220,573
NET INTEREST INCOME		5,496,342,193	5,627,575,326	4,550,980,741
IMPAIRMENT LOSSES	27	747,357,300	2,335,791,829	561,174,001
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		4,748,984,893	3,291,783,497	3,989,806,740
OTHER INCOME				
Service charges, fees and commissions		369,420,926	346,623,801	348,810,364
Trading gains – net	11	-	749,332,694	292,699,496
Miscellaneous – net	21	196,510,646	73,642,094	155,562,175
		565,931,572	1,169,598,589	797,072,035
OTHER EXPENSES				
Salaries and other employee benefits	22	975,882,289	1,054,049,100	987,095,419
Taxes and licenses		584,907,104	692,012,377	636,888,387
Management and other professional fees		324,432,877	241,080,616	196,834,113
Depreciation and amortization	13, 14, 15	305,917,104	280,030,322	286,675,217
Occupancy	18	272,957,686	197,481,423	237,341,142
Insurance		263,368,784	242,332,405	215,092,421
Trading losses – net	11	253,969,915	-	-
Representation and entertainment		45,010,803	50,688,230	55,627,184
Miscellaneous	21	495,574,483	506,445,711	478,197,228
		3,522,021,045	3,264,120,184	3,093,751,111
PROFIT BEFORE TAX		1,792,895,420	1,197,261,902	1,693,127,664
TAX EXPENSE	24	624,727,075	258,379,015	436,754,221
NET PROFIT		P 1,168,168,345	P 938,882,887	P 1,256,373,443
Earnings Per Share				
Basic and Diluted	28	P 1.80	P 1.46	P 1.64

See Notes to Financial Statements

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
NET PROFIT		P 1,168,168,345	P 938,882,887	P 1,256,373,443
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	22	11,603,384	(990,388)	(64,778,664)
Tax income (expense)	24	(9,280,963)	297,116	19,433,599
		<u>2,322,421</u>	<u>(693,272)</u>	<u>(45,345,065)</u>
Items that will be reclassified subsequently to profit or loss	11			
Fair value gains (losses) on investment securities at FVOCI during the year - net		(566,144,785)	414,518,483	524,190,029
Fair value gains reclassified to profit or loss during the year - net		(17,016,471)	(344,639,026)	(3,585,956)
		<u>(583,161,256)</u>	<u>69,879,457</u>	<u>520,604,073</u>
Other Comprehensive Income (Loss) - Net of Tax		(580,838,835)	69,186,185	475,259,008
TOTAL COMPREHENSIVE INCOME		P 587,329,510	P 1,008,069,072	P 1,731,632,451

See Notes to Financial Statements

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

											Revaluation Reserves (see Note 20)									
Notes	Capital Stock (see Note 20)		Additional Paid-in Capital (see Note 20)	Surplus (see Note 20)			Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Accumulated Actuarial Losses		Total	Total Equity									
	Preferred Stock	Common Stock		Appropriated	Unappropriated	Total														
BALANCE AS AT JANUARY 1, 2021	P	620,000,000	P	6,437,500,940	P	1,998,396,816	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	20, 26	-	-	-	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 1,998,396,816	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	1,998,396,816	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	20, 26	-	-	-	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 1,998,396,816	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									
BALANCE AS AT JANUARY 1, 2019	P	620,000,000	P	6,437,500,940	P	1,998,396,816	P	733,687,323	P	1,720,465,479	P	2,454,152,802	(P	132,717,700)	(P	43,283,296)	(P	176,000,996)	P	11,334,049,562
Appropriation during the year	20, 26	-	-	-	1,642,762	(	1,642,762)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of appropriation during the year	20	-	-	-	(	193,551,904)	193,551,904	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	20	-	-	-	-	(	198,000,000)	(	198,000,000)	-	-	-	(	198,000,000)	-	-	-	-	-	-
Total comprehensive income (loss)		-	-	-	-	1,256,373,443	1,256,373,443	520,604,073	(	45,345,065)	475,259,008	1,731,632,451								
BALANCE AS AT DECEMBER 31, 2019		P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 541,778,181	P 2,970,748,064	P 3,512,526,245	P 387,886,373	(P 88,628,361)	P 299,258,012	P 12,867,682,013									

See Notes to Financial Statements

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	P	1,792,895,420	P 1,197,261,902	P 1,693,127,664
Adjustments for:				
Interest received		6,349,841,558	6,829,853,954	6,923,838,951
Interest income	9, 10, 11, 12, 21	(6,334,664,192)	(7,103,153,357)	(7,094,201,314)
Interest expense	16, 17, 18, 22	838,321,999	1,475,578,031	2,543,220,573
Interest paid		(832,266,567)	(1,521,005,210)	(2,515,087,399)
Impairment losses	27	747,357,300	2,335,791,829	561,174,001
Depreciation and amortization	13, 14, 15	305,917,104	280,030,322	286,675,217
Unrealized loss (gain) on foreign currency revaluation of investment securities	11	(74,935,545)	95,954,725	70,161,837
Amortization of premium (discount)	11	21,852,544	42,467,101	(28,394,227)
Amortization of bond issue cost	17	7,667,366	7,261,617	2,923,657
Loss (gain) on sale of properties - net	21	(9,918,968)	(3,262,459)	2,293,672
Gain on disposal and redemptions of investment securities at FVOCI	11	(17,016,471)	(344,639,026)	(3,585,956)
Reversal of allowance for impairment	14	-	-	(6,774,075)
Loss on sale on investments at amortized cost	11	-	-	2,614,440
Operating profit before working capital changes		2,795,051,548	3,292,139,429	2,437,987,040
Decrease (increase) in trading and investment securities at FVPL		9,618,710,119	(7,423,692,820)	(2,860,423,736)
Increase in loans and other receivables		(2,431,813,095)	(4,990,036,892)	(9,450,804,971)
Decrease in investment properties		45,811,821	16,381,174	86,593,114
Decrease (increase) in other resources		(19,354,879)	156,143,471	(263,404,097)
Increase in deposit liabilities		12,052,928,864	5,204,935,051	16,334,539,720
Increase (decrease) in accrued expenses and other liabilities		(399,031,930)	(224,185,309)	(630,617,250)
Cash generated from (used in) operations		21,662,302,448	(3,968,315,896)	5,653,869,821
Cash paid for income taxes		(568,475,563)	(514,906,178)	(282,855,331)
Net Cash From (Used in) Operating Activities		21,093,826,885	(4,483,222,074)	5,371,014,490
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment securities at FVOCI	11	(16,899,893,203)	(919,018,601)	(7,597,787,934)
Proceeds from sale, redemptions, and maturities of investment securities at FVOCI	11	9,342,138,182	5,462,924,070	1,259,392,734
Acquisitions of investment securities at amortized cost	11	(208,273,009)	(123,022,531)	(178,191,613)
Acquisitions of bank premises, furniture, fixtures and equipment	13	(196,150,225)	(92,795,120)	(287,233,902)
Proceeds from maturities of investment securities at amortized cost	11	155,825,123	155,738,699	51,442,610
Proceeds from sale of bank premises, furniture, fixtures and equipment	13	84,709,894	9,954,622	24,351,950
Acquisition of software licenses	15	(35,893,357)	(34,517,537)	(67,836,580)
Proceeds from sale of investment securities at amortized cost	11	-	-	48,076,576
Net Cash From (Used in) Investing Activities		(7,757,536,595)	4,459,263,602	(6,747,786,159)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of lease liabilities	31	(110,982,739)	(114,476,127)	(107,720,219)
Settlement of bills payable	31	-	(2,612,523,350)	(13,704,081,337)
Availments of bills payable	31	-	2,000,000,000	10,620,098,991
Issuance of corporate notes payable	31	-	-	2,977,500,000
Payment of cash dividends	20	-	-	(198,000,000)
Net Cash Used in Financing Activities		(110,982,739)	(726,999,477)	(412,202,565)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		13,225,307,551	(750,957,949)	(1,788,974,234)
Cash and Cash Equivalents Obtained through Merger	30	-	-	365,765,156
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR				
Cash and other cash items	9	1,762,972,825	1,171,299,633	988,547,825
Due from Bangko Sentral ng Pilipinas	9	5,112,525,249	5,232,433,363	6,164,361,658
Due from other banks	10	2,528,609,425	2,808,949,984	4,528,594,643
Securities under reverse repurchase agreement	12	1,594,893,958	2,542,070,169	1,500,000,000
Foreign currency notes and coins on hand	15	65,298,662	60,504,919	56,963,020
		11,064,300,119	11,815,258,068	13,238,467,146
CASH AND CASH EQUIVALENTS AT END 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
	P	24,289,607,670	P 11,064,300,119	P 11,815,258,068

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

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020 AND 2019
(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 20.1).

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, 2021 and 2020, it has 160 and 159 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 Merger between the Bank and Insular Savers Bank, Inc.

On December 20, 2018, the BSP approved the merger between the Bank and Insular Savers Bank, Inc. (ISBI) wherein the Bank is the surviving entity. Under the terms of the merger, PBB absorbs the assets, liabilities and operations of ISBI, and, consequently, terminate the operations of ISBI as a separate entity. Subsequently, the merger was approved by the SEC on June 10, 2019, and the full implementation of the merger was completed on July 17, 2019 (see Note 30).

1.3 Approval of the Financial Statements

The financial statements of the Bank as at and for the year ended December 31, 2021 (including the comparative financial statements as at December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Bank's Board of Directors (BOD) on May 27, 2022.

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 Reporting Standards Council (FRSC), 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 2021 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, 2021:

PFRS 7, PFRS 9, and	
PFRS 16 (Amendments)	: Interest Benchmark Reform Phase 2 – Financial Instruments: Disclosures, Financial Instruments, and Leases
PFRS 16 (Amendments)	: Leases - Coronavirus Disease 2019 (COVID-19) - Related Rent Concessions Beyond June 30, 2021

Discussed below are the relevant information about these pronouncements.

- (i) PFRS 9 (Amendments), *Financial Instruments*, and PFRS 7 (Amendments), *Financial Instruments: Disclosures*, PFRS 16 (Amendments), *Leases – Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments have no significant impact to the Bank's financial instruments as the Bank did not have any financial instruments subject to LIBOR.
- (ii) The Bank opted to early adopt the application of the amendments to PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*, which is effective from April 1, 2021. The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022, occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no impact to the Bank's financial statement as the Bank did not receive any rent concession from its lessors in 2021.

(b) Effective Subsequent to 2021 but not Adopted Early

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2021, 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 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)
- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)

- (iii) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022)
- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Bank:
 - a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*
 - b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*
- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (vi) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (vii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
- (viii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

2.3 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of a business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity or net assets. Subsequent to initial recognition, goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18).

Gain on bargain purchase which is the excess of the Bank's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to profit or loss (see Note 30).

For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The CGUs or groups of CGUs are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Bank is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.4 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.

2.5 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 no equity instruments as at the reporting periods.

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 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). Unless there has been 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 avilment (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 accounts 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, 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, 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. 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 5 to 20 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 ten 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 and branch licenses 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 Note 15.2).

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 dación 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.

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, net of amortization of fair value gains or losses on reclassified financial assets.

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, computer software, 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.

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. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred shares as approved by the SEC.

Convertible preferred shares are deemed to have been converted to common shares at the issuance of preferred shares. As of December 31, 2021 and 2020, the Bank has no convertible preferred shares (see Note 20.1).

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. 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 25.

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, 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 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 and branch licenses 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, 2021 and 2020, 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, 2021 and 2020 is disclosed in Note 24.

(e) *Determination of Fair Value of Investment Properties*

The Bank's investment properties are composed of parcels of land and buildings 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) *Determination of Fair Value of Identifiable Assets Acquired and Liabilities Assumed from the Merger and Resulting Gain on Bargain Purchase*

The merger between the Bank and ISBI is considered as an acquisition of a business as defined in PFRS 3, hence, the Bank accounted the merger by applying the acquisition method. The acquisition method requires the recognition of identifiable assets, liabilities, indemnification assets, contingent liabilities and deferred consideration in a business combination, if any, at fair value at the date of acquisition, with the excess of the acquisition price over the identified fair values recognized as goodwill, if positive, otherwise gain on bargain purchase (see Note 30).

The Bank obtained a valuation report for the purchase price allocation from an independent external valuation specialist in order to determine the fair value of assets, liabilities and contingent liabilities acquired, and that formed a basis for any resulting goodwill or a gain on bargain purchase. To calculate the goodwill or gain on bargain purchase in the merger transaction, the Bank, through its independent external valuation specialist, allocated the purchase price to the fair values of identifiable assets acquired and liabilities assumed on the following order: (a) fair value of tangible net assets as at the acquisition date and then (b) fair value of identifiable intangible asset, if any (see Note 30).

Fair value of tangible assets are determined based on the current economic and market conditions as well as the physical condition of the assets (see also Note 7).

(g) *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.

(h) *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.

(i) *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 22 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 22.

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 problem 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 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 established by the Bank in congruence with and with reference to the credit risk rating methodology used by an established rating agency in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Bank for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating, or it could lead to one or more rating downgrades over time. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between risk ratings). Past due, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated under Especially Mentioned, Substandard, Doubtful or Loss, and the loan loss provision of which 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, 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 corporate borrowers and counterparties through a set of criteria and rating scale classified into the following:

<u>Risk Rating</u>	<u>Rating Description/Criteria</u>
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:

<u>Risk Rating</u>	<u>Rating Description/Criteria</u>
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

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:

<u>Bucket</u>	<u>Classification</u>	<u>Secured</u>	<u>Unsecured</u>
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:

<u>Classification</u>	<u>Stages</u>
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, 2021 and 2020, 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:

	2021			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
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
	<u>77,825,723,927</u>	<u>4,009,388,799</u>	<u>4,160,674,691</u>	<u>85,995,787,417</u>
ECL allowance	(1,183,680,765)	(151,667,981)	(2,338,544,024)	(3,673,892,770)
Carrying amount	<u>P 76,642,043,162</u>	<u>P 3,857,720,818</u>	<u>P 1,822,130,667</u>	<u>P 82,321,894,647</u>
Receivables from customers – consumer				
Housing loans				
Unclassified	P 1,965,558,763	P 41,203,477	P 23,533,253	P 2,030,295,493
Especially Mentioned	1,090,047,406	27,598,606	242,116,245	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
	<u>3,055,606,169</u>	<u>68,802,083</u>	<u>654,982,108</u>	<u>3,779,390,360</u>
ECL allowance	(22,410,789)	(1,010,690)	(21,146,042)	(44,567,521)
Carrying amount	<u>P 3,033,195,380</u>	<u>P 67,791,393</u>	<u>P 633,836,066</u>	<u>P 3,734,822,839</u>

*Excludes unamortized charges from capitalized commission amounting to P17.3 million

		2021			
		Stage 1	Stage 2	Stage 3	Total
Auto loans					
Unclassified	P	715,246,061	P 1,649,609	P 1,207,262	P 718,102,932
Especially Mentioned		581,659,780	51,839,337	299,988,874	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
		<u>1,296,905,841</u>	<u>81,835,284</u>	<u>608,696,601</u>	<u>1,987,437,726</u>
ECL allowance	(	<u>9,684,235</u>)	<u>(3,063,398)</u>	<u>(38,099,025)</u>	<u>(50,846,658)</u>
Carrying amount		<u>P 1,287,221,606</u>	<u>P 78,771,886</u>	<u>P 570,597,576</u>	<u>P 1,936,591,068</u>
Salary loans					
Unclassified	P	108,134,413	P -	P -	P 108,134,413
Especially Mentioned		4,042,553	2,075,504	-	6,118,057
Substandard		-	4,417	940,002	944,419
Doubtful		-	-	952,313	952,313
Loss		-	-	89,084,488	89,084,488
		<u>112,176,966</u>	<u>2,079,921</u>	<u>90,976,803</u>	<u>205,233,690</u>
ECL allowance	(	<u>25,989,387</u>)	<u>(1,749,477)</u>	<u>(90,976,803)</u>	<u>(118,715,667)</u>
Carrying amount		<u>P 86,187,579</u>	<u>P 330,444</u>	<u>P -</u>	<u>P 86,518,023</u>
Contract-to-sell					
Unclassified	P	12,940,372	P 2,431,032	P -	P 15,371,404
Loss		-	-	497,393	497,393
		<u>12,940,372</u>	<u>2,431,032</u>	<u>497,393</u>	<u>15,868,797</u>
ECL allowance	(	<u>291,636</u>)	<u>(2,431,032)</u>	<u>(497,393)</u>	<u>(3,220,061)</u>
Carrying amount		<u>P 12,648,736</u>	<u>P -</u>	<u>P -</u>	<u>P 12,648,736</u>
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	(	<u>58,376,047</u>)	<u>(8,254,597)</u>	<u>(150,719,263)</u>	<u>(217,349,907)</u>
Total carrying amount		<u>P 4,419,253,301</u>	<u>P 146,893,723</u>	<u>P 1,204,433,642</u>	<u>P 5,770,580,666</u>
Other receivables					
Excellent	P	2,715,826,313	P 141,806	P 128,600	P 2,716,096,719
Strong		371,640,825	492,383	3,915,160	376,048,368
Good		171,421,231	1,884,972	4,308,331	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
		<u>3,575,236,654</u>	<u>23,468,203</u>	<u>432,545,869</u>	<u>4,031,250,726</u>
ECL allowance	(	<u>11,285,618</u>)	<u>(1,709,360)</u>	<u>(310,142,795)</u>	<u>(323,137,773)</u>
Carrying amount		<u>P 3,563,951,036</u>	<u>P 21,758,843</u>	<u>P 122,403,074</u>	<u>P 3,708,112,953</u>
Debt investment securities at FVOCI					
Excellent		<u>P 11,989,395,564</u>	<u>P -</u>	<u>P -</u>	<u>P 11,989,395,564</u>
Debt investment securities at amortized cost					
Excellent	P	885,404,986	P -	P -	P 885,404,986
ECL allowance	(	<u>1,617,940</u>)	<u>-</u>	<u>-</u>	<u>(1,617,940)</u>
Carrying amount		<u>P 883,787,046</u>	<u>P -</u>	<u>P -</u>	<u>P 883,787,046</u>

*Excludes unamortized charges from capitalized commission amounting to P17.3 million

		2020			
		Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate*					
Excellent	P	1,117,912,245	P -	P -	P 1,117,912,245
Strong		1,675,685,279	-	-	1,675,685,279
Good		20,192,513,012	242,596,410	294,000,000	20,729,109,422
Satisfactory		46,180,548,825	309,043,566	240,924,932	46,730,517,323
Acceptable		7,424,876,015	41,719,667	-	7,466,595,682
Watchlist		-	3,594,273,053	713,972,274	4,308,245,327
Classified		<u>556,319,616</u>	<u>21,941,028</u>	<u>2,000,097,925</u>	<u>2,578,358,569</u>
		<u>77,147,854,992</u>	<u>4,209,573,724</u>	<u>3,248,995,131</u>	<u>84,606,423,847</u>
ECL allowance	(	<u>605,811,633</u>)	<u>(798,233,131)</u>	<u>(1,678,350,198)</u>	<u>(3,082,394,962)</u>
Carrying amount		<u>P 76,542,043,359</u>	<u>P 3,411,340,593</u>	<u>P 1,570,644,933</u>	<u>P 81,524,028,885</u>

		2020			
		Stage 1	Stage 2	Stage 3	Total
Receivables from customers – consumer					
Housing loans					
Unclassified	P	2,564,442,784	P 79,801,799	P -	P 2,644,244,583
Especially Mentioned		1,168,170	249,141,746	-	250,309,916
Substandard		-	-	104,858,529	104,858,529
Doubtful		-	-	142,660,391	142,660,391
Loss		-	-	143,275,729	143,275,729
		2,565,610,954	328,943,545	390,794,649	3,285,349,148
ECL allowance	(	50,564,156)	(47,619,795)	(57,808,724)	(155,992,675)
Carrying amount	P	<u>2,515,046,798</u>	P <u>281,323,750</u>	P <u>332,985,925</u>	P <u>3,129,356,473</u>
Auto loans					
Unclassified	P	1,675,264,018	P 8,379,995	P 1,568,297	P 1,685,212,310
Especially Mentioned		119,529,709	68,042,705	2,259,813	189,832,227
Substandard		-	81,638,595	72,273,990	153,912,585
Doubtful		-	-	88,720,387	88,720,387
Loss		-	-	137,138,033	137,138,033
		1,794,793,727	158,061,295	301,960,520	2,254,815,542
ECL allowance	(	106,059,641)	(42,037,314)	(104,361,369)	(252,458,324)
Carrying amount	P	<u>1,688,734,086</u>	P <u>116,023,981</u>	P <u>197,599,151</u>	P <u>2,002,357,218</u>
Salary loans					
Unclassified	P	100,130,961	P -	P -	P 100,130,961
Especially Mentioned		6,986,477	1,302,157	-	8,288,634
Substandard		-	1,177,001	12,373,366	13,550,367
Doubtful		-	-	14,901,793	14,901,793
Loss		-	-	79,165,486	79,165,486
		107,117,438	2,479,158	106,440,645	216,037,241
ECL allowance	(	25,051,488)	(2,477,998)	(106,440,645)	(133,970,131)
Carrying amount	P	<u>82,065,950</u>	P <u>1,160</u>	P <u>-</u>	P <u>82,067,110</u>
Contract-to-sell					
Unclassified	P	24,952,645	P -	P -	P 24,952,645
Loss		-	-	497,393	497,393
		24,952,645	-	497,393	25,450,038
ECL allowance	(	157,255)	-	(497,393)	(654,648)
Carrying amount	P	<u>24,795,390</u>	P <u>-</u>	P <u>-</u>	P <u>24,795,390</u>
Total gross amount	P	4,492,474,764	P 489,483,998	P 799,693,207	P 5,781,651,969
Total ECL allowance	(	181,832,540)	(92,135,107)	(269,108,131)	(543,075,778)
Total carrying amount	P	<u>4,310,642,224</u>	P <u>397,348,891</u>	P <u>530,585,076</u>	P <u>5,238,576,191</u>
Other receivables					
Excellent	P	1,858,723,499	P -	P -	P 1,858,723,499
Strong		6,782,398	-	-	6,782,398
Good		112,983,617	88,884	403,083	113,475,584
Satisfactory		270,826,836	4,167,867	8,022,983	283,017,686
Acceptable		115,544,752	11,370,060	-	126,914,812
Watchlist		-	70,542,637	8,076,522	78,619,159
Classified		412,115	22,388	411,831,179	412,265,682
		2,365,273,217	86,191,836	428,333,767	2,879,798,820
ECL allowance	(	15,327,959)	(20,062,451)	(113,125,353)	(148,515,763)
Carrying amount	P	<u>2,349,945,258</u>	P <u>66,129,385</u>	P <u>315,208,414</u>	P <u>2,731,283,057</u>
Debt investment securities at FVOCI					
Excellent	P	<u>4,950,635,772</u>	P <u>-</u>	P <u>-</u>	P <u>4,950,635,772</u>
Debt investment securities at amortized cost					
Excellent	P	827,023,655	P -	P -	P 827,023,655
ECL allowance	(	1,617,940)	-	-	(1,617,940)
Carrying amount	P	<u>825,405,715</u>	P <u>-</u>	P <u>-</u>	P <u>825,405,715</u>

*Excludes unamortized charges from capitalized commission amounting to P48.7 million

As of December 31, 2021 and 2020, the Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P21,659.8 million and P9,404.1 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).

	2021			2020		
	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 24,289,608	P 3,278,448	P 13,359,752	P 11,064,300	P 4,618,343	P 17,688,583
Wholesale and retail trade	-	33,421,613	-	-	32,935,238	-
Real estate activities	-	15,784,545	145,328	-	15,075,739	-
Manufacturing	-	10,540,381	1,303,490	-	9,535,700	-
Transportation and storage	-	6,990,355	-	-	7,225,926	-
Construction	-	6,053,936	-	-	5,435,109	-
Electricity, gas, steam and and air-conditioning supply	-	4,963,672	136,617	-	5,307,092	190,000
Accommodation and food service activities	-	2,655,107	253,489	-	3,088,960	-
Water supply, sewerage, waste management and remediation activities	-	2,467,987	158,337	-	2,599,364	-
Administrative and support services	-	2,399,622	-	-	612,122	-
Agriculture, forestry and fishing	-	1,154,213	-	-	1,488,009	-
Consumption	-	536,465	-	-	476,582	-
Information and communication	-	305,538	-	-	492,701	-
Education	-	260,058	-	-	112,424	-
Professional, scientific, and technical activities	-	247,919	-	-	341,160	-
Arts, entertainment and recreation	-	152,210	-	-	4,800	-
Mining and quarrying	-	52,210	-	-	285,748	-
Human health and social service activities	-	45,499	-	-	48,858	-
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	3,331	-	-	3,332	-
Other service activities	-	670,609	-	-	700,870	-
	P 24,289,608	P 91,983,718	P 15,357,013	P 11,064,300	P 90,388,077	P 17,878,583

*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(d), 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 seasoning 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 Recovery 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 P4,160.7 million, P1,355.2 million, and P432.5 million, respectively, as at December 31, 2021 and P3,249.0 million, P799.7 million, and P428.3 million respectively, as at December 31, 2020. 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 a consecutive period of six 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 to seven 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 2021 and 2020 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 CMD 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, 2021 and 2020, 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) and post-model adjustments (or the "COVID-19 overlay").

The BAU ECL methodology have 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's 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 2020, are disclosed in Note 4.3.8.

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, as discussed in detail in Note 4.3.6(b), the Bank has 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 P1,370.0 million and P1,958.0 million as of December 31, 2021 and 2020, respectively. The related allowance for credit loss of such loans amounts to P209.3 million and P395.7 million as of the same dates, respectively.

Of the total outstanding restructured loans as of December 31, 2021, and 2020, P832.2 million and P380.0 million, respectively, are due to impact of COVID-19 situation.

(b) Financial Reliefs Mandated by the Government

In compliance with RA No. 11469, *Bayaniban to Heal as One Act*, (BAHO Act), the Bank implemented a minimum 30-day grace period on all loans with principal and interests falling due within the period of the Enhanced Community Quarantine (ECQ), which started on March 17, 2020, up to April 30, 2020, which was extended until May 31, 2020.

In compliance with RA No. 11494, *Bayaniban to Recover as One Act*, (BARO Act), the Bank granted one-time 60-day grace period for payments and/or maturity periods of all existing, current and outstanding loans as of September 15, 2020, falling due, or any part thereof, on or before December 31, 2020, subject to compliance with regulatory requirements.

During the grace period or payment holiday, there were no interests on interests, penalties, or other charges but accrued interests at contractual rate for grace periods were charged based on the outstanding principal balance of loan at the time of application of the grace periods.

As of December 31, 2020, the total outstanding balance of loans modified under BAHO and BARO Acts amounts to P10,376.9 million and P6,740.8 million, respectively.

The financial reliefs provided by the Bank and mandated by the Government has not resulted in material modification loss as the present value of the original cash flows and the present value of the revised cash flows were substantially equivalent.

The following table provides a summary of outstanding balances of modified loans resulting from the financial reliefs provided by the Bank and mandated by the Government as of December 31, 2020 (nil in 2021):

	<u>BAHO/ BARO Acts</u>	<u>Bank Relief</u>	<u>Total</u>
<u>Stage 1 (Performing)</u>			
Corporate	P 11,461,994,714	P -	P11,461,994,714
Consumer	<u>2,081,919,435</u>	<u>-</u>	<u>2,081,919,435</u>
	<u>P 13,543,914,149</u>	<u>P -</u>	<u>P13,543,914,149</u>
<u>Stage 2 (Underperforming)</u>			
Corporate	P 2,648,614,505	P 103,570,898	P 2,752,185,403
Consumer	<u>409,662,734</u>	<u>-</u>	<u>409,662,734</u>
	<u>P 3,058,277,239</u>	<u>P 103,570,898</u>	<u>P 3,161,848,137</u>
<u>Stage 3 (Nonperforming)</u>			
Corporate	P 236,477,462	P 276,417,477	P 512,894,939
Consumer	<u>278,967,664</u>	<u>-</u>	<u>278,967,664</u>
	<u>P 515,445,126</u>	<u>P 276,417,477</u>	<u>P 791,862,603</u>

(c) *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.

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
<u>2021</u>				
Loans and discounts:				
Corporate	P 85,995,787,417	P 69,679,935,573	P 16,349,040,908	P 69,679,935,573
Consumer	5,987,930,573	5,715,725,754	272,204,819	5,715,725,754
Sales contract receivables	<u>42,335,023</u>	<u>112,173,460</u>	<u>-</u>	<u>42,335,023</u>
	<u>P92,026,053,013</u>	<u>P 75,507,834,787</u>	<u>P16,621,245,727</u>	<u>P75,437,996,350</u>
<u>2020</u>				
Loans and discounts:				
Corporate	P 84,606,423,847	P 64,317,827,597	P 20,288,596,250	P 64,317,827,597
Consumer	5,781,651,969	10,308,866,278	-	5,781,651,969
Sales contract receivables	<u>47,994,123</u>	<u>131,548,990</u>	<u>-</u>	<u>47,994,123</u>
	<u>P 90,436,069,939</u>	<u>P 74,758,242,865</u>	<u>P 20,288,596,250</u>	<u>P 70,147,473,689</u>

An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2021 and 2020 is shown below.

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
<u>2021</u>				
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	<u>4,574,779</u>	<u>18,242,513</u>	<u>-</u>	<u>4,574,779</u>
	<u>P 5,520,402,375</u>	<u>P 3,632,305,124</u>	<u>P 1,901,764,985</u>	<u>P 3,618,637,390</u>

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
<u>2020</u>				
Loans and discounts:				
Corporate	P 3,248,995,131	P 1,914,577,563	P 1,334,417,568	P 1,914,577,563
Consumer	799,693,207	1,078,305,789	-	799,693,207
Sales contracts receivables	<u>9,056,405</u>	<u>131,548,990</u>	<u>-</u>	<u>9,056,405</u>
	<u>P 4,057,744,743</u>	<u>P 3,124,432,342</u>	<u>P 1,334,417,568</u>	<u>P 2,723,327,175</u>

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	2021	2020
Cash and cash equivalents	9, 10, 12, 15	<u>P 24,289,607,670</u>	<u>P11,064,300,119</u>
Debt securities			
At FVOCI	11.2	<u>11,989,395,564</u>	<u>4,950,635,772</u>
At amortized cost	11.3	<u>883,787,046</u>	<u>825,405,715</u>
		<u>12,873,182,610</u>	<u>5,776,041,487</u>
		<u>P 37,162,790,280</u>	<u>P16,840,341,606</u>

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 2021 and 2020:

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 605,811,633	P 798,233,131	P 1,678,350,198	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	<u>P 1,183,680,765</u>	<u>P 151,667,981</u>	<u>P 2,338,544,024</u>	<u>P 3,673,892,770</u>
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	<u>P 58,376,047</u>	<u>P 8,254,597</u>	<u>P 150,719,263</u>	<u>P 217,349,907</u>

		2021			
		Stage 1	Stage 2	Stage 3	Total
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	<u>11,285,618</u>	<u>P 1,709,360</u>	<u>P 310,142,795</u>	<u>P 323,137,773</u>
Debt investment securities at FVOCI	P	<u>4,229,457</u>	<u>P -</u>	<u>P -</u>	<u>P 4,229,457</u>
Debt investment securities at amortized cost	P	<u>1,617,940</u>	<u>P -</u>	<u>P -</u>	<u>P 1,617,940</u>
		2020			
		Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate					
Balance at January 1	P	219,195,287	P 320,204,071	P 869,185,649	P 1,408,585,007
Transfers to:					
Stage 1		14,228	(2,381)	(11,847)	-
Stage 2	(	379,347,821)	391,841,615	(12,493,794)	-
Stage 3	(	602,183,373)	(162,889,636)	765,073,009	-
Net remeasurement of loss allowance		989,282,222	(52,537,309)	532,966,143	1,469,711,056
New financial assets originated		439,475,784	336,381,424	74,278,235	850,135,443
Derecognition of financial assets	(	60,624,694)	(34,764,653)	(257,457,471)	(352,846,818)
Write-offs		-	-	(293,189,726)	(293,189,726)
Balance at December 31	P	<u>605,811,633</u>	<u>P 798,233,131</u>	<u>P 1,678,350,198</u>	<u>P 3,082,394,962</u>
Receivables from customers – consumer					
Balance at January 1	P	98,533,691	P 37,171,367	P 151,676,482	P 287,381,540
Transfers to:					
Stage 1		10,163,863	(7,051,908)	(3,111,955)	-
Stage 2	(	68,109,920)	70,869,139	(2,759,219)	-
Stage 3	(	79,259,119)	(19,771,225)	99,030,344	-
Net remeasurement of loss allowance		196,867,830	57,358	33,606,688	230,531,876
New financial assets originated		34,266,484	14,746,732	5,384,506	54,397,722
Derecognition of financial assets	(	10,630,289)	(3,886,356)	(14,718,715)	(29,235,360)
Balance at December 31	P	<u>181,832,540</u>	<u>P 92,135,107</u>	<u>P 269,108,131</u>	<u>P 543,075,778</u>
Other receivables					
Balance at January 1	P	2,992,815	P 2,459,888	P 72,441,091	P 77,893,794
Transfers to:					
Stage 1		91,965	(43,392)	(48,573)	-
Stage 2	(	89,574)	110,626	(21,052)	-
Stage 3	(	116,101)	(809,304)	925,405	-
Net remeasurement of loss allowance		11,151,611	17,262,524	84,449,373	112,863,508
New financial assets originated		1,540,836	1,120,357	490,561	3,151,754
Derecognition of financial assets	(	243,593)	(38,248)	(2,635,511)	(2,917,352)
Write-offs		-	-	(42,475,941)	(42,475,941)
Balance at December 31	P	<u>15,327,959</u>	<u>P 20,062,451</u>	<u>P 113,125,353</u>	<u>P 148,515,763</u>
Debt investment securities at FVOCI	P	<u>4,229,457</u>	<u>P -</u>	<u>P -</u>	<u>P 4,229,457</u>
Debt investment securities at amortized cost	P	<u>1,617,940</u>	<u>P -</u>	<u>P -</u>	<u>P 1,617,940</u>

Post-model adjustments made in estimating the reported ECL allowance as at December 31, 2021 and 2020 to reflect the impact of COVID-19 situation are set out in the table below.

	BAU ECL	COVID-19 Overlay	Total ECL
December 31, 2021			
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	<u>1,617,940</u>	<u>-</u>	<u>1,617,940</u>
	<u>P 4,019,318,493</u>	<u>P 200,918,354</u>	<u>P 4,220,236,847</u>
December 31, 2020			
Corporate	P 2,528,706,877	P 553,688,085	P 3,082,394,962
Consumer	356,263,559	186,812,219	543,075,778
Other receivables	133,173,195	15,342,568	148,515,763
Debt investments at FVOCI	4,229,457	-	4,229,457
Debt investments at amortized cost	<u>1,617,940</u>	<u>-</u>	<u>1,617,940</u>
	<u>P 3,023,991,028</u>	<u>P 755,842,872</u>	<u>P 3,779,833,900</u>

4.3.9 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The table below 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 2021 and 2020 contributed to the changes in the allowance for ECL.

	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	<u>P 77,825,723,927</u>	<u>P 4,009,388,799</u>	<u>P 4,160,674,691</u>	<u>P 85,995,787,417</u>
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	<u>P 4,477,629,348</u>	<u>P 155,148,320</u>	<u>P 1,355,152,905</u>	<u>P 5,987,930,573</u>
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	55,074,981	(53,590,384)	(1,484,597)	-
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	<u>P 3,575,236,654</u>	<u>P 23,468,203</u>	<u>P 432,545,869</u>	<u>P 4,031,250,726</u>

	2021			
	Stage 1	Stage 2	Stage 3	Total
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	(583,161,256)	-	-	(583,161,256)
Disposals, maturities, and redemptions	(9,325,121,711)	-	-	(9,325,121,711)
Foreign currency revaluation	74,935,545	-	-	74,935,545
Amortization of premium	(27,785,989)	-	-	(27,785,989)
Balance at December 31	<u>P 11,989,395,564</u>	<u>P -</u>	<u>P -</u>	<u>P 11,989,395,564</u>
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	<u>P 885,404,986</u>	<u>P -</u>	<u>P -</u>	<u>P 885,404,986</u>
	2020			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 75,870,847,224	P 1,768,005,510	P 1,651,406,382	P 79,290,259,116
Transfers to:				
Stage 1	(3,681,727)	(600,000)	(3,081,727)	-
Stage 2	(1,605,862,349)	1,625,388,466	(19,526,117)	-
Stage 3	(1,327,249,854)	(466,915,863)	1,794,165,717	-
New financial assets originated	42,616,679,314	1,730,326,641	460,961,167	44,807,967,122
Derecognition of financial assets	(38,410,241,070)	(446,631,030)	(341,740,565)	(39,198,612,665)
Write-offs	-	-	(293,189,726)	(293,189,726)
Balance at December 31	<u>P 77,147,854,992</u>	<u>P 4,209,573,724</u>	<u>P 3,248,995,131</u>	<u>P 84,606,423,847</u>
Receivables from customers – consumer				
Balance at January 1	P 5,612,141,093	P 186,029,202	P 531,281,890	P 6,329,452,185
Transfers to:				
Stage 1	72,106,811	(39,169,127)	(32,937,684)	-
Stage 2	(361,202,099)	372,590,837	(11,388,738)	-
Stage 3	(319,565,228)	(68,773,058)	388,338,286	-
New financial assets originated	975,810,350	56,687,276	10,896,053	1,043,393,679
Derecognition of financial assets	(1,486,816,163)	(17,881,132)	(86,496,600)	(1,591,193,895)
Balance at December 31	<u>P 4,492,474,764</u>	<u>P 489,483,998</u>	<u>P 799,693,207</u>	<u>P 5,781,651,969</u>
Other receivables				
Balance at January 1	P 3,097,834,454	P 13,045,745	P 419,072,474	P 3,529,952,673
Transfers to:				
Stage 1	975,587	(241,675)	(733,912)	-
Stage 2	(9,210,668)	9,285,072	(74,404)	-
Stage 3	(5,001,089)	(4,468,359)	9,469,448	-
New financial assets originated	1,870,141,682	68,835,761	50,737,757	1,989,715,200
Derecognition of financial assets	(2,589,466,749)	(264,708)	(7,265,767)	(2,596,997,224)
Write-offs	-	-	(42,871,829)	(42,871,829)
Balance at December 31	<u>P 2,365,273,217</u>	<u>P 86,191,836</u>	<u>P 428,333,767</u>	<u>P 2,879,798,820</u>
Debt investment securities at FVOCI				
Balance at January 1	P 9,223,102,447	P -	P -	P 9,223,102,447
New financial assets purchased	919,018,601	-	-	919,018,601
Fair value gains	69,879,457	-	-	69,879,457
Disposals	(5,118,285,044)	-	-	(5,118,285,044)
Foreign currency revaluation	(95,954,725)	-	-	(95,954,725)
Amortization of premium	(47,124,964)	-	-	(47,124,964)
Balance at December 31	<u>P 4,950,635,772</u>	<u>P -</u>	<u>P -</u>	<u>P 4,950,635,772</u>
Debt investment securities at amortized cost				
Balance at January 1	P 855,081,960	P -	P -	P 855,081,960
New financial assets purchased	123,022,531	-	-	123,022,531
Maturities	(155,738,699)	-	-	(155,738,699)
Amortization of discount	4,657,863	-	-	4,657,863
Balance at December 31	<u>P 827,023,655</u>	<u>P -</u>	<u>P -</u>	<u>P 827,023,655</u>

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, 2021 and 2020.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2021 and 2020 are presented below.

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<u>2021</u>				
Real properties	P53,181,430,546	P 3,022,257,052	P 2,465,808,127	P 58,669,495,725
Chattel	7,924,019,158	1,241,213,509	1,161,496,997	10,326,729,664
Hold-out deposits	3,305,319,009	6,892,167	5,000,000	3,317,211,176
Others	<u>3,194,398,222</u>	<u>-</u>	<u>-</u>	<u>3,194,398,222</u>
	<u>P67,605,166,935</u>	<u>P 4,270,362,728</u>	<u>P 3,632,305,124</u>	<u>P 75,507,834,787</u>
<u>2020</u>				
Real properties	P50,872,399,215	P 4,409,014,394	P 2,319,041,606	P 57,600,455,215
Chattel	10,786,421,215	471,939,647	805,090,736	12,063,451,598
Hold-out deposits	2,707,784,857	33,092,000	300,000	2,741,176,857
Others	<u>2,353,159,195</u>	<u>-</u>	<u>-</u>	<u>2,353,159,195</u>
	<u>P66,719,764,482</u>	<u>P 4,914,046,041</u>	<u>P 3,124,432,342</u>	<u>P 74,758,242,865</u>

As of December 31, 2021 and 2020, the Bank has recognized certain properties arising from foreclosures in settlement of loan account amounting to P513.0 million and P27.8 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 2021 and 2020.

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 2021 and 2020 amounted to P8.3 million and P335.7 million, respectively (see Note 27). 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):

	<u>2021</u>	<u>2020</u>
Corporate debt securities	P 2,094,229,968	P11,175,588,429
Government securities	<u>387,983,052</u>	<u>925,334,710</u>
	<u>P 2,482,213,020</u>	<u>P12,100,923,139</u>

4.3.13 Sensitivity Analysis on ECL Measurement

Set out below are the changes in the Bank's ECL as of December 31, 2021 and 2020 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions:

		<u>Impact on ECL Allowance</u>	
		<u>Change in MEV assumption + / - 1%</u>	
		<u>Increase in assumption</u>	<u>Decrease in assumption</u>
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)

		Impact on ECL Allowance			
		Change in MEV assumption + / - 1%		Increase in assumption	Decrease in assumption
2020					
Corporate loans	GDP rate	(P	13,130,453)	P	6,738,205
Housing loans	PPP rate and CPI rate		4,821,848	(	4,915,206)
Auto loans	GDP rate, CPI rate and Unemployment rate	(	673,054)		5,782,201
Salary loans	GDP rate	(	496,565)		495,759

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, 2021 and 2020 follows (amounts in thousands):

	<u>Foreign Currency</u>	<u>Philippine Peso</u>	<u>Total</u>
<u>2021</u>			
<i><u>Financial Assets:</u></i>			
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	1,151,097	2,323,873	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	<u>91,410</u>	<u>43,077</u>	<u>134,487</u>
	<u>P 5,809,877</u>	<u>P 123,014,336</u>	<u>P 128,824,213</u>
<i><u>Financial Liabilities:</u></i>			
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	<u>18,494</u>	<u>1,411,104</u>	<u>1,429,598</u>
	<u>P 7,035,573</u>	<u>P 109,807,089</u>	<u>P 116,842,662</u>
<u>2020</u>			
<i><u>Financial Assets:</u></i>			
Cash and other cash items	P -	P 1,762,973	P 1,762,973
Due from BSP	-	5,112,525	5,112,525
Due from other banks	1,240,666	1,287,943	2,528,609
Trading and investment securities at:			
FVPL	3,005,077	9,095,846	12,100,923
FVOCI	1,979,760	2,970,876	4,950,636
Amortized cost	-	825,406	825,406
Loans and other receivables – net	1,273,422	88,002,667	89,276,089
Other resources	<u>65,299</u>	<u>41,116</u>	<u>106,415</u>
	<u>P 7,564,224</u>	<u>P 109,099,352</u>	<u>P 116,663,576</u>
<i><u>Financial Liabilities:</u></i>			
Deposit liabilities	P 7,260,005	P 93,134,104	P 100,394,109
Corporate notes payable	-	2,987,685	2,987,685
Accrued expenses and other liabilities	<u>4,734</u>	<u>2,263,548</u>	<u>2,268,282</u>
	<u>P 7,264,739</u>	<u>P 98,385,337</u>	<u>P 105,650,076</u>

(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, 2021 and 2020 based on the expected interest realization or recognition follows (amounts in thousands).

	<u>Less than One Month</u>	<u>One to Three Months</u>	<u>Three Months to One Year</u>	<u>More than One Year</u>	<u>Non-rate Sensitive</u>	<u>Total</u>
<u>2021</u>						
<i><u>Resources:</u></i>						
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	12,466,923	2,480,881	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	<u>71,454,866</u>	<u>14,999,173</u>	<u>11,885,498</u>	<u>23,217,317</u>	<u>10,475,420</u>	<u>132,032,274</u>
<i><u>Liabilities and Equity:</u></i>						
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	<u>27,767,057</u>	<u>9,839,239</u>	<u>6,265,808</u>	<u>4,073,346</u>	<u>69,623,744</u>	<u>117,569,194</u>
Equity	-	-	-	-	14,463,080	14,463,080
Total Liabilities and Equity	<u>27,767,057</u>	<u>9,839,239</u>	<u>6,265,808</u>	<u>4,073,346</u>	<u>84,086,824</u>	<u>132,032,274</u>
On-book Gap	<u>43,687,809</u>	<u>5,159,934</u>	<u>5,619,690</u>	<u>19,143,971</u>	(<u>73,611,404</u>)	-
Cumulative On-book Gap	<u>43,687,809</u>	<u>48,847,743</u>	<u>54,467,433</u>	<u>73,611,404</u>	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	502,701	502,701
Off-book Gap	-	-	-	-	(<u>502,701</u>)	(<u>502,701</u>)
Net Periodic Gap	<u>43,687,809</u>	<u>5,159,934</u>	<u>5,619,690</u>	<u>19,143,971</u>	(<u>74,114,105</u>)	(<u>502,701</u>)
Cumulative Total Gap	<u>P43,687,809</u>	<u>P48,847,743</u>	<u>P54,467,433</u>	<u>P73,611,404</u>	<u>(P 502,701)</u>	<u>P -</u>

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.

	Less than <u>One Month</u>	One to Three <u>Months</u>	Three Months to <u>One Year</u>	More than <u>One Year</u>	Non-rate Sensitive	<u>Total</u>
<u>2020</u>						
<u>Resources:</u>						
Cash and other						
cash items	P -	P -	P -	P -	P 1,762,973	P 1,762,973
Due from BSP	4,500,000	-	-	-	612,525	5,112,525
Due from other banks	2,528,609	-	-	-	-	2,528,609
Trading and investment securities	867,047	66,996	271,522	16,671,400	-	17,876,965
Loans and other receivables – net	54,672,715	13,081,274	10,575,059	9,861,615	1,085,426	89,276,089
Other resources*	-	-	-	-	3,209,797	3,209,797
Total Resources	<u>62,568,371</u>	<u>13,148,270</u>	<u>10,846,581</u>	<u>26,533,015</u>	<u>6,670,721</u>	<u>119,766,958</u>
<u>Liabilities and Equity:</u>						
Deposit liabilities	37,468,073	6,436,505	1,848,441	4,632,459	50,008,631	100,394,109
Corporate notes payable	-	-	-	2,987,685	-	2,987,685
Accrued expenses and other liabilities	-	-	-	-	2,509,413	2,509,413
Total Liabilities	37,468,073	6,436,505	1,848,441	7,620,144	52,518,044	105,891,207
Equity	-	-	-	-	13,875,751	13,875,751
Total Liabilities and Equity	<u>37,468,073</u>	<u>6,436,505</u>	<u>1,848,441</u>	<u>7,620,144</u>	<u>66,393,795</u>	<u>119,766,958</u>
On-book Gap	<u>25,100,298</u>	<u>6,711,765</u>	<u>8,998,140</u>	<u>18,912,871</u>	(<u>59,723,074</u>)	<u>-</u>
Cumulative On-book Gap	<u>25,100,298</u>	<u>31,812,063</u>	<u>40,810,203</u>	<u>59,723,074</u>	<u>-</u>	<u>-</u>
Contingent Resources	-	-	-	-	2,512,019	2,512,019
Contingent Liabilities	-	-	-	-	-	-
Off-book Gap	-	-	-	-	2,512,019	2,512,019
Net Periodic Gap	<u>25,100,298</u>	<u>6,711,765</u>	<u>8,998,140</u>	<u>18,912,871</u>	(<u>57,211,055</u>)	<u>2,512,019</u>
Cumulative Total Gap	<u>P25,100,298</u>	<u>P31,812,063</u>	<u>P40,810,203</u>	<u>P59,723,074</u>	<u>P 2,512,019</u>	<u>P -</u>

* 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):

	<u>2021</u>	<u>2020</u>
<u>VaR Position:</u>		
Financial assets at FVPL	P 2,482,212	P 12,100,923
Financial assets at FVOCI	11,989,396	4,950,636
<u>VaR Ranges:</u>		
Minimum	91,264	26,347
Maximum	171,283	562,306
Average	132,670	134,895

Stress test on the December 31, 2021 and 2020 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):

		<u>2021</u>		
<u>Currency</u>	<u>Current Market Value</u>	<u>Sensitivities</u>		
		<u>+100 bps</u>	<u>+300 bps</u>	<u>+500 bps</u>
Philippine peso	P 10,783,931	(P 554,256)	(P 1,662,768)	(P 2,771,281)
US dollar	<u>3,687,677</u>	<u>(451,726)</u>	<u>(1,355,179)</u>	<u>(2,258,631)</u>
Total	<u>P 14,471,608</u>	<u>(P 1,005,982)</u>	<u>(P 3,017,947)</u>	<u>(P 5,029,912)</u>

		2020			
Currency		Current Market Value	Sensitivities		
			+100 bps	+300 bps	+500 bps
Philippine peso	P	12,066,722	(P 528,155)	(P 1,584,466)	(P 2,640,777)
US dollar		<u>4,984,837</u>	<u>(442,865)</u>	<u>(1,328,595)</u>	<u>(2,214,324)</u>
Total	P	<u>17,051,559</u>	<u>(P 971,020)</u>	<u>(P 2,913,061)</u>	<u>(P 4,855,101)</u>

(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, 2021 and 2020 follows (amounts in thousands).

	<u>Less than One Month</u>	<u>One to Three Months</u>	<u>Three Months to One Year</u>	<u>More than One Year</u>	<u>Total</u>
2021					
<i>Resources:</i>					
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*	<u>91,410</u>	<u>172,148</u>	<u>6,063</u>	<u>3,072,927</u>	<u>3,342,548</u>
Total Resources	<u>27,393,366</u>	<u>4,753,578</u>	<u>12,522,986</u>	<u>87,362,344</u>	<u>132,032,274</u>
<i>Liabilities and Equity:</i>					
Deposit liabilities	97,058,339	8,969,261	2,323,395	4,066,716	112,417,711
Corporate notes payable	-	-	2,995,353	-	2,995,353
Accrued expenses and other liabilities	<u>1,278,142</u>	<u>10,760</u>	<u>168,575</u>	<u>698,653</u>	<u>2,156,130</u>
Total Liabilities	98,336,481	8,980,021	5,487,323	4,765,369	117,569,194
Equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,463,080</u>	<u>14,463,080</u>
Total Liabilities and equity	<u>98,336,481</u>	<u>8,980,021</u>	<u>5,487,323</u>	<u>19,228,449</u>	<u>132,032,274</u>
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	<u>498,002</u>	<u>4,699</u>	<u>-</u>	<u>-</u>	<u>502,701</u>
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 -

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.
Forward

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
<u>2020</u>					
<i>Resources:</i>					
Cash and other cash items	P 1,762,973	P -	P -	P -	P 1,762,973
Due from BSP	5,112,525	-	-	-	5,112,525
Due from other banks	2,528,609	-	-	-	2,528,609
Trading and investment securities	867,047	66,996	271,522	16,671,400	17,876,965
Loans and other receivables	19,973,151	18,027,124	12,666,091	38,609,723	89,276,089
Other resources*	<u>919,273</u>	<u>394,578</u>	<u>193,206</u>	<u>1,702,740</u>	<u>3,209,797</u>
Total Resources	<u>31,163,578</u>	<u>18,488,698</u>	<u>13,130,819</u>	<u>56,983,863</u>	<u>119,766,958</u>
<i>Liabilities and Equity:</i>					
Deposit liabilities	87,476,705	6,434,505	1,848,440	4,632,459	100,394,109
Corporate notes payable	-	-	-	2,987,685	2,987,685
Accrued expenses and other liabilities	<u>635,612</u>	<u>69,477</u>	<u>600,692</u>	<u>1,185,632</u>	<u>2,509,413</u>
Total Liabilities	88,130,317	6,505,982	2,449,132	8,805,776	105,891,207
Equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,875,751</u>	<u>13,875,751</u>
Total Liabilities and equity	<u>88,130,317</u>	<u>6,505,982</u>	<u>2,449,132</u>	<u>22,681,527</u>	<u>119,766,958</u>
On-book Gap	(56,966,739)	11,982,716	10,681,687	34,302,336	-
Cumulative On-book Gap	(56,966,739)	(44,984,023)	(34,302,336)	-	-
Contingent Resources	1,662,164	565,734	284,121	-	2,512,019
Contingent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Off-book Gap	<u>1,662,164</u>	<u>565,734</u>	<u>284,121</u>	<u>-</u>	<u>2,512,019</u>
Net Periodic Gap	(55,304,575)	12,548,450	10,965,808	34,302,336	2,512,019
Cumulative Total Gap	(P 55,304,575)	(P 42,756,125)	(P 31,790,317)	P 2,512,019	P -

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.
Forward

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, and RA No. 10365 in March 2003, June 2012 and February 2013, 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. 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 (MLPP) 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 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, and in some cases such as a politically exposed person or a private individual holding a prominent position, Group Head approval is necessary.

The Bank’s procedures for compliance with the AMLA are set out in its MLPP. The Bank’s Compliance Officer, through the Anti-Money Laundering Department (AMLDD), monitors AMLA compliance and conducts regular compliance testing of business units.

The AMLDD requires all banking units to submit to the Compliance Office certificates of compliance with the Anti-Money Laundering Rules and Regulations on a quarterly basis.

The Compliance Officer regularly reports to the Corporate Governance and to the BOD 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, 2021, 2020 and 2019 (amounts in millions):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Tier 1 Capital	P 13,254	P 12,939	P 11,997
Tier 2 Capital	<u>893</u>	<u>858</u>	<u>842</u>
Total Qualifying Capital	<u>P 14,147</u>	<u>P 13,797</u>	<u>P 12,839</u>
Risk Weighted Assets:			
Credit Risk Weighted Assets	P 109,690	P 85,745	P 84,133
Operational Risk Weighted Assets	7,927	6,375	5,051
Market Risk Weighted Assets	<u>2,055</u>	<u>5,379</u>	<u>4,544</u>
Total Risk-Weighted Assets	<u>P 119,672</u>	<u>P 97,499</u>	<u>P 93,728</u>
Capital ratios:			
Total qualifying capital expressed as percentage of total risk-weighted assets	11.8%	14.2%	14.1%
Net Tier 1 capital expressed as percentage of total risk-weighted assets	11.1%	13.3%	13.1%

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, 2021 and 2020, 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, 2021 and 2020, 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.

The Bank's MLR are analyzed below (amounts in millions except MLR figure).

	<u>2021</u>	<u>2020</u>
Eligible stock liquid assets	P 39,631	P 27,303
Total qualifying liabilities	<u>135,734</u>	<u>102,624</u>
MLR	<u>29.20%</u>	<u>26.60%</u>

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:

	<u>Notes</u>	<u>Carrying Values</u>	<u>Fair Values</u>
<u>December 31, 2021:</u>			
<i><u>Financial Assets</u></i>			
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	<u>11,989,395,564</u>	<u>11,989,395,564</u>
		<u>P 128,824,212,872</u>	<u>P 135,716,982,035</u>

	<u>Notes</u>	<u>Carrying Values</u>	<u>Fair Values</u>
<i><u>Financial Liabilities</u></i>			
At amortized cost:			
Deposit liabilities	16	P 112,417,711,167	P 154,133,982,421
Corporate notes payable	17	2,995,352,640	2,995,352,640
Accrued expenses and other liabilities	18	<u>1,429,598,435</u>	<u>1,429,598,435</u>
		<u>P 116,842,662,242</u>	<u>P 158,558,933,496</u>

December 31, 2020:

<i><u>Financial Assets</u></i>			
At amortized cost:			
Cash and other cash items	9	P 1,762,972,825	P 1,762,972,825
Due from BSP	9	5,112,525,249	5,112,525,249
Due from other banks	10	2,528,609,425	2,528,609,425
Investment securities – net	11	825,405,715	868,494,524
Loans and other receivables – net	12	89,276,088,648	90,306,620,294
Other resources	15	106,414,181	106,414,181
At fair value:			
FVPL securities	11	12,100,923,139	12,100,923,139
FVOCI securities	11	<u>4,950,635,772</u>	<u>4,950,635,772</u>
		<u>P 116,663,574,954</u>	<u>P 117,737,195,409</u>

<i><u>Financial Liabilities</u></i>			
At amortized cost:			
Deposit liabilities	16	P 100,394,108,997	P 100,338,482,681
Corporate notes payable	17	2,987,685,274	2,831,439,904
Accrued expenses and other liabilities	18	<u>2,268,281,937</u>	<u>2,268,281,937</u>
		<u>P 105,650,076,208</u>	<u>P 105,438,204,522</u>

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	Collateral received	Net amount
December 31, 2021				
Loans and receivables – net	P 91,674,544,156	(P 3,312,711,176)	P -	P 88,361,832,980
Deposit liabilities	112,417,711,167	(3,312,711,176)	-	109,104,999,991
December 31, 2020				
Loans and receivables – net	P 89,276,088,648	(P 2,741,176,857)	P -	P 86,534,911,791
Deposit liabilities	100,394,108,997	(2,741,176,857)	-	97,652,932,140

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, 2021 and 2020 (amounts in millions).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2021</u>				
Financial assets at FVPL				
Government debt securities	P 388	P -	P -	P 388
Corporate debt securities	<u>2,094</u>	<u>-</u>	<u>-</u>	<u>2,094</u>
	<u>P 2,482</u>	<u>P -</u>	<u>P -</u>	<u>P 2,482</u>
Financial assets at FVOCI				
Government debt securities	P 11,180	P -	P -	P 11,180
Corporate debt securities	<u>809</u>	<u>-</u>	<u>-</u>	<u>809</u>
	<u>P 11,989</u>	<u>P -</u>	<u>P -</u>	<u>P 11,989</u>
<u>December 31, 2020</u>				
Financial assets at FVPL				
Government debt securities	P 925	P -	P -	P 925
Corporate debt securities	<u>11,176</u>	<u>-</u>	<u>-</u>	<u>11,176</u>
	<u>P 12,101</u>	<u>P -</u>	<u>P -</u>	<u>P 12,101</u>
Financial assets at FVOCI				
Government debt securities	P 4,597	P -	P -	P 4,597
Corporate debt securities	<u>354</u>	<u>-</u>	<u>-</u>	<u>354</u>
	<u>P 4,951</u>	<u>P -</u>	<u>P -</u>	<u>P 4,951</u>

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-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).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2021</u>				
<i>Financial Assets:</i>				
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	<u>91</u>	<u>-</u>	<u>43</u>	<u>134</u>
	<u>P 25,175</u>	<u>P -</u>	<u>P 96,070</u>	<u>P 121,245</u>
<i>Financial Liabilities:</i>				
Deposit liabilities	P -	P -	P 154,134	P 154,134
Corporate notes payable	-	-	2,995	2,995
Accrued expenses and other liabilities	<u>-</u>	<u>-</u>	<u>1,430</u>	<u>1,430</u>
	<u>P -</u>	<u>P -</u>	<u>P 158,559</u>	<u>P 158,559</u>
<u>December 31, 2020</u>				
<i>Financial Assets:</i>				
Cash and other cash items	P 1,763	P -	P -	P 1,763
Due from BSP	5,113	-	-	5,113
Due from other banks	2,529	-	-	2,529
Investment securities at amortized cost	868	-	-	868
Loans and other receivables	1,595	-	88,712	90,307
Other financial assets	<u>65</u>	<u>-</u>	<u>41</u>	<u>106</u>
	<u>P 11,933</u>	<u>P -</u>	<u>P 88,753</u>	<u>P 100,686</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial Liabilities:</i>				
Deposit liabilities	P -	P -	P 100,338	P 100,338
Corporate notes payable	-	-	2,831	2,831
Accrued expenses and other liabilities	<u>-</u>	<u>-</u>	<u>2,268</u>	<u>2,268</u>
	<u>P -</u>	<u>P -</u>	<u>P 105,437</u>	<u>P 105,437</u>

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.

(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 P1,030.3 million and P699.1 million as of December 31, 2021 and 2020, 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 2021 and 2020.

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 2021, 2020 and 2019 are as follows (amounts in millions):

	<u>Consumer</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Total</u>
<u>2021</u>				
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	-	546	(363)	183
	<u>115</u>	<u>5,279</u>	<u>285</u>	<u>5,679</u>
Expenses				
Operating expenses excluding depreciation and amortization	54	3,355	301	3,710
Depreciation and amortization	<u>14</u>	<u>204</u>	<u>88</u>	<u>306</u>
	<u>68</u>	<u>3,559</u>	<u>389</u>	<u>4,016</u>
Segment operating income	<u>P 47</u>	<u>P 1,720</u>	<u>(P 104)</u>	<u>P 1,663</u>
Total resources and liabilities				
Total resources	<u>P 6,107</u>	<u>P 87,709</u>	<u>P 38,216</u>	<u>P 132,032</u>
Total liabilities	<u>P 5,473</u>	<u>P 77,856</u>	<u>P 34,240</u>	<u>P 117,569</u>
<u>2020</u>				
Net interest and other income				
From external customers				
Interest income	P 5,871	P 646	P 586	P 7,103
Interest expense	(1,220)	(134)	(122)	(1,476)
Net interest income	4,651	512	464	5,627
Non-interest income	<u>421</u>	-	<u>746</u>	<u>1,167</u>
	<u>5,072</u>	<u>512</u>	<u>1,210</u>	<u>6,794</u>
Expenses				
Operating expenses excluding depreciation and amortization	4,824	318	214	5,356
Depreciation and amortization	<u>210</u>	<u>15</u>	<u>55</u>	<u>280</u>
	<u>5,034</u>	<u>333</u>	<u>269</u>	<u>5,636</u>
Segment operating income	<u>P 38</u>	<u>P 179</u>	<u>P 941</u>	<u>P 1,158</u>
Total resources and liabilities				
Total resources	<u>P 84,720</u>	<u>P 5,862</u>	<u>P 29,185</u>	<u>P 119,767</u>
Total liabilities	<u>P 79,600</u>	<u>P 5,537</u>	<u>P 20,754</u>	<u>P 105,891</u>

	<u>Consumer</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Total</u>
<u>2019</u>				
Net interest and other income				
From external customers				
Interest income	P 543	P 6,005	P 547	P 7,095
Interest expense	(195)	(2,153)	(196)	(2,544)
Net interest income	348	3,852	351	4,551
Non-interest income	-	492	293	785
	<u>348</u>	<u>4,344</u>	<u>644</u>	<u>5,336</u>
Expenses				
Operating expenses				
excluding depreciation	221	2,954	189	3,364
and amortization				
Depreciation and	16	224	49	289
amortization	<u>237</u>	<u>3,178</u>	<u>238</u>	<u>3,653</u>
Segment operating income	<u>P 111</u>	<u>P 1,166</u>	<u>P 406</u>	<u>P 1,683</u>
Total resources and liabilities				
Total resources	<u>P 6,481</u>	<u>P 82,021</u>	<u>P 24,026</u>	<u>P 112,528</u>
Total liabilities	<u>P 5,646</u>	<u>P 76,333</u>	<u>P 16,609</u>	<u>P 98,588</u>

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).

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net interest and other income			
Total segment revenues	P 5,679	P 6,794	P 5,336
Unallocated income	<u>383</u>	<u>3</u>	<u>12</u>
Net interest and other income			
as reported in profit or loss	<u>P 6,062</u>	<u>P 6,797</u>	<u>P 5,348</u>
Profit or loss			
Total segment operating income	P 1,663	P 1,158	P 1,683
Unallocated profit	<u>130</u>	<u>39</u>	<u>10</u>
Net profit before tax as reported			
in profit or loss	<u>P 1,793</u>	<u>P 1,197</u>	<u>P 1,693</u>
Resources			
Total segment resources	P 132,032	P 119,767	P 112,528
Unallocated assets	<u>-</u>	<u>-</u>	<u>1,564</u>
Total resources	<u>P 132,032</u>	<u>P 119,767</u>	<u>P 114,092</u>
Liabilities			
Total segment liabilities	P 117,569	P 105,891	P 98,588
Unallocated liabilities	<u>-</u>	<u>-</u>	<u>2,636</u>
Total liabilities	<u>P 117,569</u>	<u>P 105,891</u>	<u>P 101,224</u>

The Bank has no intersegment revenues during 2021, 2020 and 2019.

9. CASH AND DUE FROM BSP

This account is composed of the following (see also Note 4.3.2):

	<u>2021</u>	<u>2020</u>
Cash and other cash items	<u>P 1,430,787,675</u>	<u>P 1,762,972,825</u>
Due from BSP		
Mandatory reserves	<u>792,326,215</u>	<u>612,525,249</u>
Other than mandatory reserves	<u>15,961,702,127</u>	<u>4,500,000,000</u>
	<u>16,754,028,342</u>	<u>5,112,525,249</u>
	<u>P 18,184,816,017</u>	<u>P 6,875,498,074</u>

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:

<u>2021</u>	<u>2020</u>	<u>2019</u>
1.5% – 2.0%	1.5% – 4.0%	4.0% – 4.8%

The total interest income earned in 2021, 2020 and 2019 amounted to P202.1 million, P116.1 million and P10.4 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 (see also Note 4.3.2):

	<u>2021</u>	<u>2020</u>
Local banks	<u>P 2,323,873,120</u>	<u>P 1,690,931,962</u>
Foreign banks	<u>1,151,097,203</u>	<u>837,677,463</u>
	<u>P 3,474,970,323</u>	<u>P 2,528,609,425</u>

Interest rates on these deposits range 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 2021, 2020 and 2019 amounted to P2.8 million, P8.1 million and P21.7 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	2021	2020
Financial assets at FVPL	11.1	P 2,482,213,020	P12,100,923,139
Financial assets at FVOCI	4.3.2, 11.2	11,989,395,564	4,950,635,772
Investment securities at amortized cost – net	4.3.2, 11.3	<u>883,787,046</u>	<u>825,405,715</u>
		<u>P 15,355,395,630</u>	<u>P17,876,964,626</u>

Interest income on trading and investment securities consists of:

	2021	2020	2019
Investment securities at FVPL			
Government debt securities	P 96,776,353	P 75,863,938	P129,678,055
Corporate bonds	75,409,678	43,633,414	32,626,579
Investment securities at FVOCI			
Government debt securities	275,910,094	240,068,725	155,244,585
Corporate bonds	59,363,525	55,279,605	73,035,555
Investment securities at amortized cost			
Government debt securities	29,026,227	30,032,388	28,828,197
Corporate bonds	<u>6,862,672</u>	<u>17,089,218</u>	<u>18,925,965</u>
	<u>P543,348,549</u>	<u>P461,967,288</u>	<u>P438,338,936</u>

Trading gains (losses) – net consist of the following:

	2021	2020	2019
Investment securities at FVPL			
Realized	(P250,260,387)	P309,469,887	P 307,094,405
Unrealized	(20,725,999)	95,223,781	(15,366,425)
	(270,986,386)	404,693,668	291,727,980
Investment securities at FVOCI	17,016,471	344,639,026	3,585,956
Investment securities at amortized cost	-	-	(2,614,440)
	<u>(P253,969,915)</u>	<u>P749,332,694</u>	<u>P 292,699,496</u>

11.1 Investment Securities at FVPL

The account is composed of the following:

	2021	2020
Corporate bonds	P 2,094,229,968	P11,175,588,429
Government debt securities	<u>387,983,052</u>	<u>925,334,710</u>
	<u>P 2,482,213,020</u>	<u>P12,100,923,139</u>

Effective interest rates of investment securities at FVPL range from:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Government debt securities	1.3% – 2.6%	2.5% – 6.3%	3.7% – 8.0%
Corporate bonds	2.8% – 7.3%	3.0% – 7.3%	3.0% – 5.8%

11.2 Investment Securities at FVOCI

The account is composed of the following:

	<u>2021</u>	<u>2020</u>
Government debt securities	P 11,179,968,102	P 4,597,042,213
Corporate bonds	<u>809,427,462</u>	<u>353,593,559</u>
	<u>P 11,989,395,564</u>	<u>P 4,950,635,772</u>

Effective interest rates of investment securities at FVOCI range from:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Government debt securities	2.5% – 7.3%	4.8% – 5.8%	3.5% – 6.9%
Corporate bonds	3.0% – 7.2%	3.7% – 5.8%	4.8% – 5.8%

There were no additional provision for probable loss made in 2021, 2020, and 2019.

In compliance with current banking regulations relative to the Bank's trust functions, certain securities of the Bank, with a face value of P144.8 million, P145.0 million and P80.0 million as of December 31, 2021, 2020 and 2019, respectively, are deposited with the BSP (see Note 26).

Changes in the investment securities at FVOCI are summarized below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 4,950,635,772	P 9,223,102,447
Additions	16,899,893,203	919,018,601
Maturities	(9,063,541,111)	-
Fair value gains (losses)	(583,161,256)	69,879,457
Disposals and redemptions	(261,580,600)	(5,118,285,044)
Foreign currency revaluation	74,935,545	(95,954,725)
Amortization of premium	<u>(27,785,989)</u>	<u>(47,124,964)</u>
Balance at end of year	<u>P 11,989,395,564</u>	<u>P 4,950,635,772</u>

The reconciliation of unrealized fair value gains (losses) (NUGL) on investment securities at FVOCI reported in equity is shown below (see also Note 20.5).

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P 457,765,830	P 387,886,373	(P 132,717,700)
Changes on unrealized fair value gains (losses) during the year:			
Fair value gains (losses) during the year	(566,144,785)	414,518,483	524,190,029
Realized fair value gains on securities disposed during the year – net	(<u>17,016,471</u>)	(<u>344,639,026</u>)	(<u>3,585,956</u>)
Balance at end of year	(P <u>125,395,426</u>)	P <u>457,765,830</u>	P <u>387,886,373</u>

11.3 Investment Securities at Amortized Cost

This account is composed of the following:

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Government securities		P 631,915,575	P 637,023,655
Corporate bonds		<u>253,489,411</u>	<u>190,000,000</u>
	4.3.2	885,404,986	827,023,655
Allowance for impairment	4.3.2	(<u>1,617,940</u>)	(<u>1,617,940</u>)
		P <u>883,787,046</u>	P <u>825,405,715</u>

The reconciliation of the carrying amounts of investment securities at amortized cost in are presented below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 825,405,715	P 853,464,020
Additions	208,273,009	123,022,531
Maturities and redemptions	(155,825,123)	(155,738,699)
Amortization of discount	<u>5,933,445</u>	<u>4,657,863</u>
Balance at end of year	P <u>883,787,046</u>	P <u>825,405,715</u>

Effective interest rates of investment securities at amortized cost range from:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Government debt securities	1.4% – 7.5%	3.5% – 8.1%	3.5% – 8.1%
Corporate bonds	3.7%	4.0% – 6.2%	3.2% – 6.2%

12. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Receivable from customers:			
Loans and discounts		P 91,995,855,801	P 86,721,963,894
Unearned discount		(143,364,376)	(266,526,833)
		91,852,491,425	86,455,437,061
Customers' liabilities on acceptances, letters of credit and trust receipts		5,182,455	3,714,839,270
		91,857,673,880	90,170,276,331
Other receivables:			
SPURRA		2,538,411,628	1,594,893,958
Accrued interest receivable		1,031,264,167	1,046,441,533
Accounts receivable		360,123,269	122,353,568
Deficiency claims receivable		59,116,639	68,115,638
Sales contract receivable		42,335,023	47,994,123
		4,031,250,726	2,879,798,820
	4.3.2	95,888,924,606	93,050,075,151
Allowance for ECL	4.3.2, 27	(4,214,380,450)	(3,773,986,503)
		P 91,674,544,156	P89,276,088,648

SPURRA are secured by certain treasury bills of the BSP. SPURRA, which represent loans and receivables from BSP as of December 31, 2021 and 2020, 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€.

Of the total loans and discounts of the Bank as of December 31, 2021 and 2020, 81.0% and 73.6%, respectively, are subject to periodic interest repricing.

Annual effective interest rates range from:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Loans and discounts	0.0% – 189.7%	0.8% – 189.7%	0.8% – 141.6%
Other receivables	2.0% – 12.0%	3.34% – 12.0%	4.0% – 12.0%

The total interest income earned amounted to:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Loans and discounts	P 5,581,166,828	P 6,507,773,693	P 6,598,377,572
Other receivables	<u>5,171,325</u>	<u>9,210,892</u>	<u>25,336,932</u>
	<u>P 5,586,338,153</u>	<u>P 6,516,984,585</u>	<u>P 6,623,714,504</u>

Interest income recognized on impaired loans and other receivables amounted to P12.5 million, P98.1 million and P41.5 million in 2021, 2020 and 2019, respectively.

Certain qualified micro, small and medium enterprises (MSME) loans with outstanding balance of P8,356.6 million and P9,102.4 million (gross of allowance for impairment) as of December 31, 2021, and 2020, 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 2021 and 2020 are shown below.

	<u>Land</u>	<u>Building</u>	<u>Furniture Fixtures and Equipment</u>	<u>Transportation Equipment</u>	<u>Leasehold Improve- ments</u>	<u>Right-of-use Asset</u>	<u>Total</u>
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	<u>P 90,802,205</u>	<u>P 100,891,714</u>	<u>P 136,667,197</u>	<u>P 38,566,149</u>	<u>P 62,561,340</u>	<u>P 192,316,415</u>	<u>P 621,805,020</u>
December 31, 2020							
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	<u>P 90,802,205</u>	<u>P 68,288,034</u>	<u>P 156,490,270</u>	<u>P 37,556,717</u>	<u>P 70,067,034</u>	<u>P 266,761,880</u>	<u>P 689,966,140</u>
January 1, 2020							
Cost	P 90,802,205	P 135,701,007	P 541,452,440	P 166,951,888	P 652,996,138	P 410,238,138	P 1,998,141,816
Accumulated depreciation and amortization	-	(65,234,386)	(393,295,697)	(116,212,403)	(558,088,177)	(111,948,089)	(1,244,778,752)
Net carrying amount	<u>P 90,802,205</u>	<u>P 70,466,621</u>	<u>P 148,156,743</u>	<u>P 50,739,485</u>	<u>P 94,907,961</u>	<u>P 298,290,049</u>	<u>P 753,363,064</u>

A reconciliation of the carrying amounts at the beginning and end of 2021 and 2020 is shown below.

	<u>Land</u>	<u>Building</u>	<u>Furniture Fixtures and Equipment</u>	<u>Transportation Equipment</u>	<u>Leasehold Improve- ments</u>	<u>Right-of-use Asset</u>	<u>Total</u>
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	<u>P 90,802,205</u>	<u>P 100,891,714</u>	<u>P 136,667,197</u>	<u>P 38,566,149</u>	<u>P 62,561,340</u>	<u>P 192,316,415</u>	<u>P 621,805,020</u>

	Land	Building	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Right-of-use Asset	Total
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	<u>P 90,802,205</u>	<u>P 68,288,034</u>	<u>P 156,490,270</u>	<u>P 37,556,717</u>	<u>P 70,067,034</u>	<u>P 266,761,880</u>	<u>P 689,966,140</u>
Balance at January 1, 2019 net of accumulated depreciation and amortization	P 90,802,205	P 70,736,330	P 159,405,812	P 60,062,317	P 94,272,173	P 306,359,326	P 781,638,163
Additions	-	5,105,810	39,282,912	15,734,870	46,344,950	90,382,680	196,851,222
Transfer from merger	17,429,220	-	2,283,109	2,613,539	6,180,556	13,496,132	42,002,556
Disposals	(17,429,220)	(23,709)	(2,013,132)	(4,621,437)	(264,452)	-	(24,351,950)
Depreciation and amortization charges for the year	-	(5,351,810)	(50,801,958)	(23,049,804)	(51,625,266)	(111,948,089)	(242,776,927)
Balance at December 31, 2019 net of accumulated depreciation and charges for the year	<u>P 90,802,205</u>	<u>P 70,466,621</u>	<u>P 148,156,743</u>	<u>P 50,739,485</u>	<u>P 94,907,961</u>	<u>P 298,290,049</u>	<u>P 753,363,064</u>

As of December 31, 2021 and 2020, the cost of the Bank's fully depreciated bank premises, furniture, fixtures, and equipment that are still used in operations amounts to P214.3 million and P194.9 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, 2021, and 2020, 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 4.0% to 10.0% in both 2021 and 2020.

Each lease imposes a restriction that the right-of-use asset 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 2021 and 2020 are shown below.

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
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	<u>P 586,807,948</u>	<u>P 72,897,009</u>	<u>P 659,704,957</u>
December 31, 2020			
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	<u>P 458,690,307</u>	<u>P 41,189,884</u>	<u>P 499,880,191</u>
January 1, 2020			
Cost	P 485,199,990	P 115,561,340	P 600,761,330
Accumulated depreciation	-	(70,661,732)	(70,661,732)
Allowance for impairment	(30,485,508)	(5,245,891)	(35,731,399)
Net carrying amount	<u>P 454,714,482</u>	<u>P 39,653,717</u>	<u>P 494,368,199</u>

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2021 and 2020 are shown below.

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
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	<u>P 586,807,948</u>	<u>P 72,897,009</u>	<u>P 659,704,957</u>

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
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	<u>-</u>	<u>(10,974,361)</u>	<u>(10,974,361)</u>
Balance at December 31, 2020, net of accumulated depreciation and impairment	<u>P 458,690,307</u>	<u>P 41,189,884</u>	<u>P 499,880,191</u>
Balance at January 1, 2019, net of accumulated depreciation and impairment	P 379,994,480	P 49,255,999	P 429,250,479
Additions	124,734,836	15,420,235	140,155,071
Transfer from merger	6,786,750	10,544,250	17,331,000
Disposals	(63,575,659)	(25,311,128)	(88,886,787)
Depreciation for the year	-	(10,255,639)	(10,255,639)
Reversal of impairment loss	<u>6,774,075</u>	<u>-</u>	<u>6,774,075</u>
Balance at December 31, 2019, net of accumulated depreciation and impairment	<u>P 454,714,482</u>	<u>P 39,653,717</u>	<u>P 494,368,199</u>

As of December 31, 2021 and 2020, foreclosed investment properties still subject to redemption period by the borrowers amount to P513.03 million and P26.4 million, respectively.

Gain on sale of investment properties amounted to P9.9 million and P5.1 million in 2021 and 2020, respectively, which are presented as part of Gain on sale of properties under Miscellaneous Income in the 2021 and 2020 statements of profit or loss, respectively, while loss on sale amounted to P2.1 million in 2019 and presented as Loss on sale of properties under Miscellaneous Expense in the 2019 statement of profit or loss (see Notes 21.1 and 21.2).

Expenses incurred on investment properties include real property taxes and depreciation. Real property taxes incurred on these investment properties amounted to P37.7 million, P19.7 million and P27.8 million in 2021, 2020 and 2019, 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 21.2). 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 P1,030.3 million and P699.1 million as of December 31, 2021 and 2020, respectively (see also Note 7.4).

15. OTHER RESOURCES

This account consists of the following as of December 31:

	Notes	2021	2020
Branch licenses	15.2	250,800,000	P 250,811,200
Goodwill	15.3	121,890,408	121,890,408
Computer software – net	15.1	117,577,998	127,441,973
Foreign currency notes and coins on hand	6	91,409,702	65,298,662
Other acquired assets – net	15.4	75,061,542	26,722,990
Due from head office or branches		65,094,128	5,982,801
Prepaid expenses		55,422,792	103,275,938
Security deposits	6	43,077,044	41,115,519
Club shares		38,000,000	38,000,000
Stationery and supplies		28,192,348	22,947,439
Sundry debits		3,886,784	7,172,273
Miscellaneous	15.5	30,027,172	73,785,970
		920,439,918	884,445,173
Allowance for impairment		(1,654,737)	(1,654,737)
		P 918,785,181	P 882,790,436

15.1 Computer Software

Movements in computer software are shown below.

	2021	2020
Balance at beginning of year	P 127,441,973	P 131,311,285
Additions	35,893,357	34,517,537
Amortization	(45,757,332)	(38,386,849)
Balance at end of year	P 117,577,998	P 127,441,973

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, 2.18 and 3.2(g), 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 2021 include using a discount rate of 10.0% and terminal value growth rate of 6.5%.

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, 2021 and 2020, 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)		<u>12,498,367</u>
	P	<u>121,890,408</u>

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 shall acquire all the assets of BLSB and assume 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(g), 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 2021 and 2020, the discount rates applied to cash flow projections are 10.0% and 6.8%, respectively, while the growth rates used to extrapolate cash flows for the five-year period are 6.5% both for 2021 and 2020, 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, 2021 and 2020, 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.

	<u>2021</u>	<u>2020</u>
Cost		
Balance at beginning of year	P 35,626,806	P 17,805,447
Additions	137,609,115	23,968,524
Disposals	(80,410,880)	(6,147,165)
Balance at end of year	<u>92,825,041</u>	<u>35,626,806</u>
Accumulated depreciation		
Balance at beginning of year	8,903,816	7,751,396
Depreciation	11,210,583	3,517,855
Disposals	(2,350,900)	(2,365,435)
Balance at end of year	<u>17,763,499</u>	<u>8,903,816</u>
	<u>P 75,061,542</u>	<u>P 26,722,990</u>

As of December 31, 2021 and 2020, repossessed chattel properties still subject to redemption period by the borrowers amount to P137.7 million and P24.0 million, respectively.

Gain on disposal of the assets amounted to P0.1 million in 2021 and loss on disposal amounted to P1.8 million and P0.2 million in 2020 and 2019, respectively, which were presented in the statements of profit or loss as part of Loss on sale of properties under Miscellaneous Expenses (see Notes 21.2).

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:

	<u>2021</u>	<u>2020</u>
Philippine peso	P105,400,631,735	P 93,134,104,459
Foreign currencies	<u>7,017,079,432</u>	<u>7,260,004,538</u>
	<u>P 112,417,711,167</u>	<u>P100,394,108,997</u>

Annual interest rates on deposit liabilities range from:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Philippine peso	0.1% – 1.5%	0.1% – 1.5%	0.1% – 4.7%
Foreign currencies	0.1% – 1.0%	0.1% – 0.9%	0.1% – 2.3%

Total interest expense amounted to:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Time	P 587,522,775	P 1,191,974,953	P 2,263,978,792
Savings	56,654,969	59,904,351	72,351,760
Demand	<u>37,148</u>	<u>113,933</u>	<u>283,624</u>
	<u>P 644,214,892</u>	<u>P 1,251,993,237</u>	<u>P 2,336,614,176</u>

Deposit liabilities as of December 31, 2021 and 2020 include those that are from DOSRI as of December 31, 2021 and 2020 (see Note 23.1).

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 in 2021 (see Note 12).

The Bank's available reserves as of December 31, 2021 and 2020 amount to P9,148.9 million and P9,714.9 million, respectively, and is compliant with these BSP regulations (see Notes 9 and 12).

17. 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.

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, 2021 and 2020, the Bank is compliant with the covenant.

Unamortized bond issue cost amounted to P4.7 million and P12.3 million as of December 31, 2021 and 2020, respectively. 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 2021, 2020, and 2019 amounted to P171.2 million, P171.7 million, and P71.7 million, respectively.

18. ACCRUED EXPENSES AND OTHER LIABILITIES

18.1 Accrued Expenses and Other Liabilities

The breakdown of this account follows:

	Notes	2021	2020
Accrued expenses		P 739,160,760	P 712,009,483
Accounts payable		435,428,790	740,445,552
Manager's checks		328,280,215	224,187,639
Lease liabilities	18.2	249,826,430	310,084,402
Income tax payable		139,397,340	83,145,828
Post-employment defined benefit obligation	22.2	75,815,072	81,350,069
Due to BSP		51,055,370	51,842,067
Withholding taxes payable		39,937,869	157,985,337
Outstanding acceptances		5,182,455	8,392,543
Payment orders payable		958,503	4,152,054
Others		<u>91,087,284</u>	<u>135,818,128</u>
		<u>P 2,156,130,088</u>	<u>P 2,509,413,102</u>

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.

Outstanding acceptances pertain to obligations recognized by the Bank in its undertaking arising from letters of credit extended to its borrowers.

Others primarily include SSS and Pag-IBIG premiums and loans payable, payment orders payable, sundry credits and unclaimed balances.

18.2 Lease Liabilities

The movements in the lease liability recognized are as follows:

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year		P 310,084,402	P 343,646,694
Additions		50,724,767	80,913,835
Payments of principal portion of lease liability	31	(110,982,739)	(114,476,127)
Balance at end of year		<u>P 249,826,430</u>	<u>P 310,084,402</u>

The total interest expense incurred on the lease liability amounted to P19.7 million and P25.5 million in 2021 and 2020, respectively, and is presented as Others under the Interest Expense section of statements of profit or loss.

As at December 31, 2021 and 2020, the Bank has no committed leases which had 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 P67.4 million and P25.1 million for 2021 and 2020, respectively, and is presented as part of Occupancy under Other Expenses in the statements of profit or loss.

At December 31, 2021 and 2020, the Bank is committed to short-term leases, and the total commitment at that date is P24.8 million and P18.3 million, respectively.

The maturity analysis of lease liabilities at December 31, 2021 and 2020 is as follows:

	<u>2021</u>			<u>2020</u>		
	<u>Lease Payments</u>	<u>Finance Charges</u>	<u>Net Present Value</u>	<u>Lease Payments</u>	<u>Finance Charges</u>	<u>Net Present Value</u>
First year	P 110,820,718	P 12,450,964	P 98,369,754	P 125,876,173	P 17,973,664	P 107,902,509
Second year	84,395,223	6,066,168	78,329,055	99,360,281	10,578,235	88,782,046
Third year	44,982,196	2,361,270	42,620,926	72,544,782	4,737,774	67,807,008
Fourth year	21,346,363	777,233	20,569,130	33,051,876	1,610,052	31,441,824
Fifth year	3,054,412	298,575	2,755,837	10,034,603	577,491	9,457,112
Beyond fifth year	<u>7,316,286</u>	<u>134,558</u>	<u>7,181,728</u>	<u>5,126,173</u>	<u>432,270</u>	<u>4,693,903</u>
	<u>P 271,915,198</u>	<u>P 22,088,768</u>	<u>P 249,826,430</u>	<u>P 345,993,888</u>	<u>P 35,909,486</u>	<u>P 310,084,402</u>

19. 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:

		2021			2020		
Notes		Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Resources							
Cash and other cash items	9	P 1,430,787,675	P -	P 1,430,787,675	P 1,762,972,825	P -	P 1,762,972,825
Due from BSP	9	16,754,028,342	-	16,754,028,342	5,112,525,249	-	5,112,525,249
Due from other banks	10	3,474,970,323	-	3,474,970,323	2,528,609,425	-	2,528,609,425
Loans and other receivables	12	40,035,907,534	51,638,636,622	91,674,544,156	39,625,758,947	49,650,329,701	89,276,088,648
Financial assets at FVPL	11.1	2,482,213,020	-	2,482,213,020	12,100,923,139	-	12,100,923,139
Financial assets at FVOCI	11.2	-	11,989,395,564	11,989,395,564	-	4,950,635,772	4,950,635,772
Investments at amortized cost	11.3	204,150,171	679,636,875	883,787,046	440,642,697	384,763,018	825,405,715
Other resources	15	91,409,702	43,077,044	134,486,746	65,298,662	41,115,519	106,414,181
		<u>P 64,473,466,767</u>	<u>P 64,350,746,105</u>	<u>P 128,824,212,872</u>	<u>P 61,636,730,944</u>	<u>P 55,026,844,010</u>	<u>P 116,663,574,954</u>
Non Financial Resources							
Bank premises, furnitures, fixtures and equipment - net	13	P -	P 621,805,020	P 621,805,020	P -	P 689,966,140	P 689,966,140
Investment properties - net	14	-	659,704,957	659,704,957	-	499,880,191	499,880,191
Deferred tax assets - net	24	-	1,142,253,206	1,142,253,206	-	1,137,160,918	1,137,160,918
Other resources	15	178,210,870	606,087,565	784,298,435	110,802,178	665,574,077	776,376,255
		<u>178,210,870</u>	<u>3,029,850,748</u>	<u>3,208,061,618</u>	<u>110,802,178</u>	<u>2,992,581,326</u>	<u>3,103,383,504</u>
		<u>P 64,651,677,637</u>	<u>P 67,380,596,853</u>	<u>P 132,032,274,490</u>	<u>P 61,747,533,122</u>	<u>P 58,019,425,336</u>	<u>P 119,766,958,458</u>
Financial Liabilities							
Deposit liabilities	16	P108,350,995,546	P 4,066,715,612	P 112,417,711,167	P 95,424,396,347	P 4,969,712,650	P 100,394,108,997
Corporate notes payable	17	-	2,995,352,640	2,995,352,640	-	2,987,685,274	2,987,685,274
Accrued expenses and other liabilities	18	1,278,141,759	151,456,676	1,429,598,435	1,984,749,975	283,531,962	2,268,281,937
		109,629,137,305	7,213,524,937	116,842,662,242	97,409,146,322	8,240,929,886	105,650,076,208
Non Financial Liabilities							
Accrued expenses and other liabilities	18	179,335,209	547,196,444	726,531,653	241,131,165	-	241,131,165
		<u>P109,808,472,514</u>	<u>P 7,760,721,381</u>	<u>P 117,569,193,895</u>	<u>P 97,650,277,487</u>	<u>P 8,240,929,886</u>	<u>P 105,891,207,373</u>

20. EQUITY

20.1 Capital Stock

Capital stock consists of:

	Number of Shares		Amount	
	2021	2020	2021	2020
Preferred shares – P10 par value				
Authorized – 130,000,000 shares				
Issued and outstanding	<u>62,000,000</u>	<u>62,000,000</u>	<u>P 620,000,000</u>	<u>P 620,000,000</u>
Common shares – P10 par value				
Authorized – 870,000,000 shares				
Issued and outstanding	<u>643,750,094</u>	<u>643,750,094</u>	<u>P 6,437,500,940</u>	<u>P 6,437,500,940</u>

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, 2021 and 2020, none of the preferred shares have been redeemed yet and the Bank is now considering conversion of the preferred shares to common shares instead. Both options require regulatory approvals which remains pending as at December 31, 2021.

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 20.4).

On August 16, 2021, during the special board 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 million divided into 1,370 million common shares with par value of P10 and 130 million preferred shares with par value of P10. As of the date of the approval of the financial statements, the SEC and BSP has yet to approve the Bank's application for the increase in authorized capital stock.

As of December 31, 2021 and 2020, the Bank has both 69 holders, of its listed common stock. The Bank has 643,750,094 common shares traded in the PSE as of December 31, 2021 and 2020 and its share price closed at P10.00 and P12.80, respectively, as at the same dates.

20.2 Dividends

On May 22, 2019, the Bank's BOD approved the declaration of cash dividend on preferred shares amounting to P198.0 million, which was fully paid on July 12, 2019 (see Note 28). The dividend was based on the cumulative balance of the outstanding preferred shares for the years 2014 to 2018. The cash dividends on preferred shares are analyzed as follows:

	<u>No. of Shares</u>		<u>Per Share</u>		<u>Total</u>
Tranche 1	1,200,000	P	40	P	48,000,000
Tranche 2	1,250,000		30		37,500,000
Tranche 3	3,750,000		30		<u>112,500,000</u>
				P	<u>198,000,000</u>

The Bank has no dividends in arrears on its preferred shares.

20.3 Appropriated Surplus

Reconciliation of appropriated surplus is as follows:

	<u>Trust Reserves</u>	<u>General Loan Loss Reserves</u>	<u>Total</u>
Balance at January 1, 2021	P 12,514,382	P 34,299,996	P 46,814,378
Appropriation during the year	<u>4,319,988</u>	<u>323,108,079</u>	<u>327,428,067</u>
Balance at December 31, 2021	<u>P 16,834,370</u>	<u>P 357,408,075</u>	<u>P 374,242,445</u>
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	<u>-</u>	<u>(497,526,898)</u>	<u>(497,526,898)</u>
Balance at December 31, 2020	<u>P 12,514,382</u>	<u>P 34,299,996</u>	<u>P 46,814,378</u>

	Trust Reserves	General Loan Loss Reserves	Total
Balance at January 1, 2019	P 8,308,525	P 725,378,798	P 733,687,323
Appropriation during the year	1,642,762	-	1,642,762
Reversal during the year	-	(193,551,904)	(193,551,904)
Balance at December 31, 2019	<u>P 9,951,287</u>	<u>P 531,826,894</u>	<u>P 541,778,181</u>

Trust reserves represents portion of the Bank's income from trust operations were made in compliance with BSP regulations (see Note 26).

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, 2021 and 2020, the sinking fund for the redemption of redeemable preferred shares is yet to be established.

20.4 Paid-in Capital from IPO

As mentioned in Note 20.1, 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.

20.5 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, 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	22.2	-	11,603,384	11,603,384
Other comprehensive loss before tax		(125,395,426)	(77,718,249)	(203,113,675)
Effect of change in lower tax rate		-	(6,380,117)	(6,380,117)
Tax income	24	-	(2,900,846)	(2,900,846)
Balance at December 31, 2021		<u>(P 125,395,426)</u>	<u>(P 86,999,212)</u>	<u>(P 212,394,638)</u>

	Notes	NUGL on Securities at FVOCI	Accumulated Actuarial Losses	Total
Balance at January 1, 2020				
Fair value gains on FVOCI securities during the year	11.2	P 387,886,373	(P 88,628,361)	P 299,258,012
Fair value gains reclassified to profit or loss	11.2	414,518,483	-	414,518,483
Remeasurements of post-employment defined benefit plan	22.2	(344,639,026)	-	(344,639,026)
Other comprehensive income (loss) before tax		-	(990,388)	(990,388)
Tax income	24	457,765,830	(89,618,749)	368,147,081
Balance at December 31, 2020		<u>P 457,765,830</u>	<u>(P 89,321,633)</u>	<u>(P 368,444,197)</u>
Balance at January 1, 2019		(P 132,717,700)	(P 43,283,296)	(P 176,000,996)
Fair value gains on FVOCI securities during the year	11.2	524,190,029	-	524,190,029
Fair value gains reclassified to profit or loss	11.2	(3,585,956)	-	(3,585,956)
Remeasurements of post-employment defined benefit plan	22.2	-	(64,778,664)	(64,778,664)
Other comprehensive income (loss) before tax		387,886,373	(108,061,960)	279,824,413
Tax income	24	-	19,433,599	19,433,599
Balance at December 31, 2019		<u>P 387,886,373</u>	<u>(P 88,628,361)</u>	<u>P 299,258,012</u>

21. MISCELLANEOUS INCOME AND EXPENSES

21.1 Miscellaneous Income

This includes the following:

	Notes	2021	2020	2019
Foreign currency gains – net		P 84,504,397	P 33,737,895	P 25,997,161
Trust fees	26	43,199,876	25,630,951	16,427,630
Gain on sale of properties – net	14, 15.4	9,918,968	3,262,459	-
Gain on bargain purchase	30	-	-	101,104,453
Other		<u>58,887,405</u>	<u>11,010,789</u>	<u>12,032,931</u>
		<u>P196,510,646</u>	<u>P 73,642,094</u>	<u>P155,562,175</u>

Others include penalty on loans, rental of safe/night deposit box.

21.2 Miscellaneous Expenses

This include the following:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Transportation and travel		P 110,140,390	P117,844,264	P135,866,392
Fines, penalties and other charges		96,280,380	84,035,000	75,009,947
Communication		74,118,818	63,675,782	54,064,451
Information technology		51,824,352	35,283,039	28,691,739
Banking fees		37,972,892	34,056,238	31,727,097
Litigation on asset acquired	14	37,738,099	19,738,236	27,804,720
Office supplies		14,690,620	15,325,867	16,552,154
Membership dues		5,961,276	1,925,192	3,635,595
Freight		4,837,154	2,909,459	4,257,419
Amortization of deferred charges		4,824,561	877,193	2,192,982
Advertising and publicity		2,585,401	2,664,979	5,250,213
Donations and contributions		20,788	1,134,182	2,058,200
Loss on sale of properties – net	14, 15.5	-	-	2,293,672
Others		<u>54,579,752</u>	<u>126,976,280</u>	<u>88,792,647</u>
		<u>P495,574,483</u>	<u>P506,445,711</u>	<u>P478,197,228</u>

Others also include brokerage fees, commissions, appraisal and processing fees incurred by the Bank.

22. EMPLOYEE BENEFITS

22.1 Salaries and Other Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are broken down below.

	<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Salaries and wages		P 652,594,531	P 599,214,259	P 581,833,512
Bonuses		162,328,264	45,531,106	42,187,443
Social security costs		42,307,832	37,119,050	36,580,254
Post-employment defined benefit plan	22.2	41,244,233	41,062,356	29,146,433
Short-term medical benefits		1,085,340	309,960	1,314,439
Other short-term benefits		<u>76,322,089</u>	<u>330,812,369</u>	<u>296,033,338</u>
		<u>P 975,882,289</u>	<u>P1,054,049,100</u>	<u>P 987,095,419</u>

22.2 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 2021 and 2020.

The amounts of post-employment defined benefit obligation (see Note 18) recognized in the statements of financial position are determined as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets	P 286,806,438	P 258,357,011
Present value of the defined benefit obligation	(362,621,510)	(339,707,080)
	(P 75,815,072)	(P 81,350,069)

The movements in the present value of the post-employment defined benefit obligation are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 339,707,080	P 305,379,537
Current service cost	41,244,233	41,062,356
Interest expense	13,316,518	16,032,426
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	(23,244,329)	(11,805,775)
Experience adjustments	4,733,493	(8,657,437)
Changes in demographic assumptions	3,331,285	4,580,568
Benefits paid	(16,466,770)	(6,884,595)
Balance at end of year	P 362,621,510	P 339,707,080

The movements in the fair value of plan assets are presented below.

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 258,357,011	P 232,006,439
Contributions to the plan	37,943,819	37,133,819
Benefits paid	(16,466,770)	(6,884,595)
Interest income	10,548,545	12,974,380
Return on plan assets (excluding amounts included in net interest)	(3,576,167)	(16,873,032)
Balance at end of year	<u>P 286,806,438</u>	<u>P 258,357,011</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	P 18,728,460	P 22,864,595
Corporate bonds	236,070,379	214,281,305
Equity instruments	22,055,415	15,733,942
Accrued interest income	<u>9,952,184</u>	<u>5,477,169</u>
	<u>P 286,806,438</u>	<u>P 258,357,011</u>

The fair values of the above equity instruments, government and corporate bonds are determined based on quoted market prices in active markets.

The plan assets earned actual return of P7.0 million and loss of P3.9 million in 2021 and 2020, respectively.

Plan assets include certain financial instruments of the Bank (see Note 23.3).

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:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in profit or loss:</i>			
Current service cost	P 41,244,233	P 41,062,356	P 29,146,433
Net interest expense	<u>2,767,973</u>	<u>3,058,046</u>	<u>395,449</u>
	<u>P 44,012,206</u>	<u>P 44,120,402</u>	<u>P 29,541,882</u>
<i>Reported in other comprehensive income:</i>			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	(P 23,244,329)	(P 11,805,775)	P 35,034,099
Experience adjustments	4,733,493	(8,657,437)	11,420,860
Changes in demographic assumptions	3,331,285	4,580,568	2,079,570
Return on plan assets			
(Excluding amounts included in net interest expense)	<u>3,576,167</u>	<u>16,873,032</u>	<u>16,244,135</u>
	<u>(P 11,603,384)</u>	<u>P 990,388</u>	<u>P 64,778,664</u>

Current service cost is presented as part of Salaries and Other Employee Benefits (see Note 22.1) 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:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Discount rates	5.08%	3.92%	5.25%
Expected rate of salary increases	6.00%	6.00%	8.00%
Employee turnover	11.83%	12.50%	3.15%

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 securities. Due to the long-term nature of the plan obligation, a level of continuing debt 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, 2021 and 2020:

	<u>Impact on Post-employment Benefit Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<u>December 31, 2021</u>			
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	-
<u>December 31, 2020</u>			
Discount rate	+5.7%/-5.2%	P 17,593,400	(P 19,448,349)
Salary rate	+5.6%/-5.1%	(18,860,334)	17,421,103
Increase in DBO if no attrition rate	+58.4%	198,453,526	-

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., government 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, 2021 and 2020, the plan is heavily invested in cash and cash equivalents and debt securities. The Bank believes that cash and cash equivalents and debt 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 P75.8 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 32 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 ten years follows:

	<u>2021</u>	<u>2020</u>
Within one year	P 115,034,793	P 99,674,302
More than one year to five years	147,415,576	133,120,260
More than five years to ten years	<u>301,319,359</u>	<u>266,905,920</u>
	<u>P 563,769,728</u>	<u>P 499,700,482</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 5.2 years.

23. RELATED PARTY TRANSACTIONS

A summary of the Bank's transactions with related parties is presented below.

Related Party Category	Note	Amount of Transaction			Outstanding Balance	
		2021	2020	2019	2021	2020
Key management personnel:						
Deposit liabilities	23.1	P 23,381,665	P 18,910,570	P 1,793,996	P 104,250,875	P 80,869,210
Interest expense	23.1	468,908	1,055,506	869,789	-	-
Loans	23.2	7,996,369	5,443,377	1,768,816	16,958,252	8,961,883
Interest income	23.2	1,208,365	521,139	139,924	1,445,767	237,402
Compensation	23.4	201,006,922	173,943,541	169,435,231	-	-
Other related parties:						
Deposit liabilities	23.1	216,755,922	2,527,224,276	239,751,095	8,004,070,546	7,787,314,624
Interest expense	23.1	51,631,841	115,342,717	141,278,909	-	-
Loans	23.2	(559,959,065)	(401,154,581)	1,520,933,132	143,429,638	703,388,703
Interest income	23.2	20,662,763	28,111,843	71,289,114	22,090,046	1,427,283
Retirement fund:						
Contribution	23.3	37,943,819	37,133,819	37,144,819	-	-
Plan assets	23.3	28,449,427	26,350,572	22,243,814	286,806,438	258,357,011

Details of the foregoing transactions are as follows:

23.1 Deposits

The total balance of deposits are inclusive of the corresponding accrued interest as of December 31, 2021 and 2020.

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 1.5% in 2021, from 0.1% to 1.5% in 2020, and from 0.1% to 4.7% in 2019.

23.2 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, 2021 and 2020, allowance for impairment of P6.9 million and P14.9 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, 2021 and 2020, the Bank has an approved line of credit to certain related parties totaling P163.8 million and P78.6 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.

23.3 Transactions with Retirement Fund

The Bank's transactions with its retirement fund as of December 31, 2021 and 2020 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, and equity shares of the Bank amounting to P286.8 million and P258.4 million in 2021 and 2020, respectively, as disclosed in Note 22.2.

Cash and cash equivalents include time deposits issued by the Bank amounting to P11.4 million and P20.2 million as of December 31, 2021 and 2020, respectively.

Equity securities include shares issued by the Bank with fair value of P20.7 million and P12.8 million as of December 31, 2021 and 2020, respectively.

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

23.4 Key Management Personnel Compensation

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short-term benefits	P184,540,152	P167,058,946	P154,170,851
Post-employment benefits	<u>16,466,770</u>	<u>6,884,595</u>	<u>15,264,380</u>
	<u>P201,006,922</u>	<u>P173,943,541</u>	<u>P169,435,231</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Salaries and wages	P140,142,135	P129,013,729	P119,612,861
Bonuses	34,779,490	32,227,373	30,079,925
Social security costs	4,921,757	2,531,250	2,033,845
Other short-term benefits	<u>4,696,770</u>	<u>3,286,594</u>	<u>2,444,220</u>
	<u>P184,540,152</u>	<u>P167,058,946</u>	<u>P154,170,851</u>

24. TAXES

On March 26, 2021, RA No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Bank:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020, until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return of the Bank, were lower by P65.0 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax assets as of December 31, 2020, was remeasured to 25%. This resulted in a decline in the recognized deferred tax asset in 2020 by P195.8 million and such was recognized in the 2021 profit or loss (P183.1 million) and in other comprehensive (P6.4 million).

The components of tax expense for the years ended December 31, 2021, 2020 and 2019 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in profit or loss</i>			
Current tax expense:			
RCIT at 25% in 2021 and 30% in 2020			
Regular Banking Unit (RBU)	P571,455,784	P662,222,544	P462,729,390
FCDU	5,893,524	4,020,284	8,250,062
Final tax at 20%, 10% and 7.5%	126,607,501	219,087,325	132,361,425
Effect of change in tax rate	(64,856,483)	-	-
	<u>639,100,326</u>	<u>885,330,153</u>	<u>603,340,877</u>
Deferred tax income relating to origination and reversal of temporary differences	(197,519,954)	(626,951,138)	(166,586,656)
Effect of change in tax rate	<u>183,146,703</u>	-	-
	<u>(14,373,251)</u>	<u>(626,951,138)</u>	<u>(166,586,656)</u>
	<u>P624,727,075</u>	<u>P258,379,015</u>	<u>P436,754,221</u>
<i>Reported in other comprehensive income</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	P 2,900,846	(P 297,116)	(P 19,433,599)
Effect of change in tax rate	<u>6,380,117</u>	-	-
	<u>P 9,280,963</u>	<u>(P 297,116)</u>	<u>(P 19,433,599)</u>

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.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax on pretax profit at 25% in 2021 and 30% in 2020 and 2019	P448,223,855	P359,178,571	P507,938,300
Effect of change in tax rate	118,130,386	-	-
Adjustment for income subjected to lower tax rates	(36,830,374)	(133,171,819)	(114,720,765)
Tax effects of:			
Non-deductible expenses	122,335,653	108,588,680	96,538,290
Non-taxable income	(27,132,445)	(76,216,417)	(53,001,604)
Tax expense	<u>P624,727,075</u>	<u>P258,379,015</u>	<u>P436,754,221</u>

In 2021 and 2020, the Bank is subject to MCIT computed at 1% and 2% of gross income, respectively, net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. No MCIT was reported in 2021 and 2020 as the RCIT was higher than MCIT in those years.

The net deferred tax assets as of December 31, 2021 and 2020 relate to the following:

	<u>2021</u>	<u>2020</u>
Deferred tax assets:		
Allowance for impairment	P1,136,091,936	P1,139,273,212
Lease liabilities	62,456,608	93,025,321
Accumulated depreciation of investment properties	26,615,758	26,525,699
Provision for bonus and accrued leave conversion	19,748,687	23,698,424
Post-employment benefit liability	18,953,767	24,405,020
Unamortized past service cost	<u>6,470,851</u>	<u>9,820,849</u>
	<u>1,270,337,607</u>	<u>1,316,748,525</u>
Deferred tax liabilities:		
Accrued interest receivable	(65,508,092)	(83,380,436)
Right-of-use asset	(48,079,104)	(80,028,564)
Unamortized payments on documentary stamp tax	(8,720,092)	(9,246,071)
Gain on bargain purchase	(<u>5,777,113</u>)	(<u>6,932,536</u>)
	(<u>128,084,401</u>)	(<u>179,587,607</u>)
Net deferred tax assets	<u>P1,142,253,206</u>	<u>P1,137,160,918</u>

Movements in net deferred tax assets for the years ended December 31 follow:

	<u>Statements of Profit or Loss</u>			<u>Statements of Comprehensive Income</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Amortization of right-of-use asset	(P 31,949,460)	(P 9,458,451)	(P 2,420,783)	P -	P -	P -
Lease liabilities	30,568,713	10,068,687	(468,721)	-	-	-
Accrued interest income	(17,872,344)	(9,250,695)	(3,341,742)	-	-	-
Provision for director's bonus	3,949,737	-	-	-	-	-
Post-employment benefit obligation	(3,829,710)	(2,095,975)	2,277,580	9,280,963	(297,116)	(19,433,599)
Unamortized past service cost	3,349,998	2,551,886	155,670	-	-	-
Impairment losses	3,181,276	(612,071,791)	(157,326,373)	-	-	-
Gain on bargain purchase	(1,155,423)	-	-	-	-	-
Unamortized payments on documentary stamp tax	(525,979)	(3,693,039)	(7,764,689)	-	-	-
Depreciation expense of investment properties	(<u>90,059</u>)	(<u>3,001,760</u>)	<u>2,302,402</u>	-	-	-
Deferred tax expense (income)	(<u>P 14,373,251</u>)	(<u>P 626,951,138</u>)	(<u>P 166,586,656</u>)	<u>P 9,280,963</u>	(<u>297,116</u>)	(<u>19,433,599</u>)

As of December 31, 2021 and 2020, the Bank has unrecognized deferred tax assets amounting to P1.9 million and P4.6 million, respectively, relating to certain allowance for impairment. For the years ended December 31, 2021 and 2020, the Bank opted to claim itemized deductions.

25. 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 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, 2021 and 2020, 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.

26. 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:

	<u>2021</u>	<u>2020</u>
Loans and other receivables	P 1,834,562,621	P 2,112,073,511
Due from banks	2,516,070,571	5,909,500,326
Investment securities	3,311,702,026	2,938,132,420
Other assets	<u>2,484,000,000</u>	<u>2,484,000,000</u>
	<u>P 10,146,335,218</u>	<u>P13,443,706,257</u>

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 P144.8 million and P145.0 million as of December 31, 2021 and 2020, 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 20.3). Additional reserve for trust functions amounted to P4.3 million, P2.6 million and P1.6 million in 2021, 2020 and 2019, 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 P43.2 million, P25.6 million and P16.4 million in 2021, 2020 and 2019, respectively (see Note 21.1).

27. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized below.

	Notes	2021	2020
Balance at beginning of year:			
Loans and other receivables	12	P 3,773,986,503	P 1,773,860,341
Investment properties	14	35,731,399	35,731,399
Investment securities			
at amortized cost	11.3	1,617,940	1,617,940
Other resources	15	<u>1,654,737</u>	<u>1,654,737</u>
		3,812,990,579	1,812,864,417
Impairment losses – net	12, 14	747,357,300	2,335,791,829
Write-offs	12	(<u>8,274,525</u>)	(<u>335,665,667</u>)
		<u>739,082,775</u>	<u>2,000,126,162</u>
Balance at end of year:			
Loans and other receivables	12	4,214,380,450	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	<u>1,654,737</u>	<u>1,654,737</u>
		<u>P 4,552,073,354</u>	<u>P 3,812,990,579</u>

28. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

	2021	2020	2019
Net profit	P 1,168,168,345	P 938,882,887	P 1,256,373,443
Dividends on preferred shares	<u>-</u>	<u>-</u>	(<u>198,000,000</u>)
Net profit attributable to common shareholders	1,168,168,345	938,882,887	1,058,373,443
Divided by the weighted average number of outstanding common shares	<u>643,750,094</u>	<u>643,750,094</u>	<u>643,750,094</u>
Basic earnings per share	<u>P 1.81</u>	<u>P 1.46</u>	<u>P 1.64</u>

As of December 31, 2021, 2020 and 2019, the Bank has no outstanding potentially dilutive securities; hence, basic earnings per share is equal to diluted earnings per share.

29. OTHER MATTERS

29.1 Impact of COVID-19 Pandemic on Bank's Business

The impact of COVID-19 pandemic and the government's mobility and quarantine measures to contain the COVID-19 have affected economic conditions and consequently, the Bank's business operations in terms of the following:

- Scaled-down branch banking operations and business units operating at less than full capacity or at work-from-home arrangements particularly during the surge of cases;
- Limited sales and marketing activity for businesses requiring face-to-face interaction due to social distancing;
- Additional costs to keep a safe environment for both customers and employees; and,
- Asset quality deterioration due to business disruption and increased loan loss reserve build up.

The following were the actions undertaken by Bank to mitigate such impact:

- Implemented business continuity plan ("BCP"). The Bank's BCP ensures that the Bank will be able to deliver its products and services in the event of extreme duress including medical issues and/or government control measures;
- Adopted and implemented precautionary measures to ensure the safety of its employees, clients, and agency personnel. The need to further improve the digital platform arises. The Bank has allowed work-from-home arrangements and switch meetings online via the appropriate platforms to minimize unnecessary physical contact;
- Implemented new occupational safety and health standards to provide a safe and sanitized environment for both customers and employees through the strict observance of health and safety protocols, retrofitting of workspaces, and periodic testing for employees to minimize infection within the workplace;
- Performed comprehensive review of loan accounts to assess reprieved businesses and industry due to COVID-19 situation and introduced post-model adjustments in the existing ECL model to reasonably capture the impact of COVID-19 to its exposures;
- Ensured continued access to credit facilities for clients with resilient and sustainable businesses amid the COVID-19 situation. Proactively worked with clients for the restructuring of loan terms to address temporary tightness/liquidity problems; and,
- The Bank continues 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.

Based on the actions and measures taken by management to mitigate the adverse effects of the COVID-19 situation, the Bank believes that it would continue to report positive results of operations and would remain liquid to meet current obligations as these fall due. The Bank reported net profit of P1,170.8 million in 2021 and P938.9 million in 2020, which is 7% and 25%, respectively, lower compared to 2019, while total resources increased by 16% in 2021 and 5% in 2020 compared with that of 2019. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern due to the effects of the pandemic.

29.2 Events After the End of the Reporting Period

(a) Dividends Declaration

On April 20, 2022, the Bank's BOD approved the declaration of cash dividends amounting to P118.8 million (P1.92 per share) in favor of all holders of the Bank's unlisted preferred shares for years 2019 to 2021, which was fully paid on May 4, 2022.

(b) Payment of Corporate Notes Payable

On January 17, 2022, the Bank fully paid the outstanding amount of its corporate notes payable amounting to P3,000.0 million (see Note 17).

30. BUSINESS COMBINATION

In 2019, the Bank acquired the rights and obligations related to and arising from its acquisition of the outstanding capital stock of ISBI (see Note 1.2). The merger between the Bank and ISBI was made to strengthen the Bank's consumer lending business while establishing foothold in microfinance market.

The details of the business combination are as follows:

		<u>Notes</u>
Cash consideration transferred		P <u>575,000,000</u>
Recognized amounts of identifiable net assets		
Cash and cash equivalents		9,561,089
Due from BSP		52,518,347
Due from other banks		303,685,720
Trading and investment securities		128,921,072
Loans and other receivables – net	12	1,831,259,584
Bank premises, furniture, fixtures and equipment – net	13	42,002,556
Investment properties – net	14	17,331,000
Deferred tax assets – net	24	25,641,960
Other resources – net		26,069,156
Deposit liabilities and other liabilities	16	(<u>1,760,886,031</u>)
		<u>676,104,453</u>
Gain on bargain purchase recognized from merger		P <u>101,104,453</u>

Due to a good business relationship with ISBI, the Bank was able to negotiate an advantageous purchase price that was also beneficial to the former owners of ISBI.

ISBI has contributed P167.4 million and P109.1 million to the Bank's revenues and profit, respectively, from the acquisition date to December 31, 2019. Had the acquisition occurred on January 1, 2019, the Bank's revenue for the period to December 31, 2019 would have been P7,223.9 million and the Bank's profit for the period would have been P1,228.9 million. The gross contractual amount of the trade and other receivables acquired as part of the business combination amounted to P1,932.0 million. As of the acquisition date, the Bank's best estimate of the contractual cash flow not expected to be collected amounted to P48.1 million.

There were no specific acquisition-related costs incurred or contingent consideration arrangements and indemnification assets arising from the business combination.

31. SUPPLEMENTARY INFORMATION TO STATEMENTS OF CASH FLOWS

31.1 Significant Non-cash Transactions

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 18).
- 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 18).
- 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).

Significant non-cash transactions in 2019 are as follows:

- In relation to the adoption of PFRS 16, the Bank has recognized various right-of-use assets and lease liabilities amounting to P306.4 million and P342.1 million, respectively (see Notes 13 and 18).
- Additional right-of-use assets and lease liabilities amounting to P90.4 million were recognized for leases executed in 2019 (see Notes 13 and 18).
- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P140.2 million and P13.8 million, respectively (see Notes 14 and 15.4).
- The Bank has acquired and assumed certain assets and liabilities from its merger with ISBI (see Note 1.2). Outstanding balances are summarized in Note 30.

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.

	<u>Bills Payable</u>	<u>Corporate Notes Payable (see Note 17)</u>	<u>Lease Liabilities (see Note 18)</u>	<u>Total Financing Activities</u>
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	<u>P -</u>	<u>P 2,995,352,640</u>	<u>P 249,826,430</u>	<u>P 3,245,179,070</u>
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	<u>P -</u>	<u>P 2,987,685,274</u>	<u>P 310,084,402</u>	<u>P 3,297,769,676</u>
Balance at January 1, 2019	P 3,696,505,696	P -	P 342,084,290	P 4,038,589,986
Cash flow from financing activities:				
Availments	10,620,098,991	2,977,500,000	-	13,597,598,991
Payments / redemption	(13,704,081,337)	-	(107,720,219)	(13,811,801,556)
Non-cash financing activities:				
Amortization of discount	-	2,923,657	-	2,923,657
Additions to lease liabilities	-	-	109,282,623	109,282,623
Balance at December 31, 2019	<u>P 612,523,250</u>	<u>P 2,980,423,657</u>	<u>P 343,646,694</u>	<u>P 3,936,593,701</u>

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.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Return on average capital			
<u>Net profit</u>	8.2%	7.0%	10.4%
Average total capital accounts			

	2021	2020	2019
Return on average resources			
<u>Net profit</u>	0.9%	0.8%	1.2%
Average total resources			
Net interest margin			
<u>Net interest income</u>	4.5%	5.0%	4.5%
Average interest earning resources			

(b) *Capital Instruments Issued*

As of December 31, 2021 and 2020, 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):

	2021		2020	
	Amount	Percentage	Amount	Percentage
Wholesale and retail trade	P 33,421,613	36.3%	P 32,935,238	36.4%
Real estate activities	15,784,545	17.1%	15,075,739	16.7%
Manufacturing	10,540,381	11.5%	9,535,700	10.6%
Transportation and storage	6,990,355	7.6%	7,225,926	8.0%
Construction	6,053,936	6.6%	5,435,109	6.0%
Electricity, gas, steam and air-conditioning supply	4,963,672	5.4%	5,307,092	5.9%
Financial and insurance activities	3,278,448	3.6%	4,618,343	5.1%
Accommodation and food service activities	2,655,107	2.9%	3,088,960	3.4%
Water supply, sewerage, waste management and remediation activities	2,467,987	2.7%	2,599,364	2.9%
Administrative and support services	2,399,622	2.7%	612,122	0.7%
Agriculture, forestry and fishing	1,154,213	1.3%	1,488,009	1.7%
Consumption	536,465	0.6%	476,582	0.5%
Information and communication	305,538	0.3%	492,701	0.6%
Education	260,058	0.3%	112,424	0.0%
Professional, scientific, and technical activities	247,919	0.3%	341,160	0.4%
Arts, entertainment and recreation	152,210	0.1%	4,800	0.0%
Mining and quarrying	52,210	0.1%	285,748	0.3%
Human health and social service activities	45,499	0.1%	48,858	0.0%
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	3,331	0.0%	3,332	0.0%
Other service activities	670,609	0.8%	700,870	0.8%
	P 91,983,718	100%	P 90,388,077	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).

	<u>2021</u>		
	<u>Performing</u>	<u>Non-performing</u>	<u>Total Loan Portfolio</u>
Gross carrying amount:			
Corporate	P 77,657,629	P 2,912,246	P 80,569,875
Consumer	<u>10,347,137</u>	<u>1,066,706</u>	<u>11,413,843</u>
	88,004,766	3,978,952	91,983,718
Allowance for ECL	(<u>566,568</u>)	(<u>3,324,675</u>)	(<u>3,891,243</u>)
Net carrying amount	<u>P 87,438,198</u>	<u>P 654,277</u>	<u>P 88,092,475</u>
	<u>2020</u>		
	<u>Performing</u>	<u>Non-performing</u>	<u>Total Loan Portfolio</u>
Gross carrying amount:			
Corporate	P 81,715,576	P 2,890,849	P 84,606,425
Consumer	<u>4,991,739</u>	<u>789,913</u>	<u>5,781,652</u>
	86,707,315	3,680,762	90,388,077
Allowance for ECL	(<u>1,759,315</u>)	(<u>1,866,156</u>)	(<u>3,625,471</u>)
Net carrying amount	<u>P 84,948,000</u>	<u>P 1,814,606</u>	<u>P 86,762,606</u>

As at December 31, 2021 and 2020, the nonperforming loans (NPLs) not fully covered by allowance for credit losses follow (in thousands):

	<u>2021</u>	<u>2020</u>
Gross NPLs	P 3,978,952	P 3,680,762
NPLs fully covered by allowance for impairment	(<u>3,324,675</u>)	(<u>1,866,156</u>)
	<u>P 654,277</u>	<u>P 1,814,606</u>

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 P1,370.0 million and P1,958.0 million as of December 31, 2021 and 2020, respectively. The related allowance for credit loss of such loans amounted to P22.7 million and P395.7 million as of December 31, 2021 and 2020, respectively.

Interest income recognized on impaired loans and receivables amounted to P12.7 million and P98.2 million in 2021 and 2020, 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):

	<u>2021</u>	<u>2020</u>
Secured:		
Real estate mortgage	P 45,773,388	P 38,519,762
Chattel mortgage	6,882,950	6,640,577
Deposit hold-out	3,304,536	2,741,177
Others	<u>2,308,935</u>	<u>3,053,023</u>
	58,269,809	50,954,539
Unsecured	<u>33,713,909</u>	<u>39,433,538</u>
	<u>P 91,983,718</u>	<u>P 90,388,077</u>

(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, 2021 and 2020 in accordance with BSP reporting guidelines (amounts in thousands):

	DOSRI Loans		Related Party Loans (inclusive of DOSRI)	
	2021	2020	2021	2020
Total outstanding loans	P 709,762	P 712,351	P 853,192	P 1,338,394
% of loans to total loan portfolio	0.8%	0.8%	0.93%	1.5%
% of unsecured loans to total DOSRI/related party loans	8.3%	8.1%	12.58%	41.2%
% of past due loans to total DOSRI/related party loans	0.0%	0.0%	3.0%	4.3%
% of non-performing loans to total DOSRI/related party loans	0.0%	0.0%	6.0%	4.3%

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, 2021 and 2020, 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, 2021 and 2020 are as follows:

	2021	2020
Investment management accounts	P 8,308,580,613	P 7,418,923,766
Trust and other fiduciary accounts	1,814,508,813	5,996,544,565
Outstanding letters of credit	747,471,735	829,795,757
Unit investment trust fund	23,245,786	28,237,926
Late payment/deposits received	2,480,000	115,357
Outward bills for collection	1,012,942	6,116,824
Items held for safekeeping	123,946	143,812
Items held as collateral	12,315	12,685
Other contingent accounts	625,213,351	1,730,246,464

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 2021, the Bank reported total GRT amounting to P240,469,293 [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 2020, DST remittance thru e-DST amounted to P502,068,563, while DST on deposits for remittance amounted to P119,883,824. 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 2021 amounting to P260,811,502 were charged to borrowers and these were properly remitted by the Bank.

DST accruing to the Bank amounted to P312,847,197 and is presented as part of the Taxes and licenses in the 2021 statement of profit or loss [see Note 33 (c)].

(c) *Taxes and Licenses*

Details of taxes and licenses for the year ended December 31, 2021 follow:

	<u>Note</u>		
DST	33 (b)	P	312,847,197
Gross receipts tax	33 (a)		240,469,293
Business tax			18,008,458
Real property tax			3,908,935
Miscellaneous			<u>9,673,221</u>
		P	<u>584,907,104</u>

Taxes and licenses allocated to tax exempt income and FCDU totaling P265,288 were excluded from the itemized deductions for purposes of income tax computation. DST includes unamortized amount of P34.9 million recognized as deductible in full for income tax purposes.

(d) *Withholding Taxes*

Details of total withholding taxes for the year ended December 31, 2021 are shown below.

Final	P	104,385,994
Compensation and benefits		87,518,849
Expanded		<u>32,530,021</u>
	P	<u>224,434,864</u>

(e) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2021, 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 2021 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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The Board of Directors and the Stockholders
Philippine Business Bank, Inc., A Savings Bank
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, 2021, on which we have rendered our report dated May 27, 2022. 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. 8852330, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-4 (until Oct. 7, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-021-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

May 27, 2022

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
List of Supplementary Information
December 31, 2021

Schedule	Content	Page No.
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B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	3
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	*
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F	Guarantees of Securities of Other Issuers	*
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Others Required Information		
	Reconciliation of Retained Earnings Available for Dividend Declaration	6
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** 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, 2021
(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
				AIR
1. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)				
Bureau of the Treasury	P 9,516,370,522	P 9,516,370,522	P 9,516,370,522	P 85,923,721
A. Debt Securities				
Aboitiz Equity Ventures Inc.	310,017,108	310,017,108	310,017,108	2,823,770
Ayala Land Inc.	41,482,261	41,482,261	41,482,261	278,667
First Pacific Co Ltd.	107,462,033	107,462,033	107,462,033	1,363,515
JG Summit Holdings Inc	160,807,497	160,807,497	160,807,497	3,015,316
Petron Corporation	134,999,366	134,999,366	134,999,366	815,470
Republic of the Philippines	1,663,597,579	1,663,597,579	1,663,597,579	18,869,630
SM Investments Corp.	54,659,198	54,659,198	54,659,198	145,028
	2,473,025,042	2,473,025,042	2,473,025,042	27,311,395
	P 11,989,395,564	P 11,989,395,564	P 11,989,395,564	P 113,235,116
2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)				
A. Debt Securities				
Republic of the Philippines	387,983,052	387,983,052	387,983,052	4,961,778
First Pacific Co Ltd.	132,178,300	132,178,300	132,178,300	1,677,123
JG Summit Holdings Inc	214,409,996	214,409,996	214,409,996	4,020,421
Manila Water Co Inc.	158,336,595	158,336,595	158,336,595	2,807,601
DDPC Worldwide PTE Ltd (Double Dragon Properties Corp.)	103,846,204	103,846,204	103,846,204	3,163,355
Aboitiz Equity Ventures Inc.	90,153,613	90,153,613	90,153,613	342,961
SM Investments Corp.	448,246,021	448,246,021	448,246,021	1,528,695
D&L industries Inc	297,175,226	297,175,226	297,175,226	316,030
San Miguel Corporation	503,409,600	503,409,600	503,409,600	3,120,062
Ayala Corporation	146,474,413	146,474,413	146,474,413	1,624,318
	P 2,482,213,020	P 2,482,213,020	P 2,482,213,020	P 23,562,344
3. HELD TO COLLECT (HTC)				
Bureau of the Treasury	540,851,796	535,139,258	538,202,912	4,678,626
A. Debt Securities				
Del Monte	254,995,000	253,489,411	251,106,611	584,363
Land Bank of the Philippines	100,669,060	96,776,317	96,776,317	445,520
	355,664,060	350,265,728	347,882,928	1,029,884
	P 896,515,857	P 885,404,986	P 886,085,840	P 5,708,510
GRAND TOTAL	P 15,368,124,441	P 15,357,013,571	P 15,357,694,424	P 142,505,970

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, 2021

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			
<u>RECEIVABLES FROM CUSTOMER</u>							
Advances to Officers and Employees	P 57,350,586	P 28,195,199	(P 26,783,601)	P -	P 58,762,184	P -	P 58,762,184
Alfredo M. Yao	650,000,000	-	-	-	650,000,000	-	650,000,000
Subtotal	707,350,586	28,195,199	(26,783,601)	-	708,762,184	-	708,762,184
<u>CONTINGENT ACCOUNTS</u>							
Zest-O Corporation	5,000,000	-	(4,000,000)	-	1,000,000	-	1,000,000
	-	-	-	-	-	-	-
Subtotal	5,000,000	-	(4,000,000)	-	1,000,000	-	1,000,000
TOTAL	P 712,350,586	P 28,195,199	(P 30,783,601)	P -	P 709,762,184	P -	P 709,762,184

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK

Schedule D - Long-Term Debt

December 31, 2021

(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
Corporate Note payable	P 2,995,352,640	P 2,995,352,640	P -

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
Schedule G - Capital Stock
December 31, 2021

Title of Issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of Shares Held by		
				Related parties	Directors, officers and employees	Others
Common Stock	870,000,000	643,664,729	-	401,891,231	5,462,312	236,311,186
Preferred Stock	130,000,000	62,000,000	-	62,000,000	-	-
Total	<u>1,000,000,000</u>	<u>705,664,729</u>	<u>-</u>	<u>463,891,231</u>	<u>5,462,312</u>	<u>236,311,186</u>

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2021
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	4,404,594,754
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax income	(	<u>1,212,309,000</u>)
Unappropriated Retained Earnings Available for Dividend declaration at beginning of Year, as Adjusted		3,192,285,754
Net Profit Realized during the Year	P	1,168,168,345
Non-actual/unrealized income, net of tax		
Deferred income tax	(	24,854,262)
Unrealized trading losses (gains) on investment securities		<u>20,725,999</u>
		1,164,040,082
Other Transactions During the Year		
Appropriation for general loan loss reserve	(	323,108,079)
Appropriation for trust reserves	(	<u>4,319,988</u>) (<u>327,428,067</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P	<u>4,028,897,769</u>

Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo

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

T +63 2 8988 2288

The Board of Directors and the Stockholders
Philippine Business Bank, Inc., A Savings Bank
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) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, on which we have rendered our report dated May 27, 2022. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 8852330, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-4 (until Oct. 7, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-021-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

May 27, 2022

PHILIPPINE BUSINESS BANK, INC.
Supplemental Schedule of Financial Soundness Indicators
December 31, 2021 and 2020

Ratio	Formula	Ratio	
		2021	2020
Current ratio	Total Current Resources	P 64,651,677,637	P 61,747,533,122
	Total Current Liabilities	109,808,472,514	97,409,146,322
		0.59	0.63
Acid test ratio	Cash and Cash Equivalents + Financial Assets at Fair Value through Profit or Loss	24,141,999,360	23,165,223,258
	Total Current Liabilities	109,808,472,514	97,409,146,322
		21.99	23.78
Solvency ratio	Total Liabilities	117,569,193,895	105,891,207,373
	Total Resources	132,032,274,490	119,766,958,458
		89.05	88.41
Debt-to-equity ratio	Total Liabilities	117,569,193,895	105,891,207,373
	Total Equity	14,463,080,595	13,875,751,085
		8.13	7.63
Assets-to-equity ratio	Total Resources	132,032,274,490	119,766,958,458
	Total Equity	14,463,080,595	13,875,751,085
		9.13	8.63
Interest rate coverage ratio	Earnings before Interest and Taxes	2,631,217,419	2,672,839,933
	Interest Expense	838,321,999	1,475,578,031
		3.14	1.81
Return on equity	Net Profit	1,168,168,345	938,882,887
	Average Total Equity	14,169,415,840	13,371,716,549
		8.24	7.02
Return on assets	Net Profit	1,168,168,345	938,882,887
	Average Total Resources	125,899,616,474	116,929,462,665
		0.93	0.80
Net profit margin	Net Profit	1,168,168,345	938,882,887
	Interest Income	6,334,664,192	7,103,153,357
		0.18	0.13
Other Ratios:			
Net Interest Margin	Net Interest Income	5,496,342,193	5,627,575,326
	Average Interest Earning Resources	122,623,443,450	112,456,446,770
		0.04	0.05
Capital to risk assets ratio	Total capital	14,463,080,595	13,875,751,085
	Risk resources	119,671,831,389	97,498,741,027
		0.12	0.14

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		s	a	v	i	n	g	s		b	a	n	k								

(Company's Full Name)

		3	5	0		R	I	Z	A	L		A	V	E	N	U	E		E	X	T	E	N	S	I	O	N		
		C	O	R	N	E	R		8	T	H		A	V	E	N	U	E		G	R	A	C	E		P	A	R	K
												C	A	L	O	O	C	A	N		C	I	T	Y					

(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 No. of Stockholders

Total Amount of Borrowings

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, 2021**
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	643,750,094

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

Yes [☒] No [☐]

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

Philippine Stock Exchange

Common shares 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 ☒]

No ☐]

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

Yes ☐]

No ☒]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (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 160 branches as of December 31, 2021 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 139 in 2016 to 160 as of December 31, 2021. As a result, PBB's deposit base grew from ₱58.9 billion in 2016 to ₱112.4 billion in 2021. Net loans and other receivables also increased from ₱51.4 billion in 2016 to ₱91.7 billion as of December 31, 2021, a 12.25% CAGR.

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 2016, PBB's trading portfolio amounted to ₱7.1 billion in 2016, ₱2.4 billion in 2017, ₱4.9 billion in 2018, ₱14.8 billion in 2019, and ₱17.9 billion in 2020. As of December 31, 2021, the portfolio of the Bank was at ₱15.4 billion.

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.

PBB's NPL ratio was at 1.75% in 2018, 2.33% in 2019, and 4.07% in 2020.

The Bank's NPL ratio stood at 4.33% as of 2021 as a result of the pandemic. 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, in 2016, 2017, 2018, 2019, 2020, and 2021 was at 87.32%, 95.96%, 97.77%, 91.66%, 88.93%, and 81.55%, respectively.

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

In %	2016	2017	2018	2019	2020	2021
Equity, in bn	9.6	10.2	11.4	12.9	13.9	14.5
Tier 1 CAR	16.17	13.09	14.01	12.80	13.27	11.08
CAR	16.99	14.00	14.99	13.70	14.15	11.82

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-21	31-Dec-20	% growth
Profitability			
Net interest income	5,496	5,628	(2.3)
Non-interest income	312	1,170	(73.3)
Non-interest expenses	3,268	3,264	0.1
Core income	(2,794)	(2,784)	0.4
Pre-tax pre-provision profit	2,540	3,533	(28.1)
Allowance for credit losses	747	2,336	(68.0)
Net income	1,168	939	24.4
Selected balance sheet data			
Liquid assets	37,015	27,281	35.7
Gross loans	91,984	90,388	1.8
Assets	132,032	119,767	10.2
Deposits	112,418	100,394	12.0
Equity	14,463	13,876	4.2
Per common share data			
Net income per share:			
Basic	1.81	1.46	24.4
Diluted	1.81	1.46	24.4
Book value	21.50	20.59	4.4
Others			
Headcount	1,612	1,615	(0.2)
Officers	707	722	(2.1)
Staff	905	893	1.3
Selected Ratios			
Return on equity	8.24%	7.02%	
Return on assets	0.93%	0.80%	
Net Tier 1 CAR	11.08%	13.27%	
Capital adequacy ratio	11.82%	14.15%	

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 Bank's ability to tap into SMEs lies in the DNA built by its founder, Alfredo M. Yao, being a business owners / entrepreneur himself. The group then grew its presence in the countryside where SMEs run their operations and has currently allowed PBB to benefit from the current infrastructure and development boom in such areas.

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 will continue to manage its existing portfolio and will adapt to the challenges heading to the new normal business environment. The group will continue to provide financial services tailor fitted to the financial requirement of the customers in this changing market and business environment.

Consumer Banking Group

The Consumer Banking Group offers traditional and program-based consumer loan products that target market niches with high volume opportunities, e.g. unserved and underserved retail market segments. Its major product lines are auto loan and housing loan specifically targeting its existing deposit customers, partner developers, and company accounts. The challenges brought by the pandemic resulted in rationalization and shifts in business direction for other consumer lending products that were inherited from ISB.

Relative to the events in 2020 and 2021, CBG also rationalized its presence, operations, and product offerings in the provinces as part of a defensive mode strategy brought by the pandemic and in response to the new business direction. It had retained four (4) provincial desks (Davao, Cebu, Iloilo and Bacolod) from the original eight (8) offices that will follow the same direction of business development, portfolio generation for teacher's loan, and branch support for salary loan in their respective trading areas.

The economic challenges brought by the pandemic were very hard to individual consumers in 2020 and were still prevalent in 2021. The year 2021 was still marked with conservative lending policies, selective lending to some market niches showing signs of stability, focus on collections, loan restructuring and recovery, cost controls, and rationalization of product offerings and resources, but at the same time, the continued build up on the use of digital platform and technology to communicate and transact with customers under the new normal.

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. Checking account
2. Savings account
3. Trust services' products/investments
4. Payroll account
5. SSS pensioners account
6. Peso time deposit
7. Hi-5 time deposit
8. Dollar time deposit
9. Hi-Green deposit
10. Dollar savings
11. Chinese Yuan/Renminbi savings
12. Campus Savers
13. E-banking/Business Connect
14. 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.

Branches are encouraged to transact foreign exchange trades particularly the USD and RMB currencies. PBB is one of the 14 banks authorized by the Bank of China (BOC) to trade Renminbi directly to Philippine peso. More importantly, the branches' focus will revolve around building personal and professional ties in the community and fostering true business partnership relationships with the Bank's clients. PBB's total network ended at 160 branches, inclusive of the 10 ISB branches.

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 three (3) years, with the trust and fiduciary business further growing its scale of operations in 2021. With its growing product suite and 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 and the market's continued recovery, TIC continues to climb industry rankings and 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, 2021, the Bank has a total of 1,612 employees broken down into the following categories:

Executives	92
Managers – Operations and Support	346
Managers – Branch / Marketing	269
Staff	905
Total	1,612

For the ensuing twelve (12) months, the Bank anticipates to hire an additional 172 employees broken down as follows:

Senior Officers	6
Junior Officers	76
Staff	90
Total	172

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

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) and 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, reputational, 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 established by the Bank in congruence with and in reference to the credit risk rating methodology used by an established rating agency in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Bank for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between risk ratings). Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans and the loan loss provision of which 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.

For purposes of Expected Credit Loss (ECL), forward-looking information mainly economic indicators such as employment/unemployment rate, inflation, purchasing power of peso, core inflation rate, GDP and other macro-economic variables from BSP which may have an effect on the behavior of the Bank's Past Due Ratio. Macroeconomic variables subjected to trial-and-error method in order to establish if there is potential correlation between 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:

<i>Metrics</i>	<i>Risk Area</i>	<i>Description</i>
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 for interest accrual, securities under this category will also be used in case of liquidity needs.

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 reporting of KRIs and incident/loss events, ERMG deployed the ORM Assistant and the Loss Event Reporting Systems.

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 has been developed in order to address the growing threats to information assets of the Bank. ISMS includes security policies, 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 and Compromise Assessment), 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	143,854.90	5% on 3rd yr. & every yr thereafter
3.	A. Mabini C-3	Marea Ventures Corp.	May 31, 2024	93,430.26	5% annually
4.	Camarin	Luwel Realty & Development Corporation	May 31, 2025	61,313.62	5% annually
5.	Edsa-Kalookan	Solmac Marketing Inc.	March 31, 2027	67,603.40	7% on 3rd, 5th, 7th, & 9th
6.	Edsa-Monumento	New MBS Marketing Corporation	June 31, 2021	67,000.00	Extension of lease/ For Relocation/ month to month basis
7.	Kaybiga	Guilmar Marble Corporation	October 20, 2025	56,796.47	5% annually
8.	Samson Road	Oscar F. Tirona	September 30, 2024	74,120.97	10% annually
9.	North Caloocan-Quirino Highway	Threehorse Realty and Development Corporation	2025	70,000.00	5% on 3rd year & every yr thereafter
	Manila Region				
1.	Binondo Corporate Center	Philippine-Chinese Charitable Association, Inc.	September 30, 2024	136,410.20	10% every other 2 yrs
2.	Carmen Planas	Zaldra Realty Development Corporation	December 31, 2024	82,958.31	5% annually
3.	Elcano	Lowella Sy Sael	August 31, 2024	118,492.67	5% annually

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
4.	Jose Abad Santos	Virgilio Ting Uy	December 15, 2023	82,867.50	5% on 3rd year & every yr thereafter
5.	Quintin Paredes	Downtown Realty Investment Corporation	June 30, 2025	260,686.65	5% annually
6.	Adriatico-Malate	Evangeline T. Lim	February 3, 2022	156,791.20	Still pending, Lessors are still out of the country
7.	Pasay	Mayson Realty Corporation	August 14, 2023	63,669.38	5% annually
8.	Pasay-Malibay	M. Ainsley Realty Corporation	December 31, 2023	87,097.50	5% on 3rd year & every year thereafter
9.	Paterno-Quiapo	Edilberto Pontillas	June 30, 2023	132,970.99	5% annually
10.	Pedro Gil-Paco	Stephen, John, David, Luther, Grace all surnamed TIU	July 27, 2022	118,196.44	5% annually
	Northern Metro Manila Region				
1.	Malinta	Cesar L. Flores & Marciana M. Flores	July 15, 2026	65,000.00	5% annually
2.	Malabon	J2NS Property Development, Inc.	July 31, 2023	102,643.20	8% on 3rd year & every year thereafter
3.	Malabon-Rizal Avenue	Flaviano G. Felizardo III	August 18, 2026	40,000.00	None
4.	Navotas	Megarite Development Corporation	December 31, 2024	54,681.58	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	128,480.68	5% annually
7.	Baliuag	Danilo S. Santos	December 31, 2022	73,300.28	5% annually
8.	Bocaue	Joel G. Castillo and Cynthia G. Castillo	December 31, 2023	53,603.82	5% annually
9.	Malolos	DJ Paradise Resort Inc.	December 31, 2024	41,747.52	5% annually
10.	Meycauayan	I.S. Properties, Inc.	December 31, 2025	76,576.89	5% annually
11.	Muzon	Bank's Property			
12.	Sta. Maria	Angelika Halili Cruz	September 30, 2022	52,033.41	5% on 3rd yr. & every yr thereafter
13.	Angeles	AJV Investment Holdings, Inc.	June 30, 2028	76,918.75	5% on 3rd yr. & every yr thereafter

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
14.	Cabanatuan	Sps. Leonardo Toh Callueng & Maria Cristina Lao Callueng	January 15, 2027	78,730.62	5% annually
15.	Gapan	Veronica, Albino, Digna, Gregorio, Elizabeth (all surnamed Del Fonso)	November 1, 2023	61,853.32	beg.2 nd yr 5% up 5 th 6.5%-6 th -10 th 8%-11 th -15 th
16.	Gen. Tinio	Bank's Property			
17.	Olongapo City	Sps. Wilson W. Chieng and Betty Chieng	July 31, 2024	100,000.00	2.5% annually
18.	San Fernando	JTG Sears Realty Corporation	April 30, 2022	80,525.50	10% annually
19.	Balanga	Melencio A. Unciano, Jr.	October 31, 2024	80,405.74	5% annually
20.	SBMA-Subic	Subic Creative Center, Inc.	May 31, 2023	99,829.48	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	Julietta Lintag Reyes (Attorney-In-Fact)	September 30, 2023	34,728.75	5% annually
24.	San Fernando- San Agustin	Purificacion T. Tanglao	June 30, 2021	80,000.00	month to month basis/ for relocation
25.	Baliuag- B.S. Aquino	Sps. Cesar C. Cabrerros & Elenita S. Cabrerros	September 30, 2021	44,008.97	month to month basis/ for relocation
26.	Navotas- M.Naval	Roberto S. Sylanteng/Cesar S. Sylanteng/Clarita S. Tang/ Gloria S. Lim	March 31, 2021	38,000.00	month to month basis/ for relocation
	Eastern Metro Manila Region				
1.	Greenhills	LGI Group Corporation	May 31, 2022	106,590.00	None, straight 5 years
2.	Mandaluyong	Antonio H. Yap	December 31, 2022	123,644.87	5% annually
3.	Ortigas	CW Marketing and Development Corporation	June 14, 2025	83,086.08	5% annually
4.	Pasig Blvd.- Kapitolyo	Dhondup Holdings Inc.	April 14, 2022	68,113.05	None
5.	Antipolo	Megathon Properties, Inc.	August 14, 2023	89,621.64	5% annually

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
6.	Cainta	Molks Realty Development Corp.	September 14, 2023	87,240.23	5% annually
7.	Marikina	Shaun D. Nandwani	September 30, 2026	121,000.00	5% on the 4 th year
8.	Concepcion-Marikina	Mark William Pua Uy	August 14, 2023	69,457.00	5% every 2 years
9.	Antipolo-Masinag	Rikland Property Leasing	December 20, 2026	75,953.03	5% first 3 years; 10% every year after
10.	Taytay	Estelita M. Felix	October 31, 2024	97,769.70	5% annually
11.	Ortigas Ave. Ext.-Cainta	Decoro General Construction and Trading Corporation	January 31, 2026	65,029.58	5% on 3 rd yr. & every yr thereafter
12.	Gil Fernando Ave.- Marikina	UPA WRC development Company	October 15, 2024	83,349.00	5% annually
	Central Metro Manila Region				
1.	Commonwealth-Fairview	Frederick C. Ibay	November 30, 2026	93,079.71	5% annually
2.	Cubao	RSAG Building Management Services	August 15, 2025	89,250.00	5% annually
3.	Novaliches	Luwell Realty & Development Corporation	September 30, 2024	111,172.08	5% annually
4.	Timog-Rotonda	A.A. Tanco, Inc.	November 30, 2023	112,568.04	5% annually
5.	Banawe	Solmac Marketing Inc.	April 30, 2025	174,475.35	5% annually
6.	Quezon Avenue- D. Tuazon	Lotteworld Import & Export, Inc.	July 31, 2031	90,000.00	5% on 3 rd yr. & every yr thereafter
7.	Congressional Avenue-Quezon City	Avli Enterprises	March 16, 2025	99,064.80	5% on 3 rd yr. & every yr thereafter
8.	Del Monte	Cheung's Development Corporation	<i>Under negotiation/ for relocation</i>		
9.	Retiro	Doña Ignacia Development Corporation	May 21, 2023	75,870.51	5% annually
10.	Roosevelt	Henry Tan Villasi	November 14, 2022	40,280.66	Yearly renewal
11.	West Avenue	Fiorino Development Corporation	June 22, 2022	66,167.22	5% on 3 rd yr. & every yr thereafter
12.	Kamias-Anonas	Citi Property Management and Realty Corporation	August 15, 2025	101,081.51	5% annually
13.	Quezon Avenue	Comworks, Inc.	November 18, 2024	189,797.85	4% on the 3 rd 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	5% annually
2.	Makati	AMY Leasing Company	January 1, 2024	188,564.92	5% annually
3.	Salcedo Village-Makati	Lacelli International Corporation	July 31, 2022	168,429.93	5% annually
4.	Sucat-Parañaque	Jaka Investments Corporation	February 14, 2022	98,310.95	None
	The Fort	Megaworld Corporation/Bonifacio West Dev't Corp.	April 30, 2025	350,295.00	escalation per sq. m.
6.	Dasmariñas-Cavite	Jica Land Developers Inc.	September 30, 2023	62,842.50	5% on 3 rd yr. & every yr thereafter
7.	Imus	Bank's Property			
8.	Las Piñas	Omni Investment Bldg	February 26, 2024	87,240.23	5% annually
9.	Madrigal Business Park	Solid Gold Realty Corporation	August 25, 2023	85,323.04	5% annually
10.	Muntinlupa	Sps. Sturnino L. Baccay & Katherine C. Baccay	October 1, 2022	81,000.02	Yearly renewal
11.	Molino-Bacoor	SolaGrande Realty Corporation	June 30, 2024	71,924.35	5% annually
12.	Trece Martires-Cavite	Virginia P. De Guzman	June 15, 2025	40,516.88	5% on 3 rd yr. & every yr thereafter
13.	Carmona-Cavite	Best Century Real Estate Business, Inc.	February 28, 2025	82,005.00	5% on 3 rd yr. & every yr thereafter
14.	Kawit	Bank's Property			
15.	Binakayan	Philippine National Railways	December 31, 2020	no contract of lease	Month to month payment
16.	Better Living-Parañaque	Lauan Commercial Corporation	December 31, 2025	69,457.50	5% on 3 rd yr. & every yr thereafter
17.	Bonifacio Global City	MC Home Depot (Fort Bonifacio), Inc.	December 31, 2023	128,260.74	5% annually
18.	Aseana City-Paranaque	Ri-Rance Realty Corporation	May 14, 2023	146,377.03	5% on the 3 rd year
19.	Bonifacio Global City- Net Plaza	14-678 Property Holdings, Inc.	March 14, 2023	218,112.01	7% annually
20.	Makati- Aguirre	St. Francis Square Development Corporation	January 1, 2026	337,071.40	7% annually

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
	Northern Luzon Region				
1.	Cauayan	Jolilyn A. Guy	March 31, 2023	92,610.00	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	87,599.02	5% annually
4.	Santiago	Sps. Manuel Salvador N. De Vera and Bonalet M. De Vera	June 30, 2024	82,687.50	5% annually
5.	Vigan	Juvencio L. Pe Benito	June 30, 2024	60,500.00	10% on 3 rd yr. Only
6.	Baguio	Atty. Ernesto Ll. De los Santos	August 24, 2024	91,261.68	5% on 2 nd year & every 2 yrs thereafter
7.	Dagupan	Wilson Dy	April 14, 2022	106,962.62	5% on the 3 rd year
8.	La Union	Rome Development & Management Corp.	August 14, 2024	77,175.00	5% annually
9.	Tarlac	Edward Allan H. Que	July 31, 2022	69,457.50	5% on 3 rd yr. & every yr thereafter
10.	Urdaneta	Gold and Chimes Realty Corporation	January 31, 2022	81,427.55	still under negotiation
11.	Tarlac-Paniqui	Green Field Miracle Realty Development Corporation	January 15, 2025	47,358.56	5% on 3 rd yr. & every yr thereafter
12.	Benguet-La Trinidad	Jerrison Ang Tiong and Janesa Ang Tiong	February 15, 2023	71,962.62	One year extension
13.	Pangasinan-Lingayen	Carmen E. Dyliacco, Piedad E. Dyliacco & Montserrat S. Escano	October 31, 2025	67,643.89	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, 2023	57,881.25	5% annually
16.	Calasiao-Pangasinan	Bonbryan D. Velasco	March 31, 2024	47,250.00	5% on 3 rd 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 3 rd yr. & every yr thereafter
2.	Lipa City	Reynato D. Goce	August 15, 2022	92,083.60	5% on 3 rd yr. & every yr thereafter
3.	Tanauan	RNT Enterprises	August 15, 2023	96,486.88	5% annually
4.	Calapan	Mila S. Tolentino, Amado S. Tolentino Jr. and Lita S. Tolentino	May 22, 2024	53,603.82	5% annually
5.	Calamba	Nelson Lu & Josie T. Lu	December 31, 2025	88,647.34	5% on 3 rd yr. & every yr thereafter
6.	Lucena City	Amalia Garana-Italia	November 2, 2022	63,669.40	5% on 3 rd yr. & every yr thereafter
7.	San Pablo	Albrighton Corporation	October 15, 2023	79,494.11	5% on 4 th yr and every yr thereafter
8.	Sta. Rosa	Philippine Seven Corporation (Sub Lessor)	February 28, 2023	123,661.89	7.5% on the 2 nd yr & every yr thereafter
9.	San Pedro	Lily Tsang Ngo	March 31, 2023	104,462.40	5% from the previous
10.	Legazpi City	Natividad M. Sison	August 14, 2022	67,004.78	5% on 3 rd yr. & every yr thereafter
11.	Naga	Peterson Resources and Holding Inc.	February 28, 2025	90,000.00	5% on 3 rd yr. & every yr thereafter
12.	Sorsogon	Sorsogon Chang Kai Shek School	September 30, 2023	77,215.04	5% on 3 rd yr. & every yr thereafter
13.	Puerto Princesa Palawan	Sps. Allan and Dawn Carlos	June 30, 2023	93,767.63	5% annually
14.	Iriga-Camarines Sur	Arnel H. Tan	March 31, 2025	70,195.49	5% annually
15.	Biñan-Laguna	Abbie Lane M. Perez	May 30, 2025	60,775.31	5% annually
16.	Calamba Crossing	Marcelita Realty Corporation	November 30, 2021	87,106.22	Extension of lease
17.	Legazpi-Rizal	Costa Verde Development Corporation	April 30, 2022	47,816.18	10% on the third year
18.	Balayan	Mafel Cayabyab Alvez	June 30, 2024	94,736.84	Fixed for 5 years

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
	Visayas Region				
1.	Bacolod	T.U. Realty & Development Co., Inc.	June 30, 2024	106,029.00	5% on 3 rd yr. & every yr thereafter
2.	Iloilo	Muzon San Luis Property, Inc.	January 31, 2024	62,537.80	5% on 3 rd yr. & every yr thereafter
3.	Iloilo- Donato Pison	Greenzone Realty and Development Corporation	November 30, 2023	103,854.40	5% on 3 rd yr. & every yr thereafter
4.	Kalibo	Lawrence Ti Lu	September 5, 2023	97,831.93	7% annually
5.	Downtown-Cebu	P2P Property Ventures, Inc.	May 14, 2024	87,100.07	7.5% on the 3 rd yr & every yr thereafter
6.	Lapu-Lapu City	Antonio Amistad	February 14, 2027	93,370.56	5% annually
7.	Mandaue	Lester & Lesley To Chip	March 31, 2024	77,566.41	5% on 3 rd yr. & every yr thereafter
8.	Tacloban	Tacloban Buddhist Temple, Inc.	May 30, 2023	77,175.00	5% on 3 rd yr. & every yr thereafter
9.	Tagbilaran	EB Gallares Properties Associates, Inc.	October 31, 2022	108,417.17	5% annually
10.	Consolacion-Cebu	1028 Realty Corporation	November 30, 2024	78,281.69	5% annually
11.	Cebu-Talisay	Dynasty Management and Development Corporation	September 30, 2025	57,883.29	5% on 3 rd yr. & every yr thereafter
12.	Cebu-Escario	Nicris Dev., Corp.	June 18, 2025	79,427.25	5% annually
13.	Cebu-Banilad	SmartGlobal Holdings Inc.	June 30, 2025	90,040.59	3% annually
14.	Roxas City	Maria Rosario Susan J. Sanson	November 15, 2025	74,206.65	5% annually
15.	Boracay	Sps. Larry & Annie Barbasa	<i>For consolidation with Kalibo branch</i>		
16.	Ormoc	Raquel Codilla Abucay and Lydia Codilla Abastillas represent as the Trustees of Narcisa Codilla Enterprises Inc.,	June 1, 2023	66,000.00	10% every other 2 yrs
17.	Catbalogan	Ramon L. Rosales	July 30, 2023	52,000.00	Fixed for 5 years
18.	Iloilo-Jaro	Rosman Iloilo, Inc.	September 15, 2026	68,762.92	5% annually

	REGION	LESSOR	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
	Mindanao Region				
1.	Davao-Bajada	Bank's property			
2.	Sales-Davao	JM Agro Industrial Trading Corporation	March 31, 2026	145,000.00	10% every 2 years
3.	General Santos	Firenzo Property Dev't/GSC Suncity Suites	September 16, 2025	80,041.50	5% on 3 rd year and 5 th year
4.	Davao-Lanang	Binansel Inc.	May 31, 2024	75,000.00	Additional P5,000 every 2 years
5.	Davao-Toril	Far East Noble House, Inc.	July 31, 2024	49,471.11	5% on 3 rd 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	82,432.75	5% 1st, 2nd & 3rd; 7.5% 4th & 5th
8.	Butuan	FG Ever, Inc.	December 25, 2021	76,768.81	5% annually
9.	Cagayan de Oro	Leo Boyd Casiño and Bernard M. Casiño	May 31, 2024	55,125.00	5% annually
10.	Cagayan de Oro- Cogon	Alice LL. Andrada, Inc.	December 31, 2022	72,930.38	5% on 3 rd yr. & every yr thereafter
11.	Iligan City	Sps. Glen and Marissa Doromal	March 31, 2024	47,250.00	5% on 3 rd yr. & every yr thereafter
12.	Zamboanga	Wee Agro Industrial, Inc.	September 5, 2023	76,576.90	5% on 3 rd yr. & every yr thereafter
13.	Ozamis	The Insular Life Assurance Company, LTD	July 15, 2024	53,531.52	5% annually
14.	Dipolog	Johnny A. Lim	September 30, 2024	90,000.00	Fixed
15.	Dumaguete	Maximo P. Tan, Jr.	December 15, 2024	79,380.00	5% annually
16.	Davao-Panabo	Asaje Realty Corporation	January 15, 2025	80,289.59	5% on 3 rd yr. & every yr thereafter
17.	Surigao City	Engr. Leonel A. Santos	July 31, 2025	55,660.00	10% on 3 rd yr and every yr thereafter
18.	Davao-C.M. Recto	JR Lacuesta Properties Development Corp.	August 31, 2025	72,109.91	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 ₱4.51 billion as of May 26, 2022. The high, low, and closing price of the Registrant’s shares as of May 26, 2022 was at ₱7.00. The high and low sales prices for each quarter within the last two fiscal years are as follows:

	2020		2021		2022	
	Low	High	Low	High	Low	High
1Q	5.32	13.30	9.41	12.50	8.65	10.00
2Q	8.21	10.00	9.04	11.10		
3Q	7.88	9.88	9.42	11.10		
4Q	8.57	13.46	7.90	10.00		

Holders

As of December 31, 2021, 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	218,852,436	34.00%
Zest-O Corporation	162,052,923	25.17%
PCD Nominee Corporation - Non Filipino	9,364,773	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%
James G. Dy	468,750	0.07%
Julian Lu	375,000	0.06%
Peter Y. See	375,000	0.06%
Siot Keng Go Dy	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%
Others	1,209,251	0.19%
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 August 16, 2021, the Board of Directors approved the increase of PBB's authorized capital stock to ₱15.0 billion from ₱10.0 billion, subject to the approval of BSP and SEC. 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.

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 P198.0 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.

After the reporting period, the Bank's BOD approved the declaration of cash dividends amounting to P118.8 million (P1.92 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, 2021 and 2020:

	For the calendar period ended			
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>Variance</u>	<u>%</u>
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 volume 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			
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>Variance</u>	<u>%</u>
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	% p	
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%.

For the calendar year ended December 31, 2020 and 2019:

	For the calendar period ended				
	12/31/2020	12/31/2019	Variance	% p	
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				
	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>Variance</u>	<u>%</u>	
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				
	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>Variance</u>	<u>%</u>	
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.

For the calendar year ended December 31, 2019 and 2018:

	For the calendar period ended					
	12/31/2019		12/31/2018		Variance	%
Interest income	P	7,094,201,314	P	5,509,559,450	P 1,584,641,864	28.8
Interest expense	(	2,543,220,573)	(	1,732,261,448)	(810,959,125)	46.8
Net interest income	P	4,550,980,741	P	3,777,298,002	P 773,682,739	20.5

Overall interest income posted a 28.8% growth YoY from ₱5,509.6 million in 2018 to ₱7,094.2 million in 2019. The growth is mainly driven by the increases in loan volume and interest rate, as well as the build-up of the Bank's trading portfolio which resulted in the expansion of interest income on loans and other receivables to ₱6,623.7 million and interest income on trading securities to ₱438.3 million.

The 46.8% increase in interest expense is due to the increases in deposit volume and time deposit interest rate as well as the Bank's issuance of the fixed-rate corporate notes due in 2022. Interest expense on deposit liabilities reached ₱2,336.6 million from ₱1,619.9 million last year while interest expense on corporate notes totaled ₱71.7 million in 2019.

As a result, net interest income stood at ₱4,551.0 million in 2019 from ₱3,777.3 million in 2018, up 20.5%.

	For the calendar period ended					
	12/31/2019		12/31/2018		Variance	%
Core income						
Net interest income	P	4,550,980,741	P	3,777,298,002	P 773,682,739	20.5
Service charges, fees and commissions		348,810,364		284,823,000	63,987,364	22.5
Miscellaneous		155,562,175		103,286,349	52,275,826	50.6
		5,055,353,280		4,165,407,351	889,945,929	21.4
Non-interest expenses	(	3,093,751,111)	(	2,598,760,224)	(494,990,887)	19.0
Core income	P	1,961,602,169	P	1,566,647,127	P 394,955,042	25.2

Other income recorded a 30.0% growth from ₱388.1 million to ₱504.4 million YoY which includes the ₱101.1 million negative goodwill recognized from the merger of PBB and ISB. Recurring other income, which includes service charges and miscellaneous fees, would have been 3.9% higher than 2018's ₱388.1 million.

Operating expense in 2019 was at ₱3,093.8 million, up 19.0% from ₱2,598.8 million in 2018. Aside from the Bank's normal operations, the increase is partly due to the merger of PBB and ISB following SEC's approval last June 10, 2019 and the strategic initiatives of PBB. Salaries and other employee benefits, the largest share of operating expense in 2019, grew by ₱170.1 million or 20.8% growth as headcount increased by 12.8% YoY. Taxes and licenses increased to ₱636.9 million in 2019 from ₱552.3 million in 2018 as income expanded. Operating expense, excluding non-recurring expenses in 2019, would have been ₱3,065.8 million, up 18.0%.

These changes brought the Bank's core income to ₱1,961.6 million in year-end 2019, up 25.2%.

	For the calendar period ended					
	<u>12/31/2019</u>		<u>12/31/2018</u>		<u>Variance</u>	<u>%</u>
Core income	P 1,961,602,169	P	1,566,647,127	P	394,955,042	25.2
Trading gains (losses)	292,699,496	(	30,493,963)		323,193,459	p
Pre-tax pre-provision profit	P 2,254,301,665	P	1,536,153,164	P	718,148,501	46.7
Loan loss provision	(561,174,001)	(	294,731,906)	(	266,442,095)	90.4
Profit before tax	1,693,127,664		1,241,421,258		451,706,406	36.4
Taxes	(436,754,221)	(	383,423,004)	(	53,331,217)	13.9
Net income	P 1,256,373,443	P	857,998,254	P	398,375,189	46.4

The Bank recorded a total of **P**292.7 million trading gains in 2019 from a trading loss of **P**30.5 million in 2018. This resulted in the 46.7% increase of pre-tax pre-provision profit from **P**1,536.2 million in 2018 to **P**2,254.3 million in 2019.

Stripping out all one-time income and expenses in 2019, core income and pre-tax pre-provision profit would have reached **P**1,919.0 million and **P**2,211.7 million.

PBB set aside **P**561.2 million loan loss provision for the year 2019 to cover potential loan losses.

As a result, net income recorded a 46.4% increase from **P**858.0 million in 2018 to **P**1,256.4 million in 2019.

B. Financial position

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 ₱3,000.0 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 BPPFE 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.

December 31, 2019 vs December 31, 2018

Balance sheet of PBB as of December 2019 amounted to ₱114.1 billion due to the increases in cash and other cash items, trading securities, loans and other receivables, bank premises, furniture, fixtures, and equipment, and investment properties.

Cash and other cash items were higher in 2019 by 18.5% from ₱1.0 billion to ₱1.2 billion.

Due from BSP was down to ₱5.2 billion primarily owing to the reduction in reserve requirement implemented during the year.

Due from other banks declined from ₱4.5 billion in 2018 to ₱2.8 billion in 2019 as placements to local and foreign banks decreased this year.

Trading portfolio reached ₱14.8 billion in 2019 from ₱4.9 billion in 2018 as the Bank took advantage of trading opportunities.

Net loans and other receivables expanded to ₱87.3 billion this year, up 15.6% due to the increased lending activities of the Bank.

Bank premises, furniture, fixtures, and equipment stood at ₱753.4 million, up 58.5% as the Bank recognized right-of-use assets from its leases. Investment properties were 15.2% higher than 2018's figure of ₱429.3 million.

Other resources declined by 11.0% from ₱1.7 billion to ₱1.6 billion in 2019 following the merger of PBB and ISB.

The Bank generated a total of ₱95.3 billion deposit liabilities from ₱77.3 billion in 2018 on account of the 41.2% and 11.4% increases in CASA and time deposits, respectively.

Bills payable decreased to ₱612.5 million from ₱3.7 billion in 2018 as some borrowings matured as of December 2019. Accrued expenses and other liabilities were also 2.5% lower due to the decreases in accounts payable and manager's checks.

On July 31, 2019, PBB issued a fixed-rate corporate notes amounting to ₱3.0 billion due 2022 as part of the ₱10.0 billion debt program of the Bank. The funds were used to finance loan requirements and capitalize attractive lending opportunities.

Equity stood at ₱12.9 billion in 2019, 13.3% higher than the same period last year of ₱11.4 billion as net income expanded by 46.4%. This is equivalent to a book value per share of ₱19.03 net of preferred shares versus ₱16.68 in 2018.

C. Key Performance Indicators

CAR: Capital Adequacy Ratio was at 11.82%, higher than BSP's minimum requirement of 10.0%.

Asset Quality: The Bank's non-performing loans ratio reached 4.33% this year.

Profitability: Return on Average Equity (ROAE) increased from 7.02% in 2020 to 8.24% as of December 2021.

Liquidity: The Bank's loans-to-deposits ratio (BSP formula) as of December 31, 2021 was 81.55%.

Asset efficiency: Return on Average Assets (ROAA) improved by 12 bps to 0.93% in December 2021.

Book value per share as of December 31, 2021 was at ₱21.50 from ₱20.59 in the same period in 2020. 5-year CAGR book value per share, net of preferred shares, stood at 9.11% from ₱13.90 in 2016.

The following table shows the key performance indicators for the past three (3) calendar years ending December 31, 2021 (in %):

Performance Indicators, in Php mn	2019	2020	2021
Return on assets (%)	1.10	0.78	0.88
Net income	1,256	939	1,168
Total assets	114,092	119,767	132,032
Return on equity (%)	9.76	6.77	8.08
Net income	1,256	939	1,168
Total equity	12,868	13,876	14,463
Capital adequacy ratio (%)	13.70	14.15	11.82
Total qualifying capital	12,839	13,797	14,147
Risk weighted assets	93,728	97,499	119,672
Loans-to-deposit ratio (%)	91.66	88.93	81.55
Loans and other receivables – net	87,324	89,276	91,675
Deposit liabilities	95,268	100,394	112,418
NPL ratio (%)	2.33	4.07	4.33
Non-performing loans	1,992	3,681	3,979
Gross loans	85,620	90,388	91,984
Book value per share	19.03	20.59	21.50
Equity – net of preferred shares	12,248	13,256	13,843
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

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%
- BPFPE 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.

Financial Condition as of December 2019 vs December 2018:

Total assets recorded a 20.4% growth from ₱94.7 billion in 2018 to ₱114.1 billion in 2019. Significant changes (more than 5%) in assets were registered in the following accounts:

- Cash and other cash items were 18.5% higher YoY
- Due from BSP was down by 15.1% as the BSP cut reserve rates during the year
- Due from other banks declined by 38.0% on account of the lower placements to local and foreign banks
- Trading and other investment securities grew by 203.1% as the Bank took advantage of the trading opportunities during the year
- Net loans and other receivables expanded by 15.6% due to the increase in lending activities of PBB
- Bank premises, furniture, fixtures, and equipment increased by 58.5% owing to the increase in right-of-use assets
- Investment properties was 15.2% higher than the same period in 2018 due to the transfer arising from the merger of PBB and ISB
- Other resources were down by 11.0% as other investment account was nil following the merger

PBB's liabilities ended at ₱101.2 billion in 2019, 21.4% higher than ₱83.4 billion last year. Significant changes in liabilities were registered in the following accounts:

- The growth of deposit liabilities by 23.3% due to the increases in low-cost and high-cost deposits
- The Bank issued a fixed-rate corporate notes due in 2022 amounting to ₱3.0 billion on July 31, 2019

- Bills payable was down by 83.4% as borrowings have matured by year-end 2019
- Accrued expenses and other liabilities were 2.5% lower YoY

The Bank's capital as of December 2019 was at ₱12.9 billion from ₱11.4 billion in 2018, up 13.3%. Book value per share, net of preferred shares, was at ₱19.03 as of year-end 2019. Earnings per share ended at ₱1.64 in December 2019, higher than the ₱1.33 figure in the same period last year.

Results of Operations

For the year ended December 31, 2021 vs. December 31, 2020

- 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 of 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.

For the year ended December 31, 2019 vs. December 31, 2018

- Interest income for the calendar period ended December 31, 2019 stood at ₱7,094.2 million, up 28.8% against the ₱5,509.6 million figure last year as loan volume, trading portfolio, and interest rates expanded.
- Interest expense expanded by 46.8% from ₱1,732.3 million in 2018 to ₱2,543.2 million in 2019 on account of the increases in interest expense on deposit liabilities and corporate notes.
- Recurring non-interest income, comprises of service charges, fees, and commissions and miscellaneous income, grew to ₱403.3 million as service charges grew by ₱64.0 million. Including the one-time gain of ₱101.1 million from the consolidation of ISB, non-interest income grew by 30.0% to ₱504.4 million
- Non-interest expense rose to ₱3,093.8 million in 2019 from ₱2,598.8 million in 2018 on account of the increases in salary expense, management and other professional fees, taxes and licenses, and representation and entertainment.
- PBB recorded a total of ₱1,961.6 million core income this year, up 25.2% compared to last year's ₱1,566.6 million figure
- Trading gains expanded to ₱292.7 million in 2018 from a trading loss in 2018
- The Bank set aside a total of ₱561.2 million loan loss provision this year versus ₱294.7 million in 2018, a 90.4% increase
- PBB recorded a ₱1,256.4 million net income in 2019, up 46.4% YoY

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		
	2019	2020	2021
Cash and cash equivalents, beginning of the year	13,238.47	11,815.26	11,064.30
Net cash provided by (used in) operating activities	5,371.01	(4,483.22)	21,093.83
Net cash provided by (used in) investing activities	(6,747.79)	4,459.26	(7,757.54)
Net cash provided by (used in) financing activities	(412.20)	(727.00)	(100.98)
Net increase (decrease) in cash and cash equivalents	(1,788.97)	(750.96)	13,225.31
Cash and cash equivalents, end of the year	11,815.26	11,064.30	24,289.61

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, 2021, net cash used in operating activities amounted to ₱21,093.8 million. During this time, the Bank expanded its loans and other receivables by ₱2,431.8 million while deposits grew by ₱12,052.9 million. Impairment losses for the year stood at ₱747.4 million. As of the years ended December 31, 2020 and 2019, cash flow from (used in) operating activities was negative ₱4,483.2 million and ₱5,371.0 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 FVOCI, bank premises, furniture and fixtures, and software licenses. As of December 31, 2021, net cash used in investing activities amounted to negative ₱7,757.5 million. Net cash used in investing activities for 2019 and 2020 were negative ₱6,747.8 million and ₱4,459.3 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, 2021, PBB recorded a use of cash flow from financing activities of negative ₱101.0 million from negative ₱727.0 million in 2020.

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	2019	2020	2021
Net Tier 1 capital	11,997	12,939	13,254
Tier 2 capital	842	858	893
Total qualifying capital	12,839	13,797	14,147
Risk weighted assets	93,728	97,499	119,672
Tier 1 capital ratio	12.80%	13.27%	11.08%
Total capital ratio	13.70%	14.15%	11.82%

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, 2020 and 2021 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, 2021:

In ₱ millions	2020	2021
Investment management accounts	7,418,923,766	8,308,580,613
Trust and other fiduciary accounts	5,996,544,565	1,814,508,813
Outstanding letters of credit	829,795,757	747,471,735
Late payment/deposits received	115,357	2,480,000
Items held for safekeeping	143,812	123,946
Items held as collateral	12,685	12,315
Outward bills for collection	6,116,824	1,012,942
Unit investment trust fund	28,237,926	23,245,786
Other contingent accounts	1,730,246,464	625,213,351

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 ₱11.5 billion in contingent liabilities of which, ₱10.1 billion or 88.1% 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.

In 2008, the BSP and the SEC allowed the reclassification of certain financial assets that were previously classified under FVTPL and AFS categories, due to the tainting in 2006, back to HTM investments or loans and receivables. Accordingly, despite the tainting prohibition until 2008, the Bank reclassified its investments in debt securities previously classified under FVTPL and AFS securities to HTM investments amounting to ₱18.8 million and ₱2,130.8 million, respectively, representing the fair value of the reclassified investments on September 11, 2008, the effective date of reclassification, as allowed under FRSP for banks.

On September 14, 2009, however, the Bank reclassified its remaining HTM investments to AFS securities with carrying value of ₱2,621.7 million. As such, the Bank was not allowed to classify as HTM investments its existing and new acquisitions of financial assets due to tainting until 2011. Starting 2012, the tainting of the Bank had been lifted.

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, 2020 and 2021 pertain to loan transactions with its officers and employees and related parties amounting to ₱712.4 million and ₱709.8 million.

Earnings per Share

The Bank's earnings per share (EPS) as of December 31, 2021, 2020, and 2019 were at ₱1.81, ₱1.46, and ₱1.64, respectively. This is computed by dividing the net income net of dividends of ₱1,168.2 million, ₱938.9 million, and ₱1,058.4 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. Ferarezza.

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

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 2021. 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	78	Filipino	Chairman Emeritus	2010
Jeffrey S. Yao	54	Filipino	Chairman	2019
Rolando R. Avante	63	Filipino	Vice Chairman and President / CEO	2019
Honorio O. Reyes- Lao	77	Filipino	Director	2010
Roberto A. Atendido	74	Filipino	Director	2012
Leticia M. Yao	68	Filipino	Director	2009
Benjamin R. Sta. Catalina, Jr.	74	Filipino	Director	2012
Narciso D.L. Eraña	68	Filipino	Independent Director	2018
Atty. Roberto C. Uyquiengco	74	Filipino	Independent Director	2018
Benel D. Lagua	65	Filipino	Independent Director	2021
Asterio L. Favis, Jr.	69	Filipino	Independent Director	2021
Diosdado M. Peralta	70	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, 78 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 SEC Form 17-A

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; Ex-officio membership: Audit, Corporate Governance, and Risk Oversight Committees; Adviser: IT Steering Committee

Rolando R. Avante (Filipino, 63 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 and FATCA, Asset and Liability Management, Bid, Capital Planning, Credit, Executive, Management, Remedial and Special Assets Management, and Trust; Ex-Officio membership: Audit, Corporate Governance, and Risk Oversight Committees

Roberto A. Atendido (Filipino, 74 years old)

Mr. Roberto A. Atendido was appointed to the Board in 2012 and was last re-elected as Director on June 25, 2021.

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, Risk Oversight, and Trust

Honorio O. Reyes- Lao (Filipino, 77 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): Executive, Risk Oversight, and Trust

Benjamin R. Sta. Catalina, Jr. (Filipino, 74 years old)

Mr. Benjamin R. Sta. Catalina, Jr. was appointed Independent Director to the Board on 2012 and last re-elected as Director on June 25, 2021. 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

Leticia M. Yao (Filipino, 68 years old)

Dra. Leticia M. Yao was appointed to the Board in 2009 and last re-elected as Director on June 25, 2021.

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): Trust

Narciso DL. Eraña (Filipino, 68 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, and Risk Oversight

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, 65 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 Laguna teaches part-time at the Ateneo de Manila University and the De La Salle University in Manila.

Mr. Laguna 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, 69 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 NCCA High School Basketball Team (1970-1971).

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

Diosdado M. Peralta (Filipino, 70 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 May 2022:

Rolando R. Avante (Filipino, 63 years old)

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

Joseph Edwin S. Cabalde (Filipino, 52 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, 48 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, and Management

Cynthia A. Almirez (Filipino, 56 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 Futtain 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 and FATCA, Bid, Employee Discipline, IT Steering, and Management

Reynaldo T. Boringot (Filipino, 63 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, 59 years old)

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, 66 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 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, 54 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, 51 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, 55 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 and FATCA, Employee Discipline, and Management

Felipe V. Friginal (Filipino, 67 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 and FATCA, Asset and Liability Management, Bid, Capital Planning, Credit, Employee Discipline; 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, 60 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, 37 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, 65 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 China Trust 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

Rolando G. Alvendia (Filipino, 58 years old)

Mr. Rolando Alvendia is PBB's Chief Accountant and Head of General Accounting Center.

In his over 30 years of banking experience, he started his banking career at United Coconut Planters Bank as an Accounting Supervisor from 1986 to 1995 and was an Administrative Assistant at International Exchange Bank from 1995 to 1998. He started his career at PBB's General Accounting Center in 1998, where he rose from Assistant Manager to Vice President.

Mr. Alvendia is a graduate of Bachelor of Accountancy from the Polytechnic University of the Philippines and is a Certified Public Accountant.

Committee(s): Management

Atty. Roberto S. Santos (Filipino, 72 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 and FATCA, Management, and Remedial and Special Assets Management

Enrico T. Teodoro (Filipino, 49 years old)

Mr. Enrico Teodoro is the System Support and Application Development Center Head and OIC of Project Management Group of PBB.

He joined PBB in 1997 after his stints as Data Encoder at Ace Promotion and Marketing Corporation from 1994 to 1995 and a System Analyst and Programmer at Premier Development Bank from 1995 to 1997. He started his PBB career as an Administrative Assistant in 1997 and was the Officer-In-Charge of the Bank's Information Technology Group from 2015 to 2017.

He is a graduate from the Baguio Colleges Foundation with a Bachelor of Science in Information and Computer Course degree.

Committee(s): Management

Ma. Joyce G. Zarate (Filipino, 58 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

Atty. Leonardo C. Bool (Filipino, 59 years old)

Atty. Leonardo C. Bool, is the Assistant Corporate Secretary holding the position of Senior Assistant Vice President. He obtained his college degree, Bachelor of Science in Commerce, Major in Accounting, at the University of Santo Tomas. Also, he obtained his Bachelor of Laws (LIB) at the same University. He is a Certified Public Accountant and a Lawyer at the same time. Prior to joining Philippine Business Bank, Atty. Bool was employed with Philippine Banking Corporation (later on merged with Global Business Bank) for 13 years from 1987 to 2000. From 2000 to 2004, he was with Export & Industry Bank (EIB). After his resignation with EIB, starting 2005 to 2010, he engaged in a full-time law practice handling civil, criminal, labor, corporate and administrative cases.

Committee(s): Employee Discipline and Management

Laurence R. Rapanut (Filipino, 59 years old)

Ms. Laurence R. Rapanut is the Senior Assistant Vice President and Internal Auditor of PBB. Her work experiences include: Junior Audit Examiner of Far East Bank and Trust Company from June 1983 to January 1988; Junior Audit Examiner to Branch Controller of First Philippine International Bank from September 1988 to January 1995; Branch Accountant – Assistant Manager to Senior Assistant Manager of Westmont Bank from April 1996 to December 2000; and Senior Assistant Manager to Manager of United Overseas Bank from January 2001 to January 2006. She joined PBB in March 2006 as Supervising Audit Examiner - Manager of Internal Audit Center.

Committee(s): Bid, Employee Discipline and Management

Emma K. Lee (Filipino, 63 years old)

Ms. Emma Lee was appointed Head of Systems and Methods Center with a rank of Assistant Vice President. She started her banking career as a Client Servicing Clerk/New Account Clerk, Current Account Bookkeeper, Management Trainee, Service Head, and Branch Operations Officer in different savings and commercial banks. Ms. Lee has been with Philippine Business Bank for more than eleven (11) years where she was initially assigned to the AML Unit of the Compliance Office as an AML Compliance Officer for more than eight years and was later assigned to head the Systems and Methods Center in June 2017 up to the present.

Ms. Lee is a Bachelor of Science Major in Accounting graduate from the University of Sto. Tomas.

Committee(s): Management

Judith C. Songlingco (Filipino, 50 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 –Dasmariñas, 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	2019	2020	2021
CEO and the four (4) most highly compensated officers of the Bank namely:		45.67	46.02	32.28
Rolando R. Avante	President & CEO			
Joseph Edwin S. Cabalde	EVP - Treasurer			
Arlon B. Reyes	EVP - Head of Commercial Banking Group			
Rosendo G. Sia	SVP - Head of Retail Sales Group			
Consuelo V. Dantes	VisMin SVP - Head of Human Resources Group			

Total Aggregate Compensation of Directors and Officers of the Bank as a group:	Salary	Other Compensation	Bonus	Total
2019	430.69	30.90	102.73	564.32
2020	463.44	36.14	108.25	607.83
2021	481.84	34.87	113.40	630.11

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:

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 August 16, 2021, the Board of Directors approved the increase of PBB's authorized capital stock to ₱15.0 billion from ₱10.0 billion, subject to the approval of BSP and SEC. 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.

Security Ownership of Management

The following directors and executive officers of the Company directly own approximately 0.85% percent of the Company's issued and outstanding common stock as of December 31, 2021 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	1,692,722	Common
Honorio O. Reyes-Lao	Filipino	Director	254,998	Common
Leticia M. Yao	Filipino	Director	1,680,535	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	100	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 0.85% with a total of 5,462,312 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.

	2020		2021	
	Transaction	Balance	Transaction	Balance
Key management personnel				
Compensation	173,943,541	-	201,006,922	-
Deposit liabilities	18,910,570	80,869,210	23,381,665	104,250,875
Loans	5,443,377	8,961,883	7,996,369	16,958,252
Interest expense	1,055,506	-	468,908	-
Interest income	521,139	237,402	1,208,365	1,445,767
Other related parties:				
Deposit liabilities	2,527,224,276	7,787,314,624	216,755,922	8,004,070,546
Loans	(401,154,581)	703,388,703	(559,959,065)	143,429,638
Interest expense	115,342,717	-	51,631,841	-
Interest income	28,111,843	1,427,283	20,662,763	22,090,046
Retirement Fund				
Contribution	37,133,819	-	37,943,819	-
Plan Assets	26,350,572	258,357,011	28,449,427	286,806,438

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, 2020 and 2021.

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, 2020	December 31, 2021
Total outstanding DOSRI loans	₱ 712,351	₱ 709,762
% of loans to total loan portfolio	0.8%	0.8%
% of unsecured loans to total DOSRI/related party loans	8.1%	8.3%
% 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 (5 th 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.

	2019	2020	2021
Short-term benefits	₱ 154,170,851	₱ 167,058,946	₱ 184,540,152
Post-employment benefits	15,264,380	6,884,595	16,466,770
Total	₱ 169,435,231	₱ 173,943,541	₱ 201,006,922

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

	2019	2020	2021
Salaries and wages	₱ 119,612,861	₱ 129,013,729	₱ 140,142,135
Bonuses	30,079,925	32,227,373	34,779,490
Social security costs	2,033,845	2,531,250	4,921,757
Other short-term benefits	2,444,220	3,286,595	4,696,770
Total	₱ 154,170,851	₱ 167,058,946	₱ 184,540,152

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.

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 ¹		Corporate Governance ¹	
	Attended	%	Attended	%	Attended	%	Attended	%
Jeffrey S. Yao	12	100%	12	100%				
Rolando R. Avante	12	100%	12	100%				
Leticia M. Yao	12	100%						
Danilo A. Alcosoba ²	11	92%			10	83%	9	75%
Roberto A. Atendido	12	100%			6	100%	12	100%
Honorio O. Reyes-Lao	12	100%	12	100%				
Paterno H. Dizon ³	1	25%			2	50%	2	50%
Benjamin R. Sta. Catalina, Jr.	12	100%			12	100%	6	100%
Narciso DL. Eraña	12	100%					12	100%
Atty. Roberto C. Uyquiengco	12	100%			12	100%	12	100%
Benel D. Lagua ⁴	6	100%			6	100%	6	100%
Asterio L. Favis, Jr. ⁴	6	100%			6	100%		
Total number of meetings held during the year 2021	12		12		12		12	

Name of Directors	Related Party Transactions ¹		Risk Oversight ¹		Trust ¹	
	Attended	%	Attended	%	Attended	%
Jeffrey S. Yao					2	100%
Rolando R. Avante					4	100%
Leticia M. Yao					4	100%
Danilo A. Alcosoba ²	5	83%	10	83%		
Roberto A. Atendido	6	100%	12	100%	2	100%
Honorio O. Reyes-Lao			5	83%	4	100%
Paterno H. Dizon ³	2	50%	2	50%		
Benjamin R. Sta. Catalina, Jr.	12	100%	12	100%		
Narciso DL. Eraña	12	100%	12	100%		
Atty. Roberto C. Uyquiengco	6	50%	12	100%		
Benel D. Lagua ⁴			6	100%		
Asterio L. Favis, Jr. ⁴	6	100%	6	100%		
Total number of meetings held during the year 2021	12		12		4	

1. New committee membership effective June 25, 2021

2. Passed away on November 11, 2021

3. Retired effective 01 May 2021

4. Elected last 25 June 2021 during the Bank's Annual Stockholder's Meeting

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 complaint 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.

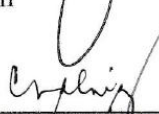
SIGNATURES

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 **CALOCAN CITY** on **17 MAY 2022**

By:



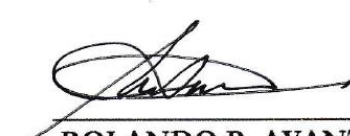
JEFFREY S. YAO
Chairman



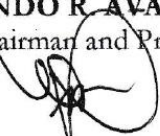
CYNTHIA A. ALMIREZ
Operations and Control Group Head



ATTY. ROBERTO S. SANTOS
Corporate Secretary



ROLANDO R. AVANTE
Vice Chairman and President/CEO



ROLANDO G. ALVENDIA
Chief Accountant

SUBSCRIBED AND SWORN to before me this **17 MAY 2022** day of **20** affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES
JEFFREY S. YAO
ROLANDO R. AVANTE
CYNTHIA A. ALMIREZ
ROLANDO G. ALVENDIA
ROBERTO S. SANTOS

TIN NO.
121-076-085
106-968-623
107-181-857
107-182-307
123-467-623

NIÑO CHRISTOPHER R. PURA
Notary Public for the City of Calocan
Notarial Commission C-392 Until June 2022
Philippine Business Bank Corporate Center
350 Rizal Ave., Cor. B. Ave.
Grace Park, Calocan City
Roll no. 58988
PTR No. 0647156/01.03.22/Calocan
IBP No. 171604/01.03.22/Calmana
MCLE Certificate no. VI-0025737/04.10.19

SEC. NO. 486
PAGE NO. 99
BOOK NO. 5
SERIES OF 2022



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, 2021 and 2020, 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.

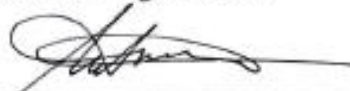
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank's or to 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


ROLANDO R. AVANTE
President/Vice Chairman & CEO


CYNTHIA A. ALMIREZ
SVP-Operations and Control Group Head

Signed this 30th day of May, 2022

31 MAY 2022
SUBSCRIBED AND SWORN to before me by the undersigned
person/s exhibiting to me his/her true identity
ID/s bearing his/her Photograph/s and Signature

382
78
6
2022
NIÑO CHRISTOPHER N. PURA
Notary Public for the City of Caloocan
Notarial Commission C-392 (until June 2022)
Philippine Business Bank Corporate Center
350 Rizal Ave., Cor. 8th Ave.,
Grace Park, Caloocan City
Roll no. 53988
PTR No. 0647156/01.03.22/Caloocan
IBP No. 171604/01.03.22/Calmanan
MCLE Certificate no. VI-0025737/04.10.19

From: eafs@bir.gov.ph
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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

- EAFS005469606ITRTY122021.pdf
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Invalid file

- <None>

Transaction Code: AFS-0-QMPVWTSZ02XQRVXSZNRTVY3R407E558ADD
Submission Date/Time: May 30, 2022 04:57 PM
Company TIN: 005-469-606

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COVER SHEET

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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	.

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(Company's Full Name)

		3	5	0		R	I	Z	A	L		A	V	E	N	U	E		E	X	T	E	N	S	I	O	N		

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								C	A	L	O	O	C	A	N		C	I	T	Y														

(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-Q

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended **March 31, 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** 6. (SEC Use Only)
Province, Country or other jurisdiction Industry Classification Code:
of incorporation or organization
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
643,750,094

Common

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

Yes [x] No []

The Bank was listed in Philippine Stock Exchange last February 19, 2013

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE

COMMON SHARES OF STOCK

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☐ No ☒

PART I – FINANCIAL INFORMATION

Item I:

Financial Statements (Attachment 1 - Unaudited Interim Financial Statements)

Item II:

Management's Discussion & Analysis of Financial Position and Results of Operations

PART II – OTHER INFORMATION

Please refer to the following:

Attachment 2 – Aging of Past Due Loans and Other Receivables

Attachment 3 – Consolidated Financial Ratios

There are no material disclosures that have not been reported under SEC Form 17-C during the period covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHILIPPINE BUSINESS BANK, INC.

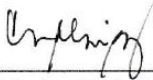
Issuer

By:



ROLANDO R. AVANTE

Vice Chairman, President, and CEO



CYNTHIA A. ALMIREZ

Operations and Control Group Head



ROLANDO G. ALVENDIA

Chief Accountant

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying financial reporting package (FRP) of Philippine Business Bank (“PBB” or the “Bank”) which comprise the Bank’s financial position as of March 31, 2022 and December 31, 2021 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the three-months period ending March 31, 2022 and March 31, 2021 have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

A. Management’s Discussion and Analysis

	For the three-months ended				
	<u>3/31/2022</u>		<u>3/31/2021</u>	<u>Variance</u>	<u>%</u>
Interest Income					
Loans and other receivables	₱ 1,183,042,595	₱	1,434,754,121	(₱ 251,711,526)	(17.5)
Investment and trading securities	200,754,258		110,326,833	90,427,425	82.0
Due from BSP and other banks	74,456,179		34,442,772	40,013,407	116.2
	1,458,253,032		1,579,523,726	(121,270,694)	(7.7)
Interest Expense	(162,739,681)	(	214,515,722)	51,776,041	(24.1)
Net Interest Income	1,295,513,351		1,365,008,004	(69,494,653)	(5.1)

Interest income in the first quarter of 2022 decreased by 7.7% versus the same quarter last year due to lower rates. Interest income on loans and other receivables went down to ₱1,183.0 million from ₱1,434.8 million, down by ₱251.7 million or 17.5%. On the other hand, interest income on trading securities and due from BSP and other banks both increased by 82.0% and 116.2% as volumes expanded.

Overall interest expense in the first three months of 2022 ended at ₱162.7 million, 24.1% lower than the same quarter last year. This is due to the decreases in interest expense on deposit liabilities by 10.4% and interest expense on corporate note by 83.9% as PBB pre-paid its ₱3.0 billion corporate note last January 2022.

Net interest income for the first quarter ended at ₱1,295.5 million, down by 5.1% against the same quarter last year amounting to ₱1,365.0 million.

	For the three-months ended			
	<u>3/31/2022</u>	<u>3/31/2021</u>	<u>Variance</u>	<u>%</u>
Core income				
Net interest income	₱ 1,295,513,351	₱ 1,365,008,004	(₱ 69,494,653)	(5.1)
Service charges, fees and commissions	126,134,143	28,415,751	97,718,392	343.9
Miscellaneous	201,427,161	82,354,458	119,072,703	144.6
	1,623,074,655	1,475,778,213	147,296,442	10.0
Non-interest expenses	(890,753,598)	(750,622,664)	(140,130,934)	18.7
Core income	732,321,057	725,155,549	7,165,508	1.0

Service charges, fees, and commissions significantly increased from ₱28.4 million in 1Q21 to ₱126.1 million in 1Q22 due to the increases in processing, ATM, and pre-term/closed account fees. Miscellaneous income also went up to ₱201.4 million owing to higher loan penalties collected.

Non-interest expenses increased by 18.7% from ₱750.6 million in the first quarter of 2021 to ₱890.8 million in the same period this year. The increase was driven by the growth of salaries and other employee benefits due to a low baseline in March 2021. Taxes and licenses expenses also contributed to the increase in operating expenses due to the higher income generated this quarter.

As a result, core income slightly increased by 1.0% from ₱725.2 million in the first quarter of 2021 to ₱732.3 million in 2022.

	For the three-months ended			
	<u>3/31/2022</u>	<u>3/31/2021</u>	<u>Variance</u>	<u>%</u>
Core income	₱ 732,321,057	₱ 725,155,549	₱ 7,165,508	1.0
Trading gains (losses)	(149,389,990)	(330,906,936)	181,516,946	(54.9)
Pre-tax pre-provision profit	582,931,067	394,248,613	188,682,454	47.9
Loan loss provision	(150,000,000)	(75,000,000)	(75,000,000)	100.0
Profit before tax	432,931,067	319,248,613	113,682,454	35.6
Taxes	(122,972,818)	(159,019,893)	36,047,075	(22.7)
Net income	309,958,249	160,228,720	149,729,529	93.4

Pre-tax pre-provision profit reached ₱582.9 million during the first quarter of 2022, up by 47.9% versus ₱394.2 million in the same period last year as the Bank recorded a lower trading loss this year.

The Bank set aside a total of ₱150.0 million in the first quarter of 2022 for loan loss provisions for non-performing loans brought by the pandemic.

As a result, net income for the first quarter of 2022 stood at ₱310.0 million from ₱160.2 million last year, up 93.4%.

Annualized Return on Equity (ROE) and Return on Assets (ROA) were at 8.78% and 0.95%, respectively.

Financial condition as of March 31, 2022 versus December 31, 2021:

Amounts in Thousand Pesos	<u>3/31/2022</u>	<u>12/31/2021</u>	<u>Variance</u>	<u>%</u>
Loans and other receivables - net	₱ 89,362,691	₱ 91,674,544	(₱ 2,311,853)	(2.5)
Non-performing loans	5,070,210	3,978,952	1,091,258	27.4
Loan loss reserves	4,765,712	4,214,380	551,332	13.1
Deposits	111,281,559	112,417,711	(1,136,152)	(1.0)
Assets	131,147,241	132,032,274	(885,034)	(0.7)
Equity	14,118,893	14,463,081	(344,188)	(2.4)

Net loans and other receivables as of the first quarter of 2022 stood at ₱89,362.7 million, down by 2.5% versus year-end 2021's ₱91,674.5 million.

The Bank's non-performing loans increased by ₱1,091.3 million bringing the total NPL to ₱5,070.2 million as of the first quarter of the year.

Loan loss reserves stood at ₱4,765.7 million as of March 2022 from ₱4,214.4 million as of end-2021.

Deposit liabilities ending March 2022 reached ₱111,281.6 million, down by 1.0% as CASA deposits declined by ₱1,196.4 billion. CASA to TD deposit mix remained at 63:37 in the first quarter of 2022.

Total assets dropped by 0.7% in the first quarter primarily owing to the decrease in loans and other receivables. Resources ended at ₱131,147.2 million as of March 31, 2022.

Shareholders' equity reached ₱14,118.9 million in 2022, down by 2.4% versus December 31, 2021. This is due to the higher marked-to-market losses in March 2022 amounting to ₱871.0 million from ₱212.4 million in December 2021. Book value per share net of preferred shares was at ₱20.97, ₱0.53 lower than year end's ₱21.50.

B. Key Performance Indicators

Capital Adequacy Ratio. CAR, which is a measure of a bank's financial strength, reached 14.20% by the end of the first quarter, above the statutory requirement of 10.00%.

Asset quality. The Bank's non-performing loans (NPL) ratio as of end March 2022 stood at 5.63% from 4.33% in year-end 2021.

Profitability. Return on average equity as of March 31, 2022 was at 8.68%, 44 bps higher than year-end 2021's 8.24%. Net interest margin stood at 4.06% in the first three months of 2022.

Liquidity. The Bank's loans-to-deposit ratio as of March 31, 2022 was at 80.30% from 81.55% in December 2021, down by 124 bps.

Cost efficiency. Cost-to-income ratio increased from 56.27% in December 2021 to 60.44% in March 2022.

Book value per share net of preferred shares as of March 2022 was at ₱20.97 from ₱21.50 in December 2021. 5-year CAGR book value per share, net of preferred shares, stood at 6.50% from ₱15.31 in the first quarter of 2016.

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

Vertical and Horizontal Analysis

Financial Condition (March 31, 2022 vs. December 31, 2021)

- Total resources ended at ₱131.1 billion as of the first quarter of 2022, 0.7% lower than year-end 2021's figure of ₱132.0 billion. Significant changes (more than 5%) in assets were registered in the following accounts:
 - Cash and other cash items were down by 58.6% to ₱0.6 billion as cash in vault is lower this year
 - Due from BSP grew by 6.5% owing to the higher placements during the first quarter
 - Due from other banks increased by 10.0% due to the higher placements to local banks
 - Bank premises, furniture, fixtures, and equipment expanded by 13.9% due to additional tangible assets acquired during the quarter
 - Investment properties was 31.8% higher due to the expansion of ROPA
 - Other resources expanded by 36.2% as deferred tax assets increased to ₱1,387.2 million from ₱1,142.3 million in YE2021
- Total liabilities as of March 31, 2022 ended at ₱117.0 billion. This is 0.5 % lower than the ₱117.6 billion recorded liabilities as of December 31, 2021.
 - The ₱3.0 billion corporate note was pre-paid last January 2022
 - Accrued expenses and other liabilities grew by 166.5% due to the increases in accounts payable and manager's check
- As of 1Q22, the Bank's equity totaled ₱14.1 million versus ₱14.5 million figure in 2021. Book value per share as of March 2022 was at ₱20.97 from ₱21.50 last year. This is due to the higher marked-to-market losses in March 2022 amounting to ₱871.0 million from ₱212.4 million in December 2021.

Significant Elements of Income or Loss

Significant elements of the net income of the Bank for the period ended March 31, 2022 came from its operations. A significant portion came from the core business of interest income on loans and trading gains/losses from the sale of Peso securities.

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 nine months period ended March 31, 2022 and 2021 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.

Attachment 1

PHILIPPINE BUSINESS BANK, INC.

As of March 31, 2022 (Unaudited) and December 31, 2021 (Audited)

And for the Three Months Ended March 31, 2022 and 2021 (Unaudited)

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

	Notes	2022	2021
<u>RESOURCES</u>			
CASH AND OTHER CASH ITEMS	9	P 592,852,269	P 1,430,787,675
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	17,837,365,896	16,754,028,342
DUE FROM OTHER BANKS	10	3,823,232,833	3,474,970,323
TRADING AND INVESTMENT SECURITIES – Net	11		
At fair value through profit or loss (FVPL)		2,370,387,448	2,482,213,020
At fair value through other comprehensive income (FVOCI)		11,654,628,465	11,989,395,564
At amortized cost - net		1,120,261,046	883,787,046
LOANS AND OTHER RECEIVABLES – Net	12	89,362,691,129	91,674,544,156
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – Net		708,278,033	621,805,020
INVESTMENT PROPERTIES – Net		869,779,397	659,704,957
DEFERRED TAX ASSETS -Net		1,387,160,918	1,142,253,206
OTHER RESOURCES – Net	13	1,420,603,454	918,785,181
TOTAL RESOURCES		P 131,147,240,888	P 132,032,274,490
<u>LIABILITIES AND EQUITY</u>			
DEPOSIT LIABILITIES	15		
Demand		P 48,845,229,828	P 47,578,111,107
Savings		20,743,124,859	23,206,594,816
Time		41,693,204,620	41,633,005,244
Total Deposit Liabilities		111,281,559,307	112,417,711,167
NOTES PAYABLE	16	-	2,995,352,640
ACCRUED EXPENSES AND OTHER LIABILITIES	17	5,746,788,589	2,156,130,088
Total Liabilities		117,028,347,896	117,569,193,895
EQUITY	18		
Capital stock		7,057,500,940	7,057,500,940
Additional paid-in capital		1,998,396,816	1,998,396,816
Surplus		5,933,982,005	5,619,577,477
Revaluation reserves		(870,986,769)	(212,394,638)
Total Equity		14,118,892,992	14,463,080,595
TOTAL LIABILITIES AND EQUITY		P 131,147,240,888	P 132,032,274,490

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF PROFIT OR LOSS
FOR THREE MONTHS PERIOD ENDED MARCH 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
INTEREST INCOME				
Loans and other receivables	12	P 1,183,042,595	P 1,434,754,121	P 1,735,604,445
Trading and investment securities	11	200,754,258	110,326,833	162,922,728
Due from Bangko Sentral ng Pilipinas and other banks	9, 10	74,456,179	34,442,772	24,119,862
		<u>1,458,253,032</u>	<u>1,579,523,726</u>	<u>1,922,647,035</u>
INTEREST EXPENSE				
Deposit liabilities	15	156,303,380	174,530,989	467,488,579
Corporate noters payable		6,436,301	39,984,733	8,585,021
Bills payable	16	-	-	40,883,267
		<u>162,739,681</u>	<u>214,515,722</u>	<u>516,956,867</u>
NET INTEREST INCOME		1,295,513,351	1,365,008,004	1,405,690,168
IMPAIRMENT LOSSES		<u>150,000,000</u>	<u>75,000,000</u>	<u>150,000,000</u>
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		<u>1,145,513,351</u>	<u>1,290,008,004</u>	<u>1,255,690,168</u>
OTHER INCOME				
Service charges, fees and commissions		126,134,143	28,415,751	37,683,125
Trading gains (losses) – net		(149,389,990)	(330,906,936)	2,285,238
Miscellaneous – net		<u>201,427,161</u>	<u>82,354,458</u>	<u>118,244,207</u>
		178,171,314	(220,136,727)	<u>158,212,570</u>
OTHER EXPENSES				
Salaries and other employee benefits		283,863,546	208,858,306	259,975,380
Taxes and licenses		205,768,709	149,421,990	191,671,311
Occupancy		104,689,741	98,667,866	100,935,616
Insurance		70,327,112	69,406,476	64,036,806
Depreciation and amortization		44,362,905	39,286,646	43,714,328
Management and other professional fees		46,617,632	42,495,616	58,127,364
Representation and entertainment		12,777,101	12,299,515	16,202,828
Miscellaneous		<u>122,346,852</u>	<u>130,186,249</u>	<u>133,318,410</u>
		<u>890,753,598</u>	<u>750,622,664</u>	<u>867,982,043</u>
PROFIT BEFORE TAX		432,931,067	319,248,613	545,920,695
TAX EXPENSE		<u>122,972,818</u>	<u>159,019,893</u>	<u>151,491,695</u>
NET PROFIT		<u>P 309,958,249</u>	<u>P 160,228,720</u>	<u>P 394,429,000</u>
Earnings Per Share				
Basic and Diluted	20	<u>P 0.48</u>	<u>P 0.25</u>	<u>P 0.61</u>

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF COMPREHENSIVE INCOME
FOR THREE MONTHS PERIOD ENDED MARCH 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
NET PROFIT	P 309,958,249	P 160,228,720	P 394,429,000
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified subsequently to profit or loss			
Fair value losses on investment securities at FVOCI during the year - net	(656,269,711)	(218,652,712)	(206,946,384)
Realized fairvalue (gains) losses on FVOCI securities disposed during the year - Net	-	(51,011,959)	(15,879,023)
Expected credit losses on AFS investments reclassified to FVOCI securities in 2018	-	-	4,229,457
	<u>(656,269,711)</u>	<u>(269,664,671)</u>	<u>(218,595,950)</u>
Other Comprehensive Income (Loss) - Net of Tax	<u>(656,269,711)</u>	<u>(269,664,671)</u>	<u>(218,595,950)</u>
TOTAL COMPREHENSIVE INCOME	(P 346,311,462)	(P 109,435,951)	P 175,833,050

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF CHANGES IN EQUITY
FOR THREE MONTHS PERIOD ENDED MARCH 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

Notes	Capital Stock (see Note 18.1)		Additional Paid-in Capital (see Note 18.4)	Surplus (see Note 18.3)		Value Losses on Investment Securities at AFS	Value Losses on Investment Securities at FVOCI	Accumulated Actual Losses	Total Equity
	Preferred Stock	Common Stock		Appropriated	Unappropriated				
BALANCE AS OF JANUARY 1, 2022	P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 374,242,445	P 5,237,470,106	-	(P 125,395,426)	(P 86,999,212)	P 14,435,215,669
Prior year adjustment not yet taken up in the books	-	-	-	-	12,311,205	-	-	(2,322,420)	9,988,785
Total comprehensive income (loss)	-	-	-	-	309,958,249	-	(656,269,711)	-	(346,311,462)
BALANCE AS OF MARCH 31, 2022	P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 374,242,445	P 5,539,739,560	-	(P 781,665,137)	(P 89,321,632)	P 14,118,892,992
BALANCE AS OF JANUARY 1, 2021	P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 46,814,378	P 4,404,594,754	-	P 457,765,830	(P 89,321,633)	P 13,875,751,085
Translation difference of FCDU undivided profits transferred to RBUs books	-	-	-	-	1,347,786	-	-	-	1,347,786
Total comprehensive income (loss)	-	-	-	-	160,228,719	-	(209,664,671)	-	(109,435,952)
BALANCE AS OF MARCH 31, 2021	P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 46,814,378	P 4,566,171,259	-	P 188,101,159	(P 89,321,633)	P 13,767,662,919
BALANCE AS OF JANUARY 1, 2020	P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 541,778,181	P 2,970,748,064	-	P 387,866,373	(P 88,628,361)	P 12,867,682,013
Translation difference of FCDU undivided profits transferred to RBUs books	-	-	-	-	15,629,387	-	-	-	15,629,387
Total comprehensive income (loss)	-	-	-	-	394,429,000	-	(218,905,950)	-	175,833,050
BALANCE AS OF MARCH 31, 2020	P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 541,778,181	P 3,380,806,451	P	P 169,290,423	(P 88,628,361)	P 13,659,144,450

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF CASH FLOWS
FOR THREE MONTHS PERIOD ENDED MARCH 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	P	432,931,067	P 319,248,614	P 545,920,695
Adjustments for:				
Impairment losses		150,000,000	75,000,000	150,000,000
Depreciation and amortization		44,362,905	39,286,646	43,714,328
Foreign currency revaluation of investment securities	(	42,737,167)	18,830,194	1,623,282
Gain(Loss) on sale of properties - net	(	9,856,888)	5,951,579)	5,614,937)
Amortization of bond issue cost		4,647,360		
Amortization of premium (discount)		7,687,497	(1,808,723)	22,503,061
Operating profit before working capital changes		587,034,774	444,605,152	758,146,429
Decrease (increase) in trading and investment securities at FVPL		111,825,572	7,499,417,689	(414,968,907)
Increase in loans and other receivables		1,171,080,260	1,842,406,442	190,167,141
Decrease (increase) in investment and other properties	(	200,217,552)	(104,074,386)	8,001,039
Decrease (increase) in other resources	(	346,022,704)	(298,660,394)	(128,298,114)
Increase (decrease) in deposit liabilities	(	1,136,151,860)	(501,730,544)	(5,163,403,733)
Increase (decrease) in accrued expenses and other liabilities		3,011,513,061	(192,596,678)	(17,844,135)
Cash generated from (used in) operations		3,199,061,551	8,689,367,281	(4,768,200,280)
Cash paid for income taxes		38,672,622	13,295,431	(59,210,878)
Net Cash From (Used in) Operating Activities		3,237,734,173	8,702,662,712	(4,827,411,158)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment securities at FVOCI	(	288,775,362)	(2,529,842,412)	(2,708,096,437)
Proceeds from sale of investment securities FVOCI		-	-	3,354,177,532
Acquisitions of investment securities at amortized cost	(	236,474,000)	4,373,436	(7,257,308)
Acquisitions of bank premises, furniture, fixtures and equipment	(	130,835,918)	(75,376,481)	(37,371,358)
		-	-	-
Net Cash From (Used in) Investing Activities	(	656,085,280)	(2,600,845,457)	601,452,429
CASH FLOWS FROM FINANCING ACTIVITIES				
Net borrowings (Payments) of bills payable		-	-	1,390,272,917
Payment of Corporate notes payable	(	3,000,000,000)	-	-
Net Cash From (Used in) Financing Activities	(	3,000,000,000)	-	1,390,272,917
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(	418,351,107)	6,101,817,255	(2,835,685,812)
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 reserve repurchase agreement	12	2,538,411,628	1,594,893,958	2,542,070,169
Foreign currency notes and coins on hand	13	88,410,961	65,298,662	60,504,919
		24,286,608,929	11,064,300,119	11,815,258,068
CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
Cash and other cash items	9	592,852,269	1,186,902,735	2,017,601,144
Due from Bangko Sentral ng Pilipinas	9	17,837,365,896	11,401,971,904	3,630,735,393
Due from other banks	10	3,823,232,833	2,329,633,625	2,077,228,711
Interbank call loan receivable	12	-	-	1,200,000,000
Securities under reserve repurchase agreement	12	1,547,638,861	2,157,539,832	-
Foreign currency notes and coins on hand	13	67,167,963	90,069,278	54,007,008
		23,868,257,822	17,166,117,374	8,979,572,256

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND DECEMBER 31, 2021
(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 18).

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 March 31, 2022 and December 31, 2021, it has 160 branches located nationwide.

The Bank's registered address, which is also its principal place of business, is at 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 of and for the three months period ended March 31, 2022(including the comparative financial statements as of December 31, 2021 and for the three months period ended March 31, 2022 and 2021) were authorized for issue by the Bank's Board of Directors (BOD) on April 20, 2022.

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 Reporting Standards Council (FRSC), 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 New and Amended PFRS

(a) Effective in 2020 that are Relevant to the Bank

The Bank adopted for the first time the following amendments and revision to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform

Discussed below are the relevant information about these pronouncements.

- (i) *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Bank's financial statements because the amendments merely clarified existing provisions of PFRS.
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material.* The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of

material or refer to the term ‘material’ to ensure consistency. The application of these amendments had no significant impact on the Bank’s financial statements because said amendment merely clarified the definition of materiality.

- (iii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business*. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The application of these amendments had no significant impact on the Bank’s financial statements because there is no business acquisition during the year.
- (iv) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform*. The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Bank’s financial statements because the Bank has no hedging transactions.

(b) *Effective Subsequent to 2020 but not Adopted Early*

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2020, 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) PFRS 16 (Amendments), *Leases COVID-19-Related Rent Concessions* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). 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.

- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- (iv) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.
- (v) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Bank, which management does not expect to have significant impact to the financial statements:
 - PFRS 9 (Amendments), *Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities*. The improvements clarify the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
 - Illustrative Examples Accompanying PFRS 16 – *Lease Incentives*. The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.
- (vi) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

2.3 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of a business combination over the Bank’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity or net assets. Subsequent to initial recognition, goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.19).

Gain on bargain purchase which is the excess of the Bank's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The CGUs or groups of CGUs are identified according to operating segment.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Bank is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.4 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.

The Bank's operations are organized according to the nature of the products and services provided.

2.5 *Financial Assets*

Financial assets are recognized when the entity becomes a party to the contractual provisions of the instrument. 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 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 solely payments of principal and interest (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, petty cash fund 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 no equity instruments as at the reporting periods.

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.

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 (ii) 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.

(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 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). Unless there has been 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 accounts 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, the loss allowance is recognized as provisions (presented and included as part of the Accrued Expense 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.

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 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.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. 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.

2.9 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 5 to 20 years or the remaining term of the lease whichever is shorter. Prior to the adoption of PFRS 16, the Bank had been amortizing the leasehold improvements over the term of the lease or its useful life, 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 2.19).

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.

2.10 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 2.19). 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 ten years. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment.

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 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.

2.11 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 and branch licenses are classified as intangible assets with indefinite useful life, and thus, not subject to amortization but to an annual test for impairment (see Note 2.19). 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.

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 5 years. In addition, intangible assets are subject to impairment testing when indications exist, as described in Note 2.19. 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.

2.12 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 2.19).

2.13 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.

2.14 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.

Appropriated surplus consists 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* (Circular No. 1011) 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, net of amortization of fair value gains or losses on reclassified financial assets.

2.15 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Bank and its related parties, regardless 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.

2.16 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 2.21).

2.17 Leases – Bank as 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 2.19).

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.

2.18 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.

2.19 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, computer software, 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 2.11) 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.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed, except goodwill, if the cash generating units' recoverable amount exceeds its carrying amount.

2.20 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 bank.

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.

2.21 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.

2.22 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 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 liabilities and assets 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 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.

2.23 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. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred shares as approved by the SEC.

Convertible preferred shares are deemed to have been converted to common shares at the issuance of preferred shares. As of March 31, 2022 and December 31, 2021, the Bank has no convertible preferred shares (see Note 18.1).

2.24 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.

2.25 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. 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.

In 2019, the Bank disposed of certain debt securities from its HTC portfolio in accordance with its investment policy and has applied these evaluation process to ensure that the disposal is consistent with the Bank's HTC business model (see Note 11.3). There were no disposal of debt securities under HTC portfolio in 2020.

(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 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.

(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 2.13 and relevant disclosures are presented in Note 19.

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 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 investment 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.

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.

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, Goodwill and Branch Licenses*

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties and computer software 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 and branch licenses 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.

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 was assessed by management as fully recoverable as of March 31, 2022 and December 31, 2021.

(e) *Determination of Fair Value of Investment Properties*

The Bank's investment properties are composed of parcels of land and buildings 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) *Determination of Fair Value of Identifiable Assets Acquired and Liabilities Assumed from the Merger and Resulting Gain on Bargain Purchase*

The merger between the Bank and ISBI is considered as an acquisition of a business as defined in PFRS 3, hence, the Bank accounted the merger by applying the acquisition method. The acquisition method requires the recognition of identifiable assets, liabilities, indemnification assets, contingent liabilities and deferred consideration in a business combination, if any, at fair value at the date of acquisition, with the excess of the acquisition price over the identified fair values recognized as goodwill, if positive, otherwise gain on bargain purchase.

The Bank obtained a valuation report for the purchase price allocation from an independent external valuation specialist in order to determine the fair value of assets, liabilities and contingent liabilities acquired, and that formed a basis for any resulting goodwill or a gain on bargain purchase. To calculate the goodwill or gain on bargain purchase in the merger transaction, the Bank, through its independent external valuation specialist, allocated the purchase price to the fair values of identifiable assets acquired and liabilities assumed on the following order: (a) fair value of tangible net assets as at the acquisition date and then (b) fair value of identifiable intangible asset, if any.

Fair value of tangible assets are determined based on the current economic and market conditions as well as the physical condition of the assets (see also Note 7).

(g) 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 2.19. 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.

There are no impairment losses recognized in goodwill, branch licenses, bank premises, furniture, fixtures and equipment, and right-of-use assets.

(h) 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.

(i) 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. 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.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

PBB, as a financial institution, is in the business of risk taking. Its activities expose the Bank 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 and 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 has instituted improvements on its credit policies, which includes review and approval of large exposure and credit concentration within proper authority. The Bank also reviews plans and progress on the resolution of problem loan accounts. 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.

As for operational risk, the Bank has completed the bankwide operational risk and control self-assessment in support of the enterprise risk management framework of the Bank. With this, there is also an enterprise-wide training on risk awareness to ensure appreciation and measurement of key risks of each unique business and support units and how these relate to the over-all objective and strategies of the Bank. In addition, information security policies were further strengthened, implemented, and 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 BOD-approved policies and limits. 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.

4.4 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.

(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.

(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 the PDEX and 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.

(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 behavioural 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.

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.

4.5 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 below.

- 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 safeguard the integrity of the Bank by maintaining a high level of regulatory compliance.

It 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 Audit Committee 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, and RA No. 10365 in March 2003, June 2012 and February 2013, 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 P0.5million within one banking day. 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 RANo.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 (MLPP) 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 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, and in some cases such as a politically exposed person or a private individual holding a prominent position, Credit and Collection Department Group Head approval is necessary.

The Bank's procedures for compliance with the AMLA are set out in its MLPP. The Bank's Compliance Officer, through the Anti-Money Laundering Department (AMLDD), monitors AMLA compliance and conducts regular compliance testing of business units.

The AMLDD requires all banking units to submit to the Compliance Office certificates of compliance with the Anti-Money Laundering Rules and Regulations on a quarterly basis.

The Compliance Officer regularly reports to the Audit Committee and to the BOD results of their monitoring of AMLA compliance.

5. CAPITAL MANAGEMENT AND REGULATORY CAPITAL

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 March 31, 2022 December 31, 2021, 2020 (amounts in millions):

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net Tier 1 Capital	P 13,481	P 13,254	P 12,939
Tier 2 Capital	<u>893</u>	<u>893</u>	<u>858</u>
Total Qualifying Capital	<u>P 14,374</u>	<u>P 14,147</u>	<u>P 13,797</u>
Risk Weighted Assets			
Credit Risk Weighted Assets	P 90,176	P 109,690	P 85,745
Operational Risk Weighted Assets	8,793	7,927	6,375
Market Risk Weighted Assets	<u>2,243</u>	<u>2,055</u>	<u>5,379</u>
Total Risk-Weighted Assets	<u>P 101,212</u>	<u>P 119,672</u>	<u>P 97,499</u>
Capital ratios:			
Total qualifying capital expressed as percentage of total risk-weighted assets	14.2%	11.8%	14.2%
Net Tier 1 capital expressed as percentage of total risk-weighted assets	13.3%	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 March 31, 2022 and December 31, 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 March 31, 2022 and December 31, 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.

The Bank's MLR as of March 31, 2022 and December 31, 2021 are analyzed below (amounts in millions except MLR figure).

	<u>2022</u>	<u>2021</u>
Eligible stock liquid assets	P 35,519	P 39,631
Total qualifying liabilities	<u>115,623</u>	<u>135,734</u>
MLR	<u>30.72%</u>	<u>29.20%</u>

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 those financial assets and financial liabilities in the statements of financial position:

	<u>Notes</u>	<u>Carrying Values</u>	<u>Fair Values</u>
March 31, 2022:			
<u>Financial Assets</u>			
Loans and receivables:			
Cash and other cash items	9	P 592,852,269	P 592,852,269
Due from BSP	9	17,837,365,896	17,837,365,896
Due from other banks	10	3,823,232,833	3,823,232,833
Investment securities - net	11	1,120,261,046	1,120,261,046
Loans and other receivables	12	89,362,691,129	89,362,691,129
Other resources	13	108,782,458	108,782,458
At fair value:			
FVPL securities	11	2,370,387,448	2,370,387,448
FVOCI securities	11	<u>11,654,628,465</u>	<u>11,654,628,465</u>
		<u>P126,870,201,544</u>	<u>P126,870,201,544</u>
<u>Financial Liabilities</u>			
At amortized cost:			
Deposit liabilities	14	P111,281,559,307	P111,281,559,307
Bills payable	15	-	-
Corporate notes payable	16	-	-
Accrued expenses and other liabilities	17	<u>5,297,014,763</u>	<u>5,297,014,763</u>
		<u>P116,578,574,070</u>	<u>P116,578,574,070</u>

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	<u>11,989,395,564</u>	<u>11,989,395,564</u>

		<u>P128,824,212,872</u>	<u>P135,716,982,035</u>

	<u>Notes</u>	<u>Carrying Values</u>	<u>Fair Values</u>
<u>Financial Liabilities</u>			
At amortized cost:			
Deposit liabilities	16	P112,417,711,167	P154,133,982,421
Corporate notes payable	18	2,995,352,640	2,995,352,640
Accrued expenses and			
other liabilities	19	<u>1,429,598,435</u>	<u>1,429,598,435</u>
		<u>P116,842,662,242</u>	<u>P158,558,933,496</u>

The Bank considers 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

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, 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 classified 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 fair value of the debt securities of the Bank determined as follows:

- (a) For peso-denominated government debt securities issued by the Philippine government, fair value is determined to be the reference price per PDEx which is computed based on the weighted average of done or executed deals (Level1), or the simple average of all firm bids per benchmark tenor or interpolated yields (Level 2). This is consistent with BSP Circular No. 813, issued by the BSP pursuant to Monetary Board Resolution No. 1504 dated September 13, 2013.

- (b) For other quoted debt securities under Level 1, fair value is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg.

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 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 13) 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 approximates the nominal value.

(c) 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.

(d) 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.

(e) *Deposits Liabilities and Borrowings*

The estimated fair value of deposits with no stated maturity, which includes non-interest-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.

(f) *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 fair value of the investment properties of the Bank was determined on the basis of a valuation carried out on the acquisition dates by either an independent or internal appraiser having appropriate qualifications and recent experience in the valuation of properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the management of the Bank with respect to determination of the inputs such as size, age, and condition of the land and buildings and the comparable prices in the corresponding property location. In estimating the fair value of the properties, management takes into account the market participant's ability to generate economic benefits by using the assets in highest and best use. Based on management's assessment, the best use of the investment properties indicated above is their current use which is generate positive future cash flows through sale.

The fair value of these investment properties were 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 Measure for Building and Improvements*

The Level 3 fair value of the buildings and improvements under Investment Properties account 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 2021 and 2020.

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.

9. CASH AND DUE FROM BSP

This account is composed of the following:

	<u>2022</u>	<u>2021</u>
Cash and other cash items	P 592,852,269	P 1,430,787,675
Due from BSP		
Mandatory reserves	1,038,387,641	792,326,215
Other than mandatory reserves	<u>16,798,978,255</u>	<u>15,961,702,127</u>
	<u>17,837,365,896</u>	<u>16,754,028,342</u>
	<u>P 18,430,218,165</u>	<u>P 18,184,816,017</u>

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 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 14).

Due from BSP other than mandatory reserves bear annual effective interest rates as follows:

<u>2022</u>	<u>2021</u>	<u>2020</u>
1.5% - 2.0%	1.63% - 1.85%	1.5% - 4.0%

The total interest income earned for three-month period ending March 31, 2022, 2021 and 2020 amounted to P73.4 million, P33.7 million and P19.7 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:

	<u>2022</u>	<u>2021</u>
Local banks	P 3,553,141,640	P 2,323,873,120
Foreign banks	<u>270,091,193</u>	<u>1,151,097,203</u>
	<u>P 3,823,232,833</u>	<u>P 3,474,970,323</u>

Interest rates on these deposits range from 0.13% to 1.50% per annum in 2022 and 13% to 1.50 per annum in 2021. The total interest income earned for three-month period ending March 31, 2022, 2021 and 2020 amounted to P1.1 million, P0.7 million and P4.5

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.

	<u>2022</u>	<u>2021</u>
Financial assets at FVPL	P 2,370,387,448	P 2,482,213,020
Financial assets at FVOCI	11,654,628,465	11,989,395,564
Investment Securities at amortized Cost-net	<u>1,120,261,046</u>	<u>883,787,046</u>
	<u>P 15,145,276,959</u>	<u>P 15,355,395,630</u>

11.1 Investment Securities at FPVL

This account is composed of the following:

	<u>2022</u>	<u>2021</u>
Corporate bonds	P 2,003,130,719	P 2,094,229,968
Government debt securities	367,256,729	387,983,052
Derivatives financial assets	<u>-</u>	<u>-</u>
	<u>P 2,370,387,448</u>	<u>P 2,482,213,020</u>

Effective interest rates of investment securities at FPVL range from:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Government debt securities	2.8% – 4.7%	3.0% – 4.7%	2.5% – 4.3%
Corporate bonds	3.7% – 7.3%	2.8% – 7.3%	3.0% – 4.7%

This account is composed of government securities and corporate bonds with fair value amounting to P2,370.4 million and 12,100.9 million as of March 31, 2021 and December 31, 2021 respectively. The total interest income earned for three-month period ending March 31, 2022, 2021 and 2020 amounted to P40.3 million, P50.7 million and P47.8 million respectively, and are included as part of Interest Income on Trading and Investment Securities in the statement of profit and loss.

11.2 Investment Securities at FVOCI

This account is composed of the following:

	<u>2022</u>	<u>2021</u>
Government debt securities	P 10,779,909,991	P11,179,968,102
Corporate bonds – quoted	874,718,474	809,427,462
	<u>-</u>	<u>-</u>
	<u>P 11,654,628,465</u>	<u>P 11,989,395,564</u>

Effective interest rates of investment securities at FVOCI range from:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Government debt securities	2.4% – 6.9%	2.9% – 6.9%	3.5% – 6.9%
Corporate bonds	3.3% – 4.9%	3.3% – 5.7%	4.7% – 5.7%

In 2018, provision for probable loss and accumulated impairment losses on these securities amounted to P4.2 million and is presented as part of Impairment Losses and Unrealized Fair Value Losses on Investment Securities at FVOCI in the 2018 statement of profit or loss and statement of changes in equity, respectively.

11.3 Investment Securities at Amortized Cost

This account is composed of the following:

	<u>2022</u>	<u>2021</u>
Government debt securities	P 585,346,542	P 631,915,575
Corporate bonds – quoted	536,532,444	253,489,411
	<u>-</u>	<u>-</u>
	1,121,878,986	885,404,986
Allowance for impairment	<u>(1,617,940)</u>	<u>(1,617,940)</u>
	<u>P 1,120,261,046</u>	<u>P 883,787,046</u>

Effective interest rates of investment securities at amortized cost range from:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Government debt securities	3.3%-8.1%	3.3%-8.1%	3.5%-8.1%
Corporate bonds	4.0%	4.0%	4.0% – 6.2%

In September 2019, the Bank acquired certain US dollar-denominated bonds under its HTC portfolio amounting to P50.6 million. Subsequently in December 2019, the Bank disposed such bonds, resulting in net loss amounting to P2.6 million. The disposal was made because of the foreseen technical default of the issuing company. Management had assessed that such disposals of the investment securities are consistent with the Bank's HTC business model with the objective of collecting contractual cash flows and have

qualified under the permitted sale events set forth in the Bank's business model in managing financial assets manual and the requirements of PFRS 9.

The above disposal of investment securities were approved by BOD in compliance with the documentation requirements of the BSP.

12. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	<u>2022</u>	<u>2021</u>
Receivables from customers:		
Loans and discounts	P90,114,500,300	91,995,855,801
Unearned discount	(172,006,969)	(143,364,376)
	89,942,493,331	91,852,491,425
Customers' liabilities on acceptances, letters of credit and trust receipts	19,296,776	5,182,455
	89,961,790,107	91,857,673,880
Other receivables:		
Accrued interest receivable	1,627,555,198	1,031,264,167
Accounts receivable	670,136,830	360,123,269
Deficiency claims receivable	212,135,520	59,116,639
Sales contracts receivable	109,146,589	42,335,023
SPURRA	1,547,638,861	2,538,411,628
	-	-
	4,166,612,998	4,031,250,726
Allowance for impairment	94,128,403,105	95,888,924,606
	(4,765,711,976)	(4,214,380,450)
	<u>P89,362,691,129</u>	<u>P91,674,544,156</u>

SPURRA are secured by certain treasury bills of the BSP. SPURRA represent loans and receivables from BSP as of March 31, 2022 and December 31, 2021 arise from overnight lending from excess liquidity.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Loans and discounts	0.7% – 189.7%	0.8% – 189.7%	0.8% – 141.6%
Other receivables	2.0% – 12.0%	3.34% – 12.0%	4.0% – 12.0%

The total interest income earned for three-month period ended March 31, 2022, 2021 and 2020 amounted to:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Loans and discounts	P 1,179,674,266	P 1,422,255,210	P1,702,037,211
Other receivables	3,368,329	12,498,911	33,567,234
	<u>P 1,183,042,595</u>	<u>P 1,434,754,121</u>	<u>P1,735,604,445</u>

Loans receivables pledged as collaterals to secure borrowings under rediscounting privileges is nil as of March 31, 2022 and December 31, 2021 respectively.

13. OTHER RESOURCES

This account consists of the following as of March 31, 2021 and December 31, 2020:

	<u>2022</u>	<u>2021</u>
Branch licenses	P 250,800,000	P 250,800,000
Goodwill	121,890,408	121,890,408
Computer software – net	99,744,454	117,577,998
Prepaid expenses	84,852,514	55,422,792
Foreign currency notes and coins on hand	67,167,963	91,409,702
Security deposits	41,115,519	43,077,044
Club shares	38,000,000	38,000,000
 Sundry debits	 318,195,678	 68,980,912
Stationery and supplies	24,731,963	28,192,348
Other acquired assets-net	59,757,787	75,061,542
Miscellaneous	<u>316,001,905</u>	<u>30,027,172</u>
	1,422,258,191	920,439,918
Allowance for impairment	<u>(1,654,737)</u>	<u>(1,654,737)</u>
	 <u>P 1,420,603,454</u>	 <u>P 918,785,181</u>

13.1. 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(g), branch licenses are tested for impairment annually. 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 March 31, 2022 and December

31, 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.

13.2. 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)		<u>12,498,367</u>
	P	<u>121,890,408</u>

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 shall acquire all the assets of BLSB and assume 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 2.19 and 3.2(g), 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 Value-in-Use (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 2021 and 2020, the discount rates applied to cash flow projections are 10.0% and 6.8%, respectively, while the growth rates used to extrapolate cash flows for the five-year period are 6.5% both for 2021 and 2020, respectively. The growth rates are consistent with

forecasts included in industry reports specific to the industry in which each CGU operates.

As of March 31, 2022 and December 31, 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 as March 31, 2022 and December 31, 2021.

14. DEPOSIT LIABILITIES

The classification of the Bank's deposit liabilities as to currency follows:

	<u>2022</u>	<u>2021</u>
Philippine peso	P103,863,586,302	P105,400,631,735
Foreign currencies	<u>7,417,973,005</u>	<u>7,017,079,432</u>
	<u>P 111,281,559,307</u>	<u>P112,417,711,167</u>

Annual interest rates on deposit liabilities range from:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Philippine peso	0.1% – 1.4%	0.1% – 1.5%	0.1% – 4.7%
Foreign currencies	0.1% – 0.6%	0.1% – 0.9%	0.1% – 2.3%

Total interest expense for three-month period ending March 31, 2022, 2021 and 2020 amounted to:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Time	P 151,400,237	P 159,580,330	P 449,959,814
Savings	4,903,143	14,950,659	17,528,765
Demand	<u>-</u>	<u>-</u>	<u>-</u>
	<u>P 156,303,380</u>	<u>P 174,530,989</u>	<u>P 467,488,579</u>

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 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 in 2020.

The Bank's available reserves as of March 31 2022 and December 31, 2021 amounts to P8,034.7 million and P9,148.9 million, respectively, and is compliant with these BSP regulations (see Notes 9).

15. **BILLS PAYABLE**

Outstanding bills payables of the Bank amounting to P612.5 million as of December 31, 2019 are financed by local banks. It has no outstanding bills payable as of December 31, 2020. The outstanding balance as of December 31, 2019, including the additional availment during the year of P2.0 billion, were fully settled in 2020.

Annual interest rates on bills payable range from:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Local banks	-	-	3.75% – 4.5%
BSP	-	-	-

The total interest expense for three-month period ending March 31, 2022, 2021 and 2020 amounted to:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Local banks	P -	P -	P 8,858,021
BSP	-	-	-
	<u>P -</u>	<u>P -</u>	<u>P 8,858,021</u>

Bills payable are nil in 2022, 2021 and 2020.

16. **CORPORATE NOTES PAYABLE**

On March 2019, the BOD approved the authorization of the Bank to arrange a debt program of up to 10,000.00 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 with maturity date of July 31, 2022

The corporate notes was fully paid in January 17, 2022. Total interest expense incurred for three-month period ending March 31, 2022, 2021 and 2020 amounts to P6.4 million, P40.0 million and P40.9 million, respectively.

17. ACCRUED EXPENSES AND OTHER LIABILITIES

The breakdown of this account follows:

	<u>2022</u>	<u>2021</u>
Accrued expenses	P 865,085,265	P 739,160,760
Accounts payable	1,863,757,126	435,428,790
Income tax payable	335,948,817	139,397,340
Lease liability	310,084,403	249,826,430
Manager's checks	1,662,220,561	328,280,215
Withholding taxes payable	32,474,939	39,937,869
Post-employment defined Benefit obligation	81,350,069	75,815,072
Outstanding acceptances	19,296,776	5,182,455
Due to BSP	62,968,152	51,055,370
Payment orders payable	21,968,875	958,503
Others	<u>491,633,606</u>	<u>91,087,284</u>
	<u>P 5,746,788,589</u>	<u>P 2,156,130,088</u>

Accrued expenses include primarily accruals on employee benefits, utilities, janitorial and security services fees.

Outstanding acceptances pertain to obligations recognized by the Bank in its undertaking arising from letters of credit extended to its borrowers.

18. EQUITY

18.1 Capital Stock

Capital stock consists of:

	<u>Number of Shares</u>		<u>Amount</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Preferred shares – P10 par value				
Authorized – 130,000,000 shares				
Issued and outstanding	<u>62,000,000</u>	<u>62,000,000</u>	<u>P620,000,000</u>	<u>P620,000,000</u>
Common shares – P10 par value				
Authorized – 870,000,000 shares				
Issued and outstanding	<u>643,750,094</u>	<u>643,750,094</u>	<u>P6,437,500,940</u>	<u>P6,437,500,940</u>

The Bank's preferred shares are nonvoting, nonconvertible, and are redeemable at the option of the Bank. These shares are entitled to non-cumulative dividend of 8.0% per annum.

On February 17, 2016, 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 of March 31, 2022 and December 31, 2021, none of the preferred shares have been redeemed yet and the Bank is now considering conversion of the preferred shares to common shares instead. Both options require regulatory approvals which remains pending as

at March 31, 2022.

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 P1,998.4million, net of transactions costs (see Note18.4).

As of March 31, 2022 and December 31, 2021, the Bank has 72, and 72holders, respectively, of its listed common stock. The Bank has 643,750,094 common shares traded in the PSE as of March 31, 2022 and December 31, 2021 and its share price closed at P9.3and P10.0, respectively.

18.2 Dividends

On May 22, 2019, the Bank's BOD approved the declaration of cash dividends on preferred shares amounting to P198.0 million, which was fully paid in July 12, 2019. The dividend was based on the cumulative balance of the outstanding preferred shares for the years 2014 to 2018.

On March 15, 2017, the BOD approved the declaration of 20% stock dividend on common shares totaling 107.3 million or P1,072.9 million to stockholders of record as of August 4, 2017 and paid on August 18, 2017. The dividend distribution was approved by the stockholders on May 26, 2017. No dividend declarations were made in 2018, 2019 and 2020.

On April 20, 2022, the Bank's BOD approved the declaration of cash dividends on preferred shares amounting to P118.8 million, which was fully paid in May4, 2022. The dividend was based on the cumulative balance of the outstanding preferred shares for the years 2019 to 2021.

18.3 Appropriated Surplus

In 2019, 2018 and 2017, additional appropriations of surplus amounting to P1.6 million, P1.2 million and P1.1 million, respectively, representing portion of the Bank's income from trust operations were made in compliance with BSP regulations.

In compliance with the requirements of the BSP, Circular No. 1011, which requires financial institutions to set up GLLP equivalent to 1% of all outstanding 'Stage 1' on balance sheet loan accounts, the Bank appropriated P449.6 million for GLLP representing the excess of the 1% required allowance of the BSP over the computed allowance for ECL on loans (see note 2). In 2019 the Bank reversed previously appropriated surplus amounting to P193.6 million which pertains to GLLP. Whereas, in 2018, the Bank appropriated an additional P275.8 million of its unappropriated surplus.

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. As of March 31, 2022 and December 31, 2021, the sinking fund for the redemption of redeemable preferred shares is yet to be established.

18.4 *Paid-in Capital from IPO*

The Bank's common shares were listed at the PSE in February 2013. The total proceeds received from the IPO amounted to P3,191.9million which exceeded par value by P1,998.4million, 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.

19. 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.
- (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 March 31, 2022 and December 31, 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.

20. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

	<u>2022</u>	<u>2021</u>
Net profit	P 309,958,249	P 160,228,720
Dividend on preferred shares	<u>-</u>	<u>-</u>
Net profit attributable to common shareholders	309,958,249	160,228,720
Divided by the weighted average Number of outstanding common shares	<u>643,750,094</u>	<u>643,750,094</u>
Basic earnings per share	<u>P 0.48</u>	<u>P 0.25</u>

As of March 31, 2022 and December 31, 2021 the Bank has no outstanding potentially dilutive securities; hence, basic earnings per share is equal to diluted earnings per share.

SCHEDULE OF AGING OF LOANS RECEIVABLES
(PSE Requirement per Circular No. 2164-99)
As of March 31, 2022

Current Accounts (by maturity)	
Up to 12 months	50,603,778,268
Over 1 year to 3 years	9,321,781,076
Over 3 years to 5 years	10,309,325,189
Over 5 years	16,444,586,233
 Past due and items in litigations	 7,620,939,308
 Loans Receivables (gross)	 94,300,410,074
 Less:	
Unearned and other deferred income	172,006,969
Allowance for credit losses	4,765,711,976
 Loans Receivables (Net)	 89,362,691,129

FINANCIAL SOUNDNESS INDICATORS
(As Required by SRC Rule)

	March 31, 2022	December 31, 2021
Current Ratio ⁽¹⁾	0.74	0.59
Solvency Ratio ⁽²⁾	1.12	1.12
Debt-to-equity ⁽³⁾	8.29	8.13
Asset-to-equity ⁽⁴⁾	9.29	9.13
Interest rate coverage ratio ⁽⁵⁾	3.66	3.14
Return on Average Equity ⁽⁶⁾	8.68%	8.24%
Return on Average Assets ⁽⁷⁾	0.94%	0.93%
Net Interest Margin ⁽⁸⁾	4.06%	4.48%
Cost-to-Income Ratio ⁽⁹⁾	60.44%	56.27%

Notes:

1. Current assets divided by current liabilities
2. Total assets divided by total liabilities
3. Total liabilities divided by total equity
4. Total assets divided by total equity
5. Income before interest and taxes divided by interest expense
6. Net income divided by average total equity for the periods indicated (annualized)
7. Net income divided by average total assets for the periods indicated (annualized)
8. Net interest income divided by average interest-earning assets (incl. interbank loans, trading and investment securities and loans)
9. Other expenses (excl. provision for impairment and credit losses) divided by the sum of interest and other income for the periods indicated