

IMPORTANT NOTICE

THIS FINAL PROSPECTUS (“PROSPECTUS”) IS BEING DISPLAYED ON THIS WEBSITE TO MAKE THE PROSPECTUS ACCESSIBLE TO INVESTORS IN THE PHILIPPINES AND IS TO BE VIEWED EXCLUSIVELY WITHIN THE PHILIPPINES.

THE PHILIPPINE STOCK EXCHANGE, INC. (THE “PSE”) ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF STATEMENTS MADE, OR THE OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. THE PSE MAKES NO REPRESENTATION AS TO THE COMPLETENESS OF THE PROSPECTUS AND DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM OR IN RELIANCE, IN FULL OR IN PART, OF THE CONTENTS OF THE PROSPECTUS.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. THESE SECURITIES MAY NOT BE SOLD NOR OFFERS TO BUY THEM BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT IS RENDERED EFFECTIVE. THIS COMMUNICATION SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITATION OF AN OFFER TO BUY.

The offering information on this website is intended to be available only to Philippine and non-Philippine citizens residing in the Philippines or corporations or judicial entities organized and existing under Philippine law, and is not intended for distribution outside the Philippines.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are responsible for protecting against viruses and other destructive items. Your receipt of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



Bank of Commerce

An affiliate of San Miguel Corporation



BANK OF COMMERCE

(a banking corporation organized and existing under Philippine laws)

Primary Offer of 280,602,800 Common Shares

Offer Price of ₱12.00 per common share

To be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.



Financial Advisor and Issue Coordinator



Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners



Selling Agents

**Trading Participants of The Philippine Stock
Exchange, Inc.**

The date of this Prospectus is 11 March 2022

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

Bank of Commerce

San Miguel Properties Center
No. 7 St. Francis Street
Mandaluyong City, 1550 Philippines
+(632) 8982 6000
www.bankcom.com.ph

This Prospectus relates to the primary offer and sale to the public of 280,602,800 common shares (the “**Offer**”, and such shares the “**Offer Shares**”), each with par value of ₱10.00 per common share, of Bank of Commerce, a banking corporation organized and existing under Philippine laws, (the “**Bank**”, the “**Issuer**”, or “**BankCom**”). The offer of the Offer Shares is referred to herein as the “**Offer.**”

The Offer Shares will comprise of 280,602,800 new common shares to be issued and offered by the Bank on a primary basis as further described below. The Offer Shares will be offered at a price of ₱12.00 per Offer Share (the “**Offer Price**”). The determination of the Offer Price is further discussed in the section entitled “Determination of the Offer Price,” and will be based on a book-building process and discussions between the Bank, Philippine Commercial Capital, Inc. (“**PCCI**”) as financial advisor and issue coordinator (the “**Financial Advisor and Issue Coordinator**”), together with BDO Capital & Investment Corporation (“**BDO Capital**”), China Bank Capital Corporation (“**China Bank Capital**”), PCCI, and PNB Capital and Investment Corporation (“**PNB Capital**”) as Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners (the “**Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners**”).

Pursuant to the approval of the Securities and Exchange Commission (“**SEC**”) dated 23 February 2022 (as defined herein), BDO Capital has been appointed to act as the stabilizing agent (the “**Stabilizing Agent**”). In connection with the Offer, the Stabilizing Agent or any person acting on its behalf may effect stabilizing transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any stabilization activities may begin on or after the Listing Date and, if begun, may be ended at any time, but must end no later than thirty (30) calendar days from and including the Listing Date. Any stabilization activities shall be done in compliance with all applicable laws, rules and regulations. The total number of common shares which the Stabilizing Agent or any person acting in its behalf may purchase to undertake stabilization activities shall not exceed 22,500,000 shares (the “**Stabilization Shares**”). If the Stabilizing Agent commences any stabilization activities (which would include thereafter disposing of or selling the common shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the common shares will not decline significantly before or after any such stabilizing activities end. See “*Plan of Distribution*” for more information. SMC Equivest Corporation has undertaken to purchase from the Stabilizing Agent, at the weighted average cost of the Stabilizing Agent, the shares purchased in the open market by the Stabilizing Agent in the conduct of Stabilization Activities.

A total of 1,403,013,920 common shares will be outstanding after the Offer (the “**Common Shares**”). All of the Offer Shares have identical rights and privileges to the Issuer’s issued and outstanding common shares. For a detailed discussion of the rights and features of the Common Shares, see “*Description of the Shares*”.

All of the issued and outstanding common shares of the Bank, including the Offer Shares to be issued, are expected to be listed on the Main Board of the PSE under the symbol “**BNCOM**”.

Documentary stamp tax and all other costs and expenses for the issuance of the Common Shares and the documentation, if any, shall be for the account of the Issuer.

The gross proceeds of the Offer Shares shall be approximately ₱3,367.2 million, assuming a final Offer Price of ₱12.00. The net proceeds from the Offer Shares, after deducting from the gross proceeds the total issue

management, underwriting and selling fees, taxes and other related fees and out-of-pocket expenses, is estimated to be approximately ₱3,202.4 million. The net proceeds of the Offer shall be used primarily to fund the Bank's lending activities, acquisition of investment securities, and finance capital expenditure requirements in connection with the upgrading of its ATM fleet and its core banking system.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners will underwrite, on a firm commitment basis, the Offer Shares, to the extent of their respective underwriting commitments set out under the section "*Plan of Distribution*" in this Prospectus. The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners will receive an underwriting fee of up to 2.25% of the gross proceeds from the sale of the Offer Shares attributed to the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. The commissions and fees of the Bank as selling agent shall be deducted from the underwriting fee. The underwriting fee does not include the commissions and fees to be paid to the duly licensed securities brokers who are trading participants of The Philippine Stock Exchange, Inc. ("**PSE**"; the trading participants, "**PSE Trading Participants**"). The PSE Trading Participants shall be entitled to a selling fee of 1.0% inclusive of VAT of the Trading Participants and Retail Offer Shares taken up and purchased by the relevant PSE Trading Participant. See "*Plan of Distribution*" for further information on the distribution of the Offer Shares and the underwriting commitment and see "*Use of Proceeds*" for further details on the underwriting fee and PSE Trading Participants fee.

56,120,600 Offer Shares (or 20% of the Offer Shares) are being offered in the Philippines through the PSE Trading Participants and 28,060,300 (or 10% of the Offer Shares) are being offered in the Philippines to local small investors ("**LSI**") under the Local Small Investors Program of the PSE (such shares, the "**Trading Participants and Retail Offer Shares**", and such offer of Trading Participants and Retail Offer Shares, the "**Trading Participants and Retail Offer**").

At least 196,421,900 Offer Shares, or 70% of the Offer Shares (the "**Institutional Offer Shares**") are being offered to Qualified Institutional Buyers ("**QIBs**") and other investors in the Philippines, by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

The Offer Shares will represent approximately 20.0% of the issued and outstanding capital stock of the Bank, and upon completion of the Offer, the Company's public ownership will be 22.9% (inclusive of 3.7% held by other public shareholders existing before this Offer) of the Issuer's issued and outstanding capital stock. See "*Dilution*" for a summary of shareholdings before and after the completion of the Offer beginning on page 95. Upon completion of the Offer and assuming full purchase by SMC Equivest of the Stabilization Shares from the stabilization activities, 21.34% of BankCom's issued and outstanding capital stock will be held by the public.

The Bank is authorized to declare dividends, subject to the BSP's directive that the Bank shall not declare dividends until the balance of the remaining TRB miscellaneous assets is fully provisioned (see "*Dividends and Dividend Policy*" on page 91 of this Prospectus). A cash dividend declaration requires approval from the Board. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Bank's outstanding capital stock. Dividends may be declared only from available unrestricted retained earnings. In accordance with the By-Laws, dividends may be declared from the surplus profits arising from the business of the Bank at such time and in such percentage as the Board of Directors deem proper. No dividends may be declared that will impair the capital of the Bank. Stock dividends shall be declared in accordance with the law.

The Issuer filed a Registration Statement with the SEC on 7 December 2021 in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "**SRC**") for the registration of the Common Shares. On 15 February 2022, the SEC issued a Pre-Effective Letter. Upon compliance with the requirements of the Pre-Effective Letter, it is expected that the SEC will issue the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale on or about 15 March 2022.

The listing of the Common Shares is subject to the approval of the PSE, and an application for listing was submitted to the PSE on 16 December 2021. The PSE issued its Notice of Approval in a letter dated 16 February 2022 approving the listing application, subject to compliance with certain conditions. The PSE's approval of the listing is merely permissive and does not constitute a recommendation or endorsement of the Offer by the PSE or the SEC.

The PSE assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Furthermore, the PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from, or in reliance upon, the whole or any part of the contents of this Prospectus.

The purchase of the Offer Shares in certain jurisdictions may be restricted by law. Foreign investors interested in purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.

The Bank is subject to foreign ownership restrictions under the Philippine Constitution and banking laws. Under the General Banking Law, as clarified by BSP Circular No. 256, and Section 122 of the Manual of Regulations for Banks ("**MORB**"), the aggregate voting stock in a universal and commercial bank held by foreign individuals and non-bank corporations must not exceed 40% of the outstanding voting stock. Under Republic Act No. 7721, as amended by Republic Act No. 10641 enacted on 15 July 2014, and as clarified by BSP Circular No. 858, series of 2014, qualified foreign banks authorized by the Monetary Board may acquire and own up to 100% of the voting stock of an existing bank. However, while qualified foreign banks may own up to 100% of voting shares in an existing bank, other foreign individuals or non-bank corporations are still subject to the 40% foreign ownership limitation under the General Banking Law. On the other hand, the Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. Consequently, foreign ownership in the Bank is limited to a maximum of 40% of (a) total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

No dealer, salesman or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Bank, the Financial Advisor and Issue Coordinator, and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

The distribution of this Prospectus and the offer and sale of the Offer Shares may, in certain jurisdictions, be restricted by law. The Bank, the Financial Advisor and Issue Coordinator, and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners require persons into whose possession this Prospectus comes, to inform themselves of and observe all such restrictions. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Bank in any jurisdiction, to or from any person to whom it is unlawful to make such offer in such jurisdiction.

Unless otherwise stated, the information contained in this Prospectus has been supplied by the Bank. The Bank (which has exercised diligence and taken all reasonable care to ensure that such is the case) confirms that the information contained in this Prospectus is correct, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect. The Bank hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus and in all documents submitted to the relevant regulators, including but not limited to, the SEC and BSP. The Financial Advisor and Issue Coordinator, and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners

have exercised due diligence required by law in ascertaining that all material representations contained in the Prospectus, and any amendment or supplement thereto are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading. No representation, warranty or undertaking, express or implied, is made by any of the Financial Advisor and Issue Coordinator, and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and no responsibility or liability is accepted by the same as to the accuracy, adequacy, reasonableness or completeness of the information and materials contained herein (excluding any and all information pertaining to the Financial Advisor and Issue Coordinator, and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners) or any other information provided by the Bank in connection with the Offer Shares, their distribution or their future performance.

Unless otherwise indicated, all information in the Prospectus is as of 11 March 2022. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Bank and its subsidiaries since such date. Market data and certain industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Bank or the Financial Advisor and Issue Coordinator, and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners make any representation as to the accuracy of such information.

THE OFFER SHARES ARE BEING OFFERED ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE SHARES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

No representation or warranty, express or implied, is made by the Issuer, the Group, the Financial Advisor and Issue Coordinator, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations. No representation or warranty, express or implied, is made by the Financial Advisor and Issue Coordinator, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners as to the accuracy or completeness of the information herein and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Issuer, the Group, the Financial Advisor and Issue Coordinator, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. The contents of this Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of the Issuer and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited. Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

Each person contemplating an investment in the Offer Shares should make their own due diligence and analysis of the creditworthiness of the Bank and their own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Offer Shares. A person contemplating an investment in the Offer Shares should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those high-risk securities. Investing in the Offer Shares involves a higher degree of risk compared to debt instruments. For a discussion of certain factors to be considered in respect of an investment in the Offer Shares, see “*Risk Factors*”.

Risks of Investing

In making an investment decision, investors are advised to carefully consider all the information contained in this Prospectus, including risks associated with an investment in the Offer Shares.

These risks include:

- risks relating to the Bank's business and operation;
- risks relating to the Philippines;
- risks relating to the Philippine Banking Industry;
- risks relating to the Offer Shares; and
- risks relating to Certain Information in the Prospectus;

For a more detailed discussion on the risks in investing, see section on "*Risk Factors*" of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares. The Offer Shares are offered solely on the basis of the information contained and the representations made in the Prospectus.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the Issuer's affairs since such date.

The Bank reserves the right to withdraw the offer and sale of the Offer Shares at any time before the commencement of the Offer Period and the Bank shall make the necessary disclosures to the SEC and the PSE.

The Bank may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to Listing if any of the force majeure or fortuitous events set out under the Section "*Summary of the Offer - Withdrawal of the Offer*" of this Prospectus occur.

In case of cancellation of the Offer on or after commencement of the Offer Period, the Issuer shall obtain the prior written approval of the PSE.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET
AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND
CURRENT.

BANK OF COMMERCE

By:



Michelangelo R. Aguilar *MA*
President

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

Before me, a notary public in and for the city named above, personally appeared the affiant, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal on this MAR 11 2022 2022 at MANDALUYONG CITY City.

Doc. No. 12 ;
Page No. 4 ;
Book No. IV ;
Series of 2022.


FULGENCIO A. ESTILLORE
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0440-22
UNTIL DECEMBER 31, 2023
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR NO. 3067593/01-12-2022/MANDALUYONG CITY
IBP LIFETIME NO. 08943
ROLL OF ATTORNEYS NO. 46466

FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus that are not statements of historical facts constitute “forward-looking statements.” Some of these statements can be identified by forward-looking terms, such as “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “will” and “would” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Bank’s expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Bank’s business strategy, its revenue and profitability (including, without limitation, any financial or operating projections or forecasts), planned projects and other matters discussed in this Prospectus regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Prospectus involve known and unknown risks, uncertainties and other factors that may cause the Bank’s actual financial results, performance or achievements to be materially different from any future financial results, performance or achievements expressed or implied by such forward-looking statements or other projections.

The factors that could cause the Bank’s actual results to be materially different include, among others:

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

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

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

In light of the ongoing COVID-19 pandemic and associated uncertainties in the global financial markets and their contagion effect on the real economy, any forward-looking statements and forward-looking financial information contained in this Prospectus must be considered with caution and reservation. The Issuer, the

Financial Advisor and Issue Coordinator, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

Should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected as well as from historical results. Specifically, but without limitation, revenues could decline, costs could increase, capital costs could increase, and anticipated improvements in performance might not be realized fully or at all. Although the Bank believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to be correct. Accordingly, prospective investors are cautioned not to place undue reliance on the forward-looking statements herein. In any event, these statements speak only as of the date hereof or the respective dates indicated herein.

The Bank, the Financial Advisor and Issue Coordinator, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners assume no obligation to update any of the forward-looking statements after the date of this Prospectus or to confirm these statements to actual results, subject to compliance with all applicable laws. The Bank, the Financial Advisor and Issue Coordinator, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners assume no obligation to update any information contained in this Prospectus or to publicly release any revisions to any forward-looking statements to reflect events or circumstances; or to reflect that the Issuer became aware of any such events or circumstances that occur after the date of this Prospectus.

TABLE OF CONTENTS

GLOSSARY OF TERMS	10
EXECUTIVE SUMMARY	16
SUMMARY OF THE OFFER	24
SUMMARY OF FINANCIAL AND OPERATING INFORMATION.....	38
RISK FACTORS	45
USE OF PROCEEDS	87
DIVIDENDS AND DIVIDEND POLICY.....	91
DETERMINATION OF THE OFFER PRICE	93
CAPITALIZATION AND INDEBTEDNESS.....	94
DILUTION.....	95
SELECTED STATISTICAL DATA.....	96
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	98
ANALYSIS OF SELECTED ASSETS AND LIABILITIES	127
THE PHILIPPINE BANKING INDUSTRY	143
DESCRIPTION OF THE BUSINESS	149
BOARD AND MANAGEMENT	181
SHAREHOLDERS.....	199
SECURITY OWNERSHIP OF RECORD AND BENEFICIAL OWNERS	200
RELATED PARTY TRANSACTIONS.....	202
DESCRIPTION OF THE SHARES.....	205
BANKING REGULATIONS AND SUPERVISION	215
RISK MANAGEMENT	241
THE PHILIPPINE STOCK MARKET.....	248
FOREIGN EXCHANGE REGULATIONS AND FOREIGN OWNERSHIP	254
PHILIPPINE TAXATION	257
PLAN OF DISTRIBUTION	267
LEGAL MATTERS	280
INDEPENDENT AUDITORS	281
ANNEX A: LIST OF PROPERTIES OWNED OR LEASED BY THE BANK	A
ANNEX B: LIST OF PERMITS AND LICENSES	B
INDEX TO FINANCIAL STATEMENTS.....	C

GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below:

AAIIB	Al-Amanah Islamic Investment Bank of the Philippines
AFS	Audited Financial Statements
AMLC	Anti-Money Laundering Council
Applicant	A person, whether natural or juridical, who seeks to subscribe to the Offer Shares
ATM	Automated Teller Machines
BankCom, Bank, or Issuer	Bank of Commerce
BDO Capital	BDO Capital & Investment Corporation
BIR	Philippine Bureau of Internal Revenue
Board	Issuer's Board of Directors
BOU	Business Operating Unit
BROC	Board Risk Oversight Committee
BSFI	BSP supervised financial institutions
BSP	Bangko Sentral ng Pilipinas
Business Day	A day, other than Saturday, Sunday or legal holiday, on which the facilities of the Philippine banking system are open and available for clearing, and banks are open for business in Metro Manila, Philippines.
CBAs	Collective bargaining agreements
CET1	Common Equity Tier 1
CGCom	Corporate Governance Committee
China Bank Capital	China Bank Capital Corporation
Common Shares or Shares	The common shares of BankCom, with par value of ₱10.00 per share
COVID-19	Coronavirus Disease 2019
CRM	Credit Risk Management Department
DBP	Development Bank of the Philippines
DOH	Department of Health
DST	Documentary Stamp Tax
EAR	Earnings-at-Risk
ECL	Expected Credit Loss
ECQ	Enhanced Community Quarantine
EDGE	PSE Electronic Disclosure Generation Technology
FATCA	Foreign Accounts Tax Compliance Act

FATF	Financial Action Task Force
FCDU	Foreign Currency Deposit Unit
FFIs	Foreign Financial Institutions
Financial Advisor and Issue Coordinator	PCCI
FVOCI	Fair Value through Other Comprehensive Income
GDP	Gross Domestic Product
General Banking Law	R.A. No. 8791 or the General Banking Law of 2000
Government	The Government of the Republic of the Philippines
GSIS	Government Service Insurance System
HRMDD	Human Resource Management and Development Division
ICAAP	Internal Capital Adequacy Assessment Process
ICRRS	Internal Credit Risk Rating System
IGA	Model 1 Intergovernmental Agreement
Institutional Offer	Offer to certain qualified buyers and other investors in the Philippines, by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners
Institutional Offer Shares	196,421,900 Offer Shares being offered pursuant to the Institutional Offer
IRS	U.S. Internal Revenue Service
Issue Date	31 March 2022
ITRM	Information Technology Risk Management
Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners	BDO Capital, China Bank Capital, PCCI, and PNB Capital
KB	Commercial Bank
LBP	Land Bank of the Philippines
LCR	Liquidity Coverage Ratio
LGC	Philippine Local Government Code
Listing Date	31 March 2022
LTNCD	Long Term Negotiable Certificates of Time Deposit
LSI	Local small investors under the PSE's Local Small Investors Program of the PSE
MLPP	Money Laundering & Terrorist Financing Prevention Program
MORB	Manual of Regulations for Banks of the BSP
MPO	Minimum Public Ownership
NII	Net Interest Income
NIST	National Institute of Standards and Technology, U.S. Department of Commerce

NMD	Non-maturing deposits
NPC	National Privacy Commission
NPL	Non-performing loans
Offer	The offer and sale of the Offer Shares on, and subject to, the terms and conditions stated herein
Offer Period	16 to 22 March 2022
Offer Price	₱12.00 per Offer Share
Offer Shares	280,602,800 common shares to be offered and issued by BankCom
PCA	RA No. 10667, or the Philippine Competition Act
PCA IRR	Implementing Rules and Regulations of the Philippine Competition Act
PCC	Philippine Competition Commission
PCD	Philippine Central Depository
PCCI	Philippine Commercial Capital, Inc.
PCNC	PCD Nominee Corporation
PDIC	Philippine Deposit Insurance Corporation
PDS	Philippine Dealing System
PDTC	Philippine Depository & Trust Corp.
PFFIs	Participating Foreign Financial Institutions
PFRS	Philippine Financial Reporting Standards
Philippines	Republic of the Philippines
Philippine Tax Code	National Internal Revenue Code of 1997, as amended
Philippine Peso, Peso, PHP or ₱	Philippine Pesos, the legal currency of the Philippines
PNB Capital	PNB Capital and Investment Corporation
POS	Point of sale
Pricing Date	11 March 2022
PSA	Purchase and Sale Agreement
PSE	The Philippine Stock Exchange, Inc.
PSE Trading Participants	Duly licensed securities brokers who are trading participants of the PSE
QIB	Qualified institutional buyers under Section 10.1(3) of the SRC and SRC Rules, namely: <ul style="list-style-type: none"> (i) Bank; (ii) Registered investment house; (iii) Insurance company; (iv) Pension fund or retirement plan maintained by the Government of the Philippines or any political

-
- subdivision thereof or managed by a bank or other persons authorized by the BSP to engage in trust functions;
- (v) Registered Securities Dealer;
 - (vi) An account managed by a Registered Broker under a discretionary arrangement as provided for in the other relevant provisions in the SRC Rules;
 - (vii) Registered Investment Company (e.g., mutual fund companies);
 - (viii) Provident fund or pension fund maintained by a government agency or by a government or private corporation and managed by an entity authorized accordingly by the BSP or the SEC to engage in trust function or in fund management;
 - (ix) A trust corporation that is authorized by the BSP to perform the acts of a trustee;
 - (x) Unit investment trust funds that are established in accordance with rules and regulations of the BSP;
 - (xi) A fund established and covered by a trust or IMA agreement under a discretionary arrangement in accordance with rules and regulations of the BSP; a discretionary arrangement means that the entity managing the fund is granted authority to decide on the investment of the trust funds or IMA funds;
 - (xii) A fund established and covered by a trust or IMA agreement under a non- discretionary arrangement in accordance with rules and regulations of the BSP, provided that the beneficial owner/s or principal/s of such fund possess the qualifications on financial capacity and sophistication as specified in SRC Rules 10.1.11.1 for natural persons, and 10.1.11.2 for juridical persons; and provided also, that the treatment of such fund as qualified buyer does not contravene the trust or IMA agreement;
 - (xiii) A fund established and covered by a trust or IMA agreement wherein the beneficial owner or principal of the fund has been deemed or conferred as a qualified buyer under SRC Sec. 10.1 (1) or SRC Rule 10.1.11;
 - (xiv) An entity with quasi bank license issued by BSP;
 - (xv) Pre-need company authorized by the Insurance Commission;
 - (xvi) Collective Investment Scheme authorized by the relevant regulatory authority pursuant to existing laws and regulations;
 - (xvii) A listed entity on the PSE, or a related body corporate of a PSE-listed entity provided that it engages the service of a professional fund manager, through direct hire or via outsourcing to an authorized fund management entity;
 - (xviii) A foreign entity not being established or incorporated in the Philippines that, if established or incorporated in the Philippines, would be covered by one of the preceding paragraphs; and
-

	(xix) Such other person as the SEC may by rule or order determine as qualified buyers, on the basis of such factors as financial sophistication, net worth, knowledge, and experience in financial and business matters, or amount of assets under management.
Receiving Agent	SMC Stock Transfer Service Corporation
Registrar, Paying Agent or Stock Transfer Agent	SMC Stock Transfer Service Corporation
Registration Statement	The registration statement filed with the SEC in connection with the offer and sale to the public of the Offer Shares
REST	Real Estate Stress Test
Revised Corporation Code	Republic Act No. 11232, or the Revised Corporation Code of the Philippines
ROPA	Real and Other Properties Acquired
RPT	Related Party Transactions
RSK	Risk Management Division
RTGS	Real Time Gross Settlement
SCCP	Securities Clearing Corporation of the Philippines
SEC	Securities and Exchange Commission
Selling Agents	PSE Trading Participants and Bank of Commerce
SMC	San Miguel Corporation
SMC Equivest	SMC Equivest Corporation
SMC STSC	SMC Stock Transfer Service Corporation
SMPI	San Miguel Properties, Inc.
SRC	Republic Act No. 8799, or as the Securities Regulation Code of the Philippines, as may be amended from time to time
SRC Rules	2015 Implementing Rules and Regulations of the SRC, as may be amended from time to time.
Stabilizing Agent	BDO Capital
Stabilization Shares	22,500,000 common shares, the maximum number of common shares which the Stabilizing Agent or any person acting in its behalf may purchase to undertake stabilization activities
Stabilization Period	The period beginning on or after the Listing Date and ending on a date no later than thirty (30) calendar days from and including the Listing Date during which the Stabilizing Agent has an option exercisable in whole or in part for the conduct of stabilization activities
Tax Code	Any Philippine National Internal Revenue Code of 1997 (as may be amended from time to time)
TB	Thrift bank
Trading Participants and Retail Offer	The offer for sale of the Trading Participants and Retail Offer Shares

	to be made in the Philippines
Trading Participants and Retail Offer Shares	84,180,900 Offer Shares being offered pursuant to the Trading Participants and Retail Offer
TRAIN	R.A. No. 10963, or the Tax Reform for Acceleration and Inclusion Act
TRB	Traders Royal Bank
TRM	Trust Risk Management
U.S. Dollars, USD or US\$	U.S. Dollars, the legal currency of the United States of America
UB	Universal bank
UB license	Universal banking license
UITF	Unit Investment Trust Fund
UNCLOS	United Nations Convention on the Law of the Sea
VAT	Value-Added Tax
WHO	World Health Organization

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and the consolidated financial statements of the Bank that appear elsewhere in this Prospectus. The meaning of terms not defined in this summary can be found elsewhere in this Prospectus.

Prospective investors should read this entire Prospectus fully and carefully, including investment considerations and the Bank's audited financial statements and the related notes. In case of any inconsistency between this summary and the more detailed information in this Prospectus, then the more detailed portions, as the case may be, shall at all times prevail.

BUSINESS

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

The refreshed capital and management resulted in strengthened banking operations, systems and services, and reinforced the Bank's stability. The Bank provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, transaction banking, corporate banking, treasury, asset management, trust and investments. In terms of service reach, the Bank has retail and corporate internet banking facilities, 140 branches and 257 automated teller machines (“**ATMs**”) strategically located nationwide as of 30 September 2021.

The Bank's consolidated total assets amounted to ₱151.41 billion, ₱145.03 billion, ₱170.92 billion and ₱195.28 billion as of 31 December 2018, 2019 and 2020, and for the nine months ended 30 September 2021, respectively. Net profit (loss) was (₱16.5 million), ₱652.7 million, ₱784.4 million and ₱625.7 million for the years ended 31 December 2018, 2019 and 2020, and for the nine months ended 30 September 2021, respectively.

As of 30 September 2021, the Bank's Tier 1 and total capital adequacy ratio of 14.73% and 20.86%, respectively, remained greater than the minimum regulatory requirement of 7.5% and 10.0%. For the nine months ended 30 September 2021, the Bank's return on average equity, return on average assets and cost-to-income ratios were 4.22%, 0.46% and 79.28%, respectively.

Despite the COVID-19 pandemic, the Bank recorded a net income of ₱625.7 million for the nine-months ended 30 September 2021 compared to 30 September 2020 of ₱495.3 million. This was driven by a higher net interest income which grew by 7.21% to ₱3.99 billion due to lower funding cost as interest expenses declined. Revenues from the sale of foreclosed assets increased from ₱50.8 million to ₱231.0 million with the partial re-opening of the economy.

A net reversal of provision for credit losses was recorded at ₱4.07 million as opposed to the prior year's September impact of ₱767.13 million. Total assets also grew by 14.25% to ₱195.3 billion as the Bank funneled the 12.31% increase in deposits to the purchase of investment securities at amortized cost. In 2020, the Bank had a significant increase in provisions to anticipate credit losses brought about by the global pandemic. These provisions gradually decreased leading to the net reversal as of 30 September 2021 due to the continuous collection efforts to update non-current accounts.

Despite last year's net portfolio contraction of ₱1.4 billion, the Bank's loan portfolio continues to remain above previous decade's levels. From the end of June 2018 to the end of December 2020, the Bank has grown its total loans by 35%, or from ₱54.0 billion to ₱73.0 billion, driven mainly by the growth coming from loans to non-

affiliates. Such loan growth was achieved while maintaining balance sheet strength and asset quality with net NPL ratio of 0.9%, as of 31 December 2020.

Universal Banking License Application

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

On 23 December 2021, the Monetary Board of the BSP approved the upgrade of the banking license of BankCom from commercial bank to universal bank (UB) subject to the following conditions: (i) the Bank shall make a public offering of its shares in accordance with the rules of the SEC on minimum public ownership and listing rules of the PSE; and (ii) the Bank must list its shares in the PSE within one year from the date of the grant of UB license.

Impact of COVID-19 on Operations and Strategies

The pandemic severely curtailed the Bank operations primarily due to the closure of various branches around the country because of quarantine restrictions imposed by the Philippine government. Restrictions in movement also made it difficult for Bank employees to report to head office or open branches. Nonetheless, the Bank continued to serve its customers and meet its regulatory obligations by using its existing Business Continuity Measures ("BCM") and various efforts to mitigate the spread of the COVID-19 virus through measures such as the transition to a work-from-home arrangement, investment in technology to enable a conducive work-from-home arrangement for its employees, establishment of health and safety protocols within its premises, among others. As of the date of this Prospectus, all the Bank's 140 branches nationwide are open for business and fully operational.

In 2021, the Bank recorded a net income of ₱625.7 million as compared to 30 September 2020 of ₱495.3 million. This was driven by a higher net interest income which grew by 7.21% to ₱3.99 billion due to lower funding cost as interests declined. Meanwhile, total operating expenses, including provisions, declined by 16.51% to ₱3.7 billion from ₱4.4 billion mainly due a net reversal of provision for credit losses which was recorded at ₱4.07 million as opposed to the prior year's nine (9) month result of ₱767.133 million. In 2020, the Bank had a significant increase in provisions to anticipate credit losses brought about by the global pandemic. These provisions gradually decreased leading to the net reversal as of 30 September 2021 due to the continuous collection efforts to update non-current accounts.

In 2021, total assets grew 14.25% to ₱195.3 billion due primarily to purchase of investment securities at amortized cost, which accounted for 20.17% of the total assets of the Bank. The Bank's gross loan portfolio increased 3.79% to ₱75.9 billion from ₱73.1 billion. The Bank's gross non-performing loans incidentally increased slightly by ₱161 thousand. Nevertheless, asset quality remained healthy amid the loan growth, with a gross NPL ratio of 3.0%, net NPL ratio of 0.9%, and NPL coverage ratio of 107.7%.

On the funding side, total deposits grew 12.31% to ₱167 billion with CASA accounting for 90% of the total liabilities. Total capital increased by about ₱6 billion mainly due to the infusion of additional capital from the issuance of preferred shares amounting to ₱5.5 billion.

As an affiliate of the SMC Group, the Bank has been able to leverage on the conglomerate's testing facilities. Since the 2nd half of 2020 until 30 September 2021 at the least, Bank employees have been tested using the

PCR method at least twice whether or not they have experienced any symptoms. Bank personnel have also been given the opportunity to take part in the COVID vaccination program currently planned for the SMC Group.

Given that the pandemic is continuing, the Bank is conducting the following activities to manage credit risk going forward:

- The Corporate Banking Group together with the Credit Group closely monitors all corporate borrowers for signs of financial distress. The Bank proactively works with its borrowers to ensure they are able to meet their payment obligations.
- The Consumer Lending Group has been asked to cap its growth and simply replace consumer loans that are being fully paid off. New loans now have increased equity requirements and the borrower's ability to pay is scrutinized more closely in relation the effects of the ongoing pandemic.
- The Credit Card Group has limited new credit cards to bank clients with higher average daily balance minimums or SMC ecosystem customers with higher income requirements and at least one (1) issued card from another bank.

The Bank continues to monitor the situation and continues to review its provisioning and capital levels.

RECENT DEVELOPMENTS

Development of New Loan Programs

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

Maiden Long Term Negotiable Certificates of Time Deposit Issuance

On 17 March 2020, the Bank issued ₱5.0 billion unsecured long-term negotiable certificates of time deposit ("LTNCDs") with 4.5% fixed interest rate and maturing on 17 September 2025. The issuance of the LTNCDs was approved by the Board of Directors ("BOD") on 25 June 2019 and by the BSP on 31 October 2019.

₱5.5 billion Preferred Shares Private Placement

On 5 August 2021, SMC Equivest Corporation ("SMC Equivest"), a wholly owned subsidiary of San Miguel Corporation, subscribed to 41,666,667 Series 1 Preferred Shares of Bank of Commerce for ₱5,500,000,044.00, which was fully paid on the same date. The preferred shares are cumulative, non-voting, non-participating, perpetual, and convertible into common shares at a ratio of 1:1 (i.e. one preferred share is convertible into one common share) and at the option of the preferred shareholder after five (5) years from the date of issuance, subject to requirements under laws, rules, and regulations. Dividends shall accrue at a rate of 2.50% p.a. in the first year, 3.00% p.a. in the second year, 4.00% p.a. in the third year, 5.00% p.a. in the fourth year, and 5.50% p.a. beginning on the fifth year onwards from issuance. The dividends shall be payable either in cash or in shares at the discretion of the Bank. The foregoing capital infusion is in compliance with the requirement of the BSP for the Bank to meet the minimum capitalization requirements for banks applying for a universal banking license. Prior to such subscription, SMC Equivest owned 4.69% of the outstanding capital stock of the Bank comprising of common shares. The terms and conditions of the Preferred Shares, including the dividend rate, were approved by the BSP.

Stock Split

On 25 May 2021, the Board of Directors approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (₱100.00) to Ten Pesos (₱10.00). The amendment resulted in the increase in common shares from 170,251,147 to 1,702,511,470 and an increase in preferred shares from 45,500,000 to 455,000,000. The amendment was approved by the Stockholders on 8 July 2021. The amendment on the Bank's Articles of Incorporation was approved by the BSP on 4 October 2021 and by the SEC on 2 November 2021.

Equity Restructuring

On 29 March 2021, the Board of Directors approved the Bank to undergo equity restructuring to wipe out the deficit amounting to ₱51,156,715 as at 31 December 2020 through the use of the Bank's paid-in surplus.

On 12 July 2021, the Bank received from BSP a "No Objection" response to its application for equity restructuring with the SEC, subject to the (i) Bank's compliance with the Commission's other requirements; and (ii) condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within five (5) days from receipt thereof.

On 14 October 2021, the SEC approved the equity restructuring to wipe-out the deficit as at 31 December 2020 amounting to ₱51,156,715 against the paid-in surplus of ₱5.6 billion subject to the conditions that the remaining paid-in surplus of ₱5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

SMC Retirement and SMC Equivest Transfer of Shares

On 20 October 2021, SMC Equivest Corporation purchased from San Miguel Corporation Retirement Plan One Million Five Hundred Seventy-one Thousand Six Hundred (1,571,600) common shares of the Bank at a par value of ₱100.00 per share (15,716,000 common shares after the reduction in par value to ₱10.00 per share) comprising 1.4% of the Bank's total issued and outstanding common shares, for a total purchase price of Three Hundred Fifty-five Million Nine Hundred Thirty-five Thousand Nine Hundred Sixty-eight Pesos (₱355,935,968.00). The Certificate Authorizing Registration ("CAR") for the transfer of shares has been issued by the Bureau of Internal Revenue on 21 February 2022.

Appointment of Bank Officers

As of the date of this Prospectus, the Bank appointed Mr. Martin Villalon as Head of the Bank's Investment Banking Group and Mr. Gregorio Yaranon, Jr. was appointed as the Bank's Chief Compliance Officer.

STRENGTHS

BankCom believes that its principal competitive strengths include the following, as extensively discussed in "Description of the Business – Strengths" on page 153:

- Strong support from SMC Group and synergies with the SMC ecosystem;
- Prudent balance sheet management with strong capitalization and liquidity to support a new growth phase;
- Effective risk management leading to high asset quality and balance sheet resilience;
- Augmented and invigorated management team overseen by seasoned and experienced Board;
- Strategic and well-balanced branch network footprint; and
- Nimble and agile company culture and workflow allows BankCom to act quick and prudently when opportunities arise.

STRATEGIES

BankCom's strategic vision is to grow in the coming years to achieve economies of scale, improve efficiency, and be at par with the country's leading domestic banks. Within this time horizon, BankCom also envisions to enter into a new era of growth as it upgrades to a universal bank and maximizes the additional products, services and functions allowed in its universal banking license. BankCom aims to achieve sustainable growth across its business segments. The Bank's strategies to achieve its objectives are introduced below and set forth in greater detail in "*Description of the Business – Strategies*" on page 156.

- Achieve scale and sustainable growth / client expansion by leveraging the broader SMC ecosystem;
- Leverage the universal banking license to expand product suite and service offering;
- Investment in Information Technology Infrastructure and Financial Technology to improve customer service and touchpoints;
- Increase profitability through return-on-equity expansion as well as growth of fee income business;
- Build deeper relationships and activate cross sell opportunities by putting the needs of customers on the forefront; and
- Shareholder's commitment to environmental, social, and governance ("ESG") framework and regulatory compliance and advancing the culture of "*malasakit*".

RISKS RELATING TO THE OFFER

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Common Shares. These risks include the following, which are discussed in more detail under the section "*Risk Factors*".

RISKS RELATING TO THE BANK'S BUSINESS AND OPERATIONS

- The COVID-19 pandemic and the measures to contain the virus could adversely affect the Bank's businesses.
- The Bank's business is highly regulated and government policies could adversely affect the Bank's operations and profitability.
- The Bank is subject to credit, market, operational and liquidity risks which may have an adverse effect on its credit ratings and its cost of funds.
- The Bank may not be successful in implementing its growth strategies.
- An inability to manage the Bank's growth could disrupt its business and reduce its profitability.
- An inability to manage its growth may have an adverse effect on the Bank's business and results of operations.
- Increased exposure to consumer debt could result in increased delinquencies in the Bank's loan portfolios.
- The Bank's allowance for impairment and credit losses may be insufficient to cover future losses and to the extent the Bank increases such allowances, its financial performance will be adversely affected.
- The Bank's trading activities are subject to volatility and the Bank is diversifying away from the business.
- The Bank may be unable to recover the assessed value of its collateral when its borrowers default on their obligations, which may expose it to significant losses.
- The Bank has significant credit exposure to certain borrowers and industries. Deterioration in the performance of any of these industry sectors or the non-performance of a substantial portion of these loans could adversely impact the asset quality of its loan portfolio and business.
- The Bank relies principally on short-term deposits for its funding needs.
- The Bank may not be able to match the technology of its competitors. The Bank may fail to upgrade or effectively operate its information technology systems.

- The Bank's failure to manage risks associated with its information and technology systems could adversely affect its business.
- The Bank is subject to interest rate risk.
- The Bank is subject to foreign exchange risk.
- The Bank's business, reputation and prospects may be adversely affected if the Bank is not able to detect and prevent fraud or other misconduct committed by the Bank's employees or outsiders on a timely basis.
- The Bank's ability to assess, monitor and manage risks inherent in its business differs from the standards of its counterparts in more developed countries as well as larger banks in the Philippines.
- The Bank relies on certain key management and senior executives and the loss of any such key individuals or the inability to attract and retain other highly capable individuals may negatively affect its business.
- The Bank's growth is dependent on its ability to attract and retain employees.
- If the Bank were not to comply with FATCA, this may cause material and adverse impact on the Bank's business, financial conditions and results of operations.

RISKS RELATING TO THE PHILIPPINES

- The ongoing situation of the COVID-19 pandemic could have negative effects on the Bank's asset portfolio and business operations.
- Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Bank's businesses.
- Substantially all of the Bank's operations and assets are based in the Philippines and, therefore, a slowdown in economic growth in the Philippines could materially and adversely affect the Bank's business, financial position and results of operations.
- Political instability in the Philippines could destabilize the country and may have a negative effect on the Bank's businesses.
- Acts of terrorism could destabilize the country and could have a material adverse effect on the Bank's businesses, financial condition and results of operation.
- Public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Bank's business, financial condition and results of operations.
- An increase in interest rates could decrease the value of the Bank's securities portfolio and raise the Bank's funding costs.
- Natural or other catastrophes, including severe weather conditions, may adversely affect the Bank's business materially disrupt the Bank's operations and result in losses not covered by its insurance.
- Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.
- Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.
- Investors may face difficulties enforcing judgments against the Bank.

RISKS RELATING TO THE PHILIPPINE BANKING INDUSTRY

- The Philippine banking industry is highly competitive and increasing competition may result in declining margins in the Bank's principal businesses.
- The Philippine banking sector may face another downturn, which could materially and adversely affect the Bank.
- The Bank has to comply with strict regulations and guidelines issued by regulatory authorities in the Philippines, including, but not limited to the BSP, AMLC, PDIC, SEC, NPC, and BIR, and international bodies, including the FATF.

- The Bank may experience difficulties due to the implementation of Basel III in the Philippines.
- Stricter lending and prudential regulations may reduce the lending appetite of the Bank or cause the Bank to alter its credit risk management systems, which may adversely affect the Bank's business, financial condition and results of operations.
- The Bank's provisioning policies in respect of classified loans require significant subjective determinations, which may increase the variation of application of such policies.
- Any future changes in PFRS may affect the financial reporting of the Bank's business.
- The sovereign credit ratings of the Philippines may adversely affect the Bank's business.
- The Philippine banking industry is generally exposed to higher credit risks and greater market volatility than that of more developed countries.
- Philippine banks' ability to assess, monitor and manage risks inherent in its business differs from the standards of its counterparts in more developed countries.
- Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition, and results of operations.

RISKS RELATING TO THE COMMON SHARES

- Holders may not receive dividend payments if the Bank elects to defer dividend payments.
- The Common Shares may not be a suitable investment for all investors.
- There may be insufficient residual assets upon liquidation to pay all the Common Shareholders.
- Certain actions relating to the Common Shares require prior approval of the BSP.
- The market price of the Common Shares may be volatile, which may result in the decline in the value of investments of the Common Shareholder.
- There has been no prior market for the Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.
- The Bank's shares are subject to Philippine foreign ownership limitations.
- There can be no guarantee that the Offer Shares will be listed on the PSE, or that there will be no regulatory action that could delay or affect the Offer.
- Future sales of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and shareholders may experience dilution in their holdings.
- The conversion of the Bank's existing preferred shares into common shares may lead to dilution of an investor's shareholding in the Bank and could decrease the market price of the Common Shares.
- Investors may incur immediate and substantial dilution as a result of purchasing Common Shares in the Offer.
- Shareholders may be subject to limitations on minority shareholders' rights.
- Overseas shareholders may be subject to restrictions or repatriation of pesos received with respect to the Offer Shares.
- Overseas shareholders may find it more difficult than Philippine shareholders to exercise their voting rights at the Bank's shareholders' meetings.

INVESTOR RELATIONS OFFICE

The investor relations office will implement the investor relations program in order to reach out to all shareholders and keep them informed of corporate activities. The office will also handle communication of relevant information to the stakeholders as well as to the broader investor community. The investor relations office will also be responsible for receiving and responding to investor and shareholder queries relating to the Bank.

Mr. Robby Carlo J. Gaerlan has been appointed as the Investor Relations Officer-in-Charge ("IRO"). The IRO will ensure that the Bank comply with and file on a timely basis all required disclosures and continuing

requirements of the SEC and the PSE. In addition, the IRO will oversee most aspects of the shareholder meetings, press conferences, investor briefings, and management of the investor relations portion of our website.

The investor relations office will be located at the principal place of business of the Bank with contact details as follows:

Landline: (+632) 8982-6000 local 6062

E-mail: RJGaerlan@bankcom.com.ph

Website: <https://www.bankcom.com.ph/>

CORPORATE INFORMATION

Bank of Commerce was incorporated under the laws of the Philippines in 1963. The Bank's head office and principal place of business is located at the San Miguel Properties Center, No. 7 St. Francis Street, Mandaluyong City, Philippines. The Bank's telephone number at this location is (632) 8982 6000. The Bank's primary website is www.bankcom.com.ph. Information contained on the Bank's website does not constitute a part of this Prospectus.

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Issuer and the Offer Shares. Each prospective investor must rely on its own appraisal of the Issuer and the Offer Shares and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Offer Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Issuer	: Bank of Commerce
Financial Advisor and Issue Coordinator	: Philippine Commercial Capital, Inc.
Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners	: BDO Capital, China Bank Capital, PCCI, and PNB Capital
Selling Agents	: Bank of Commerce, PSE Trading Participants
The Offer	: Offer of 280,602,800 Offer Shares to be offered and issued by the Issuer
Offer Price	: ₱12.00 per Offer Share
Institutional Offer	: 196,421,900 Offer Shares (about 70% of the Offer Shares) are being offered for sale to certain qualified buyers and other investors in the Philippines by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, as well as oversubscription or undersubscription of either or both the Trading Participants and Retail Offer and the Institutional Offer. See “—*Reallocation*” below.

Trading Participants and Retail Offer	: 84,180,900 Offer Shares (about 30% of the Offer Shares) (the “ Trading Participants and Retail Offer Shares ”)
--	---

56,120,600 Trading Participants and Retail Offer Shares (20% of the Offer Shares) are being allocated to all of the PSE Trading Participants at the Offer Price and 28,060,300 PSE Trading Participants and Retail Offer Shares (10% of the Offer Shares) are being allocated at the Offer Price to local small investors (“**LSIs**”).

Each Trading Participant shall initially be allocated 448,900 Offer Shares. Based on the initial allocation for each Trading

Participant, there will be a total of 8,100 residual Offer Shares to be allocated as may be determined by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

Each LSI applicant may subscribe for a minimum of 100 Offer Shares and a maximum of 83,300 Offer Shares at the Offer Price.

The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall purchase the PSE Trading Participants and Retail Offer Shares not reallocated to the Institutional Offer or otherwise not taken up by the PSE Trading Participants, LSIs, or clients of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners or the general public pursuant to the terms and conditions of the Underwriting Agreement.

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, as well as oversubscription or undersubscription of either or both the Trading Participants and Retail Offer and the Institutional Offer. See “—*Reallocation*” below.

Stabilization Activities

- : Pursuant to the approval of the SEC, the Issuer and SMC Equivest have granted the Stabilizing Agent, BDO Capital, an option to undertake stabilizing activities and effect price stabilization. Any stabilization activities may begin on or after the Listing Date and, if begun, may be ended at any time, but must end no later than thirty (30) calendar days from and including the Listing Date. Any stabilization activities shall be done in compliance with all applicable laws, regulations and rules. The total number of shares which the Stabilizing Agent or any agent of it may buy in the open market to undertake any stabilizing activities shall not exceed 22,500,000 shares (the “**Stabilization Shares**”).

Undertaking to Purchase

- : SMC Equivest has undertaken to purchase from the Stabilizing Agent, at the weighted average cost of the Stabilizing Agent, the Stabilization Shares purchased in the open market by the Stabilizing Agent in the conduct of Stabilization Activities.

Use of Proceeds

- : The Issuer intends to use the net proceeds from the sale of the Offer Shares primarily to fund the Bank’s lending activities, acquisition of investment securities, and finance capital expenditure requirements in connection with the upgrading of its ATM fleet and its core banking system.

See “*Use of Proceeds*” on page 87 of this Prospectus.

Minimum Subscription and Board Lot : Each application must be for a minimum of 100 Common Shares, and thereafter, in multiples of 100 Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at our discretion.

Reallocation : The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand.

Lock-up : Under the PSE Consolidated Listing and Disclosure Rules, existing shareholders who own an equivalent of at least 10% of the issued and outstanding Common Shares as of the Listing Date cannot sell, assign or in any manner dispose of their Shares for a minimum period of 180 days after the Listing Date.

Thus, the following shall be subject to such lock-up period:

Shareholder	No. of Shares Subject to 180-Day Lock-Up Period
San Miguel Corporation Retirement Plan	432,626,860
San Miguel Properties, Inc.	447,711,800

To implement the lock-up requirement, the Bank and the foregoing shareholders shall enter into an escrow agreement with the Escrow Agent.

See “*Security Ownership of Record and Beneficial Owners — PSE Lock-up Requirement*” on page 201 of this Prospectus and “*Plan of Distribution*” on page 267 of this Prospectus.

Listing and Trading : Bank of Commerce filed a registration statement with the SEC for the registration, and an application with the PSE for the listing of all its issued and outstanding common shares (including the Offer Shares). The SEC is expected to issue the Order of Registration and Permit to Sell on or about 15 March 2022. On 16 February 2022, the PSE issued the Notice of Approval to the Bank approving the listing application, subject to compliance

with certain listing conditions.

All of the issued and outstanding common shares of the Bank, including the Offer Shares to be issued, are expected to be listed on the Main Board of the PSE under the symbol “BNCOM”. See “*Description of the Shares*” on page 205 of this Prospectus.

All of the Offer Shares are expected to be listed on the PSE on or about 31 March 2022. Trading of the Offer Shares that are not subject to lock-up is expected to commence on or about 31 March 2022.

Dividends and Dividend Policy

- : Bank of Commerce is authorized to declare dividends, subject to the BSP’s directive that the Bank shall not declare dividends until the balance of the remaining TRB miscellaneous assets is fully provisioned (see “*Dividends and Dividend Policy*” on page 91 of this Prospectus). A cash dividend declaration requires approval from the Board. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Bank’s outstanding capital stock. Dividends may be declared only from available unrestricted retained earnings.

In accordance with the By-Laws, dividends may be declared from the surplus profits arising from the business of the Corporation at such time and in such percentage as the Board of Directors deem proper. No dividends may be declared that will impair the capital of the Corporation. Stock dividends shall be declared in accordance to the law.

See “*Dividends and Dividend Policy*” on page 91 of this Prospectus.

Restrictions on Ownership

- : The Offer Shares will be in scripless form and may be purchased and owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits and certain ownership limits under Philippine law.

The Bank is operating as a commercial bank with a conditional universal banking license, and owns land in the Philippines. As such, the Bank is subject to foreign ownership restrictions under the Philippine Constitution relating to land ownership while ownership of shares in the Bank is subject to the restrictions on ownership of voting stock in a bank under the General Banking Law and the MORB. While qualified foreign banks may own up to 100% of voting shares in an existing bank, other foreign individuals or non-bank corporations are still subject to the 40% foreign ownership limitation under the General Banking Law. Consequently, foreign ownership in the Bank is limited to a maximum of 40% of (a) total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the number of outstanding shares of stock, whether or not entitled to

vote in the election of directors.

See “*Foreign Exchange Regulations and Foreign Ownership*” on page 254 of this Prospectus.

Registration on Foreign Investments : The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

Restriction on Issuance and Disposal of Shares : See “Lock-up” above.

Tax Considerations : The tax treatment of a prospective investor may vary depending on such investor’s particular situation and certain investors may be subject to special rules, which may or may not be discussed in this Prospectus. See “*Philippine Taxation*” on page 257 for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.

Eligible Investor : Any person, corporation, association or partnership, regardless of nationality, but subject to limits under Philippine law and the restrictions set out in this Prospectus, and without prejudice to the right of the Issuer to reject an application, including the right to reject if the same will cause the Issuer to be in breach of the Philippine ownership requirements under relevant Philippine laws.

Procedure for Application for the Offer : **For Trading Participants**

Application forms and signature cards may be obtained from any of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, or from any participating PSE Trading Participant and the Selling Agent, and shall be made available for download on the Issuer’s website. Applicants shall complete the application form, indicating all pertinent information such as the applicant’s name, address, contact number, taxpayer’s identification number, citizenship and all other information as may be required in the application form and shall provide all the required documents. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of Offer Shares. Failure to complete the application form may result in the rejection of the application.

All Applications shall be evidenced by the application to purchase form, in quadruplicate, duly executed by the Applicants themselves or by the authorized signatory(ies) of the Applicant (in the case of an Applicant that is not a natural person), and

accompanied by the corresponding payment for the Offer Shares covered by the Application and all other required documents.

If the Applicant is an individual person, the Application must be accompanied by the following documents:

- Two (2) duly executed specimen signature cards, duly authenticated by the Applicant's nominated PDTC Participant (as defined below) or the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners (if the Applicant is a client of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners) or the Selling Agent (if the Applicant is a client of the Selling Agent);
- Photocopy of two (2) valid and current government-issued IDs (e.g., Philippine Identification Card (PhilID), SSS, GSIS, Driver's License, Passport or PRC) (Note: For joint applications (i.e. multiple Applicants in one Application), two (2) valid and current government-issued IDs of each Applicant/investor will be required); and
- Such other documents as may be reasonably required by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, the participating Trading Participant, or the Selling Agent in compliance with their respective internal policies regarding "know your customer" and anti-money laundering.

If the Applicant is a corporation, partnership, trust account, or any other legal person, the Application must be accompanied by the following documents:

- Two (2) duly executed specimen signature cards of the authorized signatory(ies), duly authenticated by the Applicant's corporate secretary (or the equivalent corporate officer);
- A certified true copy of the Applicant's latest articles of incorporation and by-laws (or the equivalent documents) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or the equivalent corporate officer authorized to provide such certification);
- A certified true copy of the Applicant's certificate of registration issued by the relevant regulating body of the Applicant's country of incorporation or organization duly certified by its corporate secretary (or the equivalent corporate officer authorized to provide such certification);
- A duly notarized corporate secretary's certificate (or the equivalent document) setting forth the resolutions of the Applicant's board of directors or equivalent body, namely: (i) authorizing the purchase of the Offer Shares indicated in the application, (ii) identifying the list of

designated signatory(ies) authorized for the purpose mentioned in (i), including each signatory's specimen signature, and (iii) certifying the percentage of the Applicant's capital or capital stock held by Philippine nationals;

- A photocopy of two (2) valid and current government-issued IDs (e.g. Philippine Identification Card (PhilID), SSS, GSIS, Driver's License, Passport or PRC ID) of (a) the authorized signatory/ies, duly certified as a true copy by the Corporate Secretary and (b) the Corporate Secretary, duly certified as true copy by an authorized officer of the corporation; and
- Such other documents as may be reasonably required by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, the participating Trading Participant, or the Selling Agent in compliance with their respective internal policies regarding "know your customer" and anti-money laundering.

For foreign corporate and institutional Applicants, in addition to the foregoing documents, a certification, in quadruplicate, representing and warranting that their investing in the Offer Shares subject of the Application will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Offer Shares.

For LSIs

LSIs shall subscribe through the PSE Electronic Allocation System ("PSE EASy"). An LSI is defined as a subscriber to a share offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱1,000,000.00, or such higher amount as may be approved by the PSE and the SEC. In the case of this Offer, the minimum subscription of LSIs shall be 100 Offer Shares or ₱1,200.00, while the maximum subscription shall be 83,300 Offer Shares or up to ₱999,600.00. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Issuer's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall prioritize the subscriptions of LSIs with amounts lower than the maximum subscription.

An Applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates must indicate such exemption or entitlement in the Application to Purchase and also submit additional documents as may be required by the Issuer, including but not limited to, the

documents described under “*Tax-Exempt Status or Entitlement to Preferential Tax Rate*” in this Prospectus.

Payment Terms for the Offer

- : The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed application form and specimen signature card together with the requisite attachments.

For the Institutional Offer and Trading Participants, payment for the Offer Shares shall be made either by: (i) a personal or corporate check drawn against an account with a BSP authorized bank having a clearing period of no more than one (1) Business Day, (ii) a manager’s or cashier’s check issued by a BSP authorized bank having a clearing period of no more than one (1) Business Day; or (iii) a direct remittance via Real Time Gross Settlement (“RTGS”) or any other remittance services, or an intrabank fund transfer.

For LSIs, payment for the Offer Shares shall be made either by: (i) over-the-counter cash or check deposit payment in any BDO branch via Bills Payment under the account “SMC STSC”, or (ii) Digital Banking Bills Payment via BDO Online Banking or BDO Mobile Banking under the biller account “SMC STSC”, or (iii) through the payment channels of COL Financial Group, Inc., First Metro Securities Brokerage Corp. and Abacus Securities Corporation (MyTrade) if these are the nominated PSE Trading Participant of the LSIs. LSI Applicants may contact the Receiving Agent for alternative modes of payment.

For check payments, only personal or corporate checks, and manager’s or cashier’s checks with a clearing period of not more than one (1) Business Day and drawn against any BSP authorized agent bank will be accepted as a valid mode of payment. The check must be dated as of the date of submission of the Application, made payable to “SMC STSC”, and crossed “Payee’s Account Only”. Checks subject to clearing periods of over one (1) Business Day shall not be accepted.

For the Trading Participants, the applications and required documents (including proof of payments) shall be transmitted to the Receiving Agent by electronic mail at smc_stsc@sanmiguel.com.ph on or before the end of the Offer Period, with the physical copies delivered to the Receiving Agent’s address at Ground Floor, San Miguel Properties Building, #7 St. Francis St., Mandaluyong City, no later than 12:00 noon on the last day of the Offer Period.

Acceptance or Rejection of Applications for the Trading Participants and Retail Offer

- : Applications for the Offer Shares are subject to the confirmation of the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. The Issuer, in consultation with the Joint Issue Managers, Joint Lead Underwriters and Joint

Bookrunners, reserves the right to accept, reject or scale down the number and amount of Offer Shares covered by any Application. The Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy total applications received.

The Trading Participants and Retail Offer Shares will be allocated in such a manner as the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners may, in their sole discretion, deem appropriate, subject to the distribution guidelines of the PSE.

Applications with the checks dishonored upon first presentment and application forms which do not comply with the terms of the Offer will automatically be rejected.

Applications may be rejected if (i) the Offer Price is unpaid or not fully paid; (ii) payments are insufficient or where checks, as applicable, are dishonored upon first presentment; (iii) the Applications are not received by the Receiving Agent or any of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners or the Selling Agent on or before the end of the Offer Period; (iv) the number of Offer Shares subscribed is less than the minimum amount of subscription; (v) the Applications do not comply with the terms of the Offer; or (vi) the Applications do not have sufficient information as required in the Application to Purchase or are not supported by the required documents.

Withdrawal of the Offer

The Bank may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to Listing, subject to the prior written approval of the PSE which shall not be unreasonably withheld, if there is a supervening force majeure or fortuitous event, such as:

a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the Prospectus, or would have a material adverse effect on the distribution, offer and sale of the Offer Shares in the Philippines, rendering it impracticable or inadvisable to proceed with the Offer in the manner contemplated by the Prospectus, or the Philippine economy or on the securities or other financial or currency markets of the Philippines,

provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or underwriters' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the underwriter, or any other entity/person to take up any shares remaining after the Offer Period;

b. Issuance of an order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution or listing of the Offer Shares by any court or governmental agency or authority with jurisdiction on the matter, the BSP, the SEC or the PSE;

c. Cancellation, revocation or termination of the PSE Notice of Approval, the SEC pre-effective clearance, the SEC Order of Registration, the SEC Permit to Sell or the BSP Approval;

d. Cancellation or suspension of trading in the PSE for at least three (3) consecutive trading days, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by PSE;

e. A change or impending change in the law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order which (i) materially and adversely affects: (a) the ability of the Issuer to engage in the business it is presently engaged in; or (b) the capacity and due authorization of the Issuer to offer and issue the Offer Shares and enter into the transaction documents in connection with the Offer, or (ii) would render illegal the performance by any of the underwriters of its underwriting obligations hereunder;

f. Any significant, adverse, and unforeseeable change or development in the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which renders the Offer Shares unsuitable for offering to the public;

g. The Issuer decides to or is compelled to stop its operations which is not remedied within five (5) Business Days;

h. The Issuer shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or assignment with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or (ii) the Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) such receiver, trustee or similar officer shall be appointed; or

(iv) the Issuer shall initiate or institute (by petition, application or otherwise howsoever), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (v) any such proceeding shall be instituted against the Issuer; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part thereof, of the Issuer; or (vi) any event occurs which under the laws of the Philippines or to other jurisdictions, or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;

i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;

j. Any court proceeding, litigation, arbitration or other similar proceeding is commenced or threatened against the underwriters in connection with or with respect to the issuance or sale by the Issuer of the Offer Shares or the Offer in general which renders the performance of their underwriting commitment impossible or impracticable;

k. Any event occurs which makes it impossible for the underwriters to perform their underwriting obligations due to conditions beyond their control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter of an order restraining or prohibiting the underwriters, or directing the underwriters to cease, from performing their underwriting obligations;

l. Any representation, warranty or statement of the Issuer in the Prospectus shall prove to be untrue or misleading in any material respect or Issuer shall be proven to have omitted a material fact necessary in order to make the statements in the Prospectus not misleading, which untruth or omission: (a) was not known and could not have been known to the Underwriters on or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability;

m. Unavailability of PDTC and PSE facilities used for the Offer and/or Listing and such unavailability impacts the ability of the Issuer and underwriters to fully comply with the listing requirements of PSE; and

n. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Issuer's long-

term financial condition, assets, liabilities, results of operations, business, properties, or profitability.

The Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or Underwriters' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the underwriter, or any other entity/ person to take up any shares remaining after the Offer Period.

Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. The PSE issued its Notice of Approval on 16 February 2022, subject to compliance by the Bank with certain conditions. Subject to the right of the Bank to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to this section and Section "Plan of Distribution - *Withdrawal of the Offer*" of the Prospectus, the Bank and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Bank and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.

If the Offer Shares are not listed on the PSE on Listing Date, all application payments will be returned to the Applicants without interest starting on the fifth (5th) Business Day after the end of the Offer Period or on 29 March 2022.

Refunds of the Trading Participants and Retail Offer : Except for rejection on the ground that the check submitted by the Applicant as payment is dishonored, in the event the Application of an Applicant is rejected or scaled down, the amount paid by such Applicant corresponding to the rejected Application or portion thereof, shall be refunded, without interest.

Refunds of the Trading Participants

All refunds shall be made through the Receiving Agent, at the Applicant's risk. Check refunds shall be available for pick-up at the office of the Receiving Agent starting on the fifth (5th) Business Day after the end of the Offer Period or on 29 March 2022. If such check refunds are not claimed after thirty (30) calendar days following the beginning of the refund period, such checks shall be mailed to the Applicant's registered address at the Applicant's risk.

Refunds of the LSIs

Refunds applicable to LSIs may be made to the LSI's nominated Trading Participant by transferring immediately available funds to the relevant bank account of, or via check to, each relevant

nominated Trading Participant in such amount representing the total refund due to all the affected LSI-clients of the relevant nominated Trading Participant on or before the fifth (5th) Business Day after the end of the Offer Period, or on 29 March 2022. Refunds to the nominated Trading Participant is subject to the latter's consent to receive the refund on behalf of its LSI clients and submission of the Letter Confirmation and Undertaking pursuant to the Bank's Implementing Guidelines for LSIs.

Refunds may also be made directly to the LSI by depositing the amount of the refund to the LSI's designated bank account. For this purpose, an LSI eligible for refund should submit a written request addressed to the Receiving Agent to its nominated Trading Participant. The relevant Trading Participant shall collate all the written requests so received and promptly transmit the same to the Receiving Agent. Thereafter, the Receiving Agent shall process the remittance of the refunds, as requested by the relevant LSI.

Registration and Lodgment of Shares with the PDTC

- : The Offer Shares are required to be lodged with the PDTC. The Applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares will be ready for lodgment with the PDTC at least three (3) trading days prior to the Listing Date, and a certification to that effect shall be submitted to the PSE at least three (3) trading days prior to the Listing Date. Applicants may request to receive share certificates evidencing their investment in the Offer Shares through their brokers after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the Applicant.

Expected Timetable

- : The timetable of the Offer is expected to be as follows:

Receipt of SEC Pre-effective clearance	15 February 2022
PSE Board approval	16 February 2022
Bookbuilding period	7 to 11 March 2022
Pricing	11 March 2022
Notice of final Offer Price and submission of Final Prospectus to the SEC and PSE	11 March 2022
Receipt of the Permit to Sell from the SEC	15 March 2022
PSE Trading Participants and Retail Offer Period	16 to 22 March 2022
PSE Trading Participants' Commitment Period	16 to 18 March 2022
Submission of Firm Order and Commitments by PSE Trading Participants	18 March 2022
Submission of Application and	22 March 2022

Settlement Date of PSE Trading Participants	
Submission of Application and Settlement Date of Local Small Investors	22 March 2022
Institutional Offer Settlement Date	28 March 2022
Listing of Offer Shares on the PSE	31 March 2022

The dates included above are subject to the approval of the PSE and the SEC, market and other conditions, and may be changed.

Risks of Investing

- : In making an investment decision, investors are advised to carefully consider all the information contained in the Prospectus, including the risks associated with an investment in the Offer Shares. These risks include:
 - risks relating to the Bank’s Business and Operations;
 - risks relating to the Philippines;
 - risks relating to the Philippine Banking Industry;
 - risks relating to the Offer and the Offer Shares; and
 - risks relating to certain information in this Prospectus.

For a more detailed discussion on certain of these risks, see “*Risk Factors*” beginning on page 45, which while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares. The Offer Shares are offered solely on the basis of the information contained in the Prospectus.

- Receiving Agent** : SMC Stock Transfer Service Corporation
- Stock and Transfer Agent** : SMC Stock Transfer Service Corporation
- Escrow Agent** : Philippine Commercial Capital, Inc. – Trust and Investment Group
- Counsel for the Issuer** : Picazo Buyco Tan Fider & Santos
- Counsel for the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners** : SyCip Salazar Hernandez & Gatmaitan
- Independent Auditors** : R.G. Manabat & Co., a member firm of KPMG International Limited

SUMMARY OF FINANCIAL AND OPERATING INFORMATION

The following tables present the Bank’s selected financial information and should be read in conjunction with the Bank’s audited financial statements and notes thereto contained in this Prospectus and the sections entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, and “*Description of the Business*” in this Prospectus.

The selected financial information presented below were derived from the audited financial statements of the Bank as of and for the 9-month period ended 30 September 2021 and 2020 (unless otherwise stated) and years ended 31 December 2020, 2019, and 2018 prepared in accordance with PFRS and audited by R.G. Manabat & Co. in accordance with Philippine Standards on Auditing and are qualified in their entirety by reference to those financial statements and the related notes thereto. The selected financial information set out below does not purport to project the results of operations or financial condition for any future period or date.

BANK OF COMMERCE STATEMENTS OF INCOME

<i>Amounts in ₱ thousands</i>	For the years ended 31 December			For the 9-month period ended 30 September	
	2020 audited	2019 audited	2018 audited	2021 audited	2020 audited
INTEREST INCOME					
Interest income calculated using the effective interest method:					
Loans and receivables	₱4,840,144	₱4,920,061	₱3,668,711	₱3,232,283	₱3,539,293
Investment securities at fair value through other comprehensive income and at amortized cost	919,374	1,117,092	1,123,886	865,855	793,674
Due from the BSP and other banks	265,528	163,457	96,860	164,556	200,667
Interbank loans receivable and securities purchased under resale agreements	238,044	315,570	266,130	234,590	162,106
Other interest income:					
Financial assets at fair value through profit or loss	16,991	16,059	62,668	10,498	14,721
	6,280,081	6,532,238	5,218,256	4,507,783	4,710,462
INTEREST EXPENSE					
Deposit liabilities	1,127,728	2,346,267	1,508,937	490,770	955,654
Lease liabilities	42,921	45,361	0	27,205	32,776
Bills payable and others	1,106	4,856	10,024	362	968
	1,171,755	2,396,483	1,518,961	518,336	989,398
NET INTEREST INCOME	5,108,326	4,135,755	3,699,295	3,989,447	3,721,064
OTHER INCOME					
Trading and investment securities gains (losses) net	1,147,574	355,689	(109,415)	(10,570)	996,420
Service charges, fees and commissions	444,637	477,274	391,813	385,692	309,367
Gains on foreclosure and sale of property and equipment and foreclosed assets net	58,765	336,288	207,380	231,041	50,792
Foreign exchange gains net	48,876	67,994	58,755	20,497	38,076
Miscellaneous	65,418	459,861	95,335	35,382	35,275
	1,765,269	1,697,107	643,868	662,041	1,429,931
OTHER EXPENSES					
Compensation and fringe benefits	1,819,392	1,684,538	1,557,771	1,358,682	1,372,390
Provision for (Reversal of) credit and impairment losses	962,510	52,095	(181,118)	(4,071)	767,133
Taxes and licenses	830,158	773,892	702,954	561,127	657,720
Depreciation and amortization	567,851	480,445	259,042	355,900	395,749

BANK OF COMMERCE
STATEMENTS OF INCOME

<i>Amounts in ₱ thousands</i>	For the years ended 31 December			For the 9-month period ended 30 September	
	2020 audited	2019 audited	2018 audited	2021 audited	2020 audited
Rent and utilities	476,343	505,773	683,571	393,878	349,918
Insurance	280,638	245,451	229,304	251,068	206,358
Service fees and commissions	183,374	278,525	140,648	183,023	139,213
Entertainment, amusement and recreation	107,305	123,336	142,180	72,635	80,625
Management and professional fees	79,453	65,801	89,015	57,350	52,749
Amortization of software costs	45,908	34,144	57,382	36,953	24,173
Miscellaneous	478,355	469,088	421,710	421,384	371,238
	5,831,286	4,713,088	4,102,458	3,687,927	4,417,267
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX	1,042,309	1,119,774	240,706	963,561	733,728
SHARE IN NET LOSS OF AN ASSOCIATE	753	2,865	1,844	875	480
INCOME BEFORE INCOME TAX	1,041,556	1,116,909	238,861	962,686	733,248
INCOME TAX EXPENSE	257,122	464,186	255,406	336,961	237,953
NET INCOME (LOSS)	₱784,434	₱652,723	(₱16,545)	₱625,725	₱495,296

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

<i>Amounts in ₱ thousands</i>	For the years ended 31 December			For the 9-month period ended 30 September	
	2020 audited	2019 audited	2018 audited	2021 audited	2020 audited
NET INCOME (LOSS)	₱784,434	₱652,723	(₱16,545)	₱625,725	₱495,296
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may not be reclassified to profit or loss					
Net change in remeasurement losses on retirement liability	(129,090)	(224,686)	81,431	126,808	0
Net change in fair value of equity securities at fair value through other comprehensive income	(412)	5,229	28,446	31,375	10,900
	(129,502)	(219,457)	109,877	158,183	10,900
Items that may be reclassified to profit or loss					
Net change in fair value of debt securities at FVOCI	314,705	359,733	(161,615)	(204,481)	272,588
Net change in fair value of debt securities at FVOCI take to profit or loss	(280,743)	(198,827)	165	(11,710)	(281,296)
Net movement in cumulative translation adjustment	(17,419)	(10,624)	21,806	21,939	(16,004)
Share in other comprehensive income (loss) of an associate	(3)	4,326	(4,323)	17	(11)
	16,539	154,608	(143,967)	(194,234)	(24,722)
	(112,963)	(64,849)	(34,090)	(36,051)	(13,822)

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

<i>Amounts in ₱ thousands</i>	For the years ended 31 December			For the 9-month period ended 30 September	
	2020 audited	2019 audited	2018 audited	2021 audited	2020 audited
TOTAL COMPREHENSIVE INCOME (LOSS)	₱671,471	₱587,873	(₱50,635)	₱589,674	₱481,473

BANK OF COMMERCE
CONDENSED STATEMENTS OF FINANCIAL POSITION

<i>Amounts in ₱ thousands</i>	For the years ended 31 December			For the 9-month period ended 30 September	
	2020 audited	2019 audited	2018 audited	2021 audited	2020 unaudited
ASSETS					
Cash and Other Cash Items	₱2,420,505	₱1,776,399	₱1,748,071	₱1,878,232	₱2,077,204
Due from the BSP net	39,547,211	21,955,496	21,424,140	34,576,957	34,972,606
Due from Other Banks net	1,023,256	670,482	3,838,048	4,574,707	972,570
Interbank Loans Receivable and Securities Purchased Under Resale Agreements net	22,055,828	13,429,280	11,983,627	23,762,138	17,983,920
Financial Assets at Fair Value through Profit or Loss	1,265,419	1,053,760	1,836,409	1,203,045	1,119,164
Financial Assets at Fair Value through Other Comprehensive Income	15,424,248	1,389,857	7,974,183	7,411,170	8,350,002
Investment Securities at Amortized Cost net	9,146,278	22,547,833	23,211,088	39,390,242	10,834,684
Loans and Receivables net	71,628,349	73,742,262	72,271,061	74,185,749	71,674,144
Non-current Assets Held for Sale	0	48,122	48,122	0	43,254
Investment in an Associate net	40,687	41,444	39,982	39,830	40,953
Property and Equipment net	1,659,401	1,741,075	1,149,839	1,517,879	1,650,318
Investment Properties net	3,624,987	3,729,769	3,122,625	3,526,347	3,643,285
Deferred Tax Assets net	955,380	880,301	1,003,191	875,660	958,965
Other Assets net	2,129,133	2,027,207	1,761,721	2,340,298	2,142,712
Total Assets	₱170,920,681	₱145,033,286	₱151,412,108	₱195,282,254	₱156,463,782
LIABILITIES AND EQUITY					
Deposit Liabilities					
Demand	₱39,659,286	₱34,158,478	₱28,834,196	₱44,447,735	₱41,017,544
Savings	83,743,821	72,016,565	77,608,568	106,801,499	75,490,905
Time	20,673,084	17,681,145	24,735,460	11,184,178	13,805,177
Long-Term Negotiable Certificates	5,029,420	0	0	5,029,420	5,029,420
	149,105,611	123,856,188	131,178,223	167,462,833	135,343,045
Financial Liabilities at Fair Value through Profit or Loss	0	0	0	9,895	0
Bills Payable	19	105	557,472	0	29
Manager's Checks and Acceptances Payable	870,080	923,460	615,496	771,744	1,017,516
Accrued Interest, Taxes and Other	892,463	815,035	956,487	967,630	1,021,692

BANK OF COMMERCE
CONDENSED STATEMENTS OF FINANCIAL POSITION

<i>Amounts in ₱ thousands</i>	For the years ended 31 December			For the 9-month period ended 30 September	
	2020 audited	2019 audited	2018 audited	2021 audited	2020 unaudited
Expenses					
Other Liabilities	3,286,046	3,343,506	2,597,311	3,255,681	2,505,035
Total Liabilities	154,154,219	128,938,294	135,904,989	172,467,784	139,887,317
Equity					
Capital stock	₱11,224,111	₱11,224,111	₱11,224,111	₱15,390,778	₱11,224,111
Paid-in surplus	5,594,080	5,594,080	5,594,080	6,885,746	5,594,080
Surplus reserves	395,602	399,263	454,995	465,326	381,604
Deficit	(51,157)	(839,251)	(1,547,974)	510,460	(326,297)
Remeasurement losses on retirement liability	(449,088)	(319,998)	(95,312)	(322,280)	(319,998)
Net unrealized gain (losses) on financial assets at fair value through other comprehensive income	69,658	36,109	(129,758)	(120,774)	38,301
Cumulative translation adjustment	(15,404)	2,015	12,639	6,535	(13,989)
Share in other comprehensive loss of an associate	(1,339)	(1,336)	(5,663)	(1,322)	(1,347)
Total Equity	16,766,463	16,094,991	15,507,118	22,814,470	16,576,465
Total Liabilities and Equity	₱170,920,681	₱145,033,286	₱151,412,108	₱195,282,254	₱156,463,782

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

<i>Amounts in ₱ thousands</i>	For the years ended 31 December			For the 9-month period ended 30 September	
	2020 audited	2019 audited	2018 audited	2021 audited	2020 audited
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax	₱1,041,556	₱1,116,909	₱238,861	₱962,686	₱733,248
Adjustments for:					
Provision for (reversal of) credit and impairment losses	958,876	52,226	(181,359)	(4,056)	764,672
Gain on sale of investment securities at amortized cost	(767,033)	0	0	0	(644,470)
Depreciation and amortization	567,851	480,445	259,042	355,900	395,749
(Gain) loss on sale of financial assets at fair value through other comprehensive income	(280,743)	(198,827)	165	(11,710)	(281,296)
Unrealized (gains) losses on financial assets and liabilities at fair value through profit or loss	(69,732)	(135,535)	19,716	12,926	(44,781)
Gain on foreclosure and sale of property and equipment and foreclosed assets net	(58,765)	(336,288)	(207,380)	(231,041)	(50,792)
Amortization of software costs	45,908	34,144	57,382	36,953	24,173
Miscellaneous income	(6,595)	(363,450)	0	0	0
Share in net loss of associate	753	2,865	1,844	875	480
Changes in operating assets and liabilities:					
Decrease (increase) in:					

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

<i>Amounts in ₱ thousands</i>	For the years ended 31 December			For the 9-month period ended 30 September	
	2020 audited	2019 audited	2018 audited	2021 audited	2020 audited
Interbank loans receivables	4,382	(110,883)	0	106,515	110,898
Financial assets at fair value through profit or loss	(141,928)	918,184	(779,760)	59,343	(20,623)
Loans and receivables	1,142,980	(1,643,739)	(8,850,871)	(2,535,251)	1,287,492
Other assets	(184,443)	(202,645)	(164,373)	(231,523)	(177,982)
Increase (decrease) in:					
Deposit liabilities	25,249,423	(7,322,035)	12,410,172	18,357,222	11,486,857
Manager's checks and acceptances payable	(53,380)	307,964	55,200	(98,335)	94,056
Accrued interest, taxes and other expenses	97,234	(100,620)	55,739	74,948	177,256
Other liabilities	(207,067)	(117,130)	203,356	155,380	(813,820)
Net cash (absorbed by) generated from operations	27,339,278	(7,618,416)	3,117,734	17,010,831	13,041,118
Income taxes paid	(355,091)	(338,334)	(331,533)	(250,633)	(283,910)
Net cash (used in) provided by operating activities	26,984,187	(7,956,750)	2,786,201	16,760,199	12,757,208
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale or redemption of:					
Investment securities at amortized cost	20,043,309	1,557,000	2,901,000	7,938,850	13,382,864
Financial assets at fair value through other comprehensive income	16,022,195	10,024,308	17,541,056	15,152,971	16,051,256
Investment properties	50,091	94,052	209,928	260,760	48,073
Property and equipment	45,449	49,150	51,905	34,158	31,339
Additions to:					
Financial assets at fair value through other comprehensive income	(29,740,896)	(3,071,059)	(19,971,401)	(7,318,701)	(22,731,965)
Investment securities at amortized cost	(5,873,014)	(893,626)	(1,476,769)	(38,187,802)	(1,023,810)
Property and equipment	(98,229)	(207,302)	(179,308)	(106,867)	(64,608)
Software costs	(16,159)	(131,596)	(24,576)	(21,074)	(10,432)
Investment properties	(2,096)	(21,243)	(9,746)	(215)	(1,359)
Net cash provided by (used in) investing activities	430,650	7,399,684	(957,911)	(22,247,921)	5,681,358
CASH FLOWS FROM FINANCING ACTIVITIES					
Issuance of preferred stock	₱-	₱-	₱-	₱5,458,333	₱-
Payment of lease liability	(177,806)	(148,057)	0	(140,797)	(136,959)
Settlement of bills payable	(86)	(557,367)	(88)	(19)	(77)
Availment of bills payable	0	0	557,292	0	0
Net cash (used in) provided by financing activities	(177,893)	(705,423)	557,204	5,317,518	(137,035)
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS					
	(17,419)	(10,624)	21,806	21,939	(16,004)
NET (DECREASE) INCREASE IN CASH	27,219,525	(1,273,113)	2,407,300	(148,265)	18,285,528

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

<i>Amounts in ₱ thousands</i>	For the years ended 31 December			For the 9-month period ended 30 September	
	2020 audited	2019 audited	2018 audited	2021 audited	2020 audited
AND CASH EQUIVALENTS					
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
Cash and other cash items	1,776,399	1,748,071	1,384,982	2,420,505	1,776,399
Due from the BSP	21,955,496	21,424,140	25,700,742	39,547,211	21,955,496
Due from other banks	670,482	3,838,048	3,185,566	1,023,256	670,482
Interbank loans receivable and securities purchased under resale agreements	13,318,396	11,983,627	6,315,297	21,949,327	13,318,396
	37,720,773	38,993,886	36,586,587	64,940,298	37,720,773
CASH AND CASH EQUIVALENTS AT END OF YEAR					
Cash and other cash items	2,420,505	1,776,399	1,748,071	1,878,232	2,077,204
Due from the BSP	39,547,211	21,955,496	21,424,140	34,576,957	34,972,606
Due from other banks	1,023,256	670,482	3,838,048	4,574,707	972,570
Interbank loans receivable and securities purchased under resale agreements	21,949,327	13,318,396	11,983,627	23,762,138	17,983,920
	₱64,940,298	₱37,720,773	₱38,993,886	₱64,792,033	₱56,006,301
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS					
Interest received	₱6,232,989	₱6,788,694	₱4,952,164	₱4,326,609	₱4,815,475
Interest paid	1,270,629	2,551,253	1,413,750	534,837	1,067,762
Dividends received	12,228	8,202	13,065	5,709	5,918
KEY PERFORMANCE INDICATORS AND RATIOS					
	For the years ended 31 December			For the 9-month period ended 30 September	
	2020	2019	2018	2021	2020
1. Common Equity Tier 1 (CET1) Ratio	15.6%	15.1%	14.1%	14.7%	15.8%
2. Tier 1 Capital Ratio	15.6%	15.1%	14.1%	20.0%	15.8%
3. Total Capital Ratio	16.6%	15.9%	15.1%	20.9%	16.8%
4. Return on Average Assets	0.5%	0.4%	0.0%	0.5%	0.4%
5. Return on Average Equity	4.8%	4.1%	-0.1%	4.2%	4%
6. Net Interest Margin on Average Earning Assets	3.9%	3.5%	3.3%	3.4%	3.9%
7. Cost-to-income ratio	0.71	0.80	0.99	0.79	0.71
8. Loans to deposits ratio	0.64	0.71	0.65	0.59	0.68
9. Allowance for impairment on loans to total gross loans	3.4%	2.7%	3.0%	3.3%	3.3%
10. Allowances for impairment on loans to total NPLs (Specific only)	83.2%	93.7%	97.7%	80.5%	74.2%
11. Allowances for impairment on loans to total NPLs (General and Specific)	112.0%	142.3%	147.4%	107.8%	102.2%

	For the years ended 31 December			For the 9-month period ended 30 September	
	2020	2019	2018	2021	2020
12. Loans-to-Deposits Ratio (BSP formula)	59.7%	67.7%	59.9%	56.5%	64.6%
13. Total non-performing loans to total gross loans (BSP formula)	3.0%	1.9%	2.0%	3.0%	3.2%

Notes:

1. *Total common equity tier 1 (CET1) capital divided by total risk-weighted assets as disclosed in the BSP report of the Bank for the relevant period.*
2. *Tier 1 capital divided by total risk-weighted assets as disclosed in the BSP report of the Bank for the relevant period.*
3. *Total qualifying capital divided by total risk-weighted assets as disclosed in the BSP report of the Bank for the relevant period*
4. *Net income (loss) divided by average total assets for the periods indicated. Total average assets is equivalent to total assets at the beginning and end of the period divided by two.*
5. *Net income (loss) divided by average total equity for the periods indicated. Average equity is equivalent to total equity at the beginning and end of the period divided by two.*
6. *Net interest income divided by average interest-earning assets. Interest-earning assets include Due from BSP, due from other banks, interbank loans and receivables, securities purchased under a resale agreement, Average interest-earning assets is equivalent to average interest-earning assets at the beginning and end of the period divided by two.*
7. *Total operating expenses, net of provisions, divided by the sum of net interest income and other income*
8. *Loans to Deposit Ratio refers to gross loans and discounts (before unearned discount and impairment) divided by total deposits*
9. *Total allowance for impairment losses divided by total gross loans and discounts (before unearned discount and impairment).*
10. *Total allowance for impairment on loans divided by total NPLs.*
11. *Total allowance for impairment on loans (inclusive of allowances for General Loan Loss Provisioning) divided by total NPLs.*
12. *Total gross loans and discounts divided by total deposits.*
13. *Non-performing loans divided by Loans & discounts (gross) + Securities purchased under reverse repurchase agreements. Non-performing loans are computed as the sum of past due loans and items under litigation.*

RISK FACTORS

Investment in the Offer Shares involves a certain degree of risk. Prior to making any investment decision, prospective investors should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below. The business, financial condition or results of operations of the Issuer could be materially adversely affected by any of these risks.

This Prospectus contains forward-looking statements that involve risks and uncertainties. The Bank adopts what it considers conservative financial and operational controls and policies to manage its business risks. The Bank's actual results may differ significantly from the results discussed in the forward-looking statements. See "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of the Bank, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Additional considerations and uncertainties not presently known to the Issuer or which the Issuer currently deems immaterial may also have an adverse effect on an investment in the Offer Shares.

Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the Offer Shares. The Bank's business, financial condition and results of operations could be materially adversely affected by any of these risk factors.

GENERAL RISK WARNING

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. There may be a big difference between the buying price and the selling price of these securities.

Investors deal in a range of investments, each of which may carry a different level of risk.

PRUDENCE REQUIRED

This risk disclosure is not intended to be a comprehensive description of the risks and other factors and is not in any way meant to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of securities before commencing any trading activity. Investors may request publicly available information on the Common Shares and the Issuer thereof from the SEC.

PROFESSIONAL ADVICE

Investors are encouraged to make their own independent legal, financial, and business examination of the Bank and the market, and should seek professional advice if they are uncertain of, or have not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high risk securities. Neither the Bank nor the Financial Advisor and Issue Coordinator, the Joint Issue Managers, Joint Lead Underwriters and Joint Lead Bookrunners makes any warranty or representation on the marketability on any investment in the Common Shares.

RISKS RELATING TO THE BANK'S BUSINESS AND OPERATIONS

The COVID-19 pandemic and the measures to contain the virus could adversely affect the Bank's businesses.

The COVID-19 pandemic reached the Philippines on 30 January 2020 when the first COVID-19 positive case was reported, but stringent government measures were only implemented shortly after the first case of local transmission was reported on 5 March 2020. The government implemented a lockdown termed as an Enhanced Community Quarantine (“**ECQ**”) throughout the island of Luzon on 16 March 2020 and eventually to other high-risk areas in the Philippines to contain the spread of COVID-19, causing the closure of all businesses except those classified as essential services. Beginning 16 May 2020, Metro Manila had been in a modified ECQ until 31 May 2020 and under General Community Quarantine beginning 1 June 2020.

Philippine economic activity has come to a virtual standstill with the ECQ enforced throughout the island of Luzon and other parts of the Philippines. While banking was classified as an essential service, banks had limited operations run by a skeleton workforce. During the ECQ, the Bank opened only 99 out of its 140 branches nationwide. As of 31 October 2021, 140 or 100% of the 140 branches of the Bank are open.

Meanwhile, the Bayanihan to Heal as One Act, designated as Republic Act No. 11469, granted customers a 30-day grace period for all loans with principal and/or interest falling due within the period of 17 March to 31 May 2020. It also relieved customers of interest on interest, penalties or fees covered during the said period.

The Bank foresaw operational risks due to the disruption in operations resulting from government-mandated mobility restrictions. The Bank has an organization-wide disaster recovery and business continuity plan in the event of major disasters or adverse scenarios, and this has been put in place since the imposition of the ECQ over Luzon last March. The Bank continues to operate with a Skeleton Workforce (SWF) to ensure that clients' needs are met.

The Bank has prepared for similar scenarios like this to ensure that its clients can still continue to do business and accomplish their financial transactions with minimal disruption. The Bank has encouraged its clients to use other banking channels, such as ATMs and online banking which are available round the clock.

The Bank has also issued advisories to its employees on quarantine guidelines and client interactions, and imposed travel restrictions and social distancing at work. It also implemented precautionary measures in the workplace, such as temperature scanning, installing handwashing stations and sanitation devices, and regular disinfection of bank premises.

The Bank is in the process of implementing COVID-19 testing for its employees. Given the country's current situation with the pandemic, the Bank continues to implement preventive measures to mitigate further transmission of the virus for the safety of its clients and employees.

Because of the ECQ measures, businesses are generally on limited operations and many small and medium enterprises have been negatively affected. The Bank continues to assess the full impact of the pandemic on its core businesses, revenues and operations. The long-term adverse effects of the pandemic on the global and Philippine economy will also negatively impact the Bank's businesses, prospects, financial condition and results of operations.

The Bank has been conducting a continuous assessment of industries and entities which could be affected with the prolonged spread of the COVID-19. It is also closely monitoring the markets and industries it services. Cash outflows are being monitored to immediately identify and address liquidity concerns, if any. The Bank is reviewing its current provisions for various loans and will work to ensure that it reflects an accurate value of its loans and other assets as required by regulatory standards. At the end of the quarantine period there may be an increase in non-performing loans. Even if this were to occur, the Bank has enough capital to meet its financial obligations.

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

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

Also, during the normal course of operations, the Bank may be subject to routine or special audits by regulators such as the BIR, SEC and BSP. Any adverse findings resulting therefrom may lead to an assessment of additional liabilities and administrative proceedings, where warranted, or result in fines and penalties, or may materially impact the financial position of the Bank.

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

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented. These are intended to provide tighter controls and more transparency in the Philippine banking sector. These rules include new guidelines on the monitoring and reporting of suspected money laundering activities as well as regulations governing the capital adequacy of banks in the Philippines. The BSP also regulates banks' consolidated net open foreign exchange position (either positive/long/overbought or negative/short/oversold), which refers to the higher of the absolute value of the sum of the net long positions or net short positions. The legal limit with respect to such positions shall not exceed 25% of its Qualifying Capital or US\$150 million, whichever is lower.

As of 30 September 2021, the Bank's consolidated net open foreign exchange position was US\$2,185,563.10. If additional rules or regulations are introduced, the Bank may incur substantial compliance and monitoring costs. Further, if it is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties, face disruptions to its operations and sustain reputational damage, which could materially and adversely affect its business, financial condition, and results of operations.

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

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

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

The Bank uses various strategies to manage its exposure to credit, market, operational, and liquidity risk. In an event where these strategies are not effective, it may not be able to mitigate effectively its risk exposures, in particular to market environments or against particular types of risk. Its balance sheet growth will be dependent upon economic conditions, as well as upon its determination to securitize, sell, purchase, or syndicate particular

loans or loan portfolios. Its trading revenues and interest rate risk exposure are dependent upon its ability to properly identify and mark to market the changes in the value of financial instruments caused by changes in market prices or rates. Its earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for credit losses. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, it could suffer higher than anticipated losses. The successful management of credit, market, and operational risk is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. A failure by the Bank to effectively manage its credit, market, operational, and liquidity risk could have a negative effect on its business, financial condition, and results of operations.

The Bank believes this risk can be managed through the Bank's strengths and strategies, including prudent balance sheet management, to manage credit, market, operational and liquidity risk of the business. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

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

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

- The Bank investments in technology may not achieve the same growth in customers as opening new branches;
- New and expanded business activities may require greater marketing and compliance costs than its traditional services;
- New and expanded business activities may have less growth or profit potential than it anticipates and there can be no assurance that new business activities will become profitable at the level it desires or at all;
- The Bank may fail to identify and offer attractive new services in a timely fashion, putting it at a disadvantage to competitors;
- The Bank's competitors may have substantially greater experience and resources for the new and expanded business activities and thus it may not be able to attract customers from its competitors;
- The Bank may need to further enhance the capability of its information technology systems to support a broader range of activities;
- Economic conditions, such as rising interest rates or inflation, could hinder its expansion, particularly in the consumer loan industry; and
- The Bank may experience prolonged financial distress as a result of the impact on operations and profitability of the COVID-19 global pandemic and subsequent imposition of community quarantine measures in various parts of the country.

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

In addition, new business endeavors require knowledge and expertise which differ from those used in the current business operations of the Bank, including different management skills, risk management procedures, guidelines and systems, credit appraisal, monitoring and recovery systems. The Bank may not be successful in developing such knowledge and expertise. Furthermore, managing such growth and expansion requires significant

managerial, financial and operational resources, which the Bank may not be able to procure on a timely basis or at all. Its inability to successfully implement its growth strategies could have a material adverse effect on its business, financial condition, and results of operations.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

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

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

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

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

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

The business of lending carries the risk of default by borrowers and the Bank may face increasing levels of NPLs and provisions for impairment and credit losses on loans.

Any lending activity is exposed to credit risk arising from the risk of default by borrowers. The Bank's results of operations may be negatively affected by the level of its NPLs. The Bank's total NPLs were ₱1,574,874,659, ₱1,610,090,190, ₱2,698,792,926, and ₱2,860,056,853 as of 31 December 2018, 2019, 2020, and for the 9-month period ended 30 September 2021, respectively. A number of factors affect the Bank's ability to control and reduce its NPLs, such as volatile economic conditions in the Philippines, which may adversely affect many of the Bank's customers, and may cause uncertainty regarding their ability to fulfill their loan obligations, and in effect increase its exposure to credit risk. In addition, the Bank is seeking to grow its business, particularly its earnings asset base, which would likely entail extending more loans to customers. The Bank also focuses its

lending business on the mid-market corporate and retail consumer segment, which may have a higher risk of default than other segments. While it believes that it has more than adequate loan provisions, these and other factors could result in an increased number of NPLs in the future and may require it to book additional provisions for impairment and credit losses on loans. While it regularly monitors its NPL levels and has strict credit processes in place, there can be no assurance that it will be successful in reducing its NPL levels or that the percentage of NPLs that it will be able to recover will be similar to its historical recovery rates or that the overall quality of its loan portfolio will not deteriorate in the future. If it is not able to control and reduce its NPLs or recover expected amounts from NPLs, if the quality of collateral is lower than estimated or if there is a significant increase in its provisions for loan losses, the Bank's operating costs, business, financial condition, results of operations, and capital adequacy could be adversely affected.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

Risk on the Bank's compliance with the conditions for its universal banking license

In the event the Bank is unable to comply with the conditions for its UB license, it will derail the Bank on its growth plans and additional product offerings that are in the pipeline. This would not reduce profits to a loss but instead reduce expected growth going forward.

Even without the UB license, however, the Bank's existing liquidity and capital levels would remain at their elevated levels. Management would most likely rely on the agility and flexibility demonstrated during the pandemic to allocate the excess liquidity and capital to revenue streams unrelated to the UB such as consumer lending and credit cards. The ROPA inventory still remains and could come under increased focus. In any event, the Bank is still confident that it can replicate the previous years' growth rates in the short term until all the requirements for a UB license are finally met.

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

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

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

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

The Bank uses the expected credit loss model provisioning as the basis for allowance for impairment. Its actual loan losses could prove to be materially different from its estimates and could materially exceed its recorded

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

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

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

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

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

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

The Bank engages in trading activities, primarily maintaining proprietary trading positions in Philippine and foreign government securities and some corporate debt securities. In the past, its gains from treasury operations have contributed significantly to its operating income and the contribution has been increasing in recent years. Trading and securities gain/(loss) and foreign exchange gain/(loss) contributed (₱50,659,281), ₱ 423,682,986, and ₱1,196,449,748 and ₱9,926,438 of total operating income for the years ended 31 December 2018, 2019, and 2020, and quarter ended 30 September 2021, respectively. Its trading gains are inherently volatile as trading securities and currencies are subject to economic, political and other conditions that may fluctuate from time to time. There can be no assurance that, in the future, the Bank will be able to realize an amount of trading gains that is similar to the gains it realized historically, that it will not incur a loss from such trading or that it will not hold on to its trading and investment securities to realize interest income, any or all of which could have a material adverse effect on the Bank's future net income. As a result of this volatility, the Bank has been proactively decreasing its dependence on trading activities while remaining to be opportunistic. With an increased number of branches and growth of the loan portfolio, the Bank's trading income is likely to become a smaller part of the Bank's operating income in the future. Risks arising both from its trading and investment strategy and general market volatility, which are beyond its control, could expose the Bank to potential losses and may materially and adversely affect its business, financial condition and results of operations.

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

As of 30 September 2021, the Group's secured loans receivable represented 45.6% of its gross loans (receivables from customers), and 5.3% of the collateral on these secured loans consisted of real estate properties. This portfolio of secured real estate properties gives the Bank's significant exposure to the Philippine property market and provides it with holdings in repossessed and other properties acquired ("**ROPA**"). The recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount it is likely to recover from a sale of collateral, less expenses from such sale. The Bank periodically disposes of its ROPA and other collateral in public auctions and through negotiated sales at prevailing market prices, which are largely determined by purchasers. The Philippine property market is highly cyclical, and property prices in general have been volatile. There can be no assurance that the realized value of the collateral would be adequate to cover the Bank's loans. An economic downturn, in particular, a downturn in the real estate market, could result in a decrease in relevant collateral values for the Bank. Some of the valuations in respect of its collateral may also be out of date or may not accurately reflect the market value of the collateral. There are no assurances that the Bank will be able to easily liquidate these ROPA in the future or any liquidation of ROPA will result in gains rather than losses. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the market value of the collateral securing the Bank's loans, including with respect to any future collateral taken by it, would mean that its provisions for impairment and credit losses may be inadequate and it may need to increase such provisions. There can be no assurance that the collateral securing any particular loan will protect it from suffering a partial or complete loss if the loan becomes non-performing. Any increase in the Bank's provisions for impairment and credit losses would adversely affect its business, its financial condition, results of operations and capital adequacy ratio.

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

PAS 16, Property, Plant and Equipment, allows the use of revaluation model or cost model in accounting for property, plant and equipment. PAS 40, Investment Property, allows the use of either fair value model or cost model in accounting for investment property. However, the BSP requires the use of cost model for statutory and prudential reporting purposes. In a May 2019 letter, the BSP commented on the Bank's use of the fair value model in its 2018 Audited Financial Statements (AFS). The Bank explained that it believed the fair value model presented the most reliable and relevant information for its investors. The Bank also mentioned that it had been using the model since 2014 as disclosed to the BSP in its annual reports and examinations since that year. After separate meetings of BSP with management, on 10 June 2019, the BSP reiterated its position that the Bank should use the "cost model" for both its AFS and prudential reports. Furthermore, BSP Circular No. 494 stated that buildings and non-financial assets shall be depreciated over a period not exceeding ten (10) years and three (3) years, respectively.

Accordingly, on 1 October 2019, the Bank retrospectively changed its accounting policy on property and equipment and investment properties and applied to these financial statements for the annual period ending 31 December 2019. It is important to note, however, that the deficit amounts mentioned above did not result from

the Bank's operating activities but are substantially attributable to the full recognition of impairment losses for Trader's Royal Bank (TRB) assets in 2014. For statutory and prudential reporting, such impairment losses relating to the TRB assets purchased by the Bank on 9 November 2001 were being recognized on a staggered basis as allowed by Monetary Board Resolution No. 619. But in 2014, to align with PFRS and sound financial management, the Bank had chosen to fully recognize the ₱2.46 billion remaining impairment losses as at 31 December 2014. On 26 January 2021, the BOD approved the plan for equity restructuring to wipe out the deficit through the use of the Bank's Paid-in Surplus.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

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

The Bank has credit exposure to various industry sectors. As of 31 December 2020 and 30 September 2021, its total exposure to borrowers (or outstanding loans and receivables) was ₱73,121 million and ₱75,895 million respectively. The ten largest performing borrowers in aggregate accounted for 43.9% and 42.5% of its gross loan and receivables portfolio as of 31 December 2020 and 30 September 2021, respectively. The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group, excluding Government-related entities, of connected persons in excess of 30% of its qualifying capital. As of 30 September 2021, its single borrower limit was ₱6,724 million. As of 31 December 2020, its single borrower limit was ₱4,959 million. In determining whether it meets the single borrower limit of the BSP, it includes exposures to related accounts (including accounts of subsidiaries and parent companies of the borrower). Its largest corporate borrower as of 30 September 2021 accounted for 5.99% of its gross loan portfolio. Credit losses on these large single borrower and group exposures could adversely affect the business, financial position and results of operation of the Bank.

As at 30 September 2021, its five (5) largest industry exposures were to (1) Electricity, Gas, Steam and Air-condition Supply at 28.5%, (2) Real Estate Activities at 19.8%, (3) Construction at 14.4%, (4) Manufacturing at 12.5% and (5) Other Loans for personal Consumption at 8.1%, which together comprised an aggregate of ₱63,265 million and constituted 83.3% of its gross loans. The global and domestic trends in these industries will therefore affect its financial position. Any significant deterioration in the performance of a particular sector, driven by events outside its control, such as regulatory action or policy announcements by the Government or the general condition of the domestic and global economies, would adversely impact the ability of borrowers in that industry to service their debt obligations to the Bank, and in turn would adversely affect its business and results of operations.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

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

The Bank's funding needs are principally satisfied from demand, savings and time deposits, and to a smaller extent, borrowings from other banks and unsecured subordinated debt. As of 30 September 2021, ₱167,462,832,796 of the Bank's funding needs were sourced from deposits and the remaining ₱5,004,951,050 from other liabilities, manager's checks, financial liabilities at FVPL, and accrued Expenses.

Although its deposits have historically been a stable source of funding for the Group, no assurance can be given that this will continue to be the case in the future. In the event a substantial number of its depositors withdraw, or do not roll over their deposits, or if other banks do not lend short term funds to the Bank as they have in the

past, its liquidity position could be adversely affected, which could result in its inability to fund its loan portfolio and may require the Bank to seek alternative sources of funding. It can provide no assurance as to the availability or terms of such funding. To the extent it is unable to obtain sufficient funding on acceptable terms or at all, the Bank's liquidity and financial condition and results of operations will be adversely affected.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

The Bank's dependency on the SMC ecosystem

Loans to the SMC ecosystem account for less than 30% of the Bank's loan portfolio. The Bank's exposure to the SMC ecosystem is monitored on a regular basis. On top of this, performance of stress testing is done to assess the Bank's capacity to absorb potential negative impact from these exposures. Stress test results show that a significant deterioration of the SMC ecosystem accounts can be absorbed by the Bank while still meeting its capital adequacy requirements.

Exposures coming from each entity included in the SMC ecosystem are also evaluated to ensure that risks are managed appropriately.

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

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

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

Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branches. Just like traditional banks, they are allowed to grant loans, accept deposits, invest in securities, issue credit cards, and buy and sell foreign exchange currencies, among others. As of the date of this Prospectus, the BSP has granted six (6) digital bank licenses: (i) Overseas Filipino Bank, (ii) Tonik Digital Bank, Inc., (iii) UNObank, (iv) UnionDigital Bank, (v) GoTyme Bank, and (vi) Maya Bank. These are in addition to banks offering no-branch banking services through their respective mobile apps such as CIMB Bank Philippines and ING Bank N.V. Manila which both provide all-online retail banking services despite having existing commercial and universal banking licenses respectively.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

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

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

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

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

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

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

To mitigate this risk, the Bank has a Managed Security Operations Center (MSOC), a centralized outsourced function employing people, process, and technology to continuously monitor and improve the Bank's security posture while preventing, detecting, analyzing, and responding to cybersecurity incidents.

The Bank also performs regular vulnerability assessment and penetration testing to assess the security measures, identify all risks to the security information, evaluate the safeguards and controls of the Bank to deter advanced persistent threats, and identify the risk level the Bank is currently exposed to so that an appropriate set of response to and mitigation of those weaknesses can be deployed.

A constant “Information Security Training and Awareness” system is also in place designed to help the Bank’s employees understand the role they play in helping to combat information security breaches. The training program includes an orientation for all newly hired employees, refresher training, annual examinations, simulated phishing exercises and monthly risk advisories.

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

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

The Bank is subject to interest rate risk.

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

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

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

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

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

The Bank is subject to foreign exchange risk.

As a financial organization, the Bank is exposed to foreign exchange risk. Movements in foreign exchange rates could adversely affect its business, financial condition and results of operations. The foreign exchange transactions of Philippine banks are subject to stringent BSP regulation. Under BSP guidelines, the Bank is required to provide 100.0% foreign asset cover for all foreign currency liabilities in its Foreign Currency Deposit Unit ("FCDU") books. As of 30 September 2021, the Bank had ₱ 21,500,429,111 of assets and ₱21,400,638,212 of liabilities in FCDU books, primarily in U.S. dollars. The decline in the value of the peso against foreign currencies, in particular, the U.S. Dollar may affect the ability of the Bank's customers or the Government to service debt obligations denominated in foreign currencies and, consequently, increase NPLs. Conversely, increases in the value of the peso can depress the export market which can negatively affect the ability of the Bank's customers to repay their debt obligations or may reduce credit quality or demand. There can be no assurance that the Peso will not fluctuate further against other currencies and that such fluctuations will not ultimately have an adverse effect on the Bank.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

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

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

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

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

its ability to manage these risks, ability to grow and on its business, financial condition, and results of operations.

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

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

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

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

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

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

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

The Bank believes this risk can be managed through the Bank's strengths and strategies. For a more detailed discussion please refer to the Bank's Strengths on page 153 and Strategies on page 156 of the Prospectus. However, there is no assurance that the Bank can provide an effective mitigation to such risk.

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

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

FATCA impacts a number of organizations and individuals. It first affects U.S. persons with income abroad. Secondly, foreign financial institutions ("FFIs") that invest in U.S. markets will be impacted as well as U.S. financial institutions that do business with FFIs. Additionally, local government and taxing authorities in each

country will see the effects of the act as well. It also brought forth an expansion of tax reporting for non-resident aliens.

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

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

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

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

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

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

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

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

To mitigate this risk, the Bank believes it has put in place a strong compliance culture and regularly communicates with relevant regulators and monitors changes to regulations to ensure the Bank is able to comply with changes in regulatory requirements in a timely manner.

RISKS RELATING TO THE PHILIPPINES

The ongoing situation of the COVID-19 pandemic could have negative effects on the Bank's asset portfolio and business operations.

The COVID-19 outbreak is continuing to cause widespread concern and financial and economic hardship not only to consumers, but also to businesses and communities in the Philippines. Specific segments of the population are already experiencing the impact of the pandemic and have found themselves in financially

vulnerable positions. Private sector businesses have cut back production and have been forced to temporarily lay off employees leaving thousands jobless. The Philippine banking industry is not impervious to the adverse effects of the pandemic. Although rules and regulations that have been introduced by the BSP, the Bureau of Internal Revenue (“**BIR**”), and the SEC certainly helped banks to continue their business operations, they still face alarming pressures on their capital and liquidity position, especially since the duration and severity of this outbreak remains uncertain. As the economic situation in the Philippines remains highly strained, there is an expected credit loss and a rise of non-performing loans exposing the bank to higher credit exposure.

In order to contain the spread of the disease, the Philippine government declared a State of Public Health Emergency and State of Calamity. This declaration has facilitated the implementation of the following: mandatory reporting of infections, intensified government response and measures, and enforcement of quarantine and disease control prevention measures, among others. Such quarantine measures have been implemented throughout the country in the form of Enhanced Community Quarantine (“**ECQ**”), General Community Quarantine (“**GCQ**”), and modified versions of the two. These measures have been focused on restricting the movement of individuals outside their respective homes, prohibiting mass gatherings, limiting the industries that may operate, and limiting the capacity of public transportation, among others. Metro Manila, which contributes about 37.5% to the Philippine Gross Domestic Product (“**GDP**”) based on latest available data from the Philippine Statistics Authority in 2018, was placed under ECQ (and eventually its modified version, namely, Modified Enhanced Community Quarantine (“**MECQ**”) beginning 17 March 2020 until 31 May 2020. Metro Manila was placed under more relaxed GCQ restrictions beginning 19 August 2020. However, Metro Manila and its surrounding provinces Bulacan, Laguna, Cavite, and Rizal (or “**NCR+**”) were placed under ECQ (the strictest classification possible) from 29 March 2021 due to a resurgence in COVID infections. The NCR+ region reverted MECQ on 12 April 2021 until 30 April 2021, which was extended through 15 May 2021. Due to the recent rise of COVID-19 cases, particularly, the delta variant, Metro Manila and other areas in the country has been placed on ECQ from 6 August 2021 to 20 August 2021, then subsequently relaxed to MECQ from 21 August 2021 until 7 September 2021. On 8 September 2021 until 30 September 2021, Metro Manila was downgraded under GCQ classification, but under a localized lockdown scheme, as opposed to region-wide restrictions. It is expected that COVID infections will continue to ebb and flow throughout 2021 and there is no certainty when the quarantine restrictions in the country will be lifted for good.

In the days after the ECQ was imposed, banking was classified as a critical industry, with banks able to elect which branches would be opened, and which units need to be run by a skeletal workforce. This allowed the banking sector to operate at a limited capacity and serve the general public. To help ease the consequences of limited economic activity, banks and other covered institutions were mandated to implement a minimum 30-day grace period for all loans with debt obligations (principal and/or interest) falling due within the ECQ/ MECQ period of 17 March 2020 until 31 May 2021 without incurring penalties, fees, and other charges in accordance with the Section 4(aa) of Bayanihan to Heal as One Act (Republic Act No. 11469 or the “**Bayanihan Act**”) and its implementing regulations (through the BSP Memorandum No. M-2020-018 dated 6 April 2020). The granting of the grace period provided under the Bayanihan Act ceased for loans due beginning 1 June 2020, in accordance with BSP Memorandum No. M-2020-45.

On 11 September 2020, the Bayanihan to Recover as One Act (Republic Act No. 11494 or “**Bayanihan 2**”), was signed into law and directed banks and other covered institutions to implement a one-time 60-day grace period to be granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before 31 December 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans.

In addition, the following memoranda and circulars were issued by the BSP in relation to the pandemic: reduction in reserve requirements (BSP Circular No. 1082), regulatory reliefs (BSP Memorandum No. M-2020-008 as amended by Memorandum No. M-2020-032), MSME loans (or loans to micro, small and medium enterprises) as alternative compliance with reserve requirements (BSP Circular No. 1083), sustainable finance

framework (BSP Circular No. 1085), and suspension of fees for fund transfers and interbank ATM transactions (BSP Memorandum No. M-2020-031), among others.

As a result of the economic impact of the COVID-19 pandemic and the Bayanihan Act, for the period ended 30 September 2021, the Bank reversed provision for credit losses of ₱4,071,487, representing a significant decrease compared to the provision for credit losses of ₱962,509,599 for the period ended 31 December 2020. Meanwhile, the Bank's net NPL ratio remained the same at 0.9% as of 30 September 2021 and 31 December 2020. Net NPL ratio is the result of (total non-performing loans (NPLs) less specific loan loss reserves for NPLs) divided by (total loans inclusive of interbank loans receivables). The Bank may continue to be required to record NPL and make provisions for credit losses larger than usual in or even beyond 2020 as lockdown measures continue to be imposed across the country and the impact of the pandemic becomes more pronounced. Increases in NPLs and provision for credit losses could have a material adverse effect on the Bank's business, cash flows, financial condition, results of operations and prospects.

Furthermore, as the COVID-19 pandemic continues to evolve, it is likely that the Bank's income, liquidity, resources and sources of funding will deteriorate, decrease or worsen. For example, if the Philippine economy continues to shrink and more of the Bank's existing and potential depositors experience financial distress, clients' deposits in the Bank may decrease, resulting in deterioration of the Bank's liquidity and decrease of the Bank's source of funding and resources. Meanwhile, the worsening of the Philippine economy may also harm the Bank's existing and potential borrowers' abilities to repay, cause the Bank's loan and debt borrower pool to shrink and adversely affect the Bank's interest income.

The continued spread of COVID-19 has also led to disruption and volatility in the global capital markets. It is possible that the spread of COVID-19 could cause a global economic slowdown or recession. The deterioration of the regional economy and financial markets in general will have a material adverse effect on the Bank's business, financial condition and results of operations. While the Bank has taken preventative and other measures to mitigate the impact of COVID-19, even when restrictions are lifted, there might be a period of significantly reduced economic activity, increased unemployment and reduced consumer spending. Should this be the case, this will continue to affect the Bank's business, financial condition, results of operations and prospects.

The Bank has taken various measures to ensure the continuance of its business and to protect health, safety and welfare of its employees, customers and outsource providers. Such measures include, among others, transition to remote work model, gradual return to workplace, establishment of safety and control measures, and implementation of engagement, health, wellness and welfare programs. The Bank has also made sustained efforts in developing its digital capabilities and expanding its services to bring convenience and efficiency to its customers. In addition, for the purpose of risk management, the Bank has enhanced its due diligence procedure with respect to loan and debt approvals during the pandemic. See "*Description of the Business - Impact of COVID-19 on Operations and Strategies*". These measures have achieved certain positive effects, yet it is possible that the effects of these measures become limited, unsatisfactory or not as desired in the future, especially if the COVID-19 pandemic continues to evolve and causes more severe disruption to the world and Philippine economy.

The severity of the consequences for, and the extent of the future impact of the pandemic on, the Bank will depend on certain developments, including the duration and spread of the outbreak, the actions taken to contain COVID-19, the impact on the Bank's customers, suppliers and employees, and the accessibility and effectiveness of government support programs to the Bank's customers, all of which are highly uncertain and cannot be predicted. There is no assurance that the pandemic will not have a material adverse impact on the Bank's future results of operation.

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

In 2020, the Philippine Peso appreciated by 5.6% to ₱48.02 from ₱50.74 in end-2019. As of 30 September 2021, according to BSP data, the Peso was at ₱50.96 per US\$1. Global uncertainties, in addition to the ongoing COVID-19 pandemic, continue to put negative pressure on capital flows in emerging markets, including the Philippines. The Philippine economy marked its first recession in 29 years, hammered by one of the world's longest and strictest lockdown to prevent the spread of COVID-19. Based on preliminary data from the Philippine Statistics Authority, the country registered a GDP growth of 7.1% in the 3rd quarter of 2021, from 12.0% in the 2nd quarter, and -3.9% in the 1st quarter. In 2020, the country's GDP registered a 0.70% decline in the 1st quarter, followed by a worse contraction of 16.9% in the 2nd quarter, the period that covered the most intensified lockdown. As the economy began to reopen, the 3rd quarter GDP figure tapered off to an 11.5% decline, followed by an 8.4% decline in the 4th quarter. Correspondingly, the country posted a full-year contraction of 9.5% for 2020. In 2019, the Philippines continued to attract capital flows with relatively strong GDP growth of 5.90% for the full year, paired with a benign inflation environment. The Philippine Peso appreciated by 3.76% to ₱50.74 in end-2019 from ₱52.78 in end-2018. While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as escalation of trade war between US and China, global uncertainties caused by the Brexit deal, and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies.

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

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

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- exchange rate fluctuations and foreign exchange controls;
- rising inflation or increases in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government's fiscal and regulatory policies;
- Government budget deficits
- adverse trends in the current accounts and balance of payments of the Philippine economy;
- re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-CoV), SARS, avian influenza (commonly known as bird flu), or H1N1, Polio, or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia;

- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, social, political or economic developments in or affecting the Philippines.

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

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

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

On 27 March 2014, the Government and the Moro Islamic Liberation Front (“**MILF**”) signed a peace agreement, the Comprehensive Agreement on Bangsamoro. On 10 September 2014, the draft of the Bangsamoro Basic Law (“**BBL**”) was submitted by former President Aquino to Congress. The BBL is a draft law intended to establish the Bangsamoro political entity in the Philippines and provide for its basic structure of government, which will replace the existing Autonomous Region in Muslim Mindanao. Following the Mamasapano incident where high-profile terrorists clashed with armed members of the Bangsamoro Islamic Freedom Fighters and MILF leading to the deaths of members of the Special Action Force (“**SAF**”) of the Philippine National Police, MILF, the Bangsamoro Islamic Freedom Fighters, and several civilians, the Congress stalled deliberations on the BBL. The Board of Inquiry on the Mamasapano incident and the Senate released their reports on the Mamasapano incident. On 27 March 2015, former President Aquino named a Peace Council consisting of five original members to study the draft BBL. Seventeen (17) co-convenors were later named as part of the Peace Council. The Council examined the draft law and its constitutionality and social impact. The Council Members testified before the House of Representatives and the Senate, and submitted their report, which endorses the draft BBL but with some proposed amendments. On 13 and 14 May 2015, the Senate conducted public hearings on the BBL in Zamboanga and Jolo, Sulu, with the Zamboanga City government and sultanate of Sulu opposing their inclusion in the proposed Bangsamoro entity. On 6 June 2017, the Bangsamoro Transition Commission approved the final draft of the BBL. The final draft was submitted to President Rodrigo Duterte in the presence of Congress on 17 July 2017. On 20 September 2017, President Duterte gave verbal commitments to certify as urgent the BBL in order to facilitate the immediate passage of the bill. On 26 July 2018, President Duterte signed the Bangsamoro Organic Law. The said law is a step towards the new Bangsamoro Autonomous Region in Muslim Mindanao. A plebiscite was scheduled for the ratification of the said law. On 25 January 2019, the National Plebiscite Boards of Canvassers announced that the BOL is “deemed ratified.”

The Philippine Presidential elections were held on 9 May 2016 and on 30 June 2016 President Rodrigo Duterte assumed the presidency with a mandate to advance his “Ten-Point Socio-Economic Agenda” focusing on policy continuity, tax reform, infrastructure spending and countryside development, among others. The Duterte government has initiated efforts to build peace with communist rebels and other separatists through continuing talks with these groups. The shift to the federal-parliamentary form of government is likewise targeted to be achieved in two years.

Last 23 May 2017, President Duterte issued Proclamation No. 216 declaring a state of martial law in the Mindanao group of islands for a period not exceeding sixty (60) days and suspending the privilege of the writ of habeas corpus in the aforesaid area during the duration of the martial law. Proclamation No. 216 was immediately met with criticism from different sectors of society because of Congress' refusal to convene to review the propriety of the declaration as required by Article VII, Section 18 of the 1987 Constitution. Moreover, anti-martial law groups are questioning the coverage of the proclamation as, according to them, the declaration is too expansive and not limited to the area of the actual conflict and that the presence of an actual rebellion is still questionable. The Congress repeatedly granted the request of President Duterte to extend martial law in Mindanao. The fourth iteration of martial law in Mindanao lapsed on 31 December 2019.

National and local elections are scheduled to be held throughout the Philippines on 9 May 2022. This may exert additional pressure on the current political environment of the country, as aspiring public officials will soon emerge and declare their intent for candidacy.

There is no telling which candidate or political party will emerge victorious in the 2022 elections. In any event, there can be no assurance that the prevailing administration will continue to implement social and economic policies favored by the current administration. A major deviation from the policies of the current administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Bank's businesses, prospects, financial condition and results of operations.

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

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

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

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

In January 2015, a clash took place in Mamasapano in Maguindanao province between the SAF of the Philippine National Police and the Bangsamoro Islamic Freedom Fighters ("BIFF") and the MILF, which led to the deaths of 44 members of SAF, 18 from the MILF, five from the BIFF, and several civilians, including

Zulkifli Abdir, a Malaysian national included in the US Federal Bureau of Investigation's most wanted terrorists.

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

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

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

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

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

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

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

In August 2017, an outbreak of bird flu from a poultry farm in Central Luzon was confirmed, and the avian

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

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

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

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

As of the date of this Prospectus, the Philippines now has 3,667,542 confirmed COVID-19 cases, of which 48,793 are active cases. Deaths due to COVID-19 in the Philippines have reached 57,023. Various countries (the Philippines included) are monitoring developments with regard the new variants of SARS-CoV-2, the virus that causes COVID-19, in view of their increased transmissibility that could trigger a rapid rise in the number of cases. So far, Philippine health authorities have detected the presence of Alpha, Beta, Gamma, Delta, and Theta variants— all considered variants of concern (VOC) in the Philippines. The B.1.1.7 variant, now known as the Alpha variant, was first detected in the United Kingdom in September 2020. The B.1.351 or the Beta variant was first found in Nelson Mandela Bay, South Africa in October 2020. The P.1 or the Gamma variant was first reported by the National Institute of Infectious Diseases (NIID) in Japan. The B.1.617.2 or the Delta variant was first found in India last year. The Theta or the P.3 variant was first detected in the Philippines. Based on the epidemic curve, the country is experiencing another peak of virus cases, which can be considered a “second wave,” The DOH said that in light of the continuous rise of cases, cities in virus epicenter Metro Manila are now at “high to critical risk.” The unprecedented and extraordinary public health emergency brought about by the COVID-19 pandemic substantially contracted the country's gross domestic product by 9.6% in 2020 – the first (1st) annual contraction since 1998 – a year after the Asian Financial Crisis erupted, according to the Philippine Statistics Authority. In the Philippines, the imposition of community quarantine measures resulted in the temporary closure of many establishments and a huge number of displaced workers. Based on the data from the Philippine Statistics Authority, there were 4.0 million unemployed Filipinos as of January 2021, translating to an unemployment rate of 8.7%, slightly better than the 4.5 million unemployed Filipinos in 2020 for an average rate of 10.3%.

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

Domestic interest rates have remained manageable since 2009, with the monetary policy directed towards stimulating the economy. At the Monetary Board meeting on 11 February 2021, the BSP maintained its key policy rates to 2.0% for the overnight reverse repurchase facility, 1.5% for the overnight deposit facility and 2.5% for the overnight lending facility. Citing the continued uncertainty caused by the COVID-19 pandemic, the BSP has cut its main policy rate by a cumulative 200 basis points in 2020. Additionally, on 31 July 2020, the BSP reduced the reserve requirement for banks to 12%. Interest rates may increase in the future as price pressures begin building as a result of further reopening of the economy and inflation pressures.

In 2009, central banks around the world, including the BSP, started an easing cycle to combat the 2008 Financial Crisis. The monetary policy intended to stimulate economic growth while ensuring inflation is maintained at manageable levels.

In 2021, inflation continued to breach the 2 to 4% target set by the BSP. Based on preliminary data released by the Philippine Statistics Authority, inflation eased to 4.8% in September from 4.9% in August. The country's average inflation from January to September is at 4.5%. Core inflation stood at 3.3% in September, steady from the previous month's but slightly faster than last year's 3.2%. The slower annual increase in the transport index at 5.2%, from 7.2% in the previous month helped slow down inflation. Annual upticks also slowed down in the indices of the following commodity groups during the month: (i) food and non-alcoholic beverages at 6.2%; (ii) furnishing, household equipment, and routine maintenance of the house at 2.4%; (iii) communication at 0.2%; and (iv) education at 0.9%. The country's annual average inflation for 2020 was posted at 2.6%, slightly higher than the 2.5% annual average inflation in 2019. The BSP affirmed that it will remain vigilant to help ensure that its policy responses will neither lead to excessive inflation nor result in threats to financial stability.

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

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

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

The Philippines is subject to frequent seismic activity. From year 2015 to 2018, there were nine (9) large known earthquakes in the Philippines, with magnitudes ranging from 5.5 to 7.1. Batangas experienced an earthquake swarm in April 2017, hitting the province thrice with a twin earthquake, followed by several aftershocks. The nine (9) large known earthquakes triggered landslide and tsunami warnings, left damages on buildings and houses, killed 14 people and 327 injured. Recently, on 22 April 2019, a magnitude 6.1 earthquake struck parts of Luzon, including Metro Manila. More recently, on 10 May 2020, a magnitude 5.4 earthquake jolted Occidental Mindoro with aftershocks felt in Metro Manila.

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

On 1 November 2020, Typhoon Goni ("Rolly") brought torrential rains, violent winds, mudslides and storm surges to the island of Luzon. On 10 November 2020, it was reported that according to the National Disaster Risk Reduction and Management Council ("NDRRMC"), the cost of damage to infrastructure and agriculture caused by Typhoon Goni has reached more than ₱17.8 billion primarily in the areas of Ilocos, Cagayan Valley, Central Luzon, Calabarzon, Mimaropa, Bicol, Eastern Visayas, Cordillera Administrative Region ("CAR"), and the NCR.

After Typhoon Goni, Typhoon Ulysses (“**Vamco**”) hit the island of Luzon the hardest from 11 to 12 November 2020. The typhoon unleashed powerful winds and torrential rains that killed dozens of people, destroyed thousands of homes, and caused heavy flooding. According to a report of the NDRRMC dated 7 December 2020, damage to agriculture is estimated at ₱7,318,946,822 in Regions I, II, III, Calabarzon, Mimaropa, V, CAR, and NCR. Meanwhile, damage to infrastructure is estimated at ₱12,014,206,676.28 in Regions I, II, III, Calabarzon, Mimaropa, V, CAR, and NCR.

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

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

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

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

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

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

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of

international law consistent with the United Nations Convention on the Law of the Sea (“UNCLOS”). The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

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

On 09 May 2013, a Philippine Coast Guard ship opened fire on a Taiwanese fisherman’s vessel in a disputed exclusive economic zone between Taiwan and the Philippines, killing a 65-year old Taiwanese fisherman. Although the Philippine government maintained that the loss of life was unintended, Taiwan imposed economic sanctions on the Philippines in the aftermath of the incident. Taiwan eventually lifted the sanctions in August 2013 after a formal apology was issued by the Government of the Philippines.

In September 2013, the Permanent Court of Arbitration in The Hague, Netherlands issued rules of procedure and initial timetable for the arbitration in which it will act as a registry of the proceedings. Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the operations of the Bank could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other’s imports. On 12 July 2016, the five-member Arbitral Tribunal at the Permanent Court of Arbitration in The Hague, Netherlands, unanimously ruled in favor of the Philippines on the maritime dispute over the West Philippine Sea. The Tribunal’s landmark decision contained several rulings, foremost of which invalidated China’s “nine-dash line”, or China’s alleged historical boundary covering about 85% of the South China Sea, including 80% of the Philippines Exclusive Economic Zone (“**EEZ**”) in the West Philippine Sea. China rejected the ruling, saying that it did not participate in the proceedings for the reason that the court had no jurisdiction over the case. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Bank’s business, financial position and financial performance.

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

Investors may face difficulties enforcing judgments against the Bank.

The Bank is organized under the laws of the Republic of the Philippines. A substantial portion of the Bank’s assets are located in the Philippines and outside of the United States. It may be difficult for investors to effect service of process outside of the Philippines upon the Bank. In addition, substantially all of the directors and officers of the Bank are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons or enforce against such persons’ judgments obtained in courts or arbitral tribunals outside of the Philippines predicated upon the laws of jurisdictions other than in the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Judgments obtained against the Bank in any foreign court may be recognized and enforced by the courts of the Philippines in an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. However, such foreign judgment or final order may be rejected in the following instances: (i) such judgment was obtained by collusion or fraud, (ii) the foreign court rendering such judgment did not have jurisdiction, (iii) such order or judgment is contrary to good customs, public order, or public policy of the Philippines, (iv) the Bank did not have notice of the proceedings before the foreign court, or (v) such judgment was based upon a clear mistake of law or fact.

RISKS RELATING TO THE PHILIPPINE BANKING INDUSTRY

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

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

The recent mergers and consolidations in the banking industry, as well as the liberalization of foreign ownership regulations in banks, have allowed the emergence of foreign and bigger local banks in the market. For example, there has been increased foreign bank participation in the Philippines following the Monetary Board's lifting of the ban on granting of new licenses, as well as the amendment of banking laws with respect to the limit on the number of foreign banks. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank and United Overseas Bank being granted new licenses, and also equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. In addition, the establishment of the ASEAN Economic Community in 2015 may enhance cross-border flows of financial services (in addition to goods, capital, and manpower) among member nations. This is expected to increase the level of competition both from Philippine banks and branches of international banks. This may impact the Philippine banks' operating margins, but this would also enhance the industry's overall efficiency, business opportunities and service delivery. As of 30 September 2021, according to data from the BSP, there were a total of 46 domestic and foreign universal and commercial banks operating in the Philippines.

In the future, the Bank may face increased competition from financial institutions offering a wider range of commercial banking services and products, larger lending limits, greater financial resources and stronger balance sheets than the Bank. Increased competition may arise from:

- Other large Philippine banks and financial institutions with significant presence in Metro Manila and large country-wide branch networks;
- Full entry of foreign banks in the country through any of the following modes allowed under Republic Act No. 10641 or An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act No. 7721 ("**RA 10641**") (approved on 15 July 2014): (a) the acquisition, purchase or ownership of up to 100% of the voting stock of an existing bank; (b) investment of up to 100% of the voting stock in a new banking subsidiary incorporated under Philippine law; or (c) establishment of branches with full banking authority;
- Foreign banks, due to, among other things, relaxed standards which permitted large foreign banks to open branch offices;
- Domestic banks entering into strategic alliances with foreign banks with significant financial and management resources, and in some cases resulting in excess capital that can be leveraged for asset growth and market share gains; and

- Continued consolidation and increased mergers and acquisitions in the banking sector involving domestic and foreign banks, driven in part by the gradual removal of foreign ownership restrictions.

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

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

Amid the sharp drop in provision for credit losses as the country continues to recover from the impact of the pandemic, earnings of Philippine banks jumped by 35% to ₱168.21 billion for the nine (9) months ended 30 September 2021 from a year-ago level of ₱124.55 billion, based on preliminary data released by the BSP. Provisions for credit losses on loans and other financial assets decreased by 43% to ₱90.34 billion from January to September 2021 compared to ₱161.12 billion in the same period last year. Meanwhile, the amount of bad debts written off by the banking sector more than doubled to ₱2.81 billion due to the mandated relief measures under Republic Act No. 11469 or the Bayanihan to Act as One Act (“**Bayanihan 1**”) and Republic Act No. 11494 or the Bayanihan to Recover as One Act (“**Bayanihan 2**”). Past due loans increased by 8% to ₱570.20 billion in September 2021 from ₱528.10 billion a year ago.

NPLs declined by 1.3% to ₱485.53 billion in September from ₱491.92 billion in August. As of 30 September 2021, the NPL ratio stood at 4.43%, easing from the 4.51% recorded in August. As of end-December 2020, the Philippine banking sector posted a past due ratio of 4.44% and an uptick in NPL ratio at 3.61%, slightly higher than the 2.18% average for the past five (5) years (2016-2020). Despite the year 2020 ending at slightly heightened levels, the Philippine banking sector has generally recovered from the global economic crisis compared to the NPL ratio ranging from the 3-5% area during the height of the global financial crisis (2008-2009). Further, the NPL coverage ratio in the Philippine universal and commercial banking system reached 93.73% as of end-December 2020, maintaining an adequate cover for the totality of the NPL portfolio.

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

The Bank has to comply with strict regulations and guidelines issued by banking regulatory authorities and other authorities in the Philippines, such as the BSP, the Anti-Money Laundering Council (“AMLC”), the PDIC, the SEC, and the BIR, and international bodies, including the Financial Action Task Force (“FATF”).

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

The Bank’s banking activities are regulated and supervised principally by, and have reporting obligations to, the BSP. The Bank is also subject to the banking, corporate, taxation and other regulations and laws in effect in

the Philippines, administered by agencies such as the BIR, the SEC, the AMLC as well as international bodies such as the FATF.

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

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

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

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

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

Further, there is no assurance that the BSP or other Philippine regulators will not issue stricter or tighten regulations as a result of events affecting financial institutions in the Philippines, including the cyber heist of the Bangladesh Bank in 2016. In the event of any changes to the existing guidelines or rules, or introduction of additional regulations, the Bank, as far as applicable, will have to comply with the same and may incur substantial compliance and monitoring costs. The Bank’s failure to comply with current or future regulations

and guidelines issued by regulatory authorities in the Philippines and in other relevant jurisdictions could have a material adverse effect on the Bank's business, financial condition and results of operations.

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

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

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

On 29 October 2014, the BSP issued Circular No. 856, or the “Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks (“D-SIBs”) under Basel III” to address systemic risk and interconnectedness by identifying banks which are deemed systemically important within the domestic banking industry. Banks that will be identified as D-SIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and CCB. Identified D-SIBs will need to put up an additional 1.5 - 3.5% common equity Tier 1 depending on their classification. Compliance with this requirement was phased-in starting 1 January 2017, with full compliance required by 1 January 2019. Under Circular No. 1024 issued in January 2019, the BSP adopted the Basel III countercyclical capital buffer that required UBs and KBs to maintain a countercyclical capital buffer (CCyB) of zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant, with respect to the minimum Common Equity Tier (CET) 1 requirement. Furthermore, banks face new liquidity requirements under Basel III’s new liquidity framework (which was recently amended by BSP Circular Nos. 1034 and 1035), namely, the Liquidity Coverage Ratio (“LCR”) and the Net Stable Funding Ratio (“NSFR”). On 10 March 2016, the BSP issued

Circular No. 905, or the “Implementation of Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio and Disclosure Standards”. The amendments introduced by BSP Circular No. 1035 provide enhancements to the LCR and Minimum Liquidity Ratio (“MLR”) guidelines. In the LCR framework, the previous treatment of reporting expected cash flows for each derivative contract in gross amounts has been revised. Under the new policy, cash inflows and outflows from each derivatives contract shall now be recognized on a net basis consistent with valuation methodologies for derivatives contracts and the Basel III LCR framework. Likewise, the method for computing the MLR for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks was revised. The revised MLR computation converges with the LCR framework as interbank placements are now counted as eligible liquid assets. The LCR requires banks to hold sufficient level of high-quality liquid assets to enable them to withstand a 30 day-liquidity stress scenario, while the NSFR measures the ability of a bank to fund its liquidity needs over one year. Beginning 1 January 2018, the LCR threshold that banks will be required to meet will be 90% which will then be increased to 100% beginning 1 January 2019. During the observation period prior to 1 January 2018, banks are required to submit quarterly LCR reports for monitoring purposes. The observation period for LCR requirement for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1035 (Amendments to the Basel III Framework on Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework), during which the LCR floor of 70% will be applied. Meanwhile, the NSFR requires that banks’ assets and activities are structurally funded with long-term and more stable funding sources. The observation period for NSFR for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1034 (Amendments to the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio), during which the NSFR floor of 70% will be applied. Compliance with these ratios may also further increase competition among banks for deposits as well as high quality liquid assets.

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

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

As of 30 June 2021, according to the BSP and under the Revised Basel III standards (Memorandum No. M-2013-056), the Philippine universal and commercial banking industry’s CAR was 17.55% on a consolidated basis and 17.00% on a solo basis. As of 30 September 2021, the Bank’s Tier 1 capital adequacy ratio/CET1 ratio and total capital adequacy ratio (either on a consolidated or solo basis) were 19.95% and 20.86%, respectively.

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

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

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

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

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

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

The BSP is now allowing financial firms to tap their Basel III-mandated capital and liquidity buffers to mitigate the impact of the coronavirus pandemic. A covered bank/QB which has built up its capital conservation buffer and LCR buffer is allowed to utilize the same during this state of health emergency.

Although intended to strengthen banks’ capital positions and thwart potential asset bubbles, the new BSP and Monetary Board regulations will add pressure to local banks to meet these additional capital adequacy requirements, which may effectively create greater competition among local banks for deposits and temper

bank lending in the commercial property and home mortgage loan sectors given that banks' ability to lend to these sectors depends on their exposure to the sector and the capital levels they maintain. This may also lead banks in the Philippines to conduct capital raising exercises. Through its compliance with these regulations, the Bank's business, financial position and results of operations may be adversely affected.

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

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

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

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

As a result of the economic impact of the COVID-19 pandemic and the Bayanihan Act, for the period ended 30 September 2021, the Bank reversed provision for credit losses of ₱4,071,487, representing a significant decrease compared to the provision for credit losses of ₱962,509,599 for the period ended 31 December 2020. Meanwhile, the Bank's net NPL ratio remained the same at 0.9% as of 30 September 2021 and 31 December 2020. Net NPL ratio is the result of (total non-performing loans (NPLs) less specific loan loss reserves for NPLs) divided by (total loans inclusive of interbank loans receivables).

Preliminary data released by the BSP showed that bank lending expanded by 2.7% in September 2021, up from 1.3% in previous month. Broken down, outstanding loans for production activities grew by 4.4% in September from 3.1% in August, driven mainly by the expansion in loans of the followings: (i) real estate activities at 7.2%; (ii) information and communication at 26.6%; (iii) financial and insurance activities at 6%; and manufacturing at 4.4%. However, the decline in outstanding loans to other sectors, namely, (i) agriculture, forestry, and fishing at 11.9%; (ii) activities of households as employers, undifferentiated goods and services at 23.3%; and wholesale and retail trade and repair of motor vehicles and motorcycles at 1.7%, softened the

overall increase in outstanding loans for production. Consumer loans to residents, meanwhile, remained in contraction, albeit at a slower rate of 7.8% in September from 8.4% in August.

Moreover, the banking sector's provision for credit losses on loans and other financial assets decreased by 43.92% to ₱90.34 billion in September 2021 from ₱ 161.12 billion in the previous year. Bad debt written off reached ₱6.36 billion, wider by 126.12% from ₱2.81 billion a year earlier. The Philippine banking industry generated more income at ₱168.21 billion, an increase of 35.05% from ₱124.55 a year ago.

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

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

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

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

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

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

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

For information on the impact of adopting PFRS 9, see Note 3 to the Bank's financial statements for the year ended 31 December 2020 included elsewhere in this Prospectus

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

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

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

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

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

The Bank adopted PFRS 16 on 1 January 2019 using the modified retrospective approach with certain transition reliefs. The Bank elected to use the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying the old standards at the date of initial application. The Bank also elected to use the recognition exemptions for short-term leases and lease contracts which the underlying asset is of low value ('low-value assets').

Upon adoption of PFRS 16, the Bank applied a single recognition and measurement approach for all leases (as lessee) except for short-term leases and leases of low-value assets. The Bank recognized lease liabilities

representing lease payments and right-of-use (ROU) assets representing the right to use the underlying assets. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. ROU assets were recognized based on the amount equal to the lease liabilities adjusted for any related prepaid and accrued lease payments previously recognized.

On 28 May 2020, the International Accounting Standards Board issued Amendments to PFRS 16, *COVID-19-Related Rent Concessions*, which provide relief to lessees from applying PFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria: (a) the rent concession is a direct consequence of COVID-19; (b) the change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change; (c) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (d) there is no substantive change to other terms and conditions of the lease. A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments are effective for annual reporting periods beginning on or after 1 June 2020.

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

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

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

The sovereign credit ratings of the Philippines directly affect companies that are resident and domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. In 2013, the Philippines earned investment grade status from all three major credit ratings agencies: Fitch (BBB-), Standard and Poor’s (S&P) (BBB-), and Moody’s (Baa3). In 2014, S&P and Moody’s upgraded their ratings to “BBB” and “Baa2” in May and December, respectively, with both agencies affirming these ratings in 2017. Fitch also upgraded the Philippines’ long-term foreign currency issuer default rating from “BBB-” to “BBB” in December 2017, while S&P raised its outlook to Positive from Stable last April 2018. S&P further upgraded the country’s rating by a notch from “BBB” to “BBB+” in April 2019 brought about by the country’s solid economic fundamentals. Furthermore, the three (3) credit rating agencies affirmed their respective credit ratings of the country, with S&P in May 2020, Moody’s in July 2020, and Fitch Ratings in January 2021. However, in July 2021, Fitch Ratings downgraded the country’s outlook from stable to negative. All ratings are above investment grade and the highest that the country has received so far from any credit ratings agency.

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

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

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

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

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

According to data from the BSP, the average gross NPL ratio exclusive of interbank loans for the Philippine universal and commercial banks as of the periods ended 31 December 2018, 2019, 2020 and 30 September 2021 was 1.29% and 1.60%, 3.20%, and 4.14% respectively.

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

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

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

risks. In addition, the BSP has been prudent and conservative in setting the minimum reserve requirement compared to other regulators in the region, with a minimum reserve requirement for Peso deposit balances of 17% to be held with the BSP by 31 May 2019, 16.5% by 28 June 2019, 16% by 26 July 2019, 15% by 1 November 2019, 14% by 6 December 2019, and 12% by 28 February 2021 (compared to, for example, Indonesia, where the minimum local currency reserve requirement is 3.5% of local currency deposit balances).

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

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

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

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

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

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

RISKS RELATING TO THE COMMON SHARES

Holders may not receive dividend payments if the Bank elects to defer dividend payments.

Since the purchase of Traders Royal Bank ("TRB") assets in 2001, the Bank has been restricted by BSP from declaring dividends until it fully provisions for the various miscellaneous assets acquired from the transaction. While these assets have been fully provisioned in the Bank's audited financial statements, ₱1.36 billion still remains to be provisioned in its regulatory reporting to BSP. The Bank annually books a provision of ₱160 million to reduce this balance.

In accordance with the By-Laws and upon completion of the provision for various assets of TRB, dividends may be declared from the surplus profits arising from the business of the Corporation at such time and in such percentage as the Board of Directors deem proper. No dividends may be declared that will impair the capital of the Corporation. Stock dividends shall be declared in accordance to the law, there is no assurance that the Bank can or will declare dividends on the Common Shares in the future. The declaration of dividends, if any, will be subject to compliance with applicable laws and regulations, and the absence of circumstances which may restrict the payment of such amount of dividends, including, but not limited to, major corporate projects and undertakings. The Board may, at any time, modify such dividend payout ratio depending on the Bank's results of operations and future projects. No assurance can be given as to the Bank's ability to make or maintain

dividends. Nor is there any assurance that the level of dividends will increase over time, or that the Bank will generate adequate income available for dividends to shareholders. See “*Dividends and Dividend Policy*” on page 91.

The Common Shares may not be a suitable investment for all investors.

Each potential investor in the Common Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

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

There may be insufficient residual assets upon liquidation to pay all the Common Shareholders.

Under Philippine law, upon any voluntary or involuntary dissolution, liquidation or winding up of the Bank, holders of the Common Shares will be entitled only to the available assets of the Bank remaining after the indebtedness of the Bank is satisfied. If any such assets are insufficient to pay the amounts due on the Common Shares, then the holders of the Common Shares shall share ratably in any such distribution of assets in proportion to the amounts to which they would otherwise be respectively entitled. In the event of liquidation or winding-up, the unsubordinated obligations of the Bank shall be preferred over the claims of holders of the Common Shares in respect of the Common Shares, which Common Shares shall rank *pari passu* with each other.

Certain actions relating to the Common Shares require prior approval of the BSP.

Since the purchase of Traders Royal Bank assets, the Bank has been restricted by BSP from declaring dividends until it fully provisions for various miscellaneous assets from the transaction. While these assets have been fully provisioned in the Bank’s audited Financial Statements, ₱1.36 billion still remains to be provisioned in its regulatory reporting to BSP. The Bank annually books a provision of ₱160 million to reduce this balance.

Certain actions relating to the Common Shares, including but not limited to, declaration of stock (i.e., common shares) dividends, are subject to the prior approval of the BSP. There is no assurance that such approval will be obtained by the Bank in a timely manner, if at all. Neither the Bank nor the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners makes any such assurance that such BSP approval will be obtained in a timely manner, if at all.

The market price of the Common Shares may be volatile, which may result in the decline in the value of investments of the Common Shareholder.

The market price of the Common Shares could be affected by several factors, including: (i) general market, political and economic conditions; (ii) changes in earnings estimates and recommendations by financial analysts; (iii) changes in market valuations of listed stocks in general and other banking stocks in particular; (iv)

the market value of our assets; (v) changes to Government policy, legislation or regulations; and (vi) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Common Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Common Shares.

There has been no prior market for the Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

There has been no prior trading in the Shares and there can be no assurance that an active market for the Offer Shares will develop following the Offer or, if developed, that such market will be sustained.

The Offer Price has been determined after taking into consideration a number of factors including, but not limited to, the Bank's prospects, the market prices for shares of companies engaged in related businesses similar to that of the Bank's businesses and prevailing market conditions. The price at which the Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

The Bank's shares are subject to Philippine foreign ownership limitations.

Under the General Banking Law (Republic Act No. 8791) (the "**General Banking Law**"), as clarified by BSP Circular No. 256, the aggregate voting stock in a domestic bank held by foreign individuals and non-bank corporations must not exceed 40% of the outstanding voting stock of such bank. Although the aggregate ceiling on the equity ownership in a domestic bank does not apply to Filipinos and domestic non-bank corporations, each Filipino individual or Philippine non-bank corporation may own up to 40% of the voting stock of a universal and commercial bank. The percentage of foreign-owned voting stock in a bank shall be determined by the citizenship of the individual stockholders in that bank. The citizenship of the corporation which is a stockholder in a bank, shall follow the citizenship of the controlling stockholders of the corporation, irrespective of the place of incorporation.

On July 15, 2014, RA 10641 was enacted, which provided that established, reputable and financially sound foreign banks may be authorized by the Monetary Board to operate in the Philippine banking system through any of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing bank; (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches with full banking authority.

The passage of RA 10641, however, did not entirely eliminate the foreign ownership controls under the General Banking Law. While qualified foreign banks may own up to 100% of voting shares in a universal bank, other foreign individuals or non-bank corporations are still subject to the 40% foreign ownership limitation under the General Banking Law. Further, the aggregate foreign-owned voting stock owned by foreign individuals and non-bank corporations shall not exceed 40% of the voting stock of the universal bank.

In addition, the Philippine Constitution and related statutes limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Eleventh Regular Foreign Investment Negative List, provide that certain activities are nationalized or partly nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly nationalized and thus, companies that own land may only have a maximum of 40% foreign equity. Since the

aggregate foreign ownership in the Bank is limited to a maximum of 40% of (a) total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the number of outstanding shares of stock, whether or not entitled to vote in the election of directors, the Bank cannot allow the issuance or the transfer of its Common Shares to persons and cannot record transfers in its books if such issuance or transfer would result in the Bank exceeding the 40% foreign ownership limitation. For more information, see “*Foreign Exchange Regulations and Foreign Ownership*” on page 254 of this Prospectus.

These restrictions may adversely affect the liquidity and market price of the Common Shares to the extent international investors are not permitted to purchase Common Shares in normal secondary transactions.

There can be no guarantee that the Offer Shares will be listed on the PSE, or that there will be no regulatory action that could delay or affect the Offer.

Purchasers of the Trading Participants and Retail Offer Shares will be required to pay for such Offer Shares on the Trading Participants and Retail Offer Settlement Date, which is expected to be on or about 22 March 2022. There can be no guarantee that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. This may materially and adversely affect the value of the Offer Shares.

Future sales of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and shareholders may experience dilution in their holdings.

In order to fund and capitalize the continued expansion of the Bank’s business and operations, the Board may consider the funding options available to them at any given time, which may include the issuance of new Shares. While the Revised Corporation Code of the Philippines and the listing rules of the PSE provide for some degree of minority shareholders’ protection, if additional funds are raised by the Bank through the issuance of new equity or equity-linked securities other than on a *pro rata* basis to existing shareholders such as through a share rights offer, the percentage ownership of existing shareholders may be reduced, shareholders may experience subsequent dilution or such securities may have rights, preferences and privileges senior to those of the Offer Shares.

Further, the market price of the Common Shares could decline as a result of future sales of substantial amounts of the Common Shares in the public market or significant sales, including by our shareholders, or our Beneficial Owners or key employees under who have share based compensation, or the issuance of new Shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Common Shares or our ability to raise capital in the future at a time and at a price that the Bank deems appropriate.

The PSE rules require existing shareholders owning at least 10% of the outstanding shares of a company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the Common Shares. In addition, all shares issued or transferred within 180 days prior to the commencement of the Offer at an issue price less than the price per Offer Share shall be subject to a lock-up period of at least 365 days from the date that full payment is made on such Shares, as required by the PSE. To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a PCD participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

Moreover, a listed company on the PSE shall be prohibited from offering additional securities, except offerings for stock dividends and employee stock option plans, within 180 calendar days from the date of initial listing.

Except for such restrictions, there is no restriction on our ability to issue Shares or the ability of any of the Bank's shareholders to dispose of, encumber or pledge, their Shares, and there can be no assurance that the Bank will not issue Shares or that such shareholders will not dispose of, encumber or pledge, their Shares.

The conversion of the Bank's existing preferred shares into common shares may lead to dilution of an investor's shareholding in the Bank and could decrease the market price of the Common Shares.

On 5 August 2021, SMC Equivest Corporation ("SMC Equivest"), a wholly owned subsidiary of San Miguel Corporation, subscribed to 41,666,667 Series 1 Preferred Shares of Bank of Commerce for ₱5,500,000,044.00, which was fully paid on the same date. The preferred shares are cumulative, non-voting, non-participating, perpetual, and convertible into common shares at a ratio of 1:1 (i.e. one preferred share is convertible into one common share) and at the option of the preferred shareholder after five (5) years from the date of issuance, subject to requirements under laws, rules, and regulations. Dividends shall accrue at a rate of 2.50% p.a. in the 1st year, 3.00% p.a. in the 2nd year, 4.00% p.a. in the 3rd year, 5.00% p.a. in the 4th year, and 5.50% p.a. in the 5th year onwards from issuance. The dividends shall be payable either in cash or in shares at the discretion of the Bank. The foregoing capital infusion is in compliance with the requirement of the BSP for the Bank to meet the minimum capitalization requirements for banks applying for a universal banking license. Prior to such subscription, SMC Equivest owned 4.69% of the outstanding capital stock of the Bank comprising of common shares. The terms and conditions of the Preferred Shares, including the dividend rate, were approved by the BSP.

Should SMC Equivest elect to convert the Series 1 Preferred Shares of the Bank into common shares of the Bank, the holders of the Bank's common shares may experience dilution and their percentage ownership in the Bank may be reduced. Such dilution and reduction in percentage ownership could adversely affect the market price of the Bank's Common Shares.

Investors may incur immediate and substantial dilution as a result of purchasing Common Shares in the Offer.

The issue price of the Common Shares in the Offer may be substantially higher than the net book value of net assets per share of the outstanding Shares. Therefore, purchasers of Shares in the Offer may experience immediate and substantial dilution and our existing shareholders may experience a material increase in the net book value of net assets per share of the Common Shares they own. See "*Dilution*" on page 95 of this Prospectus.

Shareholders may be subject to limitations on minority shareholders' rights.

The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in certain other countries such as the United States or United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries.

The Revised Corporation Code, however, provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the Bank's outstanding capital stock is required. The Revised Corporation Code also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his or her shares in certain instances. Derivative actions, while permitted under the Revised Corporation Code and government by the Interim Rules of Procedure Governing Intra-Corporate Controversies (A.M. No. 01-2-04-SC), are rarely brought on behalf of Philippine companies. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

Overseas shareholders may be subject to restrictions or repatriation of pesos received with respect to the Offer Shares.

Under regulations of BSP, as a general rule, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. There are restrictions on the sale and purchase of foreign exchange within the Philippine banking system. In particular, a foreign investment must be registered with the BSP if foreign exchange is needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon is sourced from the Philippine banking system. See “*Foreign Exchange Regulations and Foreign Ownership*” on page 254.

The Government has, in the past, instituted restrictions on the conversion of pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency-denominated obligations. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority during a foreign exchange crisis or in times of national emergency to temporarily suspend or restrict sales of foreign exchange, to require licensing of foreign exchange transactions or to require delivery of foreign exchange to BSP or its designee banks. The Bank is not aware of any pending proposals by the Government relating to such restrictions. Any restrictions imposed in the future pursuant to such statutory authority could adversely affect the ability of the Bank to source foreign currency to comply with its foreign currency-denominated obligations and adversely affect the ability of investors to repatriate foreign currency upon sale of the Offer Shares or dividends or distributions relating to them.

Overseas shareholders may find it more difficult than Philippine shareholders to exercise their voting rights at the Bank’s shareholders’ meetings.

There are no provisions under Philippine law or under the Bank’s by-laws that will limit the exercise by foreign holders of their voting rights of the Shares. All shareholders of record may attend the Bank’s shareholder meetings in person, by proxy or through remote communication or other alternative modes of communication in accordance with SEC Memorandum Circular No. 6, series of 2020. However, there are practical, geographic and logistical limitations on foreign holders’ ability to receive notice of and attend regular or special meetings of the Bank’s shareholders on a timely basis. The implementing rules of the SRC require the Bank to send all shareholders of record notice of the annual meeting at least two weeks before the meeting unless (and this also applies to special meetings) the Bank has already distributed an information statement and proxy form (in case of proxy solicitation) relating to a shareholders’ meeting at least 15 business days before the shareholders’ meeting. But there can be no assurance that foreign shareholders will receive such notices in a timely manner or at all.

RISKS RELATING TO CERTAIN INFORMATION IN THE PROSPECTUS

Statistical information and forecasts found in this Prospectus pertaining to the banking industry, the economy and other data were obtained from third parties, market research, internal surveys, government data, public information and industry publications. There is no assurance that these data are complete, accurate, up-to-date, and consistent with other information from sources outside the Philippines.

USE OF PROCEEDS

The Bank estimates that net proceeds from the Offer, based on an Offer Price of ₱12.00 per Offer Share, will be approximately ₱3,202.4 million after deducting the applicable underwriting fees and commissions and expenses for the Offer. The Bank intends to use the net proceeds from the Primary Offer to fund the Bank's lending activities and secondly, finance capital expenditure requirements in connection with the upgrading of its ATM fleet and its core banking system. Any remaining proceeds will be used for the acquisition of investment securities to meet regulatory liquidity requirements.

Use of Proceeds	Estimated Amounts	Percentage	Timing of Disbursement
Lending Activities	₱1,800 million	56%	2022
Capital Expenditure	₱922 million	29%	2H2022 - 2026
Acquisition of investment securities	₱480.4 million	15%	2022

In the event that the net proceeds from the sale of Primary Shares is less than the expected amount, the Bank intends to allocate the proceeds in order of priority as follows: (1) lending activities, (2) capital expenditure, and (3) acquisition of investment securities. Any shortfall from the net proceeds of the Offer allotted to any of the foregoing will be financed from the Bank's internally generated funds.

BANK'S LENDING ACTIVITIES

The Bank is planning to increase its loan portfolio in 2022 in line with its strategy to increase interest income. Loans will be primarily to corporate borrowers as well as some housing and auto loans.

The Bank has a pipeline of loans for the coming months as part of its business as usual activities. The proceeds for the loans will be disbursed to the longest tenor approved loan awaiting funding at the time the proceeds are received by the Bank. If no loan is awaiting funding at the time, proceeds will be placed with BSP as part of Bank's reserves until a loan arises.

CAPITAL EXPENDITURES

Below are the details for the capital expenditures in connection with the Information Technology ("IT") projects comprising the upgrade of ATM fleet and core banking system.

Details of the IT infrastructure projects are as follows:		
Project Details	Budget	Estimated Timetable
ATM Refresh: Replace 273 existing ATMs with: <ul style="list-style-type: none"> • 144 Cash Recycling Machines • 129 New Version ATMs Purchases Additional Machines for Offsite locations <ul style="list-style-type: none"> • 15 Cash Recycling Machines • 12 Cash Deposit Machines 	₱522 million Full rollout by 2023 with annual payments expected to last until 2026.	2022 – ₱104.4 million 2023 – ₱104.4 million 2024 – ₱104.4 million 2025 – ₱104.4 million 2026 – ₱104.4 million

Core banking improvements: <ul style="list-style-type: none"> Upgrading the Core Banking System 	₱400 million Go-live by 2023 with annual payments expected to last until 2026.	2022 – ₱100 million 2023 – ₱75 million 2024 – ₱75 million 2025 – ₱75 million 2026 – ₱75 million
Total		₱922 million

Proceeds to be used for capital expenditures will be included in the Bank’s overall balance sheet management while following the required payment schedules for the various initiatives. As part of the overall funding of the Bank, the proceeds will contribute to achieving regulatory liquidity requirements while awaiting disbursement.

ATM Refresh

The Bank shall procure replacement for 273 Automated Teller Machines (ATM) which is estimated to be completed by 30 June 2023.

The Bank will also procure 15 Cash Recycling Machines (CRM) for offsite locations. A CRM is a complex electronic device that handles accepting and dispensing cash. In a CRM, banknotes are placed into a feeder and passed through a bill identifier to determine the denomination and validity of the banknotes. The cash is then stored in separate cassettes or modules for dispensing in future transactions.

Upgrade of the Core Banking System

Silverlake IBS is the core banking system of the Bank and was first deployed in 2002. The Bank plans to modernize its core banking platform starting the second half of 2022 to support the business goals of the Bank as the current platform is now in its end of support period. The modernization of its core banking system is intended to move to Banking-as-a-Service with a cloud service provider to maximize the Bank’s capabilities and minimize expenses. The Bank is currently looking into either upgrading the existing core banking platform with Silverlake or undertake a full platform replacement and will be decided by June 2022.

ACQUISITION OF INVESTMENT SECURITIES

As part of its liquidity management the Bank plans to place up to ₱480.4 million of the proceeds in Philippine government securities to both generate interest revenue as well as to satisfy the High Quality Liquid Asset (“HQLA”) requirements of the BSP under Basel III.

The Bank's Treasury team will determine which tenor will be the most profitable for the Bank and the investments are intended to be placed until maturity.

In the event that the net proceeds from the Offer is less than the expected amount, the Bank intends to allocate the net proceeds in the same order of priority as noted in the first table in this section.

EXPENSES

Based on an Offer Price of ₱12.00 per Offer Share, the Bank estimates that the total proceeds from the Offer, total expenses for the Offer and the net proceeds from the Offer will be:

	Estimated Amounts in (₱) (in millions)
Estimated Gross proceeds from the Offer	3,367.2
<i>Estimated fees and expenses:</i>	
Underwriting fees for the Offer Share ¹	75.8
Documentary stamp taxes	28.1
PSE filing fee	18.2
Selling fees to be paid to the PSE Trading Participants ²	6.7
SEC registration, filing, and research fees	4.3
Estimated professional fees	
• <i>Legal fees</i>	6.5
• <i>Accounting fees</i>	5.8
• <i>Consultancy and advisory fees</i>	8.4
• <i>Escrow agent fee</i>	0.2
• <i>Stock transfer and receiving agent fee</i>	0.7
• <i>Securities depository fee</i>	0.1
Estimated other expenses	10.0
Total Expenses	164.8
Estimated Net proceeds from the Offer	3,202.4

The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above. The estimated amounts used to determine the estimated net proceeds are presented in this Prospectus for convenience only.

UNDERTAKING ON THE USE OF PROCEEDS

The proposed use of proceeds described above represents the Bank's best estimate of the use of the net Offer proceeds. The actual amount and timing of disbursement of the net proceeds from the Offer based on the uses stated above will depend on factors such as changing market conditions or new information regarding the cost or feasibility of the Bank's plans. Cost estimates may change as the Bank develops its plans, and actual costs may be different from the budgeted costs. For these reasons, the Bank may find it necessary or advisable to reallocate the net Offer proceeds within the categories described above, or to alter plans.

Other than as described above, no part of the net proceeds from the Offer Shares shall be used to acquire assets outside of the ordinary course of business or finance the acquisition of other businesses, or to reimburse any

¹ The underwriting and selling fee amount include the fees of the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners.

² Fee of 1.00%, inclusive of VAT, for the PSE Trading Participants.

officer, director, employee or shareholder of the Bank for services rendered, assets previously transferred, money loaned or advanced, or otherwise. No amount of the net proceeds of the Offer will be lent to any of our affiliates. The actual amount and timing of disbursement of the net proceeds from the Offer Shares for the uses stated above will depend on various factors which include, among others, changing market conditions or new information regarding the cost or feasibility of our expansion projects. Our cost estimates may change as we develop our plans, and actual costs may be different from our budgeted costs. To the extent that the net proceeds from the Offer Shares are not immediately applied to the above purposes, we will invest the net proceeds in interest-bearing short term demand deposits and/or money market instruments and other short term liquid instruments.

No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

The Bank undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed in this Prospectus. The Bank's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Bank's management may find it necessary or advisable to alter its plans.

In the event of any deviation, adjustment or reallocation in the planned use of proceeds, the Bank shall inform the SEC and the PSE in writing at least thirty (30) days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by our board of directors and disclosed to the PSE. In addition, we shall submit via the PSE EDGE the following disclosures to ensure transparency in the use of proceeds:

- (1) any material disbursements made in connection with the planned use of proceeds from the Offer Shares;
- (2) quarterly progress report on the application of the proceeds from the Offer Shares on or before the first fifteen (15) days of the following quarter; the quarterly progress reports should be certified by the Bank's Chief Financial Officer or Treasurer and external auditor;
- (3) annual summary of the application of the proceeds on or before January 31 of the following year, which will be certified by our Chief Financial Officer or Treasurer and external auditor; and
- (4) approval by our board of directors of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Bank at least thirty (30) days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items (2) and (3) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation must state the approval of our Board as required in item (4) above. We will submit an external auditor's certification of the accuracy of the information reported by us to the PSE in our quarterly and annual reports.

The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above. The estimated amounts used to determine the estimated net proceeds are presented in this Prospectus for convenience only.

DIVIDENDS AND DIVIDEND POLICY

The Bank is authorized under Philippine law 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. The Board may not declare dividends which will impair its capital.

Pursuant to Republic Act No. 8791 and as provided for in the Manual of Regulations Banks (the “**Manual**”), the Bank cannot declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts. The Bank 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/FCU cover consisting of 30 per cent liquidity cover and 100 per cent 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 for banks whose shares are listed in the PSE, the bank 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.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment is first registered with the BSP. See “*Foreign Exchange and Foreign Ownership*” on page 254.

The Revised Corporation Code of the Philippines generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite corporate projects or programs approved by the board of directors of the corporation; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office. The Bank is allowed under Philippine law to declare cash, property and stock dividends, subject to certain requirements. See “*Description of the Shares — Rights Relating to Shares — Dividend Rights*” on page 206.

RECORD DATE

Pursuant to existing SEC rules, cash dividends declared by the Bank must have a record date not less than ten (10) days nor more than thirty (30) days from the date the cash dividends are declared.

With respect to stock dividends, the record date is to be not less than ten (10) days nor more than thirty (30) days from the date of shareholders’ approval. In either case, that the set record date is not to be less than ten trading days from receipt by the PSE of the notice of declaration. If no record date is set, under SEC rules, the record date will be deemed fixed at fifteen (15) days from the date of declaration. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Pursuant to the PSE Listing and Disclosure Rules, all cash dividends and stock dividends declared by the Bank shall be remitted to the PDTC for immediate distribution to participants not later than eighteen (18) trading days after the record date (the **Payment Date**); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends' listing date. If the stock dividend shall come from an increase in capital stock, all stock shall be credited to PDTC for immediate distribution to its participants not later than twenty (20) trading days from the record date set by the SEC, which in no case shall be later than the stock dividends' listing date.

In accordance with the PSE disclosure rules, for all cash and stock dividends accruing to shares lodged with the PDTC, whether from unissued capital or resulting from an increase in capital stock, the same shall be remitted/credited to the PDTC for immediate distribution to its participants not later than eighteen (18) trading days from the record date.

DIVIDENDS

Since the purchase of Traders Royal Bank assets in 2001, the Bank has been restricted by BSP from declaring dividends until it fully provisions for the various miscellaneous assets acquired from the transaction. While these assets have been fully provisioned in the Bank's audited Financial Statements, ₱1.36 billion still remains to be provisioned in its regulatory reporting to BSP. The Bank annually books a provision of ₱160 million to reduce this balance.

Upon the fulfillment of the provisions for TRB and the lifting of the restrictions by BSP, the Board will periodically review the amount of dividends to be paid and the frequency of dividend payment in light of the Bank's earnings, financial condition, cash flows, capital requirements and other considerations while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Bank can operate on a standalone basis.

Dividends shall be declared and paid out of the Bank's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of the outstanding capital stock held by them. Unless otherwise required by law, the Board, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- The level of the Bank's earnings, cash flow, return on equity and retained earnings;
- Its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- The projected levels of capital expenditures and other investment programs;
- Restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements;
- The classes of shares held by the shareholders; and/or
- Such other factors as the Board deems appropriate.

The Bank cannot provide any assurance that it will pay any dividends in the future.

Currently, the Bank does not have a formal dividend policy approved by the Board.

DETERMINATION OF THE OFFER PRICE

The Offer Shares shall be offered at a price of ₱12.00 per Offer Share. The final Offer Price was determined through a book-building process and discussions among the Bank, the Financial Advisor and Issue Coordinator, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. Since the Offer Shares have not been listed on any stock exchange, there is no market price for the Shares derived from day-to-day trading.

The factors considered in determining the Offer Price were, among others, the Bank's ability to generate earnings and cash flow, the Bank's short- and long-term prospects, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer and the market prices of listed comparable banks, with reference to the country's stock market index. The Offer Price may not have any correlation to the actual book value of the Offer Shares.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Bank's deposit liabilities and interest-bearing liabilities, equity and capitalization as of 30 September 2021, and as adjusted to reflect the sale of the Offer Shares.

For the purposes of making adjustments to the table below with respect to the Offer, the Bank has estimated that it will receive net proceeds of ₱3,202.4 million from the sale of the Offer Shares in the Offer after deducting an estimated aggregate amount of underwriting commissions, discounts and fees and certain other estimated expenses the Bank expects to incur in connection with the Offer.

This estimate is based on an Offer Price of ₱12.00. The actual underwriting commission, discounts, fees and other Offer-related expenses may vary from the estimated amounts. The estimated amounts used to determine the estimated net proceeds are presented in this Prospectus for convenience only.

The table should be read in conjunction with the Bank's consolidated financial statements and the notes thereto, included in this Prospectus beginning on page F-1. Other than as described below, there has been no material change in the Bank's capitalization since 30 September 2021.

	As of 30 September 2021 (in ₱ millions)	IPO Adjustments	Pro-Forma Post Offer
Liability Accounts			
Deposit Liabilities	167,463		
Bills Payable	-		
Financial Liabilities at FVPL	10		
Manager's Checks and Acceptances Payable	772		
Accrued Interest, Taxes, and Other Expenses	967		
Other Liabilities	3,256		
Total Liabilities	172,468		
Equity Accounts			
Paid-in Capital Stock	15,391	2,806	18,197
Additional Paid-in Capital	6,886	396	7,282
Surplus reserves	465	0	465
Retained Earnings	510	0	510
Remeasurement losses on retirement liability	-322	0	-322
Net unrealized gain (losses) on financial assets at FVOCI	-121	0	-121
Cumulative translation adjustment	6	0	6
Share in other comprehensive loss of an associate	-1	0	-1
Total Equity	22,814	3,202	26,016
Total Capitalization and Indebtedness	195,282		198,484
Capital Ratios			
CET1 ratio	14.73%		17.30%
Tier 1 capital ratio	19.95%		22.38%
Total capital ratio	20.86%		23.27%

DILUTION

The Bank will offer 280,602,800 Offer Shares to the public at the Offer Price, which will be substantially higher than the adjusted book value per share of the outstanding Shares, which will result in an immediate material dilution of the new investors' equity interest in the Bank. The book value of the Bank, based on its audited financial statements as of 30 September 2021 and taking into account the adjustments discussed below, was ₱17,356,136,784 or ₱15.46 per Share. The book value represents the amount of the Bank's total equity less the sum of its preferred equity. The Bank's book value per share is computed by dividing the book value by 1,122,411,120 issued and outstanding Shares.

Dilution in pro-forma book value per share to investors of the Offer Shares represents the difference between the Offer Price and the pro-forma book value per Share immediately following the completion of the Offer.

To reflect the receipt of the net Offer proceeds of approximately ₱3,202.4 million from the sale of 280,602,800 Offer Shares at an Offer Price of ₱12.00 per Offer Share, the Bank's book value will be approximately ₱20,558,544,530 or ₱14.65 per Share. This represents an immediate decrease of ₱0.81 per share to investors of the Offer Shares.

The following table illustrates dilution on a per Share basis based on an Offer Price of ₱12.00 per Offer Share:

	₱ Amount
Offer Price per Offer Share	12.00
Pro-forma Book Value per Share as of 30 September 2021*	15.46
Decrease in Book Value per Share attributable to the Offer Shares	0.81
Pro-forma Book Value per Share after the Offer	14.65
Increase in Book Value per Share to Investors in the Offer Shares	2.65

* Based on a par value of ₱10.00 per share.

The following table sets forth the shareholdings outstanding of existing and new shareholders of the Bank immediately after completion of the Offer of 280,602,800 Shares.

Existing Shareholders	1,122,411,120
New Investors	280,602,800
Total	1,403,013,920

Immediately after the Offer, the 280,602,800 Offer Shares will comprise 20 percent of the issued and outstanding capital stock in the Bank.

SELECTED STATISTICAL DATA

The following information should be read together with the Bank's consolidated financial statements included in this Prospectus as well as "Management's Discussion and Analysis of Financial Position and Results of Operations" and "Risk Management". All amounts presented in this section except for Average Daily Balance and Average Yield/Cost have been prepared in accordance with PFRS.

AVERAGE STATEMENTS OF CONDITION

The table below presents the average statements of condition together with the related interest revenue and expense amounts for interest-bearing assets and interest-bearing liabilities, resulting in the presentation of the average yields and costs for each period. The average yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets. The average cost on average interest-bearing liabilities.

	2018			2019			2020			30 September 2021 (YTD)		
	Average Daily Balance	Interest Income/Expense	Average Yield/ Cost	Average Daily Balance	Interest Income/Expense	Average Yield/ Cost	Average Daily Balance	Interest Income/Expense	Average Yield/ Cost	Average Daily Balance	Interest Income/Expense	Average Yield/ Cost
<i>(P millions except percentages)</i>												
Due from BSP and other banks.....	6,039	97	1.58%	5,745	163	2.81%	16,651	266	1.57%	20,829	165	1.04%
Interbank loans receivables and securities purchased under agreements to resell.....	404	12	3.02%	995	43	4.26%	384	3	0.88%	109	0	0.02%
Financial Investments.....	30,713	1,188	3.82%	28,155	1,151	4.03%	27,133	937	3.40%	42,171	826	2.58%
Loans and receivables.....	67,988	3,818	5.54%	78,065	5,025	6.35%	84,056	4,837	5.66%	88,856	3,346	4.97%
Credit Cards.....	404	104	18.08%	996	167	16.57%	1,447	261	17.71%	1,427	120	11.11%
Total interest-earning assets.....	105,713	5,220	4.87%	113,956	6,550	5.67%	129,671	6,304	4.78%	153,392	4,457	3.83%
Deposit Liabilities.....	112,222	1,509	1.33%	120,279	2,346	1.92%	132,078	1,128	0.84%	154,578	491	0.42%
Bills payable and other borrowings.....	328	10	3.02%	72	5	6.63%	24	1	4.54%	18	0	2.71%
Others.....												

Total interest-bearing liabilities.....	112,549	1,519	1.33%	120,351	2,351	1.93%	132,102	1,129	0.84%	154,596	491	0.42%
--	----------------	--------------	--------------	----------------	--------------	--------------	----------------	--------------	--------------	----------------	------------	--------------

ANALYSIS OF CHANGES IN INTEREST INCOME AND INTEREST EXPENSE - VOLUME AND RATE ANALYSIS

The following table provides an analysis of changes in interest income, interest expense, and net interest income between changes in volume (average daily balances) and changes in rates for the (i) year ended 31 December 2018 compared to the year ended 31 December 2019; (ii) year ended 31 December 2019 compared to the year ended 31 December 2020; (iii) quarter ended 31 December 2020 compared to the quarter ended 30 September 2021; and (iv) quarter ended 30 September 2020 compared to the quarter ended 30 September 2021. Volume and rate variances have been calculated on the movement in average daily balances and the change in the interest rates on average interest earning assets and average interest-bearing liabilities in proportion to absolute volume and rate change. The variance caused by the change in both volume and rate has been allocated in proportion to absolute volume and rate change.

	For the year ended 31 December 2018 compared to the year ended 31 December 2019			For the year ended 31 December 2019 compared to the year ended 31 December 2020			For the quarter ended 31 December 2020 compared to the quarter ended 30 September 2021			For the quarter ended 30 September 2020 compared to the quarter ended 30 September 2021		
	Increase (Decrease) Due to			Increase (Decrease) Due to			Increase (Decrease) Due to			Increase (Decrease) Due to		
	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate
<i>(P millions except Share Data)</i>												
Interest Income on:												
Financial Investments.....	(38)	(2,558)	0.22%	(214)	(1,022)	-0.63%	(111)	15,038	-0.81%	19	13,046	-1.07%
Loans and Receivables.....	1,271	10,669	0.81%	(95)	6,442	-0.69%	(1,631)	4,780	-0.69%	(179)	5,739	-0.63%
Deposits with BSP and other banks.....	97	297	1.22%	62	10,295	-1.24%	(104)	3,903	-0.53%	(40)	4,872	-0.66%
Interest Expense on:												
Deposits.....	837	8,058	0.60%	(1,219)	11,798	-1.08%	(637)	22,500	-0.42%	(465)	21,860	-0.53%
Bills payable and other borrowings.....	(5)	(255)	3.61%	(4)	(48)	-2.09%	(1)	(6)	-1.84%	(1)	(14)	-1.37%
Net Interest Income.....	498	7,802	-0.50%	976	11,750	1.92%	(1,209)	22,494	-13.68%	266	21,847	6.59%

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Bank's financial condition and results of operations should be read in conjunction with the audited financial statements and the related notes included elsewhere in this Prospectus and the sections entitled "Summary of Financial and Operating Information" and "Selected Financial Data". The selected financial information presented below as of and for the years ended 31 December 2018, 2019, 2020, and 9-month period ended 30 September 2021 were derived from the financial statements prepared in accordance with PFRS and audited by R.G. Manabat & Co. in accordance with Philippine Standards on Auditing.

The following discussion contains financial information for both the Bank. Certain financial information for the Bank has not been made available. Investors should therefore be cautioned when relying on the incomplete financial information presented herein when making an investment decision regarding the Offer Shares.

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

OVERVIEW

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

The Bank is one of the country's progressive commercial banks, with a network of 140 Branches and 257 Automated Teller Machines (ATMs) strategically located nationwide, as of 30 September 2021.

Being part of the San Miguel Group, the Bank seeks to keep pace with its peers in the banking industry. As of 30 June 2021, BankCom ranked 16th in terms of Total Assets among the universal and commercial bank group based on the published balance sheets submitted to the BSP.

FACTORS AFFECTING THE BANK'S RESULTS OF OPERATIONS

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

Execution of the Bank's Growth Strategy

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

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

General Economic Conditions in the Philippines

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

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

Preliminary data from the Philippine Statistics Authority reflected a 7.1% growth in the country's GDP during the 3rd quarter of 2021, albeit at a slower pace from the previous quarter's 12%, due to the government's reimposition of strict measures to contain the Delta-variant driven surge in COVID-19 cases. In terms of sectoral output, industry and services grew 7.9% and 8.2%, respectively, while agriculture, forestry, and fishing declined 1.7%. In 2020, GDP contracted by 9.5% as compared to 6.4% in 2019, though the Philippines still ranks among the fastest growing economies not only in ASEAN, but in all of Asia. The country's GDP growth remained relatively high compared to its Asian peers due to improved economic and credit fundamentals, relatively low interest rates, and benign inflation rates. For the Philippine banking industry, relatively low interest rates and sustained economic growth have translated to an increase in total loans from banks, coupled with a reduction in gross NPLs. Consumer spending accounted for 73.7% of the Philippine economy in 2020, as a result of continued growth in OFW remittances, business process outsourcing revenues and revenue generated from tourism. The ASEAN regional economic integration began at the end of 2015 and it is expected to lead to greater economic growth in the future.

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

Competition

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

Interest Rates

Beginning in 2004, the Government reduced its borrowings and its budget deficit, achieved in part through Government improvements in cash and revenue management as well as various privatization programs. The 91-day Treasury bill rates have decreased from an average rate of 7.3% in 2004 to an average rate of 1.0% in the month of December 2020. The interbank call loan rate, which is the rate on loans among Philippine banks for periods less than 24 hours, primarily for the purpose of covering reserve deficiencies, has decreased from an average rate of 4.8% in 2009 to an average rate 3.5% in 2020. Commercial lending interest rates in the Philippines have generally followed the trends in Government borrowing rates, moving from an average range of 6.14% in 2019 to 7.1% in 2019 based on data from the BSP.

Based on latest available data obtained from the BSP, the following tables set out certain domestic interest rates for the periods indicated:

	Domestic Interest Rates			
	31 December			30 September
	2018	2019	2020	2021
	(weighted averages in percentages per period)			
91-day Treasury bill rates	3.54%	4.67%	2.02%	1.07%
Interbank call loan rate ⁽¹⁾	3.73%	4.67%	3.54%	1.69%
Philippine commercial bank average lending rates ⁽²⁾	6.14%	7.10%	n.a.	n.a.
Overnight reverse repurchase rates.....	3.63%	4.41%	2.73%	2.00%

Notes:

- (1) Rate on loans among Philippine banks for periods less than 24 hours.
- (2) Range of monthly rates reflect the annual per percentage equivalent of all commercial banks' actual monthly interest income on peso-denominated loans to the total outstanding level of the peso-denominated demand/time loans, bills discounted, mortgage contract receivables and restructured loans. Data for 2020 and as of 30 September 2021 not available.

Source: BSP

Fluctuations in domestic market interest rates can have a significant impact on the Bank by affecting its interest income, cost of funding and general performance of its existing loan portfolio and other assets. Though the Bank has a relatively stable deposit base weighted towards CASA deposits, in a period of rising domestic interest rates, the Bank may be required to compete aggressively to attract deposits by offering higher rates to depositors in order to increase the Bank's loanable funds. However, as interest rates increase, the Bank aims to protect its profitability by adjusting its lending rates upward. The Bank believes that it is well-positioned for an increasing interest rate environment as most of its assets are short term in duration and may be re-priced as rates increase. However, increased interest rates on their customers' floating rate loans can also potentially negatively affect the Bank's business by increasing default rates among the Bank's borrowers, which could in turn lead to increases in the Bank's NPL portfolio and its real and other properties acquired ("ROPA"). Likewise, rising interest rates may impact the value of the Bank's investment securities resulting in unrealized marked to market losses in its trading and available for sale investment portfolios. Furthermore, the Bank may suffer trading losses as a result of the decline in value of these securities. As interest rate moves, the Bank dynamically balances its investment securities portfolio to manage its interest rate risks and mitigate such losses while maximizing the returns of its overall portfolio. However, the Bank has refocused its priorities in recent years away from reliance on trading gains and towards maximizing net interest margins. Finally, continued increases in market interest rates could adversely affect the liquidity levels of the Bank and the Philippine banking industry in general, which have in recent years been supported by the relatively low interest rate environment in the Philippines. The Bank actively manages its assets and liabilities to maximize income and minimize cost of funding, as well as to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. In

recent times, decreases in interest rates in the Philippines have resulted in increases in the Bank's fixed rate maturity securities portfolio and resulted in increased levels of trading and investment securities gains, which may not recur.

Liquidity

Among universal and commercial banks, systemic gross loans to total deposits decreased from 71.78% as of 31 December 2020 to 69.33% as of 30 September 2021, based on data from the BSP. Growth in deposits outpaced loans as gross loans increased by 1.21% from ₱9.92 billion as of 31 December 2020 to ₱10.04 billion as of 30 September 2021, while deposits increased by 4.8% from ₱13.8 billion as of 31 December 2020 to ₱14.48 billion as of 30 September 2021.

Philippine Property Market

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

Regulatory Framework

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

KEY PERFORMANCE INDICATORS AND RATIOS

	For the years ended 31 December			For the 9-month period ended 30 September	
	2020	2019	2018	2021	2020
Common Equity Tier 1 (CET1) Ratio	15.6%	15.1%	14.1%	14.7%	15.8%
Tier 1 Capital Ratio	15.6%	15.1%	14.1%	20.0%	15.8%
Total Capital Ratio	16.6%	15.9%	15.1%	20.9%	16.8%
Return on Average Assets	0.5%	0.4%	0.0%	0.5%	0.4%
Return on Average Equity	4.8%	4.1%	-0.1%	4.2%	4%
Net Interest Margin on Average Earning Assets	3.9%	3.5%	3.3%	3.4%	3.9%
Cost-to-income ratio	0.71	0.80	0.99	0.79	0.71
Loan to deposits ratio	0.64	0.71	0.65	0.59	0.68
Allowance for impairment on loans to total gross loans	3.4%	2.7%	3.0%	3.3%	3.3%
Allowances for impairment on loans to	83.2%	93.7%	97.7%	80.5%	74.2%

	For the years ended 31 December			For the 9-month period ended 30 September	
	2020	2019	2018	2021	2020
Common Equity Tier 1 (CET1) Ratio	15.6%	15.1%	14.1%	14.7%	15.8%
total NPLs (Specific only)					
Allowances for impairment on loans to total NPLs (General and Specific)	112.0%	142.3%	147.4%	107.8%	102.2%
Loans-to-Deposits Ratio (BSP formula)	59.7%	67.7%	59.9%	56.5%	64.6%
Total non-performing loans to total gross loans (BSP formula)	3.0%	1.9%	2.0%	3.0%	3.2%

CRITICAL ACCOUNTING POLICIES

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

RESULTS OF OPERATIONS

For the 9-month period ended 30 September 2021 compared with the 9-month period ended 30 September 2020

	Year to Date		Horizontal analysis		Vertical analysis	
	Sept 30, 2021	Sept 30, 2020	Increase / (Decrease)		2021	2020
INTEREST INCOME						
Loans and receivables	3,232,283	3,539,293	(307,009)	-8.67%	69.49%	68.71%
Investment securities at FVOCI and at amortized cost	865,855	793,674	72,181	9.09%	18.61%	15.41%
Due from Bangko Sentral ng Pilipinas and other banks	164,556	200,667	(36,112)	-18.00%	3.54%	3.90%
Interbank loans receivable and SPURA	234,590	162,106	72,484	44.71%	5.04%	3.15%
Financial assets at FVPL	10,498	14,721	(4,223)	-28.69%	0.23%	0.29%
	4,507,783	4,710,462	(202,679)	-4.30%	96.91%	91.45%
INTEREST EXPENSE						
Deposit liabilities	490,770	955,654	(464,885)	-48.65%	10.55%	18.55%
Lease liabilities	27,205	32,776	(5,572)	-17.00%	0.58%	0.64%
Bills payable and others	362	968	(606)	-62.63%	0.01%	0.02%
	518,336	989,398	(471,062)	-47.61%	11.14%	19.21%
NET INTEREST INCOME	3,989,447	3,721,064	268,383	7.21%	85.77%	72.24%
OTHER INCOME						
Trading and investment securities gains - net	(10,570)	996,420	(1,006,990)	-101.06%	-0.23%	19.34%
Service charges, fees and commissions	385,692	309,367	76,324	24.67%	8.29%	6.01%
Foreign exchange gains - net	20,497	38,076	(17,580)	-46.17%	0.44%	0.74%
equipment and foreclosed assets - net	231,041	50,792	180,249	354.88%	4.97%	0.99%
Miscellaneous	35,382	35,275	106	0.30%	0.76%	0.68%
	662,041	1,429,931	(767,890)	-53.70%	14.23%	27.76%
GROSS INCOME	4,651,488	5,150,995	(499,507)	-9.70%	100.00%	100.00%
OTHER EXPENSES						
Compensation and fringe benefits	1,358,682	1,372,390	(13,708)	-1.00%	29.21%	26.64%
Taxes and licenses	561,127	657,720	(96,594)	-14.69%	12.06%	12.77%
Rent and utilities	393,878	349,918	43,960	12.56%	8.47%	6.79%
Depreciation and amortization	355,900	395,749	(39,850)	-10.07%	7.65%	7.68%
Insurance	251,068	206,358	44,710	21.67%	5.40%	4.01%
Service Fees and Commissions	183,023	139,213	43,810	31.47%	3.93%	2.70%
Subscription fees	80,781	72,025	8,757	12.16%	1.74%	1.40%
Entertainment and recreation	72,635	80,625	(7,990)	-9.91%	1.56%	1.57%
Management and professional fees	57,350	52,749	4,601	8.72%	1.23%	1.02%
Amortization of software costs	36,953	24,173	12,779	52.86%	0.79%	0.47%
Provision for credit and impairment losses	(4,071)	767,133	(771,205)	-100.53%	-0.09%	14.89%
Miscellaneous	340,603	299,214	41,389	13.83%	7.32%	5.81%
	3,687,927	4,417,267	(729,340)	-16.51%	79.28%	85.76%
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	963,561	733,728	229,833	31.32%	20.72%	14.24%
SHARE IN NET LOSS OF ASSOCIATE	875	480	395	82.29%	0.02%	0.01%
INCOME BEFORE INCOME TAX	962,686	733,248	229,438	31.29%	20.70%	14.24%
INCOME TAX EXPENSE	336,961	237,953	99,008	41.61%	7.24%	4.62%
NET INCOME	625,725	495,296	130,430	26.33%	13.45%	9.62%

As of 30 September 2021, the Bank reported a net income after tax of ₱625.73 million or ₱130.43 million increased from ₱495.30 million for the same period last year. The increase was mainly due to higher net interest income brought about by lower interest expense and service charges, fees and commissions.

Total Interest Income went down by 4.30% to ₱4.51 billion on 30 September 2021 from ₱4.71 billion recorded in the same period last year.

Interest Income on Loans and Receivables dropped by 8.67% to ₱3.23 billion on 30 September 2021, from ₱3.54 billion recorded as of 30 September 2020. Interest Income from deposits with BSP and Other Banks also went down by 18.00% to ₱164.56 million at the end of 30 September 2021, while Interest earned from Interbank Loans Receivable and SPURA increased to ₱234.59 million from ₱162.11 million in 30 September 2020. On the other hand, Interest Income on Investment Securities at Fair Value through Other Comprehensive Income and at Amortized Cost as of 30 September 2021 amounted to ₱865.86 million and higher by ₱72.18

million in the same period in 2020, while Interest earned from Financial Assets at Fair Value though Profit or Loss decreased to ₱10.50 million from ₱14.72 million ending 30 September 2020.

Interest Expense on Deposit Liabilities decreased by 48.65% to ₱490.77 million from ₱955.65 million as of 30 September 2020 due to lower rates in 2021 versus 2020. Interest Expense on Lease Liabilities dropped to ₱27.20 million ending the period 30 September 2021 from ₱32.78 million in the same period of 2020. Interest incurred from Bills Payable and Others also went down by 62.63% to ₱0.36 million as of 30 September 2021 from ₱0.97 million the same period last year.

The Bank's Net Interest Income grew by 7.21% to ₱3.99 billion at the end of 30 September 2021 from ₱3.72 billion in the same period of 2020.

Total Other Operating Income decreased by 53.70% to ₱0.66 billion from ₱1.43 billion ending the period of 30 September 2020 mainly due to dropped in Trading and Investment Securities Gains.

The Bank posted a ₱(10.57) million in trading and investment securities losses. Service Charges, Fees and Commissions went up by 24.67% to ₱385.69 million as of 30 September 2021 from ₱309.37 million in the same period of 2020. Foreign Exchange gains decreased to ₱20.50 million from ₱38.08 million ending the period 30 September 2020. The Bank recorded ₱231.04 million. Gains on Foreclosure and Sale of Property and Equipment and Foreclosed Assets as of 30 September 2021, higher than the ₱50.79 million of the same period last year. Miscellaneous Income slightly increased to ₱35.38 million from ₱35.28 million.

Other Operating Expenses, excluding provision for credit and impairment losses, increased by 1.15% to ₱3.69 billion as of 30 September 2021 from ₱3.65 billion. Compensation and Fringe Benefits went down to ₱1.36 billion while Taxes and Licenses dropped to ₱561.13 million. Rent and Utilities went up to ₱393.88 million as of 30 September 2021 from ₱349.92 million. Depreciation and Amortization decreased by 10.07% from ₱355.90 million as of 30 September 2021. Service Fees and Commission were higher at ₱183.02 million as of 30 September 2021 from ₱139.21 million in the same period 2020.

The Bank posted ₱251.07 million Insurance while Entertainment and Recreation was at ₱72.63 million as of 30 September 2021. Management and Professional Fees slightly increased to ₱57.35 million while Amortization of Software Costs increased by 52.86% as of 30 September 2021 from ₱24.17 million the same period last year. Miscellaneous Expense was at ₱340.60 million in 2021 from ₱299.21 million.

The Bank's Provision for Credit and Impairment Losses is at ₱(4.07) million as of 30 September 2021 due to reversal of provisions.

The Bank recorded its share in the net loss of BIC at ₱0.87 million as of 30 September 2021, higher than the ₱0.48 million in 2020 same period.

Analysis of Statements of Condition

	as of Sep 30, 2021	as of Dec 31, 2020	Sep 21 vs Dec 20 (Change)	Sep 21 vs Dec 20 (% Change)	% to Total Assets Sep 21	% to Total Assets Dec 20
Resources						
Cash & Other Cash Items	1,878,232	2,420,505	(542,273)	-22.40%	0.96%	1.42%
Due from the BSP - net	34,576,957	39,547,211	(4,970,254)	-12.57%	17.71%	23.14%
Due from Other Banks - net	4,574,707	1,023,256	3,551,451	347.07%	2.34%	0.60%
Interbank Loans Receivables - net	23,762,138	22,055,828	1,706,310	7.74%	12.17%	12.90%
Investment Securities	8,614,215	16,689,667	(8,075,452)	-48.39%	4.41%	9.76%
Financial Assets At Fair Value	8,614,215	16,689,667	(8,075,452)	-48.39%	4.41%	9.76%
At Fair Value through Profit/Loss	1,203,045	1,265,419	(62,374)	-4.93%	0.62%	0.74%
At FVOCI	7,411,170	15,424,248	(8,013,078)	-51.95%	3.80%	9.02%
Available for Sale Investments	0	0	-	0.00%	0.00%	0.00%
Investment Securities at amort cost	39,390,242	9,146,278	30,243,965	330.67%	20.17%	5.35%
Loans and Receivables - net	74,185,749	71,628,349	2,557,400	3.57%	37.99%	41.91%
Non-current Assets Held for Sale	0	0	-	0.00%	0.00%	0.00%
Investment in Associate - net	39,830	40,687	(857)	-2.11%	0.02%	0.02%
Property and Equipment - net	1,517,879	1,659,401	(141,522)	-8.53%	0.78%	0.97%
Investment Properties - net	3,526,347	3,624,987	(98,640)	-2.72%	1.81%	2.12%
Deferred Tax Assets - net	875,660	955,380	(79,720)	-8.34%	0.45%	0.56%
Other Assets - net	2,340,298	2,129,133	211,166	9.92%	1.20%	1.25%
Total Assets	195,282,254	170,920,681	24,361,573	14.25%	100.00%	100.00%
Liabilities and Capital						
Deposit Liabilities	167,462,833	149,105,611	18,357,222	12.31%	85.75%	87.24%
Demand	44,447,735	39,659,286	4,788,449	12.07%	22.76%	23.20%
Savings	106,801,499	83,743,821	23,057,678	27.53%	54.69%	49.00%
Time	11,184,178	20,673,084	(9,488,906)	-45.90%	5.73%	12.10%
Long-term Negotiable Certificate	5,029,420	5,029,420	-	0.00%	2.58%	2.94%
Bills Payable	0	187	(187)	-100.00%	0.00%	0.00%
Financial Liabilities at FVPL	9,895	0	9,895	0.00%	0.01%	0.00%
Manager's Checks	771,744	870,080	(98,335)	-11.30%	0.40%	0.51%
Accrued Interest, Taxes and Other Expenses	967,630	892,463	75,167	8.42%	0.50%	0.52%
Other Liabilities	3,255,681	3,286,046	(30,364)	-0.92%	1.67%	1.92%
Total Liabilities	172,467,784	154,154,387	18,313,397	11.88%	88.32%	90.19%
Capital Funds	22,814,470	16,766,463	6,048,008	36.07%	11.68%	9.81%
Total Liabilities & Capital	195,282,254	170,920,849	24,361,405	14.25%	100.00%	100.00%

The Bank's Total Assets as of 30 September 2021 stood at ₱195.28 billion, which was 14.25% higher than the ₱170.92 billion level at end 31 December 2020. The significant improvement in assets was due to the increase in investment securities.

Loans and Receivables, net of allowance for credit losses and unearned interest income, representing 38.00% of total assets went up by 3.57% or ₱2.56 billion to ₱74.19 billion in 30 September 2021 from ₱71.63 billion.

Cash and Other Cash Items decreased by 22.40% to ₱1.87 billion as of 30 September 2021 from ₱2.42 billion. Due from BSP, representing 17.71% of total assets, decreased to ₱34.58 billion from ₱39.55 billion on 31 December 2020, and Due from Other Banks increased to ₱4.57 billion on 30 September 2021 from ₱1.02 billion. On the other hand, Interbank Loans Receivable and Securities Purchased under Resale Agreements as of 30 September 2021 went up by 7.74% or ₱1.71 billion to ₱23.76 billion from ₱22.06 billion on 31 December 2020.

Investment Securities at Amortized Cost increased by ₱30.24 billion to ₱39.39 billion on 30 September 2021 from ₱9.15 billion on 31 December 2020. These investment securities represent 20.17% of total assets as of 30 September 2021

Financial Assets at Fair Value through Profit or Loss stood at ₱1.20 billion as of 30 September 2021. This was 4.93% lower than the ₱1.27 billion level on 31 December 2020.

Financial Assets at Fair Value through Other Comprehensive Income decreased by ₱8.01 billion to ₱7.41 billion from ₱15.42 billion on 31 December 2020.

Investment in Associate continued its downtrend to ₱39.83 million from ₱40.69 million on 31 December 2020.

Property and Equipment decreased by 8.53% to ₱1.52 billion on 30 September 2021 from ₱1.66 billion as at 31 December 2020.

Investment Properties went down to ₱3.53 billion as of 30 September 2021 from ₱3.62 billion on 31 December 2020.

Deferred Tax Assets slightly decreased by 8.34% to ₱0.88 billion as of 30 September 2021 from ₱0.96 billion on 31 December 2020. On the other hand, Other Assets went up to ₱2.34 billion as of 30 September 2021 from ₱2.13 billion on 31 December 2020.

The Bank's deposit levels, representing 97.10% of total liabilities, went up by 12.31% or ₱18.36 billion to ₱167.46 from ₱149.10 billion as of 31 December 2020. Demand and Savings Deposits increased by 12.07% to ₱44.45 billion and 27.53% to ₱106.80 billion, respectively, while Time Deposits dropped by 45.90% to ₱11.18 billion.

Manager's Checks and Acceptances Payable was recorded at ₱0.77 billion as of 30 September 2021 from ₱0.87 billion. Accrued Interest, Taxes and Other Expenses went up to ₱0.97 billion from ₱0.89 billion on 31 December 2020. Other liabilities decreased to ₱3.26 billion as of 30 September 2021 from ₱3.290 billion.

The Bank's Equity went up by 36.07% to ₱22.81 billion from ₱16.77 billion as of 31 December 2020. The increase was mainly due to the Capital Infusion of P5.5 billion in 2021 through the issuance of Preferred Shares.

As of 30 September 2021, Capital Adequacy Ratio (CAR) was at 20.9%. This is above the minimum regulatory requirement of 10.0%. The Bank posted gain on 'Cumulative Translation Adjustment' under equity amounting to ₱6.54 million, as compared with December 2020 which posted a loss of P15.04 million.

For the year ended 31 December 2020 compared with year ended 31 December 2019

	December 31, 2020	December 31, 2019	Horizontal analysis		Vertical analysis	
			Increase / (Decrease)		2020	2019
INTEREST INCOME						
Loans and receivables	4,840,144	4,920,061	(79,917)	-1.62%	70.42%	84.35%
Investment securities at FVOCI and at amortized cost	919,374	1,117,092	(197,718)	-17.70%	13.38%	19.15%
Due from Bangko Sentral ng Pilipinas and other banks	265,528	163,457	102,071	62.45%	3.86%	2.80%
Interbank loans receivable and SPURA	238,044	315,570	(77,526)	-24.57%	3.46%	5.41%
Financial assets at FVPL	16,991	16,059	932	5.81%	0.25%	0.28%
	6,280,081	6,532,238	(252,157)	-3.86%	91.37%	111.99%
INTEREST EXPENSE						
Deposit liabilities	1,127,728	2,346,267	(1,218,538)	-51.94%	16.41%	40.22%
Lease liabilities	42,921	45,361	(2,439)	-5.38%	0.62%	0.78%
Bills payable and others	1,106	4,856	(3,750)	-77.23%	0.02%	0.08%
	1,171,755	2,396,483	(1,224,728)	-51.11%	17.05%	41.09%
NET INTEREST INCOME	5,108,326	4,135,755	972,571	23.52%	74.32%	70.90%
OTHER INCOME						
Trading and investment securities gains - net	1,147,574	355,689	791,885	222.63%	16.70%	6.10%
Service charges, fees and commissions	444,637	477,274	(32,637)	-6.84%	6.47%	8.18%
Foreign exchange gains - net	48,876	67,994	(19,118)	-28.12%	0.71%	1.17%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	58,765	336,288	(277,524)	-82.53%	0.85%	5.77%
Miscellaneous	65,418	459,861	(394,444)	-85.77%	0.95%	7.88%
	1,765,269	1,697,107	68,163	4.02%	25.68%	29.10%
GROSS INCOME	6,873,596	5,832,862	1,040,734	17.84%	100.00%	100.00%
OTHER EXPENSES						
Compensation and fringe benefits	1,819,392	1,684,538	134,854	8.01%	26.47%	28.88%
Taxes and licenses	830,158	773,892	56,266	7.27%	12.08%	13.27%
Depreciation and amortization	567,851	480,445	87,406	18.19%	8.26%	8.24%
Rent and utilities	476,343	505,773	(29,430)	-5.82%	6.93%	8.67%
Provision for credit and impairment losses	962,510	52,095	910,415	1747.60%	14.00%	0.89%
Insurance	280,638	245,451	35,187	14.34%	4.08%	4.21%
Service Fees and Commissions	183,374	278,525	(95,152)	-34.16%	2.67%	4.78%
Entertainment and recreation	107,305	123,336	(16,031)	-13.00%	1.56%	2.11%
Subscription fees	96,595	69,303	27,292	39.38%	1.41%	1.19%
Management and professional fees	79,453	65,801	13,652	20.75%	1.16%	1.13%
Amortization of software costs	45,908	34,144	11,764	34.45%	0.67%	0.59%
Miscellaneous	381,759	399,785	(18,026)	-4.51%	5.55%	6.85%
	5,831,286	4,713,088	1,118,198	23.73%	84.84%	80.80%
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND						
INCOME TAX	1,042,309	1,119,774	(77,465)	-6.92%	15.16%	19.20%
SHARE IN NET LOSS OF ASSOCIATE	753	2,865	(2,112)	-73.72%	0.01%	0.05%
INCOME BEFORE INCOME TAX	1,041,556	1,116,909	(75,353)	-6.75%	15.15%	19.15%
INCOME TAX EXPENSE	257,122	464,186	(207,064)	-44.61%	3.74%	7.96%
NET INCOME	784,434	652,723	131,711	20.18%	11.41%	11.19%

As of 31 December 2020, the Bank reported a Net Income after Tax of ₱784.43 million or ₱131.71 million increased from ₱652.72 million for the same period last year. The increase in net income was mainly due to higher gains in trading and investment securities.

Total Interest Income went down by 3.86% to ₱6.28 billion from ₱6.53 billion recorded last year.

Interest Income on Loans and Receivables dropped by 1.62% to ₱4.84 billion, from ₱4.92 billion in 2019. Interest Income from deposits with BSP and Other Banks went up by 62.45% to ₱265.53 million in 2020, while Interest earned from Interbank Loans Receivable and SPURA decreased to ₱238.04 million in 2020 from ₱315.57 million. On the other hand, Interest Income on Investment Securities at Fair Value through Other Comprehensive Income and at Amortized Cost amounted to ₱919.37 million in 2020 and lower by ₱197.72 million in 2019, while Interest earned from Financial Assets at Fair Value through Profit or Loss slightly increased to ₱16.99 million from ₱16.06 million in 2019.

Interest Expense on Deposit Liabilities decreased by 51.94% to ₱1.13 billion from ₱2.35 billion in 2019 due to lower rates in 2020 versus 2019. Interest incurred from Bills Payable and Others also went down by 77.23% to

₱1.11 million from ₱4.86 million the same period last year. Interest Expense on Lease Liabilities dropped to ₱42.92 million from ₱45.36 million in 2019.

The Bank's Net Interest Income grew by 23.52% to ₱5.11 billion from ₱4.14 billion in 2019.

Total Other Operating Income increased by 4.02% to ₱1.77 billion from ₱1.70 billion in 2019 due to higher Trading and Investment Securities Gains.

The Bank posted a ₱1.15 billion trading and investment securities gains versus a ₱355.69 million in 2019. Service Charges, Fees and Commissions dropped by 6.84% to ₱444.64 million from ₱477.27 million in 2019. Foreign Exchange gains also decreased to ₱48.88 million from ₱67.99 million in 2019. The Bank recorded ₱58.76 million Gains on Foreclosure and Sale of Property and Equipment and Foreclosed Assets, lower than the ₱336.29 million in 2019. Miscellaneous Income went down to ₱65.42 million in 2020 from ₱459.86 million due to impact of previous year's gain on exchange of property.

Other Operating Expenses, excluding provision for credit and impairment losses, increased by 4.46% to ₱4.87 billion in 2020 from ₱4.66 billion. Compensation and Fringe Benefits went up by 8.01% to ₱1.82 billion while Taxes and Licenses rose to ₱830.16 million, or 7.27% higher than the ₱773.89 million for the same period last year. Rent and Utilities went down to ₱476.34 million in 2020 from ₱505.77 million. Depreciation and Amortization increased by 18.19% from ₱480.44 million in 2019. Service Fees and Commission were lower at ₱183.37 million from ₱278.52 million in 2019.

The Bank posted ₱280.64 million Insurance while Entertainment and Recreation was at ₱107.30 million. Management and Professional Fees increased to ₱79.45 million from ₱65.80 million in 2019 while Amortization of Software Costs increased by 34.45% from ₱34.14 million the same period last year. Miscellaneous Expense was at ₱381.76 million in 2020 from ₱399.78 million.

The Bank set aside ₱962.51 million in Provision for Credit and Impairment Losses in 2020.

The Bank recorded its share in the net loss of BIC at ₱0.75 million, 73.72% lower than the ₱2.86 million in 2019.

Analysis of Statements of Condition

	as of Dec 31, 2020	as of Dec 31, 2019	Dec 20 vs Dec 19 (Change)	Dec 20 vs Dec 19 (%) Change)	% to Total Assets 2020	% to Total Assets 2019
Resources						
Cash & Other Cash Items	2,420,505	1,776,399	644,106	36.26%	1.42%	1.22%
Due from the BSP - net	39,547,211	21,955,496	17,591,715	80.12%	23.14%	15.14%
Due from Other Banks - net	1,023,256	670,482	352,774	52.62%	0.60%	0.46%
Interbank Loans Receivables - net	22,055,828	13,429,280	8,626,548	64.24%	12.90%	9.26%
Investment Securities	16,689,667	2,443,617	14,246,050	582.99%	9.76%	1.68%
Financial Assets At Fair Value	16,689,667	2,443,617	14,246,050	582.99%	9.76%	1.68%
At Fair Value through Profit/Loss	1,265,419	1,053,760	211,660	20.09%	0.74%	0.73%
At FVOCI	15,424,248	1,389,857	14,034,391	1009.77%	9.02%	0.96%
Available for Sale Investments	0	0	-	0.00%	0.00%	0.00%
Investment Securities at amort cost	9,146,278	22,547,833	(13,401,555)	-59.44%	5.35%	15.55%
Loans and Receivables - net	71,628,349	73,742,262	(2,113,912)	-2.87%	41.91%	50.85%
Non-current Assets Held for Sale	0	48,122	(48,122)	-100.00%	0.00%	0.03%
Investment in Associate - net	40,687	41,444	(756)	-1.82%	0.02%	0.03%
Property and Equipment - net	1,659,401	1,741,075	(81,674)	-4.69%	0.97%	1.20%
Investment Properties - net	3,624,987	3,729,769	(104,783)	-2.81%	2.12%	2.57%
Deferred Tax Assets - net	955,380	880,301	75,079	8.53%	0.56%	0.61%
Other Assets - net	2,129,133	2,027,207	101,925	5.03%	1.25%	1.40%
Total Assets	170,920,681	145,033,286	25,887,396	17.85%	100.00%	100.00%
Liabilities and Capital						
Deposit Liabilities	149,105,611	123,856,188	25,249,423	20.39%	87.24%	85.40%
Demand	39,659,286	34,158,478	5,500,808	16.10%	23.20%	23.55%
Savings	83,743,821	72,016,565	11,727,256	16.28%	49.00%	49.66%
Time	20,673,084	17,681,145	2,991,939	16.92%	12.10%	12.19%
Long-term Negotiable Certificate	5,029,420	0	5,029,420	0.00%	2.94%	0.00%
Bills Payable	187	105	82	77.70%	0.00%	0.00%
Financial Liabilities at FVPL	0	0	-	0.00%	0.00%	0.00%
Manager's Checks	870,080	923,460	(53,380)	-5.78%	0.51%	0.64%
Accrued Interest, Taxes and Other Expenses	892,463	815,035	77,429	9.50%	0.52%	0.56%
Other Liabilities	3,286,046	3,343,506	(57,461)	-1.72%	1.92%	2.31%
Total Liabilities	154,154,387	128,938,294	25,216,093	19.56%	90.19%	88.90%
Capital Funds	16,766,463	16,094,991	671,471	4.17%	9.81%	11.10%
Total Liabilities & Capital	170,920,849	145,033,286	25,887,564	17.85%	100.00%	100.00%

The Bank's Total Assets as of 31 December 2020 stood at ₱170.92 billion, which was 17.85% higher than the ₱145.03 billion level in December 2019. The significant improvement in assets was due to the increased in due from banks and investment portfolios.

Loans and Receivables, net of allowance for credit losses and unearned interest income, representing 41.91% of total assets went down 2.87% or ₱2.11 billion to ₱71.63 billion in December 2020 from ₱73.74 billion.

Cash and Other Cash Items increased by 36.26% to ₱2.42 billion as of 31 December 2020 from ₱1.78 billion. Due from BSP, representing 23.14% of total assets, increased to ₱39.55 billion from ₱21.96 billion in December 2019, and Due from Other Banks increased by 52.62% to ₱1.02 billion in December 2020 from ₱0.67 billion. On the other hand, Interbank Loans Receivable and Securities Purchased under Resale Agreements as of 31 December 2020 went up by 64.24% or ₱8.63 billion to ₱22.06 billion from ₱13.43 billion in December 2019.

Investment Securities at Amortized Cost decreased by 59.44% to ₱9.15 billion in December 2020 from ₱22.55 billion. These investment securities represent 5.35% of total assets as of 31 December 2020

Financial Assets at Fair Value through Profit or Loss stood at ₱1.27 billion as of 31 December 2020. This was 20.09% higher than the ₱1.05 billion level in December 2019.

Financial Assets at Fair Value through Other Comprehensive Income increased by ₱14.03 billion to ₱15.4 billion from ₱1.39 billion in December 2019.

Investment in Associate slightly decreased to ₱40.69 million from ₱41.44 million in December 2019.

Property and Equipment decreased by 4.69% to ₱1.66 billion in December 2020 from ₱1.74 billion.

Investment Properties went down to ₱3.62 billion as of 31 December 2020 from ₱3.73 billion in December 2019.

Deferred Tax Assets increased by 8.53% to ₱0.96 billion as of 31 December 2020 from ₱0.88 billion in December 2019. On the other hand, Other Assets went up to ₱2.13 billion as of 31 December 2020 from ₱2.03 billion in December 2019.

The Bank's deposit levels, representing 96.72% of total liabilities, went up by 20.39% or ₱25.25 billion to ₱149.11 billion with the addition of ₱5.03B LTNCD, from ₱123.86 billion as of 31 December 2019. Savings and Time Deposits increased by 16.28% to ₱83.74 billion and 16.92% to ₱20.67 billion, respectively, while Demand Deposits grew by 16.10% to ₱39.66 billion.

Manager's Checks and Acceptances Payable was recorded at ₱0.87 billion as of 31 December 2020 from ₱0.92 billion. Accrued Interest, Taxes and Other Expenses went up by 9.50% to ₱0.89 billion from ₱0.82 billion in December 2019. Other liabilities decreased to ₱3.29 billion as of 31 December 2020 from ₱3.34 billion.

The Bank's Equity went up by 4.17% to ₱16.77 billion from ₱16.09 billion as of 31 December 2019. The increase was mainly due to the Net Income for the year of 2019.

As of 31 December 2020, CAR was at 16.6%. This is above the minimum regulatory requirement of 10.0%. The Bank posted losses on 'Cumulative Translation Adjustment' under equity amounting to ₱15.04 million, as compared with December 2019 which posted a gain of ₱2.01 million.

For the year ended 31 December 2019 compared with year ended 31 December 2018

			Horizontal analysis		Vertical analysis	
	December 31, 2019	December 31, 2018	Increase / (Decrease)		2019	2018
INTEREST INCOME						
Loans and receivables	4,920,061	3,668,711	1,251,350	34.11%	84.35%	84.47%
Investment securities at FVOCI and at amortized cost	1,117,092	1,123,886	(6,794)	-0.60%	19.15%	25.88%
Due from Bangko Sentral ng Pilipinas and other banks	163,457	62,668	100,789	160.83%	2.80%	1.44%
Interbank loans receivable and SPURA	315,570	96,860	218,709	225.80%	5.41%	2.23%
Financial assets at FVPL	16,059	266,130	(250,072)	-93.97%	0.28%	6.13%
	6,532,238	5,218,256	1,313,982	25.18%	111.99%	120.15%
INTEREST EXPENSE						
Deposit liabilities	2,346,267	1,508,937	837,330	55.49%	40.22%	34.74%
Lease liabilities	45,361	-	45,361		0.78%	0.00%
Bills payable and others	4,856	10,024	(5,168)	-51.56%	0.08%	0.23%
	2,396,483	1,518,961	877,523	57.77%	41.09%	34.97%
NET INTEREST INCOME	4,135,755	3,699,295	436,460	11.80%	70.90%	85.18%
OTHER INCOME						
Trading and investment securities gains - net	355,689	(109,415)	465,103	-425.08%	6.10%	-2.52%
Service charges, fees and commissions	477,274	391,813	85,461	21.81%	8.18%	9.02%
Foreign exchange gains - net	67,994	58,755	9,239	15.72%	1.17%	1.35%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	336,288	207,380	128,909	62.16%	5.77%	4.77%
Miscellaneous	459,861	95,335	364,526	382.36%	7.88%	2.20%
	1,697,107	643,868	1,053,239	163.58%	29.10%	14.82%
GROSS INCOME	5,832,862	4,343,164	1,489,698	34.30%	100.00%	100.00%
OTHER EXPENSES						
Compensation and fringe benefits	1,684,538	1,557,771	126,767	8.14%	28.88%	35.87%
Taxes and licenses	773,892	702,954	70,939	10.09%	13.27%	16.19%
Depreciation and amortization	480,445	259,042	221,403	85.47%	8.24%	5.96%
Rent and utilities	505,773	683,571	(177,798)	-26.01%	8.67%	15.74%
Provision for credit and impairment losses	52,095	(181,118)	233,213	-128.76%	0.89%	-4.17%
Insurance	245,451	229,304	16,146	7.04%	4.21%	5.28%
Service Fees and Commissions	278,525	-	278,525		4.78%	0.00%
Entertainment and recreation	123,336	142,180	(18,844)	-13.25%	2.11%	3.27%
Subscription fees	69,303	-	69,303		1.19%	0.00%
Management and professional fees	65,801	89,015	(23,214)	-26.08%	1.13%	2.05%
Amortization of software costs	34,144	57,382	(23,238)	-40.50%	0.59%	1.32%
Miscellaneous	399,785	562,357	(162,573)	-28.91%	6.85%	12.95%
	4,713,088	4,102,458	610,630	14.88%	80.80%	94.46%
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	1,119,774	240,706	879,068	365.20%	19.20%	5.54%
SHARE IN NET LOSS OF ASSOCIATE	2,865	1,844	1,021	55.33%	0.05%	0.04%
INCOME BEFORE INCOME TAX	1,116,909	238,861	878,048	367.60%	19.15%	5.50%
INCOME TAX EXPENSE	464,186	255,406	208,780	81.74%	7.96%	5.88%
NET INCOME	652,723	(16,545)	669,267	-4045.19%	11.19%	-0.38%

As of 31 December 2019, the Bank reported a Net Income after Tax of ₱652.72 million or ₱669.27 million increased from ₱16.54 million Net Loss after Tax for the same period last year. The increase in net income was due to higher core and other operating income.

Total Interest Income grew by 25.18% to ₱6.53 billion from ₱5.22 billion recorded last year.

Interest Income on Loans and Receivables improved by 34.11% or ₱1.25 billion, from ₱3.67 billion in 2018. Interest Income from deposits with BSP and Other Banks went up by 68.76% to ₱163.46 million in 2019, while Interest earned from Interbank Loans Receivable and SPURA increased to ₱315.57 million in 2019 from ₱266.13 million. On the other hand, Interest Income on Investment Securities at Fair Value through Other Comprehensive Income and at Amortized Cost amounted to ₱1.12 billion both in 2019 and 2018, while Interest earned from Financial Assets at Fair Value through Profit or Loss declined by 74.38% to ₱16.06 million from ₱62.67 million in 2018.

Interest Expense on Deposit Liabilities increased by 55.49% to ₱2.35 billion from ₱1.51 billion in 2018 while total deposits declined by 5.58% in 2018. The increase in Interest Expense on Deposit Liabilities was due to higher rates in 2019 versus 2018. Interest incurred from Bills Payable and Others went down by 51.56% to ₱4.86 million from ₱10.02 million the same period last year. As a result of the adoption of PFRS 16 Leases, the Bank recognized ₱45.36 million Interest Expense on Lease Liabilities in 2019.

The Bank's Net Interest Income grew by 11.80% to ₱4.14 billion from ₱3.70 billion in 2018.

Total Other Operating Income increased by 163.58% or ₱1.05 billion to ₱1.70 billion from ₱643.87 million in 2018 due to higher Trading and Investment Securities Gains and Miscellaneous Income for the same period last year.

The Bank posted a ₱355.69 million trading and investment securities gains versus a ₱109.41 million trading and investment securities losses in 2018. Service Charges, Fees and Commissions improved by 21.81% to ₱477.27 million from ₱391.81 million in 2018. Foreign Exchange gains increased to ₱67.99 million from ₱58.76 million in 2018. The Bank recorded ₱336.29 million Gains on Foreclosure and Sale of Property and Equipment and Foreclosed Assets, 62.16% higher than the ₱207.38 million in 2018. Miscellaneous Income went up by 382.36% to ₱459.86 million in 2019 from ₱95.33 million due to gain on exchange of property.

Other Operating Expenses, excluding provision for credit and impairment losses, increased by 8.81% to ₱4.66 billion in 2019 from ₱4.28 billion. Compensation and Fringe Benefits went up by 8.14% to ₱1.68 billion while Taxes and Licenses rose to ₱773.89 million, or 10.09% higher than the ₱702.95 million for the same period last year. Rent and Utilities went down to ₱505.77 million in 2019 from ₱683.57 million. Depreciation and Amortization increased by 85.47% or ₱221.40 million from ₱259.04 million in 2018 due to adoption of PFRS 16 Leases. Service Fees and Commission were higher at ₱278.53 million from ₱140.65 million in 2018.

The Bank posted ₱245.45 million Insurance while Entertainment and Recreation was at ₱123.34 million. Management and Professional Fees decreased to ₱65.80 million from ₱89.01 million in 2018 while Amortization of Software Costs declined by 40.50% from ₱34.14 million the same period last year. Miscellaneous Expense was at ₱469.09 million in 2019 from ₱421.71 million.

The Bank set aside ₱52.10 million in Provision for Credit and Impairment Losses in 2019. On the other hand, Reversal of Provision for Credit and Impairment Losses was posted at ₱181.12 million in 2018.

The Bank recorded its share in the net loss of BIC at ₱2.87 million, 55.33% higher than the ₱1.84 million in 2018.

Analysis of Statements of Condition

	as of Dec 31, 2019	as of Dec 31, 2018	Dec 19 vs Dec 18 (Change)	Dec 19 vs Dec 18 (%Change)	% to Total Assets 2019	% to Total Assets 2018
Resources						
Cash & Other Cash Items	1,776,399	1,748,071	28,328	1.62%	1.22%	1.15%
Due from the BSP - net	21,955,496	21,424,140	531,356	2.48%	15.14%	14.15%
Due from Other Banks - net	670,482	3,838,048	(3,167,567)	-82.53%	0.46%	2.53%
Interbank Loans Receivables - net	13,429,280	11,983,627	1,445,653	12.06%	9.26%	7.91%
Investment Securities	2,443,617	9,810,592	(7,366,975)	-75.09%	1.68%	6.48%
Financial Assets At Fair Value	2,443,617	9,810,592	(7,366,975)	-75.09%	1.68%	6.48%
At Fair Value through Profit/Loss	1,053,760	1,836,409	(782,649)	-42.62%	0.73%	1.21%
At FVOCI	1,389,857	7,974,183	(6,584,326)	-82.57%	0.96%	5.27%
Available for Sale Investments	-	0	-	0.00%	0.00%	0.00%
Investment Securities at amort cost	22,547,833	23,211,088	(663,255)	-2.86%	15.55%	15.33%
Loans and Receivables - net	73,742,262	72,271,061	1,471,201	2.04%	50.85%	47.73%
Non-current Assets Held for Sale	48,122	48,122	-	0.00%	0.03%	0.03%
Investment in Associate - net	41,444	39,982	1,461	3.66%	0.03%	0.03%
Property and Equipment - net	1,741,075	1,149,839	591,236	51.42%	1.20%	0.76%
Investment Properties - net	3,729,769	3,122,625	607,144	19.44%	2.57%	2.06%
Deferred Tax Assets - net	880,301	1,003,191	(122,890)	-12.25%	0.61%	0.66%
Other Assets - net	2,027,207	1,761,721	265,486	15.07%	1.40%	1.16%
Total Assets	145,033,286	151,412,108	(6,378,822)	-4.21%	100.00%	100.00%
Liabilities and Capital						
Deposit Liabilities	123,856,188	131,178,223	(7,322,035)	-5.58%	85.40%	86.64%
Demand	34,158,478	28,834,196	5,324,282	18.47%	23.55%	19.04%
Savings	72,016,565	77,608,568	(5,592,003)	-7.21%	49.66%	51.26%
Time	17,681,145	24,735,460	(7,054,315)	-28.52%	12.19%	16.34%
Long-term Negotiable Certificate	-	-	-	0.00%	0.00%	0.00%
Bills Payable	105	557,472	(557,367)	-99.98%	0.00%	0.37%
Financial Liabilities at FVPL	-	0	-	0.00%	0.00%	0.00%
Manager's Checks	923,460	615,496	307,964	50.04%	0.64%	0.41%
Accrued Interest, Taxes and Other Expenses	815,035	956,487	(141,452)	-14.79%	0.56%	0.63%
Other Liabilities	3,343,506	2,597,311	746,195	28.73%	2.31%	1.72%
Total Liabilities	128,938,294	135,904,989	(6,966,695)	-5.13%	88.90%	89.76%
Capital Funds	16,094,991	15,507,118	587,873	3.79%	11.10%	10.24%
Total Liabilities & Capital	145,033,286	151,412,108	(6,378,822)	-4.21%	100.00%	100.00%

The Bank's Total Assets as of 31 December 2019 stood at ₱145.03 billion, which was 4.21% lower than the ₱151.41 billion level in December 2018. The significant decrease in assets was due to the declined in due from other banks and investment portfolios.

Loans and Receivables, net of allowance for credit losses and unearned interest income, representing 50.85% of total assets increased by 2.04% or ₱1.47 billion to ₱73.74 billion in December 2019 from ₱72.27 billion. Mortgage and Auto Loans grew by 22.06% and 28.79%, respectively.

Cash and Other Cash Items increased by 1.62% to ₱1.78 billion as of 31 December 2019 from ₱1.75 billion. Due from the BSP, representing 15.14% of total assets, increased to ₱21.96 billion from ₱21.42 billion in December 2018, while Due from Other Banks decreased by 82.53% to ₱670.48 million in December 2019 from ₱3.84 billion. On the other hand, Interbank Loans Receivable and Securities Purchased under Resale Agreements as of 31 December 2019 went up by 12.06% or ₱1.45 billion to ₱13.43 billion from ₱11.98 billion in December 2018.

Investment Securities at Amortized Cost decreased by 2.86% to ₱22.55 billion in December 2019 from ₱23.21 billion. These investment securities represent 15.55% of total assets as of 31 December 2019.

Financial Assets at Fair Value through Other Comprehensive Income declined by 82.57% or ₱6.58 billion to ₱1.39 billion from ₱7.97 billion in December 2018. The significant decrease in these securities was due to sale of investments in 2019.

Financial Assets at Fair Value through Profit or Loss stood at ₱1.05 billion as of 31 December 2019. This was 42.62% lower than the ₱1.84 billion level in December 2018.

Investment in Associate increased to ₱41.44 million from ₱39.98 million in December 2018.

Property and Equipment increased by 51.42% or ₱591.24 million to ₱1.74 billion in December 2019 from ₱1.15 billion. The increase in Property and Equipment was due to the adoption of PFRS 16 Leases, which became effective 1 January 2019. As result of this adoption, the Bank recognized Right-of-Use assets amounting to ₱550.48 million. The new standard introduced a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Prior to the adoption of PFRS 16, the Bank classified property leases as operating leases under PAS 17.

Investment Properties went up to ₱3.73 billion as of December 31, 2019 from ₱3.12 billion in December 2018 due to foreclosure and exchange of real estate properties. Meanwhile, Non-current Assets Held for Sale stood at ₱48.12 million both in December 2019 and 2018.

Deferred Tax Assets decreased by 12.25% to ₱880.30 million as of 31 December 2019 from ₱1.00 billion in December 2018. On the other hand, Other Assets went up to ₱2.03 billion as of December 2019 from ₱1.76 billion in December 2018 due to the increase in creditable withholding tax and intangible assets.

The Bank's deposit levels, representing 96.06% of total liabilities, went down by 5.58% or ₱7.32 billion to ₱123.86 billion from ₱131.18 billion as of 31 December 2018. Savings and Time Deposits decreased by 7.21% to ₱72.02 billion and 28.52% to ₱17.68 billion, respectively, while Demand Deposits grew by 18.47% to ₱34.16 billion.

Bills Payable declined by 99.98% to ₱0.11 million as of 31 December 2019 from ₱557.47 million. This was mainly due to the settlement of securities sold under repurchase agreement transactions.

Manager's Checks and Acceptances Payable was recorded at ₱923.46 million as of 31 December 2019 from ₱615.50 million. Accrued Interest, Taxes and Other Expenses went down by 14.79% to ₱815.03 million from ₱956.49 million in December 2018. Other liabilities increased to ₱3.43 billion as of 31 December 2019 from ₱2.60 billion.

The Bank's Equity went up by 3.79% to ₱16.09 billion from ₱15.51 billion as of 31 December 2018. The increase was mainly due to the Net Income for the year of 2019. Net Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Income increased by ₱165.87 million to ₱36.11 million. Remeasurement Losses on Retirement Liability stood at ₱320.00 million as of 31 December 2019 from ₱95.31 million.

As of 31 December 2019, CAR was at 15.93%. This is above the minimum regulatory requirement of 10.0%. The Bank posted gains on 'Cumulative Translation Adjustment' under equity amounting to ₱2.01 million, as compared with December 2018 which posted a gain of ₱12.64 million.

For the year ended 31 December 2018 compared with year ended 31 December 2017

			Horizontal analysis		Vertical analysis	
	December 31, 2018	December 31, 2017	Increase / (Decrease)		2018	2017
INTEREST INCOME						
Loans and receivables	3,668,711	2,846,991	821,720	28.86%	84.47%	59.09%
Investment securities at FVOCI and at amortized cost	1,123,886	950,860	173,026	18.20%	25.88%	19.74%
Due from Bangko Sentral ng Pilipinas and other banks	62,668	241,070	(178,402)	-74.00%	1.44%	5.00%
Interbank loans receivable and SPURA	96,860	230,658	(133,798)	-58.01%	2.23%	4.79%
Financial assets at FVPL	266,130	-	266,130		6.13%	0.00%
	5,218,256	4,269,579	948,677	22.22%	120.15%	88.61%
INTEREST EXPENSE						
Deposit liabilities	1,508,937	867,109	641,828	74.02%	34.74%	18.00%
Lease liabilities	-	-	-		0.00%	0.00%
Bills payable and others	10,024	15,011	(4,987)	-33.22%	0.23%	0.31%
	1,518,961	882,120	636,840	72.19%	34.97%	18.31%
NET INTEREST INCOME	3,699,295	3,387,459	311,837	9.21%	85.18%	70.31%
OTHER INCOME						
Trading and investment securities gains - net	(109,415)	56,260	(165,675)	-294.48%	-2.52%	1.17%
Service charges, fees and commissions	391,813	476,725	(84,912)	-17.81%	9.02%	9.89%
Foreign exchange gains - net	58,755	84,656	(25,900)	-30.59%	1.35%	1.76%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	207,380	726,742	(519,362)	-71.46%	4.77%	15.08%
Miscellaneous	95,335	86,292	9,043	10.48%	2.20%	1.79%
	643,868	1,430,675	(786,807)	-55.00%	14.82%	29.69%
GROSS INCOME	4,343,164	4,818,134	(474,970)	-9.86%	100.00%	100.00%
OTHER EXPENSES						
Compensation and fringe benefits	1,557,771	1,389,262	168,509	12.13%	35.87%	28.83%
Taxes and licenses	702,954	492,223	210,730	42.81%	16.19%	10.22%
Depreciation and amortization	259,042	178,841	80,201	44.84%	5.96%	3.71%
Rent and utilities	683,571	629,327	54,244	8.62%	15.74%	13.06%
Provision for credit and impairment losses	(181,118)	(14,975)	(166,143)	1109.50%	-4.17%	-0.31%
Insurance	229,304	220,569	8,735	3.96%	5.28%	4.58%
Service Fees and Commissions	-	-	-		0.00%	0.00%
Entertainment and recreation	142,180	145,056	(2,876)	-1.98%	3.27%	3.01%
Subscription fees	-	-	-		0.00%	0.00%
Management and professional fees	89,015	111,901	(22,886)	-20.45%	2.05%	2.32%
Amortization of software costs	57,382	107,666	(50,285)	-46.70%	1.32%	2.23%
Miscellaneous	562,357	552,855	9,503	1.72%	12.95%	11.47%
	4,102,458	3,812,726	289,731	7.60%	94.46%	79.13%
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	240,706	1,005,407	(764,701)	-76.06%	5.54%	20.87%
SHARE IN NET LOSS OF ASSOCIATE	1,844	1,800	45	2.50%	0.04%	0.04%
INCOME BEFORE INCOME TAX	238,861	1,003,608	(764,746)	-76.20%	5.50%	20.83%
INCOME TAX EXPENSE	255,406	377,690	(122,284)	-32.38%	5.88%	7.84%
NET INCOME	(16,545)	625,917	(642,462)	-102.64%	-0.38%	12.99%

The Bank registered a Net Loss after Tax of ₱16.54 million, 102.64% lower than the ₱625.92 million Net Income after Tax in 2017. The decrease in net income was due to lower other operating income.

Total Interest Income improved by 22.22% or ₱948.68 million from ₱4.27 billion in 2017.

Interest earned from Loans and Receivables increased by 28.86% to ₱3.67 billion in 2018 from ₱2.85 billion. Interest Income on Interbank Loans Receivable and SPURA grew by 15.38% to ₱266.13 million in 2018 from ₱230.66 million. On the other hand, the Bank posted a ₱96.86 million Interest Income from deposits with BSP and Other Banks, 59.82% lower than the ₱241.07 million for the same period last year. Interest Income on Investment Securities at Fair Value through Other Comprehensive Income and at Amortized Cost increased to ₱1.12 billion from ₱935.95 million in 2017, while Interest Income on Financial Assets at Fair Value through Profit or Loss improved by 302.32% or ₱47.76 million from ₱14.91 million in 2017.

Interest Expense on Deposit Liabilities increased by 74.02% to ₱1.51 billion from ₱867.11 million in 2017 with overall rise in total deposits in 2018 by 10.45%. Interest Expense on Bills Payable and Others declined to ₱10.02 million in 2018 from ₱15.01 million in 2017.

The Bank's Net Interest Income rose to ₱3.70 billion, 9.21% better than the ₱3.39 billion in 2017.

Total Other Operating Income went down by 55.00% or ₱786.81 million from ₱1.43 billion for the same period last year.

The Bank recorded a ₱109.41 million trading and investment securities losses from the ₱56.26 million trading and investment securities gains in 2017. Service Charges, Fees and Commissions went down by 17.81% from ₱476.73 million in 2017. Foreign Exchange gains were posted at ₱58.76 million in 2018 from ₱84.66 million. Miscellaneous Income increased to ₱95.33 million in 2018 from ₱86.29 million.

The Bank registered a ₱409.10 million Fair Value Gain from Investment Properties in 2017. Gain on Foreclosure and Sale of Property and Equipment and Foreclosed Assets, declined by 34.71% to ₱207.38 million from ₱317.65 million in 2017. The Bank changed its accounting policy on Property and Equipment and Investment Properties from 'Revaluation Model' and 'Fair Value Model' to 'Cost Model' in its 2019 Audited Financial Statements.

Other Operating Expenses, excluding provision for credit and impairment losses, increased by 11.91% to ₱4.28 billion from ₱3.83 billion in 2017. Compensation and Fringe Benefits were recorded at ₱1.56 billion, 12.13% higher than the ₱1.39 billion in 2017 while Taxes and Licenses rose by 42.81% to ₱702.95 million. Rent and Utilities went up to ₱683.57 million from ₱629.33 million in 2017. Depreciation and Amortization went up by 44.84% to ₱259.04 million in 2018 from ₱178.84 million. Insurance was at ₱229.30 million while Entertainment and Recreation was posted at ₱142.18 million. Management and Professional Fees declined by 20.45% to ₱89.01 million from ₱111.90 million in 2017. Amortization of Software Costs decreased by 46.70% from ₱107.67 million in 2017. Miscellaneous Expense was recorded at ₱562.36 million.

The Bank registered a ₱181.12 million Reversal of Provision for Credit and Impairment Losses in 2018 versus the ₱14.97 million for the same period last year.

The Bank recorded its share in the net loss of BIC at ₱1.84 million from ₱1.80 million in 2017.

Analysis of Statements of Condition

	as of Dec 31, 2018	as of Dec 31, 2017	Dec 18 vs Dec 17 (Change)	Dec 18 vs Dec 17 (%Change)	% to Total Assets 2018	% to Total Assets 2017
Resources						
Cash & Other Cash Items	1,748,071	1,384,982	363,089	26.22%	1.15%	0.99%
Due from the BSP - net	21,424,140	25,704,212	(4,280,072)	-16.65%	14.15%	18.30%
Due from Other Banks - net	3,838,048	3,185,996	652,053	20.47%	2.53%	2.27%
Interbank Loans Receivables - net	11,983,627	6,316,150	5,667,477	89.73%	7.91%	4.50%
Investment Securities	9,810,592	17,207,697	(7,397,105)	-42.99%	6.48%	12.25%
Financial Assets At Fair Value	9,810,592	17,207,697	(7,397,105)	-42.99%	6.48%	12.25%
At Fair Value through Profit/Loss	1,836,409	101,046	1,735,363	1717.40%	1.21%	0.07%
At FVOCI	7,974,183	17,106,651	(9,132,468)	-53.39%	5.27%	12.18%
Available for Sale Investments	0	0	-	0.00%	0.00%	0.00%
Investment Securities at amort cost	23,211,088	12,529,887	10,681,201	85.25%	15.33%	8.92%
Loans and Receivables - net	72,271,061	65,411,128	6,859,932	10.49%	47.73%	46.57%
Non-current Assets Held for Sale	48,122	48,122	-	0.00%	0.03%	0.03%
Investment in Associate - net	39,982	46,150	(6,168)	-13.36%	0.03%	0.03%
Property and Equipment - net	1,149,839	1,290,001	(140,162)	-10.87%	0.76%	0.92%
Investment Properties - net	3,122,625	5,801,662	(2,679,037)	-46.18%	2.06%	4.13%
Deferred Tax Assets - net	1,003,191	108,225	894,966	826.95%	0.66%	0.08%
Other Assets - net	1,761,721	1,421,631	340,090	23.92%	1.16%	1.01%
Total Assets	151,412,108	140,455,843	10,956,264	7.80%	100.00%	100.00%
Liabilities and Capital						
Deposit Liabilities	131,178,223	118,768,051	12,410,172	10.45%	86.64%	84.56%
Demand	28,834,196	26,863,177	1,971,019	7.34%	19.04%	19.13%
Savings	77,608,568	74,895,962	2,712,606	3.62%	51.26%	53.32%
Time	24,735,460	17,008,912	7,726,547	45.43%	16.34%	12.11%
Long-term Negotiable Certificate	-	-	-	0.00%	0.00%	0.00%
Bills Payable	557,472	267	557,204	208528.34%	0.37%	0.00%
Financial Liabilities at FVPL	0	0	-	0.00%	0.00%	0.00%
Manager's Checks	615,496	560,296	55,200	9.85%	0.41%	0.40%
Accrued Interest, Taxes and Other Expenses	956,487	906,866	49,621	5.47%	0.63%	0.65%
Other Liabilities	2,597,311	2,418,960	178,351	7.37%	1.72%	1.72%
Total Liabilities	135,904,989	122,654,441	13,250,549	10.80%	89.76%	87.33%
Capital Funds	15,507,118	17,801,403	(2,294,284)	-12.89%	10.24%	12.67%
Total Liabilities & Capital	151,412,108	140,455,843	10,956,264	7.80%	100.00%	100.00%

The Bank's Total Assets as of 31 December 2018 stood at ₱151.41 billion. This was 7.80% better than the ₱140.46 billion level in December 2017. Significant increase was due to growth in loan portfolio and investment securities.

Loans and Receivables, net of allowance for credit losses and unearned interest income, representing 47.73% of total assets, increased by 13.63% or ₱6.86 billion to ₱72.27 billion from ₱65.41 billion in December 2017. Corporate and Mortgage Loans grew by 14.16% or ₱7.20 billion and 30.48% or ₱1.63 billion, respectively.

Cash and Other Cash Items increased to ₱1.75 billion from ₱1.38 billion in December 2017. Due from the BSP, representing 14.15% of total assets, decreased by 16.65% or ₱4.28 billion to ₱21.42 billion as of 31 December 2018 from ₱25.70 billion, while Due from Other Banks went up by 20.47% to ₱3.84 billion from ₱3.19 billion in December 2017. Meanwhile, Interbank Loans Receivable and Securities Purchased under Resale Agreements grew by 89.73% or ₱5.67 billion to ₱11.98 billion in December 2018 from ₱6.32 billion.

Investment Securities at Amortized Cost, representing 15.33% of total assets, stood at ₱23.21 billion. Held-to-Maturity Investments was posted at ₱12.53 billion in December 2017.

Financial Assets at Fair Value through Other Comprehensive Income was recorded at ₱7.97 billion in December 2018. Available-for-Sale Securities amounted to ₱17.11 billion in December 2017.

Financial Assets at Fair Value through Profit or Loss was at ₱1.84 billion in December 2018 under PFRS 9.

As a result of adoption of the classification and measurement requirements of PFRS 9 effective 1 January 2018, the Bank classified debt securities held under Available-for-Sale Securities as of 31 December 2017 as either

amortized cost for securities belonging to portfolios managed under held-to-collect business model or at Fair Value through Other Comprehensive Income belonging to portfolios managed under business model whose objective is achieved by both collecting contractual cash flows and selling of financial assets.

Investment in Associate declined by 13.36% to ₱39.98 million in December 2018 from ₱46.15 million.

Property and Equipment was posted at ₱1.15 billion as of 31 December 2018 from ₱1.29 billion. Investment Properties decreased to ₱3.12 billion from ₱5.80 billion in December 2017. The decrease in Property and Equipment and Investment Properties was due to the change in accounting policy from 'Revaluation Model' and 'Fair Value Model' to 'Cost Model'.

Deferred Tax Assets increased by ₱894.97 million to ₱1.00 billion in December 2018. The increase was mainly due to the impact of the change in accounting policy on Property and Equipment and Investment Properties. Other Assets went up by 23.92% or ₱340.09 million to ₱1.76 billion from ₱1.42 billion in December 2017.

The Bank's deposit levels, representing 96.52% of total liabilities, grew by 10.45% or ₱12.41 billion to ₱131.18 billion in December 2018 from ₱118.77 billion. Time deposits increased by 45.43% or ₱7.73 billion to ₱24.74 billion from ₱17.01 billion in December 2017, while Savings Deposits went up by 3.62% to ₱77.61 billion from ₱74.90 billion in December 2017. Demand Deposits stood at ₱28.83 billion, 7.34% better than the ₱26.86 billion level in 2017.

Bills Payable increased by ₱557.20 million to ₱557.47 million. Manager's Checks and Acceptances Payable was recorded at ₱615.50 million in December 2018 from ₱560.30 million. Accrued Interest, Taxes and Other Expenses increased by 5.47% to ₱956.49 million from ₱906.87 million in December 2017. Other liabilities amounted to ₱2.60 billion as of 31 December 2018 from ₱2.42 billion.

As of 31 December 2018, the Bank's Equity stood at ₱15.51 billion, 12.09% decreased from the ₱17.80 billion. The decrease in Equity was due to the impact of the change in accounting policy on Property and Equipment and Investment Properties.

Net Unrealized Losses on Financial Assets at Fair Value through Other Comprehensive Income stood at ₱129.76 million as of 31 December 2018 under PFRS 9. Net Unrealized Losses on Available-for-Sale Securities amounted to ₱633.97 million in December 2017. Revaluation Increment on Property and Equipment and Investment Properties were recorded at ₱141.59 million in December 2017. Remeasurement Losses on Retirement Liability were recorded at ₱95.31 million in December 2018 from ₱176.74 million.

CAR was at 15.06% as of 31 December 2018, this is above the minimum regulatory requirement of 10.0%. The Bank recorded gains on 'Cumulative Translation Adjustment' under equity amounting to ₱12.64 million from Cumulative Translation Adjustment loss of ₱9.17 million in December 2017.

LIQUIDITY

The following table sets forth selected information from the Bank's Statement of Cash Flows in (₱ thousands) for the periods indicated.

	For the year ended 31 December			For the 9-month period ended 30 September	
	2018	2019	2020	2020	2021
Net cash from (used in) operating activities	2,786,201	(7,956,750)	26,984,187	12,757,208	16,760,199
Net cash from (used in)	(957,911)	7,399,684	430,650	5,681,358	(22,247,921)

investing activities					
Net cash from (used in) financing activities	557,204	(705,423)	(177,893)	(137,035)	5,317,518
Net cash	2,407,299	(1,273,113)	27,219,525	18,285,528	(148,265)
Cash and cash equivalents at beginning of the period	36,586,587	38,993,886	37,720,773	37,720,733	64,940,298
Cash and cash equivalents at end of the period	38,993,886	37,720,773	64,940,298	56,006,301	64,792,033

Cash flows from operating activities

For the nine-months ended 30 September 2021, the bank generated net cash inflow from operating activities amounting to ₱16.76 billion. The main source of cash came from income from continuing operations of ₱962.69 million which is subjected to adjustments from noncash income/loss such as reversal of Provisions (₱4.01 million), depreciation and amortization (₱355.90 million), Gain on sale of financial assets at fair value through other comprehensive income (₱11.71 million), Unrealized loss on financial assets at fair value through profit or loss (₱12.93 million), gain on foreclosure and sale of property and equipment and foreclosed assets (₱231.04 million), amortization of software costs (₱36.95 million), share in net loss of associate (₱0.87 million), and the net inflow is primarily driven by the ₱18.36 billion increase in deposit liabilities. The main use of cash is driven by loans and receivables of ₱2.54 billion.

For the nine-months ended 30 September 2020, the bank generated net cash inflow from operating activities amounting to ₱12.76 billion. The main source of cash came from income from continuing operations of ₱733.25 million which is subjected to adjustments from noncash income/loss such as Provisions (₱764.67 million), gain on sale of investment securities at amortized cost (₱644.47 million), depreciation and amortization (₱395.75 million), Gain on sale of financial assets at fair value through other comprehensive income (₱281.30 million), Unrealized gain on financial assets at fair value through profit or loss (₱44.78 million), gain on foreclosure and sale of property and equipment and foreclosed assets (₱50.79 million), amortization of software costs (₱24.17 million), share in net loss of associate (₱0.48 million), and the net inflow is primarily driven by the ₱11.49 billion increase in deposit liabilities. The main use of cash is driven by loans and receivables of ₱1.29 billion.

As of 31 December 2020, the bank generated net cash inflow from operating activities amounting to ₱26.98 billion. The main source of cash came from income from continuing operations of ₱1.04 billion which is subjected to adjustments from noncash income/loss such as Provisions (₱958.88 million), Gain on sale of investment securities at amortized cost (₱767.03 million), depreciation and amortization (₱567.85 million), Gain on sale of financial assets at fair value through other comprehensive income (₱280.74 million), Unrealized gains on financial assets at fair value through profit or loss (₱69.73 million), gain on foreclosure and sale of property and equipment and foreclosed assets (₱58.76 million), amortization of software costs (₱45.91 million), miscellaneous income (₱6.60 million), share in net loss of associate (₱0.75 million), and the net inflow is primarily driven by the ₱25.25 billion increase in deposit liabilities. The main uses of cash are mainly driven by loans and receivables of ₱1.14 billion and acquisition of financial assets at fair value through profit or loss of ₱141.93 million.

As of 31 December 2019, the bank generated net cash outflow from operating activities amounting to ₱7.96 billion. The main source of cash came from income from continuing operations of ₱1.12 billion which is subjected to adjustments from noncash income/loss such as provisions (₱52.23 million), depreciation and amortization (₱480.44 million), gain on sale of financial assets at fair value through other comprehensive income (₱198.83 million), unrealized gains on financial assets at fair value through profit or loss (₱135.54

million), gain on foreclosure and sale of property and equipment and foreclosed assets (₱336.29 million), amortization of software costs (₱34.14 million), miscellaneous income (₱363.45 million), share in net loss of associate (₱2.87 million), and decrease in deposit liabilities of ₱7.32 billion. The main uses of cash are mainly driven by increase in loans and receivables of ₱1.64 billion and decrease of financial assets at fair value through profit or loss of ₱0.92 billion.

As of 31 December 2018, the bank generated net cash inflow from operating activities amounting to ₱2.79 billion. The main source of cash came from income from continuing operations of ₱238.86 million which is subjected to adjustments from noncash income/loss such as provisions reversals (₱181.40 million), depreciation and amortization (₱259.04 million), unrealized loss on financial assets at fair value through profit or loss (₱19.72 million), gain on foreclosure and sale of property and equipment and foreclosed assets (₱207.38 million), amortization of software costs (₱57.38 million), share in net loss of associate (₱1.84 million), and the net inflow is primarily driven by the ₱12.41 billion increase in deposit liabilities. The main uses of cash are mainly driven by loans and receivables of ₱8.85 billion and acquisition of financial assets at fair value through profit or loss of ₱779.76 million.

Cash flows from investing activities

For the nine-months ended 30 September 2021, net cash used in investing activities was recorded at ₱22.25 billion. Total inflows were from the proceeds from sale or redemption of investment securities at amortized cost (₱7.94 billion), financial assets at fair value through other comprehensive income (₱15.15 billion), investment properties (₱260.76 million), and property and equipment (₱34.16 million). These were offset with additions to financial assets at fair value through other comprehensive income (₱7.32 billion), investment securities at amortized cost (₱38.19 billion), property and equipment (₱106.87 million), software costs (₱21.07 million), and investment properties (₱0.21 million).

For the nine-months ended 30 September 2020, net cash provided by investing activities was recorded at ₱5.68 billion. Total inflows were from the proceeds from sale or redemption of investment securities at amortized cost (₱13.38 billion), financial assets at fair value through other comprehensive income (₱16.05 billion), investment properties (₱48.07 million), and property and equipment (₱31.34 million). These were offset with additions to financial assets at fair value through other comprehensive income (₱22.73 billion), investment securities at amortized cost (₱1.02 billion), property and equipment (₱64.61 million), software costs (₱10.43 million), and investment properties (₱1.36 million).

As of 31 December 2020, net cash provided by investing activities was recorded at ₱430.65 million. Total inflows were from the proceeds from sale or redemption of investment securities at amortized cost (₱20.04 billion), financial assets at fair value through other comprehensive income (₱16.02 billion), investment properties (₱50.09 million), and property and equipment (₱45.45 million). These were offset with additions to financial assets at fair value through other comprehensive income (₱29.74 billion), investment securities at amortized cost (₱5.87 billion), property and equipment (₱98.23 million), software costs (₱16.16 million), and investment properties (₱2.10 million).

As of 31 December 2019, net cash provided by investing activities was recorded at ₱7.40 billion. Total inflows were from the proceeds from sale or redemption of: investment securities at amortized cost (₱1.56 billion), financial assets at fair value through other comprehensive income (₱10.02 billion), investment properties (₱94.05 million), and property and equipment (₱49.15 million). These were offset with additions to financial assets at fair value through other comprehensive income (₱3.07 billion), investment securities at amortized cost (₱0.89 billion), property and equipment (₱207.30 million), software costs (₱131.60 million), and investment properties (₱21.24 million).

As of 31 December 2018, net cash used by investing activities was recorded at ₱957.91 million. Total inflows were from the proceeds from sale or redemption of: investment securities at amortized cost (₱2.90 billion), financial assets at fair value through other comprehensive income (₱17.54 billion), investment properties

(₱209.93 million), and property and equipment (₱51.90 million). These were offset with additions to financial assets at fair value through other comprehensive income (₱19.97 billion), investment securities at amortized cost (₱1.48 billion), property and equipment (₱179.31 million), software costs (₱24.58 million), and investment properties (₱9.75 million).

Cash flows from financing activities

For the nine-months ended 30 September 2021, net cash provided by financing activities was recorded at ₱5.32 billion. This is primarily due to the issuance of preferred shares amounting to ₱5.46 billion. This is offset by the payment of lease liability and settlement of bills payable amounting to ₱140.80 million and ₱0.02 million, respectively.

For the nine-months ended 30 September 2020, net cash used in financing activities was recorded at ₱137.04 million. This is primarily due to the payment of lease liability and settlement of bills payable amounting to ₱136.96 million and ₱0.08 million, respectively.

As of 31 December 2020, net cash used for financing activities was recorded at ₱177.89 million. This is primarily due to payment of lease liability and settlement of bills payable amounting to ₱177.81 million and ₱0.09 million, respectively.

As of 31 December 2019, net cash used for financing activities was recorded at ₱705.42 million. This is primarily due to payment of lease liability and settlement of bills payable amounting to ₱148.06 million and ₱557.37 million, respectively.

As of 31 December 2018, net cash provided by financing activities was recorded at ₱557.20 million. This is primarily due to settlement and avancement of bills payable amounting to ₱0.09 million and ₱557.29 million, respectively.

MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

The Bank's commitments for capital expenditures will be funded from the proceeds of the sale of acquired assets and cash flows from the Bank's operations. This generally covers investments relating to the Bank's digital transformation initiatives, enhancement of customer banking experience, technology upgrades and branch physical infrastructure.

The Bank, as of the date of this Prospectus, expects to utilize part of the proceeds from the Offer to fund the foregoing capital expenditures. The Bank has budgeted ₱922 billion for capital expenditures starting 2022 to be used mainly for the upgrading of the Bank's IT systems, physical infrastructure and furniture, fixtures and equipment.

The Bank's capital expenditures for the years ended 31 December 2018, 2019, and 2020 and the nine (9) months ended 30 September 2021 were ₱203.9 billion, ₱338.9 billion, ₱114.4 billion, and ₱127.9 billion, respectively. The Bank's primary capital expenditures during those periods were mainly invested in IT-related expenses, repairs and maintenance, and refurbishment of branch network.

CONTINGENT FINANCIAL OBLIGATIONS AND OFF-BALANCE SHEET TRANSACTIONS

The Bank has outstanding commitments and contingent liabilities from the normal course of operations. The Bank does not anticipate losses that will materially affect its financial condition and results of operations as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at 30 September 2021 in:

	For the year ended 31 December			For the period ended 30 September
	2018	2019	2020	2021
Contingent assets				
Future/ spot exchange bought	379,515,194	101,270,000	168,080,500	1,703,567,418
Outward bills for collection	14,964,062	1,012,065	3,286,476	0
Fixed income securities purchased	982,008	60,938,300	248,291	54,993,266
TOTAL	395,461,265	163,220,364	171,615,267	1,758,560,684
Commitments and Contingent Liabilities				
Trust department accounts	31,321,037,537	41,432,823,122	39,422,371,051	53,426,185,630
Credit card lines	2,321,514,984	4,114,539,042	3,708,362,146	3,475,876,067
Committed credit line	5,223,226,985	3,325,000,000	3,577,500,000	6,228,655,056
Outstanding guarantees	1,797,089,493	1,695,038,981	1,165,637,379	2,304,518,761
Unused commercial letters of credit	1,028,866,793	382,345,641	800,505,453	7,351,709,666
Future/ spot exchange sold	721,309,376	658,255,000	528,253,000	2,086,070,891
Late deposits/ payments received	58,798,962	99,280,942	171,532,610	29,717,373
Fixed income securities sold	982,008	19,752	496,582	10,475,389
Items held for safekeeping/ securities held as collateral	35,540	851,068	54,088	41,650
TOTAL	42,472,861,679	51,708,153,548	49,374,712,309	74,913,250,482

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at 30 September 2021.

CAPITAL ADEQUACY

The Philippines adopted capital adequacy requirements based on the Basel II Capital Accord through the issuance of BSP Circular 538, as amended by BSP Circular No. 781. BSP Circular No. 781 embodies the implementing guidelines of the revised Basel II standards and the reforms introduced by Basel III.

As of 30 September 2021, the Bank's risk-weighted capital adequacy ratio as reported to BSP (the ratio of total qualifying capital to risk-weighted assets), on a consolidated basis, was 20.86%, and the Bank's consolidated CET1 capital adequacy ratio as reported to BSP was 14.73%. Both ratios were above the capital adequacy requirements of the BSP applicable to the Bank as of 30 September 2021.

The following table sets out details of capital resources and capital adequacy ratios of the Bank as of the dates indicated:

	For the year ended 31 December			For the period ended 30 September
	2018	2019	2020	2021
Common Equity Tier 1 (CET1)	15,305,623,183	15,987,237,953	16,080,422,257	17,171,877,677
Paid-up common stock	11,224,111,200	11,224,111,200	11,224,111,200	11,224,111,200
Additional paid-in capital	5,594,079,646	5,594,079,646	5,594,079,646	5,594,079,646
Retained earnings	(726,946,484)	(925,581,647)	(1,096,816,388)	364,661,773
Undivided profits	(447,887,885)	160,593,744	647,529,562	480,276,881
Other comprehensive income	(337,733,294)	(65,964,990)	(288,481,763)	(491,251,823)
Deduction from CET1	1,209,178,888	1,272,496,333	960,093,190	1,785,276,989
Deferred tax assets	246,831,611	135,389,474	22,152,524	932,683,362
Other intangible assets	196,058,620	302,788,504	273,039,369	257,160,963
Other equity investments in non-financial allied undertakings and non-allied undertakings	40,581,819	42,346,048	41,076,452	39,951,634
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	20,417,978	21,101,617	21,420,998	30,099,896

Securitization tranches and structured products which are rated below investment grade or are unrated	705,288,860	770,870,690	602,403,847	525,381,134
Total CET1 Capital	14,096,444,295	14,714,741,620	15,120,329,067	15,386,600,688
Additional Tier 1 Capital	-	-	-	5,458,333,376
Instruments issued by the bank that are eligible as AT1 capital – Perpetual preferred shares	-	-	-	4,166,666,700
Additional paid-in capital-Preferred Shares	-	-	-	1,291,666,676
Total Tier 1 Capital	14,096,444,295	14,714,741,620	15,120,329,067	20,844,934,064
Tier 2 Capital	-	-	-	-
Appraisal increment reserve – bank premises, as authorized by the Monetary Board	9,895,299	9,704,425	-	-
General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	990,874,358	827,327,228	984,152,889	947,348,384
Total Tier 2 Capital	1,000,769,657	837,031,653	984,152,889	947,348,384
Total Qualifying Capital	15,097,213,952	15,551,773,273	16,104,481,956	21,792,282,448
Capital Ratios				
CET1 capital ratio	14.1%	15.1%	15.6%	14.7%
Capital Conservation Buffer	8.1%	9.1%	9.6%	8.7%
Tier 1 capital ratio	14.1%	15.1%	15.6%	20.0%
Total capital ratio	15.1%	15.9%	16.6%	20.9%

The following table sets out the Bank's consolidated assets according to risk weights as of the date indicated:

	For the year ended 31 December			For the period ended 30 September
	2018	2019	2020	2021
Risk-weighted on-balance sheet assets	87,875,652,095	86,461,700,251	84,429,512,851	85,044,396,886
20%	1,280,882,242	1,315,894,669	1,248,432,243	988,689,605
50%	7,950,549,326	4,341,110,328	4,961,205,699	7,503,307,040
100%	74,295,085,605	76,690,220,647	73,487,245,671	71,990,043,860
150%	4,349,134,922	4,114,474,607	4,732,629,238	4,562,356,381
Risk-weighted off-balance sheet	5,001,799,111	3,260,595,245	3,547,011,197	9,668,616,696
100%	5,001,799,111	3,260,595,245	3,547,011,197	9,668,616,696
Counterparty risk-weighted assets in the trading book	13,210,725	12,722,044	12,065,779	21,824,820
Total credit risk-weighted assets	92,890,661,932	89,735,017,539	87,988,589,827	94,646,738,783
Market risk-weighted assets	411,555,583	409,222,674	733,210,431	416,162,860
Operational risk-weighted assets	6,921,162,920	7,472,406,961	8,310,351,034	9,404,089,062
Total risk-weighted assets	100,223,380,435	97,616,647,174	97,032,151,292	104,466,990,705

SECURITIES OFFERINGS

The Bank issues securities from time to time to raise funds and maintain its capital adequacy ratios.

Maiden Long Term Negotiable Certificates of Time Deposit Issuance

On 17 March 2020, the Bank issued ₱5.0 billion unsecured LTNCD with 4.5% fixed interest rate and maturing on 17 September 2025. The issuance of the LTNCD was approved by the BOD on 25 June 2019 and by the BSP on 31 October 2019.

₱5.5 billion Preferred Shares Private Placement

On 5 August 2021, SMC Equivest Corporation (“**SMC Equivest**”), a wholly owned subsidiary of San Miguel Corporation, subscribed to 41,666,667 Series 1 Preferred Shares of Bank of Commerce for ₱5,500,000,044.00, which was fully paid on the same date. The preferred shares are cumulative, non-voting, non-participating, perpetual, and convertible into common shares at a ratio of 1:1 (i.e. one preferred share is convertible into one common share) and at the option of the preferred shareholder after five (5) years from the date of issuance, subject to requirements under laws, rules, and regulations. Dividends shall accrue at a rate of 2.50% p.a. in the first year, 3.00% p.a. in the second year, 4.00% p.a. in the third year, 5.00% p.a. in the fourth year, and 5.50%

p.a. beginning on the fifth year onwards from issuance. The dividends shall be payable either in cash or in shares at the discretion of the Bank. The foregoing capital infusion is in compliance with the requirement of the BSP for the Bank to meet the minimum capitalization requirements for banks applying for a universal banking license. Prior to such subscription, SMC Equivest owned 4.69% of the outstanding capital stock of the Bank comprising of common shares. The terms and conditions of the Preferred Shares, including the dividend rate, were approved by the BSP.

RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has loan transactions with investees and certain DOSRI. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks. For more information, see the section titled "*Related Party Transactions*" beginning on page 202 of this Prospectus.

SMC Stock Transfer Service Corporation, a related party, is a wholly owned subsidiary of San Miguel Corporation and acts as the Registrar, Paying Agent, Receiving Agent, and the Stock Transfer Agent for the Offer.

ANALYSIS OF SELECTED ASSETS AND LIABILITIES

FUNDING

The Bank's funding is primarily provided by savings, demand, time deposits and long-term negotiable certificates of time deposits ("LTNCD"). Of the total amount of deposits of ₱167.46 billion as of 30 September 2021, these amounted to 63.78%, 26.54%, 6.68%, and 3.00%, respectively. The Bank also sources part of its funding requirements from the interbank market, particularly in periods of high liquidity which generally results in lower overall funding cost.

Sources of Funding

The Bank's principal source of deposits is private corporations, non-individual accounts. As of 30 September 2021, these accounted for 63.6% of total deposit liabilities.

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

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

	As of 31 December			As of 30 September
	2018	2019	2020	2021
	(₱ millions)			
Deposits by type				
Demand.....	28,834	34,158	39,659	44,448
Savings.....	77,609	72,017	83,744	106,801
Time.....	24,735	17,681	20,673	11,184
LTNCD.....	-	-	5,029	5,029
Total.....	131,178	123,856	149,105	167,463
Deposits by currency				
Peso.....	107,245	107,801	125,819	146,985
Foreign.....	23,933	16,055	23,286	20,478
Total.....	131,178	123,856	149,105	167,463
Bills Payable				
Peso.....	-	-	-	
Foreign.....	557	-	-	
Total.....	557	-	-	-

As of 30 September 2021, 58% of the Bank's outstanding demand and savings deposits can be withdrawn on demand without any prior notice from the customer. The table below summarizes the maturity profile of the Bank's deposit liabilities:

	As of 30 September 2021			Total
	Less than	3 to	1 to	
	3 Months	12 Months	5 Years	
	(₱ millions)			
Deposit Liabilities				
Demand.....	44,448			44,448
Savings.....	104,538	2,283	1	106,822
Time.....	7,962	1,974	1,360	11,296
LTNCD.....	56	170	5,700	5,926
Total Liabilities.....	157,004	4,427	7,061	168,492

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

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

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

Capital Raising Transactions

Maiden Long Term Negotiable Certificates of Time Deposit Issuance

On 17 March 2020, the Bank issued ₱5.0 billion unsecured LTNCD with 4.5% fixed interest rate and maturing on 17 September 2025. The issuance of the LTNCD was approved by the BOD on 25 June 2019 and by the BSP on 31 October 2019.

₱5.5 billion Preferred Shares Private Placement

On 5 August 2021, SMC Equivest, a wholly owned subsidiary of San Miguel Corporation, subscribed to 41,666,667 Series 1 Preferred Shares of Bank of Commerce for ₱5,500,000,044.00, which was fully paid on the same date. The preferred shares are cumulative, non-voting, non-participating, perpetual, and convertible into common shares at a ratio of 1:1 (i.e. one preferred share is convertible into one common share) and at the option of the preferred shareholder after five (5) years from the date of issuance, subject to requirements under laws, rules, and regulations. Dividends shall accrue at a rate of 2.50% p.a. in the first year, 3.00% p.a. in the second year, 4.00% p.a. in the third year, 5.00% p.a. in the fourth year, and 5.50% p.a. beginning on the fifth year onwards from issuance. The dividends shall be payable either in cash or in shares at the discretion of the Bank. The foregoing capital infusion is in compliance with the requirement of the BSP for the Bank to meet the minimum capitalization requirements for banks applying for a universal banking license. Prior to such

subscription, SMC Equivest owned 4.69% of the outstanding capital stock of the Bank comprising of common shares. The terms and conditions of the Preferred Shares, including the dividend rate, were approved by the BSP.

LIQUIDITY

Pursuant to regulations of the BSP, universal and commercial banks are required to maintain a reserve of 12% of Peso demand deposits and deposit substitutes starting 13 April 2020. The required reserves shall be kept in the form of deposits placed in the bank's demand deposit accounts with the BSP. On the foreign currency deposit unit ("FCDU") side, the Bank is required to maintain at least 30% of deposit liabilities in liquid assets. The Bank has complied with the reserve requirements for both Peso and FCDU books.

As of 30 September 2021, the Bank's liquid assets amounted to ₱73,406 million, representing 37.57% of the Bank's total assets. Liquid assets include cash and other cash items, due from BSP, due from other banks, interbank loans receivable, and securities purchased under resale agreement, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

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

	As of 31 December			As of 30 September
	2018	2019	2020	2021
	(₱ millions, except percentages)			
Liquid Assets ⁽¹⁾	48,804	40,275	81,736	73,406
Financial Ratios:				
Liquid assets to total assets.....	32.23%	27.77%	47.82%	37.59%
Liquid assets to total deposits.....	37.20%	32.52%	54.82%	43.83%
Net loans ⁽²⁾ to total deposits.....	53.80%	58.26%	46.96%	43.48%

Notes:

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

LENDING

Overview

As of 30 September 2021, the Bank's gross loans amounted to ₱75,895 million, representing 38.86% of total assets. As of the same period, loans to corporates represented 80.96% of the Bank's total loans, 18.50% composed of consumer lending while 0.14% composed of trade-related lending, respectively.

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

	As of 31 December			As of 30
	2018	2019	2020	September
	(₱ millions)			
Corporate and commercial lending.....	59,481	58,291	57,547	61,448
Consumer lending.....	12,002	15,271	14,793	14,039
Trade-related lending.....	266	54	31	106
Others ⁽¹⁾	1,201	895	750	302
TOTAL.....	72,950	74,511	73,121	75,895

Notes:

- (1) Others consist of bills purchased and benefit loans

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

	As of 31 December			As of 30
	2018	2019	2020	September
	(₱ millions)			
Housing loans.....	6,959	8,495	8,518	8,234
Auto loans.....	3,644	4,693	4,233	3,708
Credit cards.....	716	1,382	1,420	1,459
Salary and personal loans.....	683	701	622	638
TOTAL.....	12,002	15,271	14,793	14,039

Industry Concentration

As of 30 September 2021, electricity, gas, steam, and air-conditioning supply represented the largest sector of the Bank's gross loans at 28.5%. The majority of lending to these sectors takes the form of residential mortgage loans and working capital loans for corporate and commercial customers. The Bank has no specific limits with respect to portfolio mix, except for the regulatory limits for loans to the real estate sector and credit concentration limit to a particular industry or economic activity.

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

Banks are required to allocate 25.0% of their loanable funds for agriculture and agrarian reform credit in general, of which at least 10.0% must be made available for agrarian reform beneficiaries. Alternatively, a bank may meet all or a portion of the mandatory agriculture and agrarian reform credit by investing in eligible government securities, and loans and other credits under certain conditions. Likewise, banks are also required to set aside at least 8.0% for small enterprises and 2.0% for medium-sized enterprises (altogether, the "SMEs"), of

their total loan portfolio. Due to the lack of agriculture and agrarian borrowers and SMEs that meet the Bank's credit standards and due to the shortage in eligible Government securities, the Bank is unable to meet the said requirements.

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

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
(₱ millions, except percentages)								
Real estate activities.....	14,686	20.1	18,389	24.7	16,785	23	15,021	19.8
Electricity, gas, steam, and air-conditioning supply.....	13,889	19	12,445	16.7	15,331	21	21,656	28.5
Construction.....	10,682	14.6	10,699	14.3	10,328	14.1	10,921	14.4
Manufacturing.....	10,006	13.7	8,186	11	9,011	12.3	9,489	12.5
Financial and insurance activities.....	5,502	7.5	2,081	2.8	3,743	5.1	1,689	2.2
Arts, entertainment and recreation.....	1,000	1.4	3,500	4.7	3,500	4.8	2,844	3.8
Wholesale and retail trade, repair of motor vehicles and motorcycles.....	2,120	2.9	2,170	2.9	2,791	3.8	3,967	5.2
Water supply, sewerage, waste management and remediation activities.....	454	0.6	941	1.3	1,402	1.9	1,417	1.9
Transportation and storage.....	3,419	4.7	2,999	4	1,353	1.9	1,207	1.6
Agriculture, forestry and fishing.....	4,181	5.7	3,984	5.3	1,064	1.5	148	0.2
Accommodation and food service activities.....	425	0.6	648	0.9	944	1.3	1,162	1.5
Administrative and support service activities.....	955	1.3	208	0.3	186	0.2	196	0.3
Others.....	5,632	7.9	8,263	11.1	6,683	9.1	6,179	8.1
Total.....	72,950	100	74,511	100	73,121	100	75,895	100

Maturity

As of 30 September 2021, loans due within one (1) year represented 44.4% of the Bank's total loans. Short-term loans principally comprise loans to corporates for working capital and loans to consumers and SMEs. Medium- and long-term loans are typically granted to corporations and businesses to finance capital expenditures and mortgages advanced for property purchases.

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

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
(₱ millions, except percentages)								
Within one year	28,389	38.9%	28,516	38.3%	28,885	39.5%	33,699	44.4%
More than one year	44,561	61.1%	45,995	61.7%	44,236	60.5%	42,195	55.6%
Total	72,950	100.0%	74,511	100.0%	73,121	100.0%	75,895	100.0%

Loan Currencies

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

As of 30 September 2021, 93.5% of the Bank's gross loans was denominated in Philippine Peso with 6.5% being denominated in foreign currency, U.S Dollars.

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

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Philippine Peso	66,642	91.40%	68,351	91.70%	68,038	93.00%	70,977	93.52%
U.S. Dollars	6,308	8.60%	6,160	8.30%	5,083	7.00%	4,918	6.48%
Total	72,950	100.00%	74,511	100.00%	73,121	100.00%	75,895	100.00%

Interest Rates

As of 30 September 2021, 47.7% of the Bank's total gross loans were subject to periodic interest repricing. The Bank sets interest rates for Peso-denominated loans based on market rates for Philippine Government Securities and for U.S.\$-denominated loans based on U.S.\$ LIBOR. The Bank follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

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

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

	As of 31 December,						As of 30 September	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Fixed rates	38,859	53.3%	41,194	55.3%	40,751	55.7%	39,687	52.3%
Variable rates	34,091	46.7%	33,317	44.7%	32,370	44.3%	36,208	47.7%
Total	72,950	100.0%	74,511	100.0%	73,121	100.0%	75,895	100.0%

Size and Concentration of Loans

The Bank monitors its financial exposure to its customers in order to ensure that concentration risk is prudently managed. Specific risk metrics are applied for this purpose and designed to identify concentration by internally-defined segments as well. As of 30 September 2021, the loan exposure to the Bank's single largest corporate borrower group amounted to ₱4,545 million or 5.88% of the Bank's total outstanding loan portfolio. As of 30 September 2021, the Bank's ten (10) largest borrower groups accounted for ₱32,261 million, or approximately 42.53% of the Bank's total outstanding loan portfolio. There are no NPLs in the Bank's top ten (10) loan accounts.

The BSP generally disallows any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of the Bank's unimpaired capital as defined by the BSP. The BSP issued Memorandum No. M-2021-026 last 26 April 2021 as additional operational relief measures and increased the SBL from 25 percent to 30 percent effective until 31 December 2021. The Bank is in compliance with the 25% single borrower's limit.

Secured and Unsecured Loans

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

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

	As of 31 December				As of 30 September			
	2018	%	2019	%	2020	%	2021	%
Loans secured by:	(₱ millions, except percentages)							
Real Estate	6,685	9.2	6,998	9.4	4,109	5.6	4,044	5.3
Chattel	3,264	4.4	3,596	4.8	3,332	4.6	2,797	3.7
Deed of Assignment	2,014	2.8	4,799	6.4	1,609	2.2	1,354	1.8
Deposit hold-out	880	1.2	733	1.0	621	0.9	5,193	6.9
Others	3,557	4.9	4,913	6.6	16,395	22.4	21,199	27.9
Total Secured	16,400	22.5	21,039	28.2	26,066	35.7	34,587	45.6
Unsecured	56,550	77.5	53,472	71.8	47,055	64.3	41,307	54.4
Total	72,950	100.0	74,511	100.0	73,121	100.0	75,895	100.0

As of 30 September 2021, 54.4% of the Bank's total loans are unsecured.

Credit Rating/ Scoring System

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

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

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

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

Credit Approval Process

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

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

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

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

Credit Monitoring, Review Process, and DOSRI

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

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

Further to this, the Bank has been implementing more intensive monitoring on individual and aggregate exposures against prudential and internal limits on a regular basis. In the ordinary course of business, the Bank has loans and other transactions with its directors, officers, stockholders and related interests (“DOSRI”). Under the Bank’s policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the Bank’s total capital funds or 15% of the Bank’s total loan portfolio, whichever is lower.

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

	As of 31 December			As of 30 September 2021
	2018	2019	2020	
Amount	₱2 million	₱2 million	-	-
% to total loans	0.0025%	0.0021%	-	-

Impairment of Loans and Other Financial Assets

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

Expected Credit Loss (ECL) Methodology

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

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

Stage Assessment

For non-impaired financial instruments:

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

For credit-impaired financial instruments:

- Stage 3: Comprised of non-performing financial instruments with one or more loss events occurring since the original recognition or assets with objective evidence of impairment at reporting date.

Financial instruments falling within this stage have objective evidence of impairment thus requiring the recognition of lifetime ECL.

Significant Increase in Credit Risk

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

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

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

Credit Quality Per Class of Financial Assets

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

The table below shows the Bank's gross loans, net of unearned interest income, as of 30 September 2021 classified according to credit quality:

(in ₪ millions)	30 September 2021			
	Stage 1	Stage 2	Stage 3	Total
Term Loans				
Neither past due nor impaired:				
High grade	15,053			15,053
Standard grade	40,116	4,561		44,677
Substandard grade		45		45
Unrated		0		0
Past due but not impaired		0		0
Impaired		100	660	760
	55,169	4,706	660	60,535

Housing Loans

Neither past due nor impaired:				0
High grade				0
Standard grade				0
Substandard grade				0
Unrated	6,869			6,869
Past due but not impaired		577		577
Impaired			787	787
	6,869	577	787	8,233

Auto Loans

Neither past due nor impaired:				0
High grade				0
Standard grade	11	0		11
Substandard grade				0
Unrated	2,829			2,829
Past due but not impaired		272		272
Impaired			596	596
	2,840	272	596	3,708

BP/IB/TR

Neither past due nor impaired:				
High grade	172			172
Standard grade	56			56
Substandard grade	5	39		44
Unrated				0
Past due but not impaired				0
Impaired			76	76
	233	39	76	348

Direct Advances

Neither past due nor impaired:				
High grade	432			432
Standard grade				0
Substandard grade				0
Unrated				0
Past due but not impaired				0
Impaired			164	164
	432	0	164	596

Agri Agra Loans				
Neither past due nor impaired:				
High grade	4			4
Standard grade	169	7		176
Substandard grade	9	95		104
Unrated				0
Past due but not impaired				
Impaired		14	18	32
	182	116	18	316
Others				
Neither past due nor impaired:				
High grade				0
Standard grade				0
Substandard grade				0
Unrated	1,466			1,466
Past due but not impaired				
Impaired		50	605	655
	1,466	50	605	2,121
TOTAL				
Neither past due nor impaired:				
High grade	15,661	0	0	15,661
Standard grade	40,352	4,568	0	44,920
Substandard grade	14	179	0	193
Unrated	11,164	0	0	11,164
Past due but not impaired				
Impaired	0	899	0	899
Impaired	0	114	2,906	3,020
	67,191	5,760	2,906	75,857

Impairment – Regulatory Reports

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

- For non-retail corporate counterparties when any of its material exposure is subjected to lifetime ECL (i.e., at least one of its exposures is classified as Stage 2 or 3), all of the exposures with the

counterparty will be subjected to lifetime ECL. In such case, additional expense and allowance shall be recorded for accounts subjected to 12-month ECL to recognize lifetime ECL of these accounts.

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

Remedial Management

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

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

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

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

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

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

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

Non-Performing Loans (NPL) and ROPA

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

	For the year ended 31 December			For the period ended 30 September
	2018	2019	2020	2021
Gross non-performing loans ⁽¹⁾	1,574,874,659	1,610,090,190	2,698,792,926	2,860,056,854
Net non-performing loans ⁽¹⁾	273,033,653	289,121,570	790,064,906	844,324,738

Total loans ⁽¹⁾	78,550,268,924	83,890,037,686	89,048,850,068	94,558,229,369
Gross non-performing loans to total loans (%) ⁽¹⁾	2.00%	1.92%	3.03%	3.02%
Net non-performing loans to total loans (%) ⁽¹⁾	0.35%	0.34%	0.89%	0.89%
Non-performing loans ⁽²⁾	1,574,874,659	1,610,090,190	2,698,792,926	2,860,056,854
Total loans	78,550,268,924	83,890,037,686	89,048,850,068	94,558,229,369
Total non-performing loans to total loans – excluding interbank loans (%) ⁽³⁾	2.01%	1.92%	3.03%	3.03%
Total non-performing loan to total loans – including interbank loans (%) ⁽⁴⁾	2.00%	1.92%	3.03%	3.02%
ROPA – net	2,544,010,697	2,607,350,408	2,452,110,933	2,325,838,877
Non-performing assets ⁽⁵⁾	4,231,837,266	4,325,642,725	5,253,409,752	5,275,637,346
Non-performing assets as percentage of total resources (%)	2.79%	2.99%	3.09%	2.70%
Allowance for impairment of assets	5,521,071,587	5,636,319,360	6,540,060,475	6,732,070,121
Allowance for loan impairments	1,538,045,243	1,508,833,221	2,244,424,403	2,301,069,784
Allowance for loan impairments (General and Specific)	2,321,448,605	2,290,369,460	3,023,453,225	3,082,956,409
Allowance for ROPA impairments	112,951,910	108,202,126	102,505,893	89,741,616
Allowance for loan impairments as a percentage of total non-performing loans (NPL coverage ratio) (%)	97.66%	93.71%	83.16%	80.46%
Allowance for loan impairments as a percentage of total non-performing loans (NPL coverage ratio) (%) (General and Specific)	147.41%	142.25%	112.03%	107.79%
Allowances for impairment of assets as a percentage of non-performing assets (%)	1.30%	1.30%	1.24%	1.28%
Total restructured loans	590,614,578	527,965,158	304,459,489	423,235,512
Current	392,095,064	332,172,760	101,811,126	170,484,803
Past due	2,701,804	0	6,889,957	16,338,446
NPL	195,817,431	195,792,129	195,758,150	236,411,993

In litigation	278.90	269.18	256.12	271.00
Restructured loans as percentage of total loans (%)	0.75%	0.63%	0.34%	0.45%
Loans – written off	0	0	0	0

Notes

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

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

As of 30 September 2021, the Bank’s ten largest NPLs amounted to ₱459.0 million or approximately 0.60% of the Bank’s total loans.

Sectoral Analysis of Non-Performing Loans (NPLs)

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

	For the year ended 31 December						For the period ended 30 September	
	2018	%	2019	%	2020	%	2021	%
	(₱ millions)							
AGRI, FORESTRY AND FISHING	21.2	1.3%	20.5	1.3%	19.9	0.7%	19.9	0.7%
MANUFACTURING	138.2	8.8%	162.5	10.1%	145.4	5.4%	149.5	5.2%
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING	89.7	5.7%	89.7	5.6%	89.7	3.3%	89.7	3.1%
WATER SUPPLY,SEWERAGE,WASTE MNGT	1.9	0.1%	1.9	0.1%	1.9	0.1%	1.9	0.1%
CONSTRUCTION	150.0	9.5%	150.0	9.3%	150.0	5.6%	150.0	5.2%
WHOLESALE AND RETAIL TRADE,REPAIR OF MOTOR VEHICLES	246.2	15.6%	244.5	15.2%	253.9	9.4%	259.0	9.1%
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	133.9	8.5%	3.9	0.2%	3.9	0.1%	3.9	0.1%
TRANSPORTATION & STORAGE	30.5	1.9%	30.0	1.9%	39.2	1.5%	41.7	1.5%

INFORMATION AND COMMUNICATION	10.9	0.7%	10.9	0.7%	10.9	0.4%	10.9	0.4%
FINANCIAL AND INSURANCE ACTIVITIES	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
REAL ESTATE ACTIVITIES	260.7	16.6%	334.7	20.8%	841.2	31.2%	872.6	30.5%
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	1.0	0.1%	1.0	0.1%	1.0	0.0%	1.0	0.0%
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	54.5	3.5%	53.4	3.3%	53.3	2.0%	53.2	1.9%
EDUCATION	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
OTHER SERVICE ACTIVITIES	0.2	0.0%	0.2	0.0%	0.2	0.0%	3.4	0.1%
FOR HOUSEHOLD CONSUMPTION	0.0		0.0		0.0		0.0	
A. CREDIT CARD	187.4	11.9%	246.1	15.3%	503.4	18.7%	524.9	18.4%
B. AUTO LOANS	188.6	12.0%	199.3	12.4%	493.0	18.3%	593.2	20.7%
C. MOTORCYCLE	0.0	0.0%	0.0	0.0%	2.6	0.1%	2.4	0.1%
D. SALARY	17.4	1.1%	19.7	1.2%	47.6	1.8%	40.3	1.4%
E. OTHERS	42.7	2.7%	41.8	2.6%	41.8	1.5%	42.8	1.5%
Total Non-Performing Loans	1,574.9	100.0%	1,610.1	100.0%	2,698.8	100.0%	2,860.1	100.0%

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

Foreclosure and Disposal of Assets

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

In the nine months ended 30 September 2021, the Bank sold ₱125,974,203 of acquired assets in ROPA. The Bank had a net ROPA of ₱3,122,624,988, ₱3,729,769,193, and ₱3,624,986,606, as of 31 December 2018, 2019, and 2020, respectively, consisting of various real estate properties and shares of stock in several companies. As of 30 September 2021, the Bank's net ROPA amounted to ₱3,526,346,630.

Under the current regulations, the Bank is required to conduct impairment testing on its acquired assets, which becomes the basis for the provisioning levels. The Bank's valuation reserves on ROPA amounted to ₱166,120,736, ₱175,753,118, ₱179,816,298, and ₱139,991,627, as of 31 December 2018, 2019, and 2020, and 30 September 2021, respectively.

THE PHILIPPINE BANKING INDUSTRY

This section contains information concerning the banking industry in the Philippines, including certain financial information of certain competitors of the Bank, which is sourced from their respective public filings and which includes certain unaudited and unreviewed financials. Neither the Bank, the Financial Advisor and Issue Coordinator, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, or any of their advisors makes any representation as to the accuracy or completeness of this information. This information has not been independently verified by the Bank the Financial Advisor and Issue Coordinator, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners, or any of the advisors and should not be unduly relied on.

The banking industry in the Philippines is composed of universal banks, commercial banks, rural banks, thrift banks (including savings and mortgage banks, private development banks and stock savings and loan associations), cooperative banks, and Islamic banks.

According to BSP's latest available report on the Physical Network of the Philippine Banking System, as of 31 October 2021, the commercial banking sector, comprising universal and commercial banks, consisted of 46 banks, of which 21 were universal banks and 25 were commercial banks. Of the 21 universal banks, 12 were private domestic banks, 3 were government banks and 6 were branches of foreign banks. Of the 25 commercial banks, 5 were private domestic banks, 2 were subsidiaries of foreign banks and 18 were branches of foreign banks.

Commercial banks are organized primarily to accept drafts and to issue letters of credit, discount and negotiate promissory notes, drafts, bills of exchange, and other evidences of indebtedness, receive deposits, buy and sell foreign exchange and gold and silver bullion, and lend money on a secured or unsecured basis. Universal banks are banks that have authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of business not related to banking, and to own up to 100% of the equity in a thrift bank, a rural bank, or a financial allied or non-allied enterprise. A publicly-listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with capital loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium- and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for SMEs and individuals. As of 31 October 2021, there are 48 thrift banks (including microfinance-oriented banks).

Rural banks are organized primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As of 31 October 2021, there are 434 rural and cooperative banks.

Specialized government banks are organized to serve a particular purpose. The existing specialized banks are the Development Bank of the Philippines (“**DBP**”), Land Bank of the Philippines (“**LBP**”), and AI-Amanah Islamic Investment Bank of the Philippines (“**AAIIB**”). DBP was organized primarily to provide banking services catering to the medium- and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for small- and medium-sized enterprises. LBP primarily provides financial support in all phases of the Philippines’ agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organized to promote and accelerate the socio-economic development of the Autonomous Region of Muslim Mindanao through banking, financing and investment

operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings.

During the past decade, the Philippine banking industry has been marked by two (2) major trends – the liberalization of the industry and mergers and consolidation.

Foreign bank entry was liberalized in 1994, enabling foreign banks to invest in up to 60% of the voting stock of an existing bank or a new banking subsidiary, or to establish branches with full banking authority. This led to the establishment of 10 new foreign bank branches in 1995. Republic Act No. 8791 or the General Banking Law of 2000 (the “**General Banking Law**”) further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof. As of 31 July 2020, there were 24 foreign banks with branches and 2 foreign banks with subsidiaries in the Philippines, and as of 25 October 2020, they accounted for 6.1% of the total resources of the Philippine banking system. Under RA 10641 and BSP Circular No. 858, Series of 2014 dated 21 November 2014 which amended the relevant provisions of the MORB implementing RA 10641, established, reputable and financially sound foreign banks may be authorized by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing domestic bank (including banks under receivership or liquidation, provided no final court liquidation order has been issued); (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches and sub-branches with full banking authority. The foreign bank applicant must also be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. Such established subsidiaries and branches of foreign banks shall be allowed to perform the same functions and enjoy the same privileges of, and be subject to the same limitations imposed upon, a Philippine bank of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

The liberalization of foreign ownership regulations in banks has allowed the emergence of foreign and local banks with foreign ownership in the market. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank, United Overseas Bank and Hua Nan Commercial Bank being granted new licenses, and also equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank.

The BSP has also been encouraging mergers and consolidations in the banking industry, seeing this as a means to create stronger and more globally competitive banking institutions. To encourage this trend, the BSP offered various incentives to merging or consolidating banks. Based on BSP data, since the new package of incentives took effect in September 1998, there have been at least 49 mergers, acquisitions, and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were not enough to pose a threat to the overall competition levels since market share remained relatively well dispersed among the remaining players.

Pursuant to the liberalization, and to the mergers and consolidation trend, the BSP issued Circular No. 902, Series of 2016 dated 15 February 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. As provided in the Circular “the suspension of the grant of new banking licenses or the establishment of new banks under the MORB is lifted under a two-phased approach. Under Phase 1 of the liberalisation, the grant of new universal/commercial banking license shall be allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on

the establishment of new domestic banks shall be fully lifted and locational restrictions shall be fully liberalized starting 1 January 2018.”

The following table sets out a comparison, based on publicly available data, of the five (5) largest Philippine private domestic commercial banks in terms of assets, as of 30 June 2021:

Name	Market Capitalization ¹	Total Equity ²	Total Assets ²	Loans and Receivables-net ²	Customer deposits ²	No. of Branches ³
(in ₱ millions, except number of branches)						
BDO Unibank, Inc.	496,364	411,451	3,323,354	2,233,957	2,617,190	1,490
Metropolitan Bank & Trust Co.	219,024	302,557	2,142,837	997,337	1,548,062	956
Bank of the Philippine Islands	400,314	284,191	1,891,820	1,148,267	1,436,307	1,179
Philippine National Bank	34,482	145,729	1,107,571	632,100	834,215	702
China Banking Corporation	68,490	105,104	938,416	536,736	744,433	636

Notes:

(1) *Market Capitalization as of 30 June 2021.*

(2) *Financial data taken from each bank’s published balance sheet disclosed to the BSP as of 30 June 2021.*

(3) *From BSP directory of banks, filings with PSE, Investor Relations Presentation.*

According to the results of the Senior Bank Loan Officers’ Survey conducted by BSP, banks tightened their lending terms for commercial real estate loans (“CRELs”) in Q3 2021. Respondent banks indicated a decreased tolerance for risk, deterioration in borrowers’ profile, and a more uncertain economic outlook as significant factors to the tightening of overall credit standards for CRELs for the 23rd consecutive quarter. Wider loan margins, smaller credit line amounts, stricter collateral requirements and loan covenants, increased usage of interest rate ceilings, and shorter loan maturities were all cited as reasons for the net tightening of overall lending credit standards for CRELs.

The BSP issued Circular No. 839 Series of 2014 dated 27 June 2014 which adopts a prudential real estate stress test (“REST”) limit for U/KBs, TBs on a solo and consolidated basis on their aggregate real estate exposures. The REST limit combines macro prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response.

The prudential REST limits which shall be complied with at all times by UBs/KBs are 6% of CET1 capital ratio and 10% of risk-based capital adequacy ratio, on a solo and consolidated basis, under the prescribed write-off rate. For TBs, the prudential REST limits which shall be complied with at all times are 6% of CET1 capital, for TBs that are subsidiaries of UBs/KBs, 6% of Tier 1 capital, for stand-alone TBs, and 10% of risk-based capital adequacy ratio for all TBs.

On 29 October 2014, the BSP issued Circular No. 854, which increased the minimum capital requirement for all bank categories: universal, commercial, thrift, rural, and cooperative banks to strengthen the banking system. Below are the amended minimum capital requirements for banks.

Bank Category/Network Size	Existing Minimum Capitalisation (₱)	Reviewed Minimum Capitalisation (₱)
Universal Banks	4.95 billion**	
Head Office only		3.00 billion
Up to 10 branches *		6.00 billion
11 to 100 branches*		15.00 billion
More than 100 branches*		20.00 billion
Commercial Banks	2.40 billion**	
Head Office only		2.00 billion
Up to 10 branches*		4.00 billion
11 to 100 branches*		10.00 billion
More than 100 branches*		15.00 billion
Thrift Banks		
Head Office in:		
Metro Manila	1.00 billion**	
Cebu and Davao cities	500 million**	
Other Areas	250 million**	
Head Office in the National Capital Region (NCR)		
Head Office only		500 million
Up to 10 branches*		750 million
11 to 50 branches*		1.00 billion
More than 50 branches*		2.00 billion
Head Office in All Other Areas Outside NCR		
Head Office only		200 million
Up to 10 branches*		300 million
11 to 50 branches*		400 million
More than 50 branches*		800 million
Rural and Cooperative Banks		
Head Office in:		
Metro Manila	100 million**	
Cebu and Davao cities	50 million**	
Other cities	25 million**	
1 st to 4 th class municipalities	10 million**	
5 th to 6 th class municipalities	5 million**	
Head Office in NCR		
Head Office only		50 million
Up to 10 branches*		75 million
11 to 50 branches*		100 million
More than 50 branches*		200 million
Head Office in All Other Areas Outside NCR (All Cities up to 3 rd Class Municipalities)		20 million

Bank Category/Network Size	Existing Minimum Capitalisation (₱)	Reviewed Minimum Capitalisation (₱)
Head Office only		30 million
Up to 10 branches*		40 million
11 to 50 branches*		80 million
More than 50 branches*		
Head Office in All Other Areas Outside NCR (4 th to 6 th Class Municipalities)		10 million
Head Office only		15 million
Up to 10 branches*		20 million
11 to 50 branches*		40 million
More than 50 branches*		

* Inclusive of Head Office

** With no distinction for network size

On 29 October 2014, the BSP issued Circular No. 854 to effect the foregoing amendment to the minimum capital requirement. The amendment became effective in November 2014.

Competition

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. On 21 January 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions was fully liberalized effective 1 January 2018.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of “top tier” banks compete for business.

According to preliminary data published on the official website of the BSP as of 30 September 2021, total assets of the Philippine banking system is at ₱20.08 trillion, with universal and commercial banks in the Philippines accounting for 92.56% at ₱18.59 trillion. Meanwhile, total deposit liabilities of the Philippine banking is at ₱15.64 trillion, with universal and commercial banks in the Philippines accounting for 92.57% at ₱14.48 trillion, as of 30 September 2021. Moreover, the gross customer loan portfolio of commercial and universal banks in the Philippines expanded by 2.63% to ₱10.96 trillion as of 30 September 2021 from ₱10.68 trillion as of the same period a year ago.

Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their NPLs, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial and consumer loans is expected. As of 30 June 2021, the ten (10) largest commercial

banks (including unlisted banks such as Land Bank of the Philippines and DBP) account for approximately 85% of the net customer loan portfolio of the Philippine banking system, based on published statements of condition.

Certain Government Policies and Regulations in relation to the Philippine Banking System

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes requirements on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. The BSP can alter any of these requirements and can introduce new regulations to control any particular line of business. See “*Banking Regulations and Supervision*” on page 215 of this Prospectus.

DESCRIPTION OF THE BUSINESS

OVERVIEW AND BRIEF HISTORY

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

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

In November 1991, the Bank changed its official name to Bank of Commerce. With the buyout of the majority interest of the First National Bank of Boston in 1993, Bank of Commerce was placed under complete Filipino ownership. As part of its growth plans, Bank of Commerce acquired identified assets and liabilities of Pan Asia Bank in 2000 and purchased selected assets and liabilities of Trader’s Royal Bank in 2001. These takeovers significantly increased the Bank’s presence in the banking industry.

Filipino-owned San Miguel Properties, Inc., a subsidiary of San Miguel Corporation (“**SMC**”), and San Miguel Corporation Retirement Plan, the registered retirement plan of SMC Group employees, became the controlling shareholders of Bank of Commerce in 2008. As of 30 September 2021, San Miguel Properties, Inc. has 39.89% of ownership, San Miguel Corporation Retirement Plan has 39.94% of ownership and recently SMC Equivest Corporation, a wholly-owned subsidiary of San Miguel Corporation, has 4.69% of ownership.

On 16 January 2013, the SEC approved the extension of the corporate life of Bank of Commerce for another 50 years from 16 December 2013.

Bank of Commerce provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, corporate banking, treasury, asset management, transaction banking and trust and investments. In terms of service reach, the Bank relaunched the Retail and Corporate Internet Banking facilities with enhanced features to encourage consumers and corporate clients to transact regular banking services such as bills payment, fund transfers, card loading, and other services via the internet banking platform.

The Bank has a network of 140 Branches and 257 Automated Teller Machines (“**ATMs**”) strategically located nationwide, as of 30 September 2021.

RECENT DEVELOPMENTS

9-month Period Ended 30 September 2021 and 2020 Highlights

2021 saw a repeat of the lockdowns from 2020 after a brief opening up of the economy earlier in the year. Despite this, for the nine-months ended 30 September 2021, the Bank recorded a net income of ₱625.7 million as compared to 30 September 2020 of ₱495.3 million. This was driven by a higher net interest income which grew by 7.21% to ₱3.99 billion due to lower funding cost as interest expenses declined. Profits were also helped as revenues from the sale of foreclosed assets increased from ₱50.8 million to ₱231.0 million with the partial re-opening of the economy.

There was also a net reversal of provision for credit losses was recorded at ₱4.07 million as opposed to the prior year’s September impact of ₱767.13 million. Total assets also grew by 14.25% to ₱195.3 billion as the Bank

funneled the 12.31% increase in deposits to the purchase of investment securities at amortized cost. In 2020, the Bank had a significant increase in provisions to anticipate credit losses brought about by the global pandemic. These provisions gradually decreased leading to the net reversal as of 30 September 2021 due to the continuous collection efforts to update non-current accounts.

On 5 August 2021, SMC Equivest Corporation infused additional capital amounting ₱5.5 billion in the form of paid-up preferred shares.

The year 2020 will be remembered as when the whole world was shut down by the COVID-19 pandemic. The Philippine economy experienced its deepest contraction on record, from a growth of 6.7% in 2019 to a decline of 9.5% in 2020. The banking sector was not spared, as loan demand became muted due to the economic uncertainties.

Despite last year's net portfolio contraction of ₱1.4 billion, the Bank's loan portfolio continues to remain above previous decade's levels. From the end of June 2018 to the end of December 2020, the Bank has grown its total loans by 35%, or from ₱54.0 billion to ₱73.0 billion, driven mainly by the growth coming from loans to non-affiliates. Such loan growth was achieved while maintaining balance sheet strength and asset quality with net NPL ratio of 0.9%, as of 31 December 2020.

Development of New Loan Programs

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

Maiden Long Term Negotiable Certificates of Time Deposit Issuance

On 17 March 2020, the Bank issued ₱5.0 billion unsecured LTNCD with 4.5% fixed interest rate and maturing on 17 September 2025. The issuance of the LTNCD was approved by the BOD on 25 June 2019 and by the BSP on 31 October 2019.

₱5.5 billion Preferred Shares Private Placement

On 5 August 2021, SMC Equivest Corporation (“**SMC Equivest**”), a wholly owned subsidiary of San Miguel Corporation, subscribed to 41,666,667 Series 1 Preferred Shares of Bank of Commerce for ₱5,500,000,044.00, which was fully paid on the same date. The preferred shares are cumulative, non-voting, non-participating, perpetual, and convertible into common shares at a ratio of 1:1 (i.e. one preferred share is convertible into one common share) and at the option of the preferred shareholder after five (5) years from the date of issuance, subject to requirements under laws, rules, and regulations. Dividends shall accrue at a rate of 2.50% p.a. in the first year, 3.00% p.a. in the second year, 4.00% p.a. in the third year, 5.00% p.a. in the fourth year, and 5.50% p.a. beginning on the fifth year onwards from issuance. The dividends shall be payable either in cash or in shares at the discretion of the Bank. The foregoing capital infusion is in compliance with the requirement of the BSP for the Bank to meet the minimum capitalization requirements for banks applying for a universal banking license. Prior to such subscription, SMC Equivest owned 4.69% of the outstanding capital stock of the Bank comprising of common shares. The terms and conditions of the Preferred Shares, including the dividend rate, were approved by the BSP.

Stock Split

On 25 May 2021, the Board of Directors approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (₱100.00) to Ten Pesos (₱10.00). The

amendment resulted in increase in common shares from 170,251,147 to 1,702,511,470 and increase in preferred shares from 45,500,000 to 455,000,000. The amendment was approved by the Stockholders on 8 July 2021. The amendment on the Bank's Articles of Incorporation was approved by the BSP on 4 October 2021 and by the SEC on 2 November 2021.

Equity Restructuring

On 29 March 2021, the Board of Directors approved the Bank to undergo equity restructuring to wipe out the deficit amounting to ₱51,156,715 as at 31 December 2020 through the use of the Bank's paid-in surplus.

On 12 July 2021, the Bank received from BSP a "No Objection" response to its application for equity restructuring with the SEC, subject to the (i) Bank's compliance with the Commission's other requirements; and (ii) condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within five (5) days from receipt thereof.

On 14 October 2021, the SEC approved the equity restructuring to wipe-out the deficit as at 31 December 2020 amounting to ₱51,156,715 against the paid-in surplus of ₱5.6 billion subject to the conditions that the remaining paid-in surplus of ₱5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

SMC Retirement and SMC Equivest Transfer of Shares

On 20 October 2021, SMC Equivest purchased from San Miguel Corporation Retirement Plan One Million Five Hundred Seventy-one Thousand Six Hundred (1,571,600) common shares of the Bank with a par value of ₱100.00 per share (equivalent to 15,716,000 common shares after the reduction in par value to ₱10.00 per share) comprising 1.4% of the Bank's total issued and outstanding common shares, for a total purchase price of Three Hundred Fifty-five Million Nine Hundred Thirty-five Thousand Nine Hundred Sixty-eight Pesos (₱355,935,968.00). The CAR for the transfer of shares has been issued by the Bureau of Internal Revenue on 21 February 2022.

Universal Banking License Application

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

Impact of COVID-19 on Operations and Strategies

The pandemic severely curtailed the Bank operations primarily due to the closure of various branches during the various quarantines imposed by the Philippine government in various areas around the country. Restrictions in movement also made it difficult for Bank employees to report to Head Office or open branches. Nonetheless, the Bank continued to serve its customers and meet its regulatory obligations by invoking its existing BCM and various efforts to mitigate the spread of the COVID-19 virus through measures such as the transition to a work-from-home arrangement, investment in technology to enable a conducive work-from-home arrangement for its employees, establishment of health and safety protocols within its premises, among others.

In 2021, the Bank recorded a Net Income of ₱625.7 million as compared to 30 September 2020 of ₱495.3 million. This was driven by a higher net interest income which grew by 7.21% to ₱3.99 billion due to lower funding cost as interests declined. Meanwhile, total operating expenses, including provisions, declined by

16.51% to ₱3.7 billion from ₱4.4 billion mainly due a net reversal of provision for credit losses was recorded at ₱4.07 million as opposed to the prior year's September impact of ₱767.133 million. In 2020, the Bank had a significant increase in provisions to anticipate credit losses brought about by the global pandemic. These provisions gradually decreased leading to the net reversal as of 30 September 2021 due to the continuous collection efforts to update non-current accounts.

In 2021, total assets grew 14.25% to ₱195.3 billion due primarily to purchase of investment securities at amortized cost, which accounted for 20.17% of the total assets of the Bank. The Bank's gross loan portfolio increased 3.79% to ₱75.9 billion from ₱73.1 billion. The Bank's gross non-performing loans incidentally increased slightly by ₱161 thousand. Nevertheless, asset quality remained healthy amid the loan growth, with a gross NPL ratio of 3.0%, net NPL ratio of 0.9%, and NPL coverage ratio of 107.7%.

On the funding side, total deposits grew 12.31% to ₱167 billion with CASA accounting for 90% of the total liabilities. Total capital increased by about ₱6 billion mainly due to the infusion of additional capital form the issuance of preferred shares amounting to ₱5.5 billion.

As an affiliate of the SMC Group, the Bank has been able to leverage on the conglomerate's testing facilities. Since the 2nd half of 2020 until 30 September 2021, Bank employees have been tested using the PCR method at least twice whether or not they have experienced any symptoms. Bank personnel have also been given the opportunity to take part in the COVID vaccination program currently planned for the SMC Group.

Given that the pandemic is continuing the Bank is conducting the following activities to manage credit risk going forward:

- The Corporate Banking group together with the Group closely monitors all corporate borrowers for signs of financial distress. The Bank proactively works with its borrowers to ensure they are able to meet their payment obligations.
- The Consumer Lending Group has been asked to cap its growth and simply replace consumer loans that are being fully paid off. New loans now have increased equity requirements and the borrower's ability to pay is scrutinized more closely in relation the effects of the ongoing pandemic.
- The Credit Card Group has limited new credit cards to bank clients with higher average daily balance minimums or SMC ecosystem customers with higher income requirements and at least one (1) issued card from another bank.

The Bank continues to monitor the situation and continues to review its provisioning and capital levels.

COMPETITION

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

Mergers, acquisitions and closures reduced the number of players in the Philippine banking system from a high of 785 banks in 2009 to 528 banks as of 31 October 2021. However, with the entry of foreign banks under new and liberalized banking laws and regulations, the number of universal and commercial banks has grown to 46 as of 31 October 2021. Lending from universal and commercial banks posted a quarter-on-quarter growth of 2.0% in the quarter ended 31 September 2021 based on statistics of the BSP. Some corporations also decided to access the debt market instead of seeking funds from the financial institutions. Corporate lending thus remained competitive resulting in even narrower spreads especially under a low interest rate environment. Pockets of growth were, however, seen in the middle corporate market, SMEs and consumer segments.

The extensive competition for large ticket corporate loans prompted banks to venture more extensively into middle-market, SME and consumer lending. The Bank, being a well-entrenched, long-term player in the

commercial banking space, enjoys the advantage of having experience that includes origination, credit selection, collection and asset recovery activities.

STRENGTHS

BankCom believes that its principal competitive strengths include the following:

Strong support from SMC Group and synergies with the SMC ecosystem

BankCom believes that it has strong support from SMC and continues to leverage its position as a member of the SMC Group, which is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets. The SMC Group has business interests in various sectors including beverages, food, packaging, fuel and oil, energy, infrastructure, property development, cement, car distributorship, and banking services. In 2020, the SMC Group's sales was equivalent to approximately 4% of the country's GDP.

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

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

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

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

The Bank's astute use of capital has resulted in sustained strong capital adequacy ratios. CET 1 adequacy ratio stood at 14.7% as of 30 September 2021, 15.6% as of 31 December 2020 and 15.1% as of 31 December 2019. Meanwhile, the Bank's total adequacy ratio stood at 20.9% as of 30 September 2021, 16.6% as of 31 December 2020 and 15.9% as of 31 December 2020. The Bank's CET 1 and CAR ratios are significantly above the BSP's current minimum levels of 6.0% and 10.0%, respectively. The same CET1 and CAR minimum requirements will continue to apply to the Bank as a universal bank. Furthermore, the Bank is among the country's best capitalized private domestic banks. The Bank's solid capital ratios create a robust runway for the Bank to support and execute its long-term growth plans.

Further, the Bank has a sizeable war chest of capital which will support its expansion initiatives as it pursues a new phase of growth. This includes the proceeds from the ₱5.5 billion preferred shares private placement in August 2021 as well as the net proceeds from this Offering which is estimated to be ₱3,202.4 million. Moreover, the Bank has proven its ability to tap capital markets through its successful debut issuance of Long-Term Negotiable Certificates of Time Deposit in March 2020 which allowed the Bank to raise ₱5.0 billion. Lastly, the Bank currently has a liquid balance sheet with its loan-to-deposit ratio ("LDR") clocking in at 59% as of 30 September 2021. The Bank's war chest of capital affords BankCom a platform to launch its strategic growth objectives as well as "ready-to-deploy" stance as tactical growth opportunities arise.

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

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

Through these measures, the Bank has grown its loan and receivables book (net) by 18.4% from ₱ 62.7 billion as of 31 December 2017 to ₱74.2 billion as of 30 September 2021 while keeping its Gross NPL ratio relatively stable from 2.8% as of 31 December 2017 to 3.0% as of 30 September 2021. The Bank continues to be prudent in provisioning with its NPL as of 30 September 2021 at an NPL coverage ratio of 107.79%. The Bank's loan book also continues to be adequately collateralized at 45.6% as of 30 September 2021.

BankCom asset quality metrics fare positively compared to the industry. As of 30 September 2021, BankCom's Gross NPL Ratio stood at 3.0% compared to 3.99% the average for Universal and Commercial Banks (as reported by BSP). Also, for the same period, the Bank's NPL coverage ratio was at 107.79% compared to the average 89.44% reported by the BSP for Universal and Commercial Banks.

Augmented and invigorated management team overseen by seasoned and experienced Board

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

The Bank's Board of Directors is led by Chairman, Mr. Jose T. Pardo, also the current Chairman of the PSE, has a vast career in banking and finance spanning both government and private sectors including former posts in as a Monetary Board Member of the BSP, Governor for the Philippines of the Asian Development Bank and the World Bank Group, and Cabinet Secretary of the Department of Finance and Department of Trade and Industry, among others.

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

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

Lastly, Director Fe B. Barin has spent more than 40 years at the BSP and acted as Chairman of the SEC for a 7-year term, among others. Director Aniano A. Desierto, former Ombudsman of the Philippines has served 5 administrations as government prosecutor.

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

The Bank's day-to-day business is based on a streamlined management structure and managed by officers who have extensive experience in banking operations from leading universal and commercial banks in the country

across key areas including retail and wholesale banking, treasury, trust, risk and compliance. Given the experience and track record of BankCom's senior management, the Bank believes that it possesses extensive knowledge of all aspects of the banking industry, strong relationships and familiarity with the Bank's target clients and their banking needs, rapport with other banks and financial institutions, and harmonious relationship with regulators. Additionally, the Bank's senior management team regularly meets and coordinates in order to increase productivity and efficiencies across the Bank's various business units. See "*Board and Management*" on page 181 of this Prospectus for more details.

Strategic and well-balanced branch network footprint

BankCom believes that its branch network has a strategic and well-balanced geographical footprint. The Bank's branches are strategically located to maximize market potential and offer accessibility to both existing and potential customers. As of 30 September 2021, the Bank has a consolidated network of 140 branches and 264 ATMs. Of its branches, 63 are located in Metro Manila, 42 are located in Luzon (outside of Metro Manila), 22 are located in Visayas and 33 are located in Mindanao. The diversity and expanse of the Bank's geographical footprint is aligned with the nationwide reach of the SMC ecosystem, allowing the Bank to maximize its synergies and cross sell with the SMC Group and the broader SMC ecosystem.

Furthermore, the branches of BankCom are strategically located in areas outside Metro Manila particularly in emerging high growth regions, which enables the Bank to capitalize on the robust development of these areas. More than half or 55% of the Bank's branches are located outside the National Capital Region.

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

Nimble and agile company culture and workflow allows BankCom to act quick and prudently when opportunities arise

BankCom believes that its emergent nature allows it to swiftly capture growth opportunities as these arise such as rolling out new products. Further, this allows the Bank to manage and adjust its operations efficiently to navigate accordingly through varying market conditions.

For instance, at the height of uncertainty during the COVID-19 pandemic, the Bank was able to rapidly adjust its operations to fit the situation. The Bank's nimbleness allowed for resilient banking operations throughout the pandemic, opening select branches during the ECQ and then increasing branch availability for regular and walk-in customers. From 50% at the start of the Luzon-wide ECQ, the Bank was quickly able to bring branch operations up to 95% in under three months and finally to 100% by late-2020.

Further, the Bank was able to promptly realign its strategy to address the pandemic. This included managing and reducing risk exposure by tactically shifting focus from consumer accounts to commercial and corporate accounts. As of 31 December 2020, consumer loans (comprising home loans, auto loans, and credit cards, among others) accounted for 20.2% of its total loans, which the Bank has pared down from 20.5% as of 31 December 2019. This has further decreased to 18.5% as of 30 September 2021.

The Bank also deployed strategies to aggressively grow deposits, and continuously monitored credit risk, provisioning and capital levels. The Bank's total deposits as of 31 December 2020 stood at ₱149.1 billion, a 20.4% increase from ₱123.9 billion as of 31 December 2019.

BankCom's nimble workflow and culture became its source of great advantage throughout the COVID-19 pandemic and allowed the Bank to achieve an unprecedented stellar performance during an unprecedented time.

In 2020, the Bank saw its Net Income grow by 20.2% to ₱784.4 million as the Bank's Net Interest Income grew by 23.5% to ₱5.1 billion as interest expense dropped by a considerable 51.9%.

STRATEGIES

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

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

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

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

This includes tapping the financing needs of SMC ecosystem's third party vendors and suppliers (SMC had ₱66 billion of Accounts Payable – Trade as of 31 December 2020). In addition, BankCom onboarding the payroll processes of SMC affiliates and subsidiaries (₱18 billion in Personnel Expenses as of 31 December 2020).

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

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

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

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

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

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

BankCom sees digital banking as a cornerstone of its long-term strategy and a key enabler of long-term growth. In the near term, the Bank intends to continue to advance its technological capabilities to support business growth across multiple channels. The Bank expects to utilize digital technology as a major tool, particularly in the areas of fund transfer, deposits, payments, and other transactions. As part of its use of proceeds from the Offering, BankCom plans to spend a total of ₱922 million for the (i) replacement/ additional ATMs and cash

recycling/deposit for offsite locations; and (ii) upgrading the core banking system. The Bank believes that these initiatives make it well-placed to efficiently implement its continued goals of further large-scale expansion, business diversification, and efficient service delivery.

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

BankCom started the digital journey by launching its mobile banking app in 2020. In 2021, BankCom continues its digital transformation with an ATM Fleet replacement with CRMs to expand its capability beyond just cash dispensation. This channel is supported by a change of first generation core banking system to a current third generation Banking-as-a-Service model to unleash the capabilities of integration of retail loan products, such as, consumer loans, credit cards and provide the bank with low cost funds and growth in CASA deposits. All of these products and services are connected with an Open Banking Framework for API interactions with select financial services partners to deliver cohesive banking services and promoting a positive and integrated customer experience

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

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

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

The Bank has made significant inroads in its fee income portfolio. For instance, the Bank's credit base has grown by 88.8% from 40,485 as of 31 December 2017 to 76,445 as of 30 September 2021; remittance fees has grown by over eight (8) times from ₱5.0 million in 2017 to ₱42.4 million in 2020; and the assets under management (AUM) of its Trust Business expanded from ₱24.6 billion on 31 December 2017 to ₱52.4 billion on 30 September 2021, representing a 113% growth or a CAGR of 16.3%.

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

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

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

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

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

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

Shareholders’ commitment to environmental, social, and governance (“ESG”) framework and regulatory compliance and advancing the culture of “malasakit”

BankCom not only prioritizes its financial performance, but also focuses on making meaningful contributions to the development of the nation and welfare of the larger society, alongside conducting its business operations in strict accordance and adherence with regulations. The Bank is committed to stewardship and advancing the spirit of *malasakit*, an inherent quality shared with its parent company, San Miguel Corporation.

BankCom’s corporate social responsibility efforts are geared towards fulfilling its long-standing commitment to community development, promoting financial literacy, and championing volunteer work. The Bank has undergone a number of activities including Taal volcano relief operations, COVID-19 assistance focused on medical front liners, support for education program 10 million students across the country, typhoon Rolly and Ulysses donation drive and relief efforts, among others. Moreover, the Bank has recently risen above its usual Corporate Social Responsibility (“CSR”) initiatives by pivoting most of its budget and efforts towards helping out Filipinos severely affected by the pandemic and other calamities. For instance, for the first time in its history, the Bank decided to forego producing corporate giveaways and reallocated the budget towards benefitting impoverished and underprivileged communities.

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

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

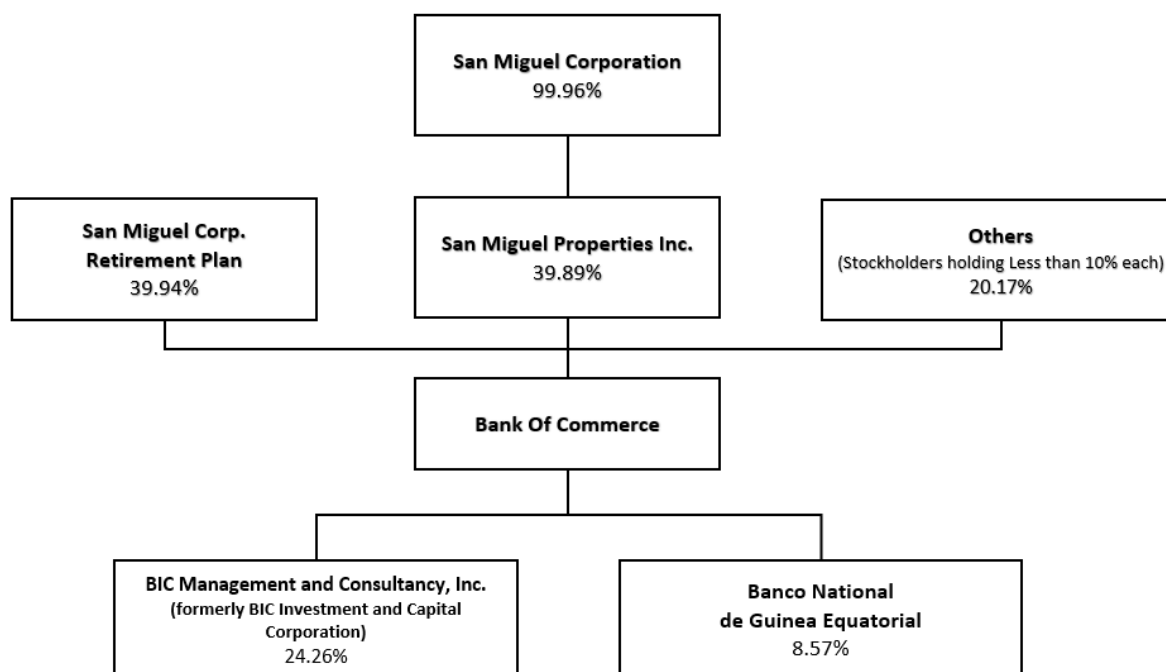
CORPORATE HISTORY AND MILESTONES

1963	The Overseas Bank of Manila was incorporated in the Philippines
1980	Overseas Bank of Manila changed its name to Commercial Bank of Manila

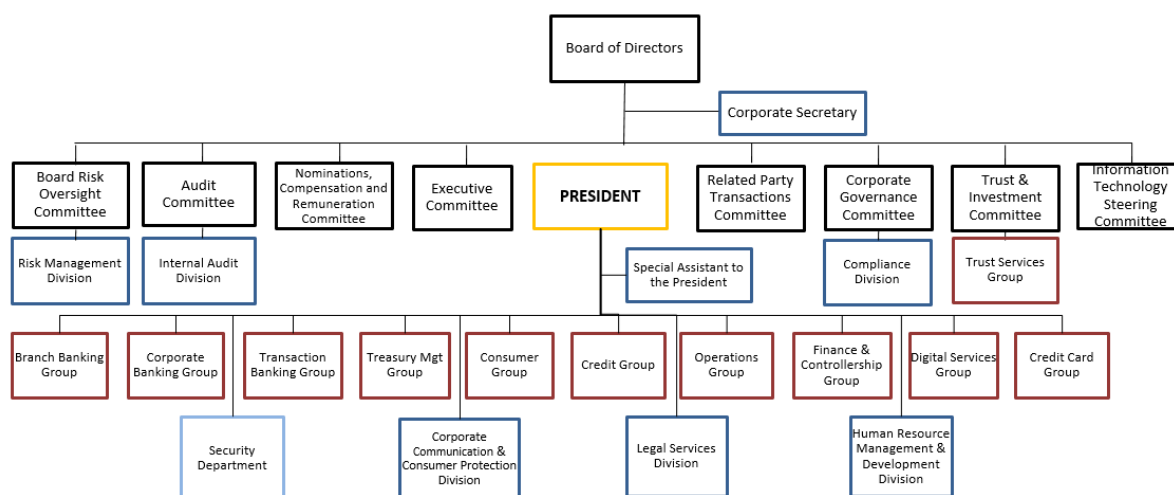
1981	Commercial Bank of Manila (ComBank) was acquired by the GSIS
1984	ComBank acquired Royal Savings Bank
1988	First National Bank of Boston and a local investment group acquired ComBank
1988	ComBank was renamed the Boston Bank of the Philippines
1991	Boston Bank of the Philippines changed official name to Bank of Commerce
1993	Buyout of the majority interest of the First National Bank of Boston
2000	Acquired selected assets and liabilities of Pan Asia Bank
2001	Acquired selected assets and liabilities of Trader's Royal Bank
2008	San Miguel Properties, Inc. and San Miguel Corporation Retirement Plan became the controlling shareholders of the Bank
2018	New strategy with enhanced management team led by the appointment of the Bank's new President and CEO, Michelangelo R. Aguilar
	BankCom revised its logo to include "SMC affiliate" text
2020	The Bank was granted a copyright by the Intellectual Property Office for the short name "BankCom"
	BankCom issued ₱5.0 billion LTNCDs in March 2020
2021	In August 2021, BankCom completed the ₱5.5 billion private placement of SMC Equivest to help BankCom achieve the ₱20.0 billion minimum capital requirement for UB status
	On 23 December 2021, the BSP approved the upgrade of BankCom's commercial banking license to a universal banking license, subject to regulatory requirements

GROUP AND ORGANIZATIONAL STRUCTURE

The following shows the structure of the Bank and its subsidiaries associates as of 30 September 2021:



The following chart sets forth an overview of the organizational structure of the Bank and its principal activities as of 30 September 2021:



BANKING PRODUCTS AND ACTIVITIES

Overview

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

Retail Products

- Savings Account with Debit Card (Mastercard)
- Savings Account with Passbook
- Savings Account Plus
- Checking Account
- Complete Checking Account
- US Dollar Savings Account
- Euro Savings Account
- Yuan Savings Account
- Junior Smart Savers Savings Account
- One Passbook Investment Account
- Time Deposit
- One-Year Time Deposit
- US Dollar Time Deposit
- Euro Time Deposit
- SSS Pension Account
- US Veterans Pension Savings Account (PHP and USD)

- Payroll Savings Account
- Philippine Retirement Authority (PRA) Savings and Time Deposit Accounts (PHP and USD)
- Cash Card (Mastercard)
- Long Term Negotiable Certificate Time of Deposit
- Corporate Savings Account/ Savings Account Plus/ Checking Account/ Checking Account Plus with Corporate Access Number

Corporate Banking

- Working Capital Loan
- Term Loan
- Capital Expenditure Financing
- Project Financing
- Small Business Loan – Term Loan
- Small Business Loan – Business Credit Line
- Foreign Currency Denominated Loan
- Trade Financing
- Letters of Credit
- Export Packing Credit
- Export Bills Purchase
- Domestic Bills Purchase

Consumer Loans

- Home Loan
- Auto Loan
- Salary Loan

Credit Card

- Bank of Commerce Mastercard

Trust Products and Services

- Unit Investment Trust Funds
 - Diversity Money Market Fund
 - Diversity Peso Bond Fund
 - Diversity Dollar Bond Fund
 - Diversity Dividend Focused Fund
- Trust and Other Fiduciary Services
 - Personal Management Trust
 - Employee Benefit Trust
 - Trust Under Indenture
 - Collateral Trust
 - Special Purpose Trust/Other Institutional Trust
- Investment Management Account

- Other Agency Accounts
- Facility / Loan Agency
- Escrow Agency
- Buyer and Seller Escrow
- POEA Escrow
- BIR Escrow
- HLURB Escrow
- Source Code Escrow
- Other Escrow Accounts

Treasury Products

- Fixed Income Government Securities (Peso / Dollar)
- Corporate Bonds
- Foreign Exchange

Transaction Banking

- Cash Management Services
 - BankCom Corporate
 - Fund Manager Solutions*
 - Deposit Inquiry Services
 - Account Transaction History
 - Bank Statement Downloading
 - SOA Download (Multi-cash, MT940 and MT950 formats)
 - Fund Transfer to Own Accounts
 - Payments Management Solutions*
 - Auto Credit Arrangement (ACA)
 - Payroll Crediting Service
 - Fund Transfer to Third Party Accounts
 - Fund Transfer to Other Banks (PESONet/ Instapay)
 - Manager's Check Cutting Service
 - Corporate Check Cutting Service
 - Collections Management Solutions*
 - Auto Debit Arrangement (ADA)
 - Other Services
 - Direct Fund Transfer Facility
 - Deposit Pick-Up Service
 - Bills Payment Facility
 - Payroll Plus
 - Post-Dated Check Warehousing Facility
 - Customs, Duties and Taxes Payments (via BankCom PAS5 Facility)
 - BancNet - BIR Electronic Filing and Payment System (BIR eFPS)
 - BancNet - eGovernment Facility (SSS, Pag-IBIG and PhilHealth Payments)

- Digital Channels
 - BankCom Personal
 - Point of Sale
 - Automated Teller Machines (ATM)
 - Fintech / Card Solutions

- Remittance Services
 - SikapPinoy OFW Account with Debit Card
 - SikapPinoy Asenso Program
 - Credit to Accounts with Bank of Commerce
 - Credit to Accounts with Other Philippine Banks via PesoNet
 - Credit to Accounts with Other Philippine Banks via Instapay
 - Cash Home Delivery
 - Cash Pick-up Services via Bank of Commerce Branches from International Remittance Partners:
 - Al Ansari Exchange LLC
 - Arab National Bank – TeleMoney
 - Bank Al Jazira – Fawri
 - Bank AlBilad – Enjaz
 - Family Express Canada
 - Eastern & Allied Pty Ltd (HaiHa Money Transfer)
 - MoneyGram
 - Prabhu Money Transfer
 - TransFast
 - U Remit International Corp.

- Cash Pick-up Services via Payout Partners:
 - M Lhuillier
 - Cebuana Lhuillier
 - LBC Express
 - Palawan Pawnshop
 - RD Pawnshop

- E-Government Payments of OFWs through Remittance Partners:
 - SSS Contributions / Loan Payments
 - PhilHealth Contributions
 - Pag-IBIG Contributions / Loan Payments

International Trade Services

- Import
 - Import Letter of Credit (LC) (Sight / Usance)
 - Payment Abstract Secure (PAS5) Enrollment and Customs Duties & Taxes Payment
 - Shipperside Bond Guarantee

- Airway Bill Endorsement
- Foreign Exchange (FX) Purchase for Advance Payment of Importation
- Negotiation of:
 - Open Account (OA)
 - Documents Against Payment (DP)
 - Documents Against Acceptance (DA)
 - Import Letter of Credit
- Standby Letter of Credit (SBLC)
- Domestic
 - Domestic Letter of Credit
 - Domestic Standby Letter of Credit
 - Negotiation of Domestic Letter of Credit
- Export
 - Export Bills for Collection
 - Export Bills Purchased
 - Export Advances

**Available in Corporate Internet Banking*

The following table sets out the amounts and percentages of gross revenue generated by each of these businesses in the years ended 31 December 2018, 2019, and 2020, and for the nine months ended 30 September 2021 and 2020.

	For the year ended 31 December						For the 9-month period ended 30 September			
	2018		2019		2020		2020		2021	
	(₱ millions, except for %)									
Treasury	1,505	25.7%	1,879	22.8%	2,471	30.7%	2,074	33.8%	1,163	22.5%
Corporate Banking	2,871	49.0%	4,216	51.2%	3,755	46.7%	2,853	46.5%	2,550	49.3%
Consumer Banking	775	13.2%	1,001	12.2%	1,022	12.7%	612	10.0%	698	13.5%
Credit Card	177	3.0%	343	4.2%	352	4.4%	266	4.3%	203	3.9%
Branch Banking	117	2.0%	153	1.9%	118	1.5%	95	1.5%	76	1.5%
Trust Services	83	1.4%	108	1.3%	124	1.5%	92	1.5%	101	2.0%
Transaction Banking	66	1.1%	112	1.4%	102	1.3%	69	1.1%	125	2.4%
Others	268	4.6%	416	5.0%	101	1.2%	80	1.3%	254	4.9%
Total Gross Revenue	5,862	100.0%	8,229	100.0%	8,045	100.0%	6,140	100.0%	5,170	100.0%

Corporate Banking Group

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

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

For the nine-months ended 30 September 2021, CBG generated revenues of ₱2.55 billion, which was 10.60% lower year-on-year of the same period. This decrease came as a result of lower interest rates and muted loan demand from Q1 to Q2 of 2021 due to pandemic. This translated to a net interest income of ₱272.6 million or 2.5% lower from the ₱279.7 million as of end-September 2020. Nevertheless, CBG maintained a healthy loan portfolio, which grew to ₱60.25 billion as of end-September 2021, from ₱56.9 billion as of end-September 2020. Loans Average Daily Balance (“ADB”) also grew significantly on the 3rd quarter of the year to ₱55.7 billion year-on-year, from ₱51.2 billion in September 2020. Additionally, NPL levels were maintained through proactive engagement with pandemic-affected borrowers.

The pandemic year of 2020 saw the CBG taking a more defensive approach in portfolio maintenance through proactively engaging pandemic-affected borrowers to avail of work-out payment plans and restructuring arrangements. This initiative allowed CBG to maintain a healthy loan portfolio and keep NPL ratio at a pre-pandemic level of 1.5%. This translated to a net interest income of ₱1.6 billion, an increase of 89% from ₱893 million in 2019. Total revenue grew by 30% to ₱1.7 billion, from ₱1.3 billion the previous year. CBG likewise generated an increase in its Loan ADB in 2020, earning ₱63 billion compared to ₱61 billion in 2019.

To sustain this momentum of growth, CBG is keen on pursuing a more progressive approach to corporate lending, highlighted by the following:

- Supporting the financing requirements of corporate and small-medium enterprises as it actively; participates in big-ticket financing transactions aligned with the government’s nation-building and economic recovery plans;
- Tapping capital market issuances as a means to generate a steady source of accrual;
- Working with product partners to offer more lending products to financially challenged customers;
- Strengthening collaborative efforts with other business units to step up cross-selling initiatives and boost fee-based income, such as trade-related fees;
- Further expanding its market reach by forging more business partnerships in provincial areas; and adding more on-ground managers to foster new relationships with rural enterprises.

CBG is equipping relationship managers and rank-and-file employees with the right knowledge and tools in building solid client relationships, which will be made possible by conducting more training programs that aim to enhance both hard and soft skills, while setting them in motion toward career development. Meanwhile, as the Bank adopts digital banking solutions, CBG is looking at implementing IT system updates for corporate loans, bank statement analysis, financial modeling, and portfolio management systems.

Branch Banking Group

Branch Banking Group (“BBG”) oversees the Bank’s retail banking business and serves as the nucleus for other business units to initialize programs for their respective markets. Running a network of 140 branches to date, the BBG team is composed of seasoned banking professionals with years of experience and expertise in the industry, focused on a singular objective of providing a consistent and comprehensive financial experience for the Bank’s affluent and middle-market customers.

Despite the pandemic, the BBG maintained its growth momentum for 2021. Through its 140 branches, BBG on-boarded 34,349 new depositors and increased its total deposits by 16% or ₱20 billion. CASA low-cost deposits increased 18% or ₱12 billion, while high-cost deposits increased by 14% or ₱8 billion, to name a few

of the products offered by the Bank. Given its strategic collaborations with its partner Bank business units, BBG assisted in ₱558 million Auto Loan bookings, ₱279 million home loan bookings, ₱45 million in Trust income, ₱17 million in FOREX income and 3,257 approved credit cards.

BBG took the challenging economic conditions in 2020 as an opportunity to serve a niche demand for a stable, long-term investment outlet. In partnership with Treasury Management Group (TMG), BBG launched the Bank's maiden LTNCD issuance. With a team from BBG's operations, business development, and branches at the helm, potential customers who matched the risk profile for investing were identified through the proprietary single customer view (SCV) facility. BBG managed and undertook the bookings, and ensured that all requirements complied with BSP guidelines, including educating investors, addressing concerns about LTNCD, and sending timely communications about the offering period, issuance dates, and information about selling agent. Prior to the enforced quarantines, BBG mounted roadshows held in Pampanga, Alabang, Laguna, Quezon City, Iloilo, Bacolod, Davao, Cagayan de Oro, Makati, and Manila, which generated ₱4.1 billion for LTNCD. With these gains, BBG continues to aggressively develop and market other high-yielding products for its clients.

In 2020, BBG took a direct marketing approach on consumer loan and credit card products, riding on its high-level campaigns and initiatives the previous year. Together with the Consumer Group (CG), Credit Cards Group (CCG) and Trust Services Group (TSG), BBG advanced to areas of high-growth potential within and outside NCR, where demand was underserved, and carried out online marketing presentations and telemarketing with prospective clients identified via SCV. Simultaneously, BBG pursued organic marketing at the area level, leveraging on product knowledge gained from regular sales meetings with these business units. Through these efforts, branch sourced consumer loans generated a total volume of ₱713 million (₱565 million in auto loans and ₱148 million in home loans) and gained an additional 3,500 approved credit card applications. Similarly, BBG referred a total volume of ₱14.993 billion to TSG.

Despite an increase in digital banking transactions, the role of branches in supporting the transactional needs of both consumers and merchants was magnified more in terms of ensuring problem-free acceptance of deposits, over-the-counter withdrawal, check clearing and encashment, account opening, card maintenance, and continuous operation of onsite ATMs. Branches also enabled business customers to use the products of Transaction Banking Group ("TBG") by operating as their check releasing counters, facilitating deposit pickup, and performing account maintenance under auto-debit arrangements.

While observing strict health and safety protocols, BBG ensured that its network was capable of serving its customers through implementation of the following:

- Making 95% of its branches available within two and a half months from ECQ enforcement, subsequently reaching 100% availability in early fourth quarter of 2020;
- 98% to 99% cash availability of onsite ATMs;
- 100% compliance with contact-tracing requirements and health and safety protocols (nationwide and LGU-based), such as temperature checks, use of PPEs, and physical distancing;
- Frequent sanitation and regular disinfection of branch premises and workstations, as well as provision for personal antiviral solutions at primary contact points;
- Installation of acrylic shield physical barriers and safety reminder notices; and
- Branch employee training on proper personal sanitation and social distancing.

As customers' primary point of contact, branches also served as an extension of the Bank's customer assistance mechanism (CAM) in helping consumer loan borrowers and credit cardholders understand the most pertinent features and implications of the Bank's announcements regarding Bayanihan I and II, as well as the BSP regulations that were enacted during the quarantine period.

Backed by these significant achievements, BBG looks forward with a sharper focus on the following areas:

- Aligning branch banking technology to improve the customer journey and overall experience

- Offering “phygital” products backed by streamlined processes
- Improving branch “look and feel” and transaction flow
- Refocusing branch roles toward more efficient servicing of customers

As each of these initiatives roll out, BBG is focused on meeting the needs of its diverse and growing depositor base, while managing emerging challenges under the new normal.

Transaction Banking Group

Transaction Banking Group (“**TBG**”) was formed in August 2018 with the end in view of creating value added banking solutions within the ‘ecosystem’ of its target clients based on latest global trends - from corporate, commercial / SMEs to retail (i.e. B2B, B2C and P2P). The main objective is to increase overall flows from these customers, by understanding their supply chain and provide electronic banking tools for it, thus becoming an avenue for incremental deposits, assets (trade finance) and fees (FX) to the bank. Product divisions under this group include cash management, trade finance, digital channels (ie. online banking, mobile banking / Fintech) and remittances.

Despite the fact that pandemic continues in 2021, TBG was able to grow by 81.4% in their business due to growing demands in trade transactions, especially in the domestic front. For industries in power and other commodities, requirements for bank guarantees continue which TBG Trade was able to win, close and execute. The digital space has also grown, whereby to date, the new mobile banking app launched has now reached 75,000 users with an average transactional volume of 350,000. The new fees for ABFC (Acquirer Based Fee Charges) increased current off us ATM withdrawals which also contributed to this growth. These growths in various niche products were able to offset the challenges we face in the remittance business, whereby despite the economy opening up, volume declines which is an effect of the decrease on deployed OFWs especially in the Middle East.

The unprecedented year that was 2020 saw the TBG reaping achievement after achievement that contributed to the 29% growth in total income. This was made possible by the new deposit products and solutions that were launched to cater to the specific needs of a pandemic-afflicted clientele.

The Digital Channels Department marked a significant milestone with the launch of the Bank’s first mobile banking app, which was also rebranded as BankCom Personal in July 2020. The timely introduction of the app complemented the increase of domestic fund transfer transactions during the quarantine period, now processing more than 50,000 InstaPay and PESONet transactions a month, corresponding to an 821% increase from a monthly average of 5,000 transactions from the previous 2019. Total enrollment also increased by 35%, reflecting the current demand for more online transactions by retail clients. Eight new billers were also added to the current 73 to further widen the range of BankCom Personal’s bills payment transactions. A partnership with Dragonpay was also initiated to allow Bank clients to settle payments via BankCom Personal for merchants like SMC Mall, San Miguel Corporation’s online selling portal, and other online sellers. To ease cash flow for its day-to-day operations, the Bank provided a Consolidator Solution, a digitally innovative platform which enabled merchants of SMC Mall to efficiently manage their collections and payments.

The Cash Management Division (“**CMD**”) complemented the Bank’s more aggressive approach in strengthening its digital channels by proactively offering electronic solutions for payment settlement. InstaPay and PESONet were offered to corporate clients who opted to use these channels for fund transfers during the lockdowns, as confinement limited mobility and access to our branches.

As coming to the aid of quarantined customers was a top priority, CMD also launched a more customer-centric direct service hotline that allowed the Bank to immediately address cash management concerns and inquiries.

Trade solutions were cross-sold to corporate clients who opened new accounts with the Bank. The Trade Department focused on meeting the needs of customers requiring guarantees to secure ordered goods through letters of credit. Continuous education on trade services and its benefits was also given optimum importance to target distributors and merchants whose businesses were based on consumer demand.

Though many businesses were caught unprepared by the pandemic and other unforeseen calamities, TBG was able to effectively navigate its wide range of businesses to adapt to the new normal, leveraging on more practical digital solutions to meet the changing financial requirements of retail and corporate clients.

Treasury Management Group

Treasury Management Group (“**TMG**”) principally provides money market, trading and treasury services, as well as management of the Bank’s funding operations by use of treasury bills, government securities and placements and acceptances with other banks.

For the nine-months ended 30 September 2021, TMG total revenue went down year-on-year by 43.92% to ₱1.16 billion. Total revenue in September 2020 was extraordinarily high at ₱2.07 billion which was largely due to the significant gain from sale of investments towards the end of 3Q 2020. This was further helped by BSP’s accommodative stance to support the ailing economy. In 2021, yields moved sideways with an upward bias as vaccination roll-out signaled the start of the country’s recovery from the pandemic. This resulted in a muted trading gain for the first nine months of 2021. Interest accrual from its security holdings compensated for the lack of trading opportunities in the fixed income market. Meanwhile, its foreign exchange business remained stable capitalizing on occasional volatility in the USD/PHP pair. TMG further contributed by keeping the Bank’s funding cost in check.

In 2020, TMG rose above the challenges in the financial markets. It maintained a prudent approach to trading and portfolio management, which allowed us to generate profit and rebalance our portfolio as we saw fit to usher in the new normal.

This approach proved to be a lifesaver amid a tough year, characterized by extreme volatility in the fixed income market during the first six months. Globally, central banks took decisive actions to backstop markets and ensure that ample liquidity continued to flow in the system.

This was done through each central bank’s version of a stimulus package that included, among others, a bond buying program, credit, and unemployment and payroll aid facilities. After a dizzying first half in the global bond market space, with central banks’ open market operations firmly in place, volatility began to settle down in the second half of the year.

In the local market, an aggressive easing cycle took the BSP overnight policy rate from 4.00% in December 2019 to 2.00% in November 2020. The reserve requirement ratio fell from 14% in January 2020 to 12% by the end of the year. These timely rate adjustments and other regulatory relief measures throughout the year stemmed excessive volatility and restored calm. Market players regained confidence, emboldened by the BSP’s supportive stance on economic recovery and its clear communication that they have more tools to deploy if needed. The local fixed income bourse regained strength as we saw bond yields plunge to record lows in the second half of 2020.

New market conditions nevertheless heightened the importance of liquidity and interest rate risk management. In particular, managing liquidity was critical as it can deteriorate quickly during times of crisis. At the onset of the pandemic, Liquidity and Asset Liability Management Division (LALMD) proactively increased buffer of high-quality liquid assets and built ample liquidity to fully cover short-term commitments and any potential funding needs. Against all odds, the Bank also successfully issued over ₱5 billion worth of LTNCD at the onset of the enhanced community quarantine. These moves served as a defense against possible liquidity stress and enabled the Bank to continue lending to support the economy despite the adverse situation. In addition, dynamic

cash flow forecasting, liquidity scenario planning, stress testing and close monitoring of deposit fluctuations, funding concentration and liquidity metrics, such as Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Early Warning Indicators (EWIs), were undertaken to manage liquidity positions, meet funding obligations and strengthen funding capabilities. To mitigate margin compression in a low interest rate environment during the year, timely analyses and recommendations were provided by LALMD to the ALCO to support decisions like revisions to deposit pricing strategies and fund transfer pricing, which allowed the Bank to manage the interest rate risk sensitivity of the banking book. Consequently, despite the impact of falling asset yields, the Bank posted a higher net interest income for 2020 largely due to the significant decline in funding costs. The decrease in funding costs can be mainly attributed to the deposit mix shift and growth in low-cost savings and demand deposits, coupled with substantial decline in interest expense from high cost deposits.

All these gains were achieved with the cooperation and close coordination with teams in TMG, ultimately contributing to the Bank's performance in 2020.

Consumer Group

Consumer Group (“CG”) principally manages home, automobile, and salary loans for individual customers. With a beefed-up Organic Channels Division, the Group actively partners with BBG to market consumer loan products to its valued customers around the country. It also maintained a partnership with real estate developers as well as a deepened relationship with automobile dealers through its account officers.

For the nine-months ended 30 September 2021, CG's total revenue grew by 13.95% as the increase in portfolio yields compensated for the slower pickup in volume as originally anticipated. The Group continued to show a conservative risk posture. It focused on a selective market that met the risk criteria set by the Bank which was reviewed on a regular basis. This enabled the Group to improve the quality of its existing portfolio and to onboard only desirable borrowers that met its risk appetite. The focus on quality over quantity had shown encouraging results and had favorably impacted the Group's bottom line. The Group continues to monitor the country's response to the health crisis as it calibrates its risk appetite according to the developments that affect the strength of the consumer market.

In 2020 CG started the year on track to meet its ambitious growth targets. As the country implemented the strict community quarantine measures in March 2020, the Bank pivoted in its direction and focused on helping borrowers cope with banking challenges by deploying a skeletal team to attend to their critical needs as the country was in a lockdown.

Simultaneously, the Bank implemented a late payment relief plan even prior to the approval of the Bayanihan 1. A substantial number of the Bank's borrowers benefited from the Bayanihan 1 payment moratorium, and later in the year, more than a thousand of the qualified borrowers availed of the payment relief provisions of the Bayanihan to Recover as One Act (BARO).

2021 promises to be another opportune year for the Consumer Group as it takes on the following initiatives to sustain its efforts the past year:

- Provide home, auto, and salary loans to depositors, long-time partners, and the general public
- Renewing partnerships with real estate developers and auto dealers to provide home and auto loans to creditworthy applicants; and
- Center its distribution among the 140 branches of the Bank, which serve as the nucleus for its products and services

These efforts are driven by the Bank's continued vision of serving its target market more effectively through a variety of products punctuated by focused service despite the obstacles posed by the ongoing pandemic.

Credit Card Group

The Credit Card Group (“**CCG**”) manages the end-to-end business requirements for the Bank’s credit card product. The credit card product is a revolving loan facility that is offered to clients and applicants that meet the acceptance criteria. CCG has also recently taken on the task of marketing the use of Bank’s debit card for purchases. The group is responsible for growing the fee revenues generated from debit card usage. CCG is also tasked to maintain relationships with various establishments (Merchants) to promote the usage of the Bank’s card products.

For the nine-months ended 30 September 2021, CCG total revenue was ₱203 million, with Interest Income lower than last year due to the BSP imposed interest rate cap. However, non-interest / fee income performed better than previous year due to adjustments and increases in various card fees introduced in 2021.

Although total revenue is lower than last year, overall financial performance is higher, ending with a positive bottom line. The better than expected performance was due to lowered operating costs and provisioning. Among the cost saving measures taken was the conversion of Statement of Accounts (“SOA”) to electronic SOA for lower cardholder servicing cost and reversals in provisioning due to collection and loan restructuring. The group was able to restructure almost ₱80 million in loans or Payment Arrangement Schemes (“PAS”) as of September 2021.

Billings remained healthy and reached ₱2.38 billion despite the partial lockdowns imposed in the last few months and seen to improve as the economy opens up. Big ticket items such as hospitality and travel related purchases remain to be minimal, but anticipated to kick start and contribute to billings once travel restrictions are lifted.

For 2020, helping customers was the priority despite the challenging time, and this was reflected in the number of government-released mandates that were implemented in 2020. Bayanihan 1 and the BSP Interest Rate Cap for Credit Cards were rolled out with the intent to provide relief assistance and affordable interest to cardholders.

Aiding consumers was necessary to curb the effects of the pandemic, which resulted in job losses and subsequent consumer confidence downturn. Bank of Commerce continued to soldier on despite these hurdles with the aim to provide value and service to its thousands of cardholders.

Leveraging on the solid strategies that were laid out to address the crisis in 2020, CCG managed to reach a robust P2.89 billion in total billings, with almost 6,000 new cards issued. Despite a modest gross revenue that was directly hampered by the more than 300% increase in provisioning, the Bank continued to take a conservative stand and has fully provided credit card NPLs (non-performing loans).

For 2021, recovery remains to be the primary task, with the Bank focusing on working alongside its cardholders to rise together after the challenges of the past year.

Trust Services Group

Trust Services Group (“**TSG**”) is the Bank’s trust and fiduciary management arm. It is responsible for developing new business, account solicitation, and administration of personal and corporate investment accounts under the scope of trust, other fiduciary business, and investment management activities specifically licensed by the BSP.

TSG is organizationally, operationally and functionally separate and distinct from the other departments and businesses of the Bank. It is responsible for providing the Bank with the incremental funding it needs to realize growth objectives, while closely coordinating the funds-flow process with the other support units of the Bank to obtain optimum investment returns at all times. Under local regulations, TSG is allowed to perform asset management activities in its capacity as Trustee or Investment Manager.

For the nine-months ended 30 September 2021, Trust Services Group's (TSG) total revenue grew by 9.52% despite the continued limited business activity. With physical distancing strictly enforced, TSG implemented a strategy to be closer to customers and branch marketing personnel through frequent voice/video calls, conferences and online meetings. Thus, products and services that embody protection and growth of savings was effectively promoted through this new delivery channel.

In 2020, TSG had an upward growth momentum despite facing contraction of trust assets by 5.8% to ₱39 billion. The lower trust assets likewise did not affect the Bank from increasing its revenue by 14.8% year-on-year.

This accomplishment was the result of a strategic move to enable Branch Partners with the knowledge and skills to market Unit Investment Trust Funds, which resulted in a 237% increase in participation. Trust and Other Fiduciary Activities Assets also increased by 111%, with more active promotion of trust engagements focused on personal savings, education for children, health and wellness in elder age, and distribution of assets as legacy to loved ones.

TSG is positioning itself to take advantage of these gains as the economy opens. Backed by the Bank's strong foundation, we are positive that bright prospects of financial growth will be present as we gear toward protecting and growing savings through prudent and informed investing.

CREDIT APPROVALS

Credit Rating/ Scoring System

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

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

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

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

Credit Approval Process

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

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

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

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

Credit monitoring, Review Process, and DOSRI

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

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

Further to this, the Bank has been implementing more intensive monitoring on individual and aggregate exposures against prudential and internal limits on a regular basis. In the ordinary course of business, the Bank has loans and other transactions with its directors, officers, stockholders and related interests (“DOSRI”). Under the Bank’s policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the Bank’s total capital funds or 15% of the Bank’s total loan portfolio, whichever is lower.

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

	As of 31 December			As of 30 September 2021
	2018	2019	2020	
Amount	₱2 million	₱2 million	-	-
% to total loans	0.0025%	0.0021%	-	-

CUSTOMERS

The Bank is not dependent upon a single customer, the loss of which would have a material adverse effect on the registrant. There is no single customer that accounts for at least 20% of the Bank's total loan portfolio.

EMPLOYEES AND LABOR RELATIONS

As of 30 September 2021, the Bank had a total of 1,844 employees, 893 of which are engaged in a professional management capacity and classified as bank officers, and 951 were classified as rank-and-file employees.

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

The Bank's staff employees are members of the Bank of Commerce Employees Union ("BCEU"), except for employees holding confidential positions and belonging to the Information Technology Services Division. BCEU has been the sole and exclusive bargaining representative for all the regular rank-and-file employees of the Bank since 22 July 1986. The Bank and BCEU have a Collective Bargaining Agreement ("CBA") that governs the terms and conditions of employment of the staff. The existing CBA is valid until expired on 30 June 2023.

As of 30 September 2021, BCEU has a total of 814 members. None of the Bank's employees are on strike or have been on strike in the past three (3) years. To the best knowledge of the Bank, as of the date of this Prospectus, there are no outstanding threats to strike from BCEU or any outstanding dispute with the BCEU.

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

	As of 31 December			As of 30 September
	2018	2019	2020	2021
Rank and File	969	1,000	920	951
Officers	836	897	990	893
Total	1,805	1,897	1,910	1,844

Significant Employees

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

Retirement Plan

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

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

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

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

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

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

Compensation Policy

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

Insurance Policy

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

BRANCH NETWORK

As of 30 September 2021, the Bank has a total branch network of 140 branches nationwide, 61 in Metro Manila and 79 across various cities and provinces. Eight (8) of these were approved and opened within the last four (4) years. Some branches have been renovated to reflect the Bank's new standard look and feel, while some branches were strategically repositioned to sites that have more business potential and market accessibility.

The following table illustrates the coverage of the Bank's network in recent years and sets forth the number of branches as of 31 December 2018, 2019, and 2020, and 30 September 2021:

	As of 31 December			As of 30 September
	2018	2019	2020	2021
Metro Manila	61	61	61	61
Luzon	42	43	43	43
Visayas	23	23	23	23
Mindanao	13	13	13	13
Total Bank branches	139	140	140	140

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

ATM NETWORK

	As of 31 December			As of 30 September
	2018	2019	2020	2021
Metro Manila	110	117	119	111
Luzon	89	92	90	90
Visayas	34	34	34	34
Mindanao	21	21	21	22
Total ATMs	254	264	264	257

PROPERTIES

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

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

The Bank leases out some properties as office space. These non-cancellable have remaining lease terms ranging from 1 to 8 years.

Location	As of 31 December 2020	As of 30 September 2021
<i>Owned Branches</i>		
Metro Manila	4	4
Luzon	3	3
Visayas	1	1
Mindanao	1	1
TOTAL	9	9
<i>Leased Branches</i>		
Metro Manila	57	57
Luzon	40	40
Visayas	22	22
Mindanao	12	12
TOTAL	131	131

A summary of our leased properties for our head office, existing store operations, and distribution center is set out as Annex A of this Prospectus.

In addition, the Bank has a total of 2,752 Real and Other Properties Acquired for settlement of loans through foreclosure or *dacion en pago* broken down as follows:

Property Type	No.
Condominium	160
Condominium and Parking	4
Condominium Parking	53
Land	2,230
Land and Building	293
Townhouse	12
TOTAL	2,752

INFORMATION TECHNOLOGY

Digital Initiatives

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

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

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

Security Measures

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

Anti-Money Laundering Systems

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

ASSOCIATE

The Bank has an equity investment in BIC Management and Consultancy Inc., (formerly BIC Investment and Capital Corporation) in which it holds shares amounting to 24.26% of the outstanding capital stock as of 30 September 2021. The Bank also has an 8.57% equity interest in Banco Nacional de Guinea Equatorial (BANGE) under a partnership agreement with Universal Exchange Corporation (UEC). The Bank does not have control and participation in the operations of the aforementioned entities. Further, the Bank does not have any subsidiaries.

INTELLECTUAL PROPERTY

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

CAPITAL EXPENDITURES

The Bank's capital expenditures for the three years ended 31 December 2018, 2019, and 2020 and for the nine (9) months ended 30 September 2021 are:

	For the year ended 31 December			For the 9-month period ended 30 September
In ₱ millions	2018	2019	2020	2021
Capital Expenditure	203.9	338.9	114.4	127.9

The Bank has budgeted ₱233 million for capital expenditures in 2021 to be used mainly for the upgrading of the Bank's IT systems, physical infrastructure and furniture, fixtures and equipment.

IT SECURITY, DISASTER RECOVERY, AND BUSINESS CONTINUITY PROGRAM

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

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

INSURANCE

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

LEGAL PROCEEDINGS

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

Bureau of Internal Revenue - Declaratory Relief

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

In May 2018, the trial court issued an order granting the petition and nullified RR 4-2011. The Department of Finance brought a petition for review directly to the Supreme Court praying for the reversal of the trial court's order. The case remains pending before the Supreme Court.

Anti-Money Laundering Council – Violation of AMLA

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

Notably, a majority of the universal and commercial banks in the Philippines are faced with the same predicament. While the case was pending, the AMLC issued the Rules of Procedure in Administrative Cases (“RPAC”) which repealed the RIAS. The RPAC, under Rule 2 Section 3 (e), allows the striking out of a case (as if no case was filed) upon payment of the appropriate assessment, which ranges from ₱5,000,000.00 to ₱10,000,000.00. The Bank has filed a manifestation and motion proposing to avail itself of this benefit under Rule 2 Section 3(e) of the RPAC, which is now being evaluated by the AMLC.

Presidential Commission on Good Government - Reconveyance of Assets

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

College Assurance Plan Philippines Inc. - Corporate Rehabilitation

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

CORPORATE AND SOCIAL RESPONSIBILITY

The Bank not only prioritizes its financial performance, but also focuses on making meaningful contributions to the development of the nation and welfare of the larger society. The Bank’s Corporate Social Responsibility (CSR) efforts are geared toward fulfilling its long-standing commitment to community development, promoting financial literacy, and championing volunteer work. All these initiatives are also made possible by the firm commitment shown by highly regarded corporate partners and non-governmental organizations in rendering initial assistance, as well sustaining the efforts that had been started in the communities.

From organizing relief operations to expanding the delivery of essential services, the Bank’s CSR initiatives reflected its dedication to active community participation with the aim of uplifting the lives of the people it serves. Past activities include:

Programs in Partnership with San Miguel Foundation, Inc. (SMFI):

(a) Team Malasakit

SMFI’s flagship volunteerism initiative implemented various activities that showcased the true spirit of volunteerism and cooperation. Bank employee-volunteers provided relief operations and volunteer assistance for the following initiatives:

- Taal Volcano eruption relief operations in Batangas City: Employee-volunteers cleaned up and refilled hundreds of reusable water containers (through SMC-Infrastructure’s Bulacan Bulk Water Plant Facility) for the province’s evacuees and displaced residents
- COVID-19 Assistance: Much needed personal protective equipment (PPE) intended for medical frontliners were repacked by employee-volunteers; BankCom Cagayan de Oro branch procured essential supplies and helped distribute to Northern Mindanao Medical Center and J.R. Borja General Hospital; and
- Abutin Na10 campaign: The Department of Education and World Vision partnered up to provide 10 million students across the country access to printed instructional packets and gadgets for online learning activities. The bank supported the campaign by matching total donations collected from employees, doubling the amount to ensure students get the best access to education during the pandemic

(b) Better World Diliman

Bank of Commerce joined SMFI in its efforts in enhancing its community development projects for families in Metro Manila via Better World, the foundation’s learning and livelihood arm. The Bank

also donated a Mitsubishi L300 van to the facility, for the delivery and transfer of products and farm produce from provincial areas.

Typhoon Rolly and Ulysses Donation Drive and Relief Efforts

Employee-volunteers joined relief operations (soup kitchens, distribution of food and essential needs to displaced residents) and donation drives for victims affected by Typhoon Rolly and Ulysses in select provinces.

Family Academy Program and Food-Feeding Program in Partnership with International Care Ministries Foundation, Inc. (ICMFI)

An education program with a two-generational approach designed to empower parents in educating their children at home. Within a period of eight months, parents were equipped with basic curriculum in Math and phonics, and educational supplies as they become their kids' first teachers in a home setting. In addition to this, community residents were provided with free seminars and lessons on safe water, women's health and reproduction, disease recognition and prevention. The partnership also mounted a feeding program for families severely affected by the pandemic.

Community-Managed Savings and Credit Association (CoMSCA) in Partnership with World Vision

A program launched with World Vision which provided communities in Bohol with livelihood opportunities and the CoMSCA program which allowed residents to benefit from a local pool of capital for the financing of predictable expenses, facilitation of household cash-flow management, investment in short-term and income-generating activities. Residents were provided with basic financial education by employee-volunteers, to equip them on proper money management, saving for education, household and other family expenses, and livelihood ventures.

ChildHope and Pangarap Foundations

The Bank celebrated the Christmas season with an initiative that gave back to the community – the donation of its 2020 corporate giveaways budget to beneficiaries of both foundations, to help these institutions sustain their efforts in promoting education to children and developing community programs that benefit underprivileged families.

Masungi Georeserve Scholarship Program

Recognizing the need of the education sector to continue with their operations despite the pandemic, the Bank partnered with Masungi Georeserve to initiate a scholarship program for select students in nearby schools in Baras, Rizal. The Bank provided financial support and organized a donation among employees to collect cash or in-kind donations for the purchase of school items for student beneficiaries.

PERMITS

The Bank has obtained, and is in the process of obtaining, all material permits and licenses from the relevant and appropriate local government units and regulatory agencies in relation to its continued business, as confirmed by Martinez Vergara Gonzalez & Serrano in a legal opinion dated 4 February 2022. The list of material permits and licenses of the Bank is provided in Annex B of this Prospectus. The Bank believes that it has all the applicable and material permits and licenses necessary to operate its business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal.

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

The Board of Directors of the Bank (the “**Bank’s Board**”) is the body ultimately responsible for the management of the Bank. The Bank’s Board is composed of fifteen (15) directors, five of whom are independent directors. The Board is a healthy mix of individuals with diverse experiences, backgrounds, and perspectives. The membership of the Board is a combination of executive and non-executive directors such that no director or small group of directors dominates the decision-making process. All directors were chosen based on their qualifications, namely, integrity, probity, market reputation, conduct and behavior, relevant education and training, physical and mental fitness, knowledge, and experience. All directors possess such qualifications and stature that enable each of them to effectively participate in the deliberations of the Board.

Directors are elected by the shareholders for a period of one year. Generally, there are no restrictions on re-election. However, beginning on 2 January 2012, the SEC set a limit on the term of independent directors serving in listed, public, and mutual fund companies. An independent director may only serve as such for a maximum cumulative period of nine years after which the independent director shall be barred perpetually from being elected as independent director in the same company. The chairman has a casting vote in resolutions of the Bank’s Board which must be passed by majority vote.

The following table sets forth the persons who currently serve on the Board of Directors, with their corresponding positions and number of years of service as of 22 October 2021. Each member of the Board of Directors holds one (1) qualifying share each in the Bank as of the same date. The succeeding sections present the brief profiles of the Board Members.

Name	Position	Years of service
<i>Board Members:</i>		
Jose T. Pardo ³	Chairman (Independent Director), Non-Executive Director	18 yrs.
Francis C. Chua	Vice Chairman, Non-Executive Director	13 yrs. & 5 mos.
Michelangelo R. Aguilar	President and CEO, Executive Director	3 yrs. & 3 mos.
Roberto C. Benares	Former President and CEO, Non-Executive Director	8 yrs. & 5 mos.
Marito L. Platon	Non-Executive Director	11 yrs. & 6 mos.
Benedicta Du-Baladad	Non-Executive Director	7 yrs & 8 mos.
Jose C. Nograles	Independent Director	6 yrs & 6 mos.
Carolina G. Diangco	Non-Executive Director	9 yrs & 5 mos.
Melinda S. Gonzales-Manto	Independent Director	8 yrs & 6 mos.
Mariano T. Katipunan, Jr.	Non-Executive Director	3 yrs & 6 mos. 2 nd appointment as Caritas nominee, previously for 2yrs, 1 st appointment as Caritas nominee
Fe B. Barin	Non-Executive Director	7 yrs. & 6 mos.

³ In order to comply with Rule 38 of the Securities Regulation Code and the Rules to Govern the Nomination and Election of the Board of Directors of the Philippine Stock Exchange, Inc., in anticipation of the Bank’s initial public offering, Chairman Pardo has tendered his resignation as a regular director of the Bank and on 14 December 2021, the Board of Directors approved his resignation effective upon the date of approval by the PSE of the listing application of the Bank. Upon the effectivity of Mr. Pardo’s resignation, Mr. Francis C. Chua will serve as Chairman of the Board of Directors of the Bank. Mr. Pardo will remain as Board adviser of the Bank.

Alexander R. Magno	Non-Executive Director	7 yrs. & 2 mos.
Aniano A. Desierto	Independent Director	8 yrs. & 2 mos.
Rebecca Maria A. Ynares	Independent Director	6 yrs. & 3 mos
Ricardo D. Fernandez	Independent Director	9 mos.
<i>Board appointees:</i>		
Aurora T. Calderon	Board Advisor	7 yrs. & 8 mos
Ferdinand K. Constantino	Board Advisor	4 yrs. as BOD and 9yrs. as Adviser
Cecile L. Ang	Board Advisor	5 yrs. & 6 mos.
Antonio M. Cailao	Board Advisor	2 yrs. & 10 mos.
Evita C. Caballa	Corporate Secretary	11 yrs. as Corporate Secretary and 1yr. & 11 mos. as Asst. Corporate Secretary

JOSE T. PARDO⁴

Chairman, Independent Director

Filipino, 82 years old

Jose T. Pardo, currently serves as Chairman of the Board since 19 July 2011. He provides firm guidance and insights on concretizing the Bank’s mission and vision towards continuous nation-building and development. Concurrently, Mr. Pardo heads the Bank’s Trust and Investment Committee (TIC), and is a member of the Nominations, Compensation, and Remuneration Committee (NCRC). Mr. Pardo’s vast career experience in banking and finance spans government and private sectors, as former Monetary Board Member of the Bangko Sentral ng Pilipinas (BSP), as former Governor for the Philippines of the Asian Development Bank (ADB) and the World Bank Group, and as former Cabinet Secretary of the Department of Finance and Department of Trade and Industry. He previously held Chairmanship positions in the Landbank of the Philippines (LBP), Philippine Deposit Insurance Corp. (PDIC), PCCI Council of Business Leaders, De La Salle University, and Assumption College, Inc., among others.

Currently, he chairs the following companies as Independent Director: Securities Clearing Corporation of the Philippines, The Philippine Stock Exchange, Philippine Seven Corporation, and Philippine Savings Bank. He is the chairman of non-profit organizations PCCI Council of Business Leaders and ECOP Council of Business Leaders. Among his independent directorships are: National Grid Corporation of the Philippines, JG Summit Holdings Inc., ZNN Radio Veritas, Araneta Hotels, Inc., League One Finance and Leasing Corporation, and Del Monte Philippines, Inc. He holds a degree in B.S. Commerce and has a Master’s Degree in Business Administration and an Honorary Doctorate in Finance from De La Salle University. He was conferred the degree Doctor of Humanities, Honoris Causa at the Gregorio Araneta University Foundation.

FRANCIS C. CHUA⁴

Vice Chairman, Non-Executive Director

Filipino, 73 years old

Amb. Francis C. Chua has been a member of the Board of Directors of the Bank since 20 May 2008, and sits as Vice Chairman from 2013 to present. Mr. Chua chairs the Executive Committee (Excom) of the Bank. With his

⁴ In order to comply with Rule 38 of the Securities Regulation Code and the Rules to Govern the Nomination and Election of the Board of Directors of the Philippine Stock Exchange, Inc., in anticipation of the Bank’s initial public offering, Chairman Pardo has tendered his resignation as a regular director of the Bank and on 14 December 2021, the Board of Directors approved his resignation effective upon the date of approval by the PSE of the listing application of the Bank. Upon the effectivity of Mr. Pardo’s resignation, Mr. Francis C. Chua will serve as Chairman of the Board of Directors of the Bank. Mr. Pardo will remain as Board adviser of the Bank.

constant feedback and insights on best banking practices, he has been instrumental in promoting the Bank in the business community and in marketing its products and services. Amb. Chua continuously serves in the Philippine Chamber of Commerce and Industry, Inc. (PCCI), as Consul General conferred by the Honorary Consulate General of the Republic of Peru in Manila since 2006, and as Board Adviser of the Office of Alternative Dispute Resolution under the Department of Justice. He was the Special Adviser on Economic Affairs under the Office of the Speaker of the House of Representatives, Congress of the Philippines since 1997. He is Honorary Trade and Investment Representative of the Department of Trade and Industry, appointed Commissioner in the Constitutional Commission, Board of Trustee of Technical Education and Skills Development Authority (TESDA), and Special Envoy on Trade and Investment (China) of the Department of Foreign Affairs since 2007. He was also a member of the Board of Directors of the Philippine Stock Exchange where he served as the Chairman of the Committee of Demutualization. He demutualized the PSE with the unanimous support of its members.

He currently serves as Chairman of BA Securities Inc.; and a member of the Board of Directors of DITO Telecommunity Corporation, National Grid Corporation of the Philippines (NGCP), Global Ferronickel, Inc., and Platinum Group Metals Corp. He holds the Chairmanship of CLMC Group of Companies and Dongfeng Automotive Inc. and serves as Vice Chairman of Negros Navigation/2Go. He was the Vice Chairman of Basic Energy and Mabuhay Satellite Corp., and President of the Philippine Satellite Corp. He obtained his degree in B.S. Industrial Engineering (Cum Laude) from the University of the Philippines and was conferred Doctor in Humanities from Central Luzon State University.

MICHELANGELO R. AGUILAR

President and CEO, Executive Director

Filipino, 65 years old

Mr. Michelangelo R. Aguilar was elected member of the Board of Directors and appointed President and Chief Executive Officer (CEO) of the Bank on 16 July 2018. He is a member of the following committees: Executive Committee (Excom), Information Technology Steering Committee (ITSC), and Trust and Investment Committee (TIC).

Mr. Aguilar has over 38 years of banking experience in the areas of Corporate and Investment Banking, Global Markets and Treasury. He has 22 years of experience with international banks starting his career as an Executive Trainee at Citibank Philippines and rising through the ranks in the areas of Banking Operations, Treasury and Sovereign Risk as Assistant Manager, Manager, and Assistant Vice President. He held senior positions as Country Treasurer and then as Managing Director and Head of Wholesale Bank at Standard Chartered Philippines. For 13 years prior to joining the Bank, he was Treasurer and Head of Corporate Banking in Solid Bank Corporation and Rizal Commercial Banking Corporation, respectively. He was also a Director of RCBC Rental Corporation and RCBC Leasing and Finance Corporation. He graduated with a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and later acquired a Master's Degree in Business Management from the Asian Institute of Management. He is a licensed Mechanical Engineer and a Certified Treasury Professional by the Bankers Association of the Philippines (BAP).

ROBERTO C. BENARES

Former President and CEO, Non-Executive Director

Filipino, 68 years old

Mr. Roberto C. Benares has been elected as member of the Board of Directors of the Bank since 30 April 2013. He assumed his position as President and CEO of Bank of Commerce on 1 August 2013 and was succeeded by Mr. Michelangelo R. Aguilar on 16 July 2018. He currently sits as Director and chairs the Information Technology Steering Committee (ITSC). He is also a member of the Board Risk Oversight Committee (BROC).

During his tenure as President and CEO, he took the lead in strengthening the Bank by framing its superior service culture to achieve its recent milestones.

Previously, Mr. Benares was the Managing Director of Maybank ATR Kim Eng Capital Partners, Inc. He started his banking career at Bancom Development Corp. as Assistant Treasurer prior to holding the position of Vice President of Account Management at United Coconut Planters Bank. He also served as Managing Director at Asian Alliance and Executive Vice President at Insular Investment & Trust Corporation, and Vice President at Philamlife. He holds a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and has a Master's Degree in Business Management at the Asian Institute of Management.

MARITO L. PLATON
Non-Executive Director
Filipino, 68 years old

Mr. Marito L. Platon was elected last 30 April 2010 as member of the Board of Directors of the Bank. He is currently a member of the Information Technology Steering Committee (ITSC), Corporate Governance Committee (CGCom), Board Risk Oversight Committee (BROC) (former Chairman), Related Party Transactions Committee (RPTCom), and previously, of the Audit Committee. Mr. Platon has been the driving force behind the consistent growth of the Bank's business in partnership with clients.

Mr. Platon has 27 years of treasury and corporate finance experience at San Miguel Corporation and Coca-Cola Bottlers Philippines, Inc. (CCBPI) as Vice-President and Treasurer supervising various departments/functions in the areas of Treasury management and operations, funds planning and loans management, banking relationship, working capital management, capital budgeting and project coordination, tax administration and management, insurance and risk management, credit and collection, systems design and development, and provident fund operations as he was also the former Managing Trustee of the CCBPI Retirement Plan. Aside from formerly holding directorship and/or management positions in various companies or undertakings involved in investment banking, corporate leasing, internal auditing, security services, aquaculture operations, food retailing, among others, including education as former Chairman at non-sectarian Institute for Esoteric Studies, he was also formerly director and CFO of CCBPI's real estate companies Marangal Properties, Inc. and Luzviminda Landholdings, Inc. Mr. Platon likewise has over 30 years of rural banking experience being former Chairman and President of Rural Bank of Talisay (Batangas), Inc. Currently, he serves as Chairman and President of Villa Maria Resorts and Development Corporation, a tourism and property development family-owned corporation. A Fellow candidate at the Institute of Corporate Directors, Mr. Platon graduated in 1973 at De La Salle University with a degree in Bachelor of Science, Major in Accounting.

BENEDICTA A. DU-BALADAD
Non-Executive Director
Filipino, 60 years old

Ms. Benedicta A. Du-Baladad has been a member of the Board of Directors of the Bank since 31 January 2014 and is a member of the Executive Committee and the Audit Committee. She was previously a member of the Bank's Board Risk Oversight Committee (BROC) from 2014-2017. She is the Founding Partner and CEO of Du-Baladad and Associates (BDB Law), a law firm specializing in taxation and related corporate services. Ms. Du-Baladad has over 30 years of practice in the field of taxation, 17 years of which was spent with the Bureau of Internal Revenue (BIR) working on tax administration policy development and in operations. In 2001, she joined the private sector and is now on her 16th year of private practice. She has authored three (3) books on the taxation of the financial sector.

She was the lead tax and legal consultant of the Philippine Government's Department of Finance (DOF) on its program to reform the taxation of capital income and financial intermediation services. She has been the Co-

Chair of the Capital Markets Development Council (CMDC) in the Philippines from 2017 up to the present. Ms. Du-Baladad holds leadership role in major professional and business organizations in the country such as the Management Association of the Philippines (MAP) as Governor, the Financial Executives of the Philippines (FINEX) as past President, the Philippine Chamber of Commerce and Industry as Chair of the Tax Committee, the Tax Management Association of the Philippines (TMAP) as past President, and the Women Business Council of the Philippines (Womenbiz) as Vice President. She is currently a Professorial lecturer in taxation at the University of Santo Tomas (UST) and the University of the Philippines (UP). She was also a Partner and Head of Tax Compliance and Advisory of Punongbayan & Araullo from 2001 to 2009. Prior to that, she was an officer of the Bureau of Internal Revenue where she worked from 1984 to 2001. Ms. Du-Baladad is a Certified Public Accountant, graduated Magna Cum Laude with a Bachelor's Degree in Accountancy from Saint Louis University, Baguio, Philippines (1982), and holds a Bachelor of Laws degree from the University of Santo Tomas, Manila, Philippines (1989). Her educational background includes Advanced Management Program at Wharton School of the University of Pennsylvania, Pennsylvania, USA (2007) and Master of Laws and International Tax Program at the Harvard University, Cambridge, MA, USA. She is a fellow at the Institute of Corporate Directors. She is a regular columnist of the Business Mirror's 'Tax Law for Business'.

JOSE C. NOGRALES

Independent Director

Filipino, 72 years old

Mr. Jose C. Nograles has been an elected member of the Board of Directors of the Bank since 20 April 2015. He chairs the Bank's Board Risk Oversight Committee (BROC) and serves as a member of the following Committees: Audit Committee, Corporate Governance Committee (CGCom) and Nomination, Compensation and Remuneration Committee (NCRC). He continues to be a strict advocate of the Bank's conscientious and efficient use of resources towards sustainable care for the environment. A seasoned investment banker and economist, Jose C. Nograles was President of the Philippine Deposit Insurance Corporation (PDIC) from January 2008 to May 2011 where he led PDIC's transformation to a more responsive and innovative institution. Previously, he was the Senior Executive Vice President of the Land Bank of the Philippines (LBP). In 2005, he headed LBP's Operations and Corporate Services Sector. Five years earlier, as Senior Vice President and Treasurer, he organized LBP's combined Treasury and Investment Banking. He was also concurrently Board Vice-Chairman and President of Land Bank Insurance Brokerage Inc., LBP's subsidiary engaged in insurance brokerage and foreign exchange trading.

Mr. Nograles started his career in 1969 as part of the management services staff of SGV and Company. By 1973, he worked in government as a Senior Consultant to former Secretary Arturo R. Tanco, Jr. of the Department of Agriculture and Natural Resources. After three years, he rejoined the private sector as General Manager of Sarmiento Management Corporation. He moved to Anflo Management & Investment Corporation as Vice President in 1977 to head its Automotive Group of car dealerships and the Corporate Planning Department. He later founded his family's realty company engaged in commercial building and hotel operations in Davao City in 1980. In 1984, he was appointed Assistant Minister for Planning and Project Management of the Ministry of Natural Resources. In 1991, he joined Columbian Autocar Corporation as Vice President and General Manager that introduced the Kia brand in the Philippines. He obtained his BA in Economics with honors (Cum Laude) from the Ateneo de Manila University in 1969 and his Master's Degree in Business Administration from the Asian Institute of Management in 1973. He is a fellow of the Institute of Corporate Directors.

CAROLINA G. DIANGCO

Non-Executive Director

Filipino, 78 years old

Ms. Carolina G. Diangco has been a member of the Board of Directors of the Bank since April 2012. In July 2018, she briefly served as adviser for the Related Party Transactions Committee (RPTCom) and Board Risk

Oversight Committee (BROC). She is currently a member of the Executive Committee (Excom), and the RPTCom. Previously, she served as member of the Board Risk Oversight Committee, Audit Committee and Nominations, Compensation and Remuneration Committee (NCRC). Ms. Diangco is also a member of the Board of Directors of Cocolife Asset Management Co., Inc., and UGPB General Insurance Co., Inc. since 2009.

Since 1998, she has been a member of the Board of Directors of United Coconut Planters Life Assurance Corp. and sits as an executive member in its Executive Committee, Finance and serves as the Chairperson of the Audit Committee. She was a member of the Board of Directors of the United Coconut Planters Bank (UCPB) from 2002 up to 2007 where she served as executive member of the Loans Committee and the Chairperson of the Audit Committee. She held various senior positions in UCPB Rural Bank, as member of the Board of Directors; CIIF Finance Corporation, UCPB Foundation and UCPB Securities, Inc., as Treasurer; and as Controller in Mastercaterers, Inc., UCPB Condominium Corporation and UCPB Properties, Inc. From UCPB, she brings with her 38 years of core banking experience rising from the ranks to Senior Vice President-Controller upon retirement in 2002. Ms. Diangco also served as consultant at Central Visayas Finance Corporation (CVFC) taking an advisory role on over-all management and controllership of the company and was conferred to on aspects of Accounting, Treasury, Credit Cards and Risk Management from 2004 to 2015. She holds a degree in B.S. Business Administration Major in Accounting at the University of the Philippines and is a Certified Public Accountant.

MELINDA S. GONZALES-MANTO

Independent Director

Filipino, 69 years old

Ms. Melinda S. Gonzales-Manto (Linda) has been a member of the Board of Directors of the Bank since January 2014. She currently Chairs the Audit Committee and serves as member of the Related Party Transactions Committee (RPTCom) and Board Risk Oversight Committee (BROC).

Ms. Manto likewise sits in the board of Eagle Cement Corporation (Eagle Cement), Petrogen Insurance Corporation (Petrogen) and RSA Foundation, Inc. She functions as Chairman of the Audit Committee and member of the Corporate Governance Committee of Eagle Cement. She chairs the Audit and Risk Oversight Committee and sits as member of the Corporate Governance Committee and Related Party Transactions Committee of Petrogen. She has been appointed as the Lead Independent Director of Eagle Cement and Petrogen.

Ms. Manto is presently a stockholder, director and the Vice-President of Linferd & Company, Inc. and ACB Corabern Holdings Corporation. She is also the Resident Agent of some multinational companies in the country and the Treasurer of a foreign company doing business in the Philippines. She is also a member of the NextGen Organization of Women Corporate Directors Phils., Inc. She was formerly a board member of the GSIS Family Bank.

Ms. Manto started her career in SyCip, Gorres, Velayo & Co. (SGV). She is a celebrated accountant and is looked up to as an expert in assurance and business advisory. Her areas of specialization include retail, manufacturing, food processing and distribution, real estate, radio and television broadcasting, technology, steam power generation, agribusiness, semiconductors and electronics. She is highly respected as well in initial public offerings, due diligence engagements, and mergers and acquisitions. Her stint in the audit corporate world lasted for more than three decades. She retired as a Partner in the Assurance and Advisory Business Services Division of SGV. While in SGV, she served as the Head of the Consumer Products Industry for Asia and the Pacific of SGV/Ernst & Young Philippines and SGV/Arthur Andersen. Wanting to expand her horizon, she also functioned as a board member and auditor of the Philippine Retailers Association for almost a decade. She was previously assigned to the Cincinnati Office of Arthur Andersen in Ohio where she spearheaded the audit engagements of manufacturing and retail clients.

Ms. Manto finished elementary and high school as valedictorian and graduated cum laude with a degree of Bachelor of Science in Business Administration, major in Accounting at the Philippine School of Business Administration. She is a Certified Public Accountant and a lifetime member of the Philippine Institute of Certified Public Accountants. She completed the Management Development Program at the Asian Institute of Management and had computer training at the Institute of Advanced Computer Technology.

MARIANO T. KATIPUNAN, JR.

Non-Executive Director

Filipino, 70 years old

Mr. Mariano T. Katipunan, Jr. was first elected into the Board of Directors of the Bank in May 2015 as nominee of Caritas Health Shield, Inc. He also served as a member of the Bank's Audit and Corporate Governance committees. He was replaced by Mr. Ronnie U. Collado in June 2017. He was elected again as Director in April 2018. He is currently a member of the Bank's Audit Committee.

Mr. Mariano T. Katipunan, Jr. brings with him an extensive experience in finance and controllership having been Treasurer and Chief Finance Officer of Caritas Health Shield since its inception in 1995. He oversaw the company's financial position, including its trust fund/reserves and overseas investments. He was elected President and Chief Executive Officer in April 2018. Mr. Katipunan has likewise been Managing Director of Megacenter Diagnostics Corp. since its establishment in 1994. He was an Investment Account Officer of Equitable Financial Services in Edison, New Jersey from 1984 to 1986. He was Vice President & Division Head for Account Management Group at the International Corporate Bank in Makati from 1977 to 1983. He also previously handled account management at Citytrust Banking Corporation and market research at Far East Bank and Trust Company. Mr. Katipunan was an instructor in Business Management and Finance at the Ateneo de Manila University and in Economics and Mathematics at St. Theresa's College in Quezon City. He holds a degree in Bachelor of Arts in Economics (Honors Course) and graduated with Honors in 1972 from the Ateneo de Manila University. In addition, he has a Master's Degree in Business Management from the Asian Institute of Management (1975). He underwent training at the Foreign Exchange/Bullion Trading & Money Market departments of the Swiss Bank Corporation in New York City from 1983 to 1984 and at Citibank, N.A. in Binondo, Manila under its Executive Development Program in 1975.

FE B. BARIN

Non-Executive Director

Filipino, 87 years old

Ms. Fe B. Barin has been a member of the Board of Directors of the Bank since 24 April 2014, and currently sits as member of the Executive Committee (Excom) and Corporate Governance Committee (CGCom). Ms. Barin's career in the government service has been in the regulatory and supervisory agencies. She spent more than 40 years at the BSP as secretary of the Monetary Board for 25 years and the last two years as a full-time member of the Monetary Board. She was appointed as Chairman of the Securities and Exchange Commission (SEC) for a seven-year term and she was ex officio member of the Anti-Money Laundering Council as well as of the Credit Information Corporation. She became the Chairman of the Energy Regulatory Commission in 2001 under RA 9136 upon its creation. Ms. Barin served for three years at the Philippine Deposit Insurance Corporation (PDIC) as Assistant Legal Counsel early in her career.

She graduated from the U.P. College of Law in 1956, passed the Bar Examinations on the same year and was admitted to the Philippine Bar in 1957. She is a Fellow of the Institute of Corporate Directors (ICD) and the Institute of Solidarity in Asia (ISA); and a member of the Judicial Reform Initiative and the Philippine Good Works Mission Foundation, Inc. (PGWMFI) - all non-stock non-profit corporations. She is also a member of the

Board of Directors of General Milling Corporation and an Executive Vice President of the Manila Bulletin Publishing Corporation.

ALEXANDER R. MAGNO

Non-Executive Director

Filipino, 67 years old

Mr. Alexander R. Magno became a member of the Board of Directors of the Bank on 1 August 2014 and currently sits as a member of Trust and Investment Committee (TIC); and Nominations, Compensation, and Remuneration Committee (NCRC). He is a columnist of the Philippine Star and consults for both the Department of Finance and the Steel Asia Manufacturing Corporation. Mr. Magno's career best describes him as a policy advocate, public intellectual and an activist. He served as a member of the Board of the Development Bank of the Philippines, helping supervise such programs as the Nautical Highway System from 2001 to 2010. He was Director of Steel Asia Manufacturing from 1995 to 1999 and a professor at the University of the Philippines from 1976 to 2018. After the EDSA Revolution, he served as interim director of the President's Center for Special Studies, a think tank put together during the Marcos period which supplied regular briefing papers for President Corazon C. Aquino. He helped establish the Foundation for Economic Freedom (FEF), a research and advocacy institution proposing market-driven economic policies providing research for key liberalization policies including the Liberalization of the Retail Trade, the Electricity Power Industry Reform Act and the Procurement Law. He consulted for the privatization program of the Metropolitan Waterworks and Sewerage System (MWSS) and the liberalization of the telecommunications sector. In 2005, he was appointed Commissioner of the Consultative Commission on Charter Change and served as a commissioner of the EDSA People Power Commission.

His social activism during the martial law led to his career as an instructor of political science at UP Diliman. Mr. Magno supported student representation in 1975, winning a seat at the UP Student Conference and served as Vice Chairman of the organization. Mr. Magno had regular editorial columns at the Manila Times, the Manila Chronicle, and the Manila Standard. He remains an important columnist at the Philippine Star since 2003 and his columns became main reference points for building democratic and reformist public opinion.

ANIANO A. DESIERTO

Independent Director

Filipino, 86 years old

Mr. Aniano A. Desierto has been elected as member of the Board of Directors of the Bank since 26 July 2013. He currently chairs the Bank's Corporate Governance Committee (CGCom) and Nominations, Compensation and Remuneration Committee (NCRC), and is a member of the Trust and Investment Committee (TIC). Mr. Desierto is currently the Vice President of the Philippine Constitution Association, and a member of the Paul Harris and Rotary Club.

Notably, he embodies legal, political and government expertise having served five (5) administrations as government prosecutor. He was the Ombudsman of the Republic of the Philippines from 1995 until 2002. He previously was The Special Prosecutor (formerly Tanodbayan) between 1991–1995, Deputy Chief Judge Advocate General in 1988 to 1991, General Court Martial from 1986 to 1990, and Fact-Finding Member of the Armed Forces of the Philippines from 1985 to 1986, and Judge Advocate from 1974 to 1991. He also held the position of Provincial Division Manager at the Manila Broadcasting Corporation from 1967 to 1972. He brings with him various experiences in other fields as a marketing consultant and as a member of the Board of Directors of several companies. He was the Chairman of the PNOC Development and Management Corporation from 2004 up to 2005. He was Program and Production Manager in 1961 to 1967 at the Cebu Broadcasting Company and he was Proprietor and Director of the Top Promotion, Inc. and Top Taxi Company in Cebu City.

He also held the position of Provincial Division Manager at the Manila Broadcasting Corporation from 1967 to 1972. He received various awards and commendations as a government official and Ombudsman. He holds Bachelor of Laws and Bachelor of Arts degrees from the University of the Philippines, Bachelor of Management and Marketing Courses at the Ateneo de Manila University and Associated in Arts (Pre-Law) at the University of San Carlos, Cebu City.

REBECCA MARIA A. YNARES

Independent Director

Filipino, 45 years old

Ms. Rebecca Maria A. Ynares has been a member of the Board of Directors of the Bank since July 2016. She currently serves as member of its Related Party Transactions Committee (RPTCom), Board Risk Oversight Committee (BROC), and Audit Committee. Ms. Ynares manages the following family-owned endeavors TJCMB Enterprises, a warehousing and logistics company; Tutoring Club Franchise Philippines; and Octagon Realty and Development Corporation, where she is also the Corporate Secretary and account management lead. Ms. Ynares spearheads various sustainability and environment restoration initiatives in the Province of Rizal, including the Save Hinulugang Taktak and Ynares Eco System (YES) Programs. With the ongoing YES program, she continues to lead on projects such as installation of waste water clean-up systems, tree-planting activities, medical missions with the Provincial Health Office, feeding programs with the Department of Social Welfare and Development (DSWD), and Youth Program. She lends support to other projects devoted to finding the right balance between the diligent care of the ecosystem and economic viability of affected businesses in Rizal. On top of her advocacies as a dedicated socio-economic philanthropist, Ms. Ynares is a member of the Philippine Red Cross-Rizal Chapter and is an avid resource speaker in various trainings and seminars in the province.

Previously, she has served as a financial analyst for the Bahay Co. Real Estate Agents in Burlingame, California, USA from 2005 until 2007. She started her investment, banking and finance career at the Asia United Bank (AUB) on the areas of branch operations, marketing and investment portfolio management. Ms. Ynares holds a degree in Bachelor of Science in Business Administration and Computer Applications from De La Salle University (1999) and Associate for Arts for Professional Designation Fashion & Merchandising in San Francisco, California (2002).

RICARDO D. FERNANDEZ

Independent Director

Filipino, 67 years old

Mr. Ricardo D. Fernandez was elected as an Independent Director of the Bank effective 1 January 2021. He is currently the Chairman of the Related Party Transactions Committee (RPTCom), and a member of the Corporate Governance Committee (CGCom) and the Nomination, Compensation and Remuneration Committee (NCRC). He has worked in the investment banking industry for 40 years. Mr. Fernandez was employed at Unicapital Incorporated (UI) from 1995 to 2019, where he was appointed as President from 1997 to March 2019, became a Consultant until December 2019, and Director until March 2020. From 1980 to 1995, he was employed at Multinational Investment Bancorporation (MIB). He graduated from the De La Salle University with degrees in Behavioral Science and Business Management. He also holds a Master's degree in Business Administration from the University of the Philippines.

SENIOR EXECUTIVE TEAM

The members of senior executive team, subject to control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors. The following is a list of the Bank's executive officers as of 01 November 2021:

SENIOR EXECUTIVE TEAM

<p>Joel T. Carranto Senior Vice President Branch Banking Group Head</p>	<ul style="list-style-type: none"> ▪ Maybank Philippines Inc. – <i>Former Community Distribution Head</i> ▪ Security Bank – <i>Former Area Business Manager</i> ▪ Premiere Development Bank – <i>Former Branch Banking Group Head</i> ▪ Eastwest Bank – <i>Former Branch Manager</i> ▪ AMWAL – <i>Former Sr. Financial Sales Consultant</i> ▪ RCBC – <i>Former Branch Center Manager & Account Officer, Former Senior Marketing Assistant, Former Branch Officer-at-Large, Former Branch Operations officer, Former Teller, Former Bookkeeper</i>
<p>Mary Assumpta Gail C. Bautista Senior Vice President Transaction Banking Group Head</p>	<ul style="list-style-type: none"> ▪ Deutsche Bank - <i>Former Vice President</i> ▪ Equitable PCI Bank - <i>Former Cash Management, Sales and Marketing Head</i> ▪ Standard Chartered Bank (Singapore) - <i>Former Regional Product Manager</i>
<p>Gamalielh Ariel O. Benavides Senior Vice President Chief Trust Officer</p>	<ul style="list-style-type: none"> ▪ Sunlife of Canada Philippines, Inc. – <i>Former Licensed Insurance Agent</i> ▪ BDO Private Bank, Inc. - <i>Former Business Development & Marketing Strategy Head/ Senior Vice President, Former Trust Officer</i> ▪ Banco Santander Philippines, Inc. – <i>Former Trust & Investment Services Head/ Vice President, Former Assistant Vice President, and Product Development, Assistant Vice President.</i> ▪ Citibank N.A. Philippines Branch – <i>Former Securities Manager, Former Official Assistant, Treasury, Treasury Operations Staff</i> ▪ Citibank N.A. Singapore Branch – <i>Former Manager</i>
<p>Manuel A. Castañeda III Executive Vice President Corporate Banking Group Head</p>	<ul style="list-style-type: none"> ▪ Producers Savings Bank - <i>Former President, CEO and Director</i> ▪ Maybank Philippines - <i>Former Global Banking Head</i> ▪ Unionbank of the Philippines - <i>Former Commercial Banking I Head</i> ▪ International Exchange Bank - <i>Former Corporate Banking Team I and Project Finance Head</i> ▪ AsiaTrust Development Bank – <i>Former Unit Head Portfolio</i> ▪ BPI Express Card Corp. – <i>Former Merchant Assistant</i>
<p>Anna Marie A. Cruz Senior Vice President Corporate Communication & Consumer Protection Division Head</p>	<ul style="list-style-type: none"> ▪ Bank of Commerce – <i>Former Product Development Marketing Services officer, Product Development & Credit Cards officer, and Retail Product Development and Credit Card Division officer.</i> ▪ Smart Communications - <i>Former Vice President</i> ▪ BDO - <i>Former Vice President</i> ▪ Metrobank – <i>Former Senior Manager and Former Manager</i> ▪ PCI Bank - <i>Former Manager</i>
<p>Maria Ana P. dela Paz First Vice President Credit Group Head</p>	<ul style="list-style-type: none"> ▪ Bank of Commerce - <i>Former Credit Evaluation and Review Division Head</i> ▪ Planters Development Bank - <i>Former Department Head, Former Product Officer, Former Account Officer, Former Project Officer</i>
<p>Ma. Katrina A. Felix Senior Vice President Credit Card Group Head</p>	<ul style="list-style-type: none"> ▪ Best Inc- <i>Former Director</i> ▪ Finscore Inc (sister company of Cash Credit) - <i>Former President</i> ▪ Cash Credit/ CC Mobile Financial Services Phil. – <i>Former Country Manager</i> ▪ Prudential Financial Services- <i>former President & Managing Director, Former Chief Operating Officer</i> ▪ Prudential Life Plan, Inc. – <i>Former Vice President Personnel Department</i> ▪ Bank of America NT & SA Manila – <i>Former Operations Manager, Former MIIS Staff-Management</i>
<p>Louella P. Ira</p>	<ul style="list-style-type: none"> ▪ Bank of Commerce - <i>Former Legal Services-Operations Department Head</i>

<p><i>First Vice President Legal Services Division Head</i></p>	<ul style="list-style-type: none"> ▪ Metropolitan Bank & Trust Co- <i>Former Legal Officer</i> ▪ Metrobank Card Corporation – <i>Former Assistant Corporate Secretary</i> ▪ Insular Life & Assurance Co. – <i>Former Legal officer</i> ▪ Padilla Jimenez Kintanar & Asuncion – <i>Former Associate</i>
<p>Antonio S. Laquindanum <i>Senior Vice President Chief Financial Officer</i></p>	<ul style="list-style-type: none"> ▪ Australia and New Zealand Banking Group Limited - <i>Former CFO Philippines and Acting COO</i> ▪ Ernst & Young, LLP (USA) – <i>Former Manager</i> ▪ Accenture (Philippines) – <i>Senior Consultant</i>
<p>Joel O. Longalong <i>Vice President Officer-in-Charge, Internal Audit Division concurrent IT Audit Department Head</i></p>	<ul style="list-style-type: none"> ▪ Asia United Bank – <i>Former IT Audit Department Head</i> ▪ Security Bank - <i>Former IT Auditor</i> ▪ KPMG Consulting Inc. - <i>Former Functional Consultant</i> ▪ Corporate Information Solutions – <i>Former Programmer-Analyst</i>
<p>Marie Kristin G. Mayo <i>First Vice President Human Resource Mgt. and Dev't. Division Head</i></p>	<ul style="list-style-type: none"> ▪ Bank of Commerce - <i>Former Recruitment Head</i> ▪ The Royal Bank of Scotland (ABN AMRO Bank, Inc.) - <i>Former HR Head</i> ▪ My Resource Solutions - <i>Former HR and Admin Manager</i> ▪ Photokina Marketing Corporation - <i>Former HR Supervisor</i> ▪ LTS Philippines Corporation – <i>Former Personnel Specialist</i> ▪ Phil. Long Distance Tel. Co. – <i>Former Engineering Assistant</i>
<p>Reginald C. Nery <i>Senior Vice President Chief Audit Executive</i></p>	<ul style="list-style-type: none"> ▪ Bank of Commerce – <i>Former Officer-in-Charge Compliance Division</i> ▪ Project Management Institute Philippine Chapter - <i>Board Of Trustee (Treasurer)</i> ▪ Diaz Murillo Dalupan and Company, CPAs - <i>Former Partner and Head (Technology Performance and Governance)</i> ▪ RCNERY and Associates - <i>Former President and Principal Consultant</i> ▪ KPMG ManabatSanAgustin& Company (Formerly LayaMananghaya& Company) - <i>Former Partner and Head (Performance and Technology)</i>
<p>Jeremy H. Reyes <i>Vice President Chief Risk Officer</i></p>	<ul style="list-style-type: none"> ▪ Bank of Commerce - <i>Former Internal Audit Division Quality Assurance Review Dept. Head</i> ▪ HSBC – <i>Former Commercial Banking Business Risk & Control Management Head, Former Assistant Vice President, Management Internal, Former Assistant Manager, Credit Administration</i> ▪ HSBC Savings - <i>Former Deputy Head of Audit</i>
<p>Felipe Martin F. Timbol <i>Executive Vice President Treasurer/ Treasury Management Group Head</i></p>	<ul style="list-style-type: none"> ▪ Bank of Commerce – <i>Former Treasury Management Group Senior Vice President, Former Treasury Management Sector officer, and Former Treasury & Fee Based Business Sector First Vice President</i> ▪ Rizal Commercial Banking Corp. – <i>Former Vice President, Fund Management Group Head</i> ▪ Eastwest Banking Corporation - <i>Former Sr. Asst. Vice President for Treasury</i> ▪ United Coconut Planters Bank – <i>Former Senior Trader, Former Senior Analyst, and Former General Teller</i>
<p>Jay S. Velasco <i>Senior Vice President Operations Group Head</i></p>	<ul style="list-style-type: none"> ▪ Bank of Commerce - <i>Former Loans Operations Division Head</i> ▪ Bank of Commerce - <i>Former Head Office Operations Division Officer</i> ▪ Tiaong Rural Bank - <i>Former Executive Vice President-COO</i> ▪ PS Bank - <i>Former Operations Division Head, Centralized Branch Operations Division Head, Process Services Division Head</i> ▪ BPI - <i>Former Funds Transfer Dept. Head, Former Central Clearing Dept. Head, Former Central Clearing Dept. officer, Former Transit Center Officer, and Former Verification Officer</i> ▪ DBS Bank Philippines – <i>Former Processing Center Head, Former ATM Center</i>

	<i>Head, Former Clearing Department Head, and Former Centralized Verification officer</i>
Jose Mari M. Zerna <i>First Vice President Consumer Banking Group Head</i>	<ul style="list-style-type: none"> ▪ Bank of Commerce - <i>Former Chief Risk Officer and Former Credit Risk Management Dept. Head</i> ▪ ANZ Banking Group Limited – <i>Former Account Officer</i> ▪ BPI Capital Corporation – <i>Former Corporate Finance Officer</i> ▪ Bank of the Philippine Islands – <i>Former Account Officer (Institutional Banking Group)</i> ▪ Reuters Limited - <i>Former Treasury Applications Specialist</i> ▪ Misys Banking Systems Inc - <i>Former Senior Functional Consultant</i> ▪ Citytrust Bank and Trust – <i>Former Management Trainee</i>
Donald Benjamin G. Limcaco <i>Senior Vice President Chief Technology Officer/Digital Services Group Head</i>	<ul style="list-style-type: none"> ▪ Bank of Commerce – <i>Former Executive Support Group Head</i> ▪ Banco de Oro Unibank – <i>Former Business Strategy Design Head/SVP, Digital Development Head/SVP, Virtual Banking Operations Head/SVP</i> ▪ Bank of America- <i>Former Consumer Marketing & Technology Head</i> ▪ Countrywide Financial Corporation – <i>Former Application Development Head</i> ▪ DRGrace Management – <i>Former Managing Principal</i> ▪ ROUNDARCH Isobar- <i>Former Engagement Director</i> ▪ Deloitte Consulting – <i>Former Manager</i> ▪ Electronic Data Systems – <i>Former Systems Engineer</i> ▪ IBM – <i>Former Channel Marketing Showroom Representative</i>
Francisco Raymund P. Gonzales <i>Assistant Vice President Deputy, Corporate Communication & Consumer Protection Division</i>	<ul style="list-style-type: none"> ▪ Bank of Commerce – <i>Former Product Development & Customer Protection Department Head</i> ▪ ChinaBank – <i>Former Product Manager</i> ▪ Metrobank – <i>Former Product Manager</i> ▪ AB Capital and Investment Corp. – <i>Former Deal Officer</i> ▪ Citytrust / BPI – <i>Former CorPlan Officer</i> ▪ Punongbayan and Araullo – <i>Former Consulting Staff</i>

FAMILY RELATIONSHIPS AMONG MANAGEMENT

Mr. Roberto C. Benares, a Director and former President of the Bank, is related within the third civil degree of affinity to Mr. Jose T. Pardo, Independent Director and Chairman. Mr. Benares is married to Mr. Pardo's niece. Other than this, no other family relationships among the directors or senior executives, either by consanguinity or affinity.

INVOLVEMENT IN LEGAL PROCEEDINGS

To the best of its knowledge, the Bank is not aware of any of the following events having occurred during the past five (5) years up to the date of this Prospectus that are material to an evaluation of the ability or integrity of any Director, nominee for election as Director, Senior Executive, underwriter or controlling person of the Bank:

- a. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- b. any conviction by final judgment, including the nature of the offence, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- c. being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or

temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;

- d. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated; and
- e. a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE BANK

Information as to the aggregate compensation during the last three fiscal years and latest nine months of the Bank's executive officers and directors as a group is as follows:

Key Management of the Bank

<i>Amounts In Pesos</i>	For the 9- month period ended 30 September	For the 12-month period ended 31 December		
	2021	2020	2019	2018
Short-term Employee Benefits	₱406,326,275	₱530,809,650	₱536,003,622	₱458,986,174
Post-Employment Benefits	₱33,700,524	₱37,430,582	₱29,240,005	₱28,220,797
	₱440,026,799	₱568,240,232	₱565,243,627	₱487,206,971

The directors receive fees, bonuses and allowances that are already included in the amounts stated above. Aside from the said amounts, they have no other compensation plan or arrangement with the Bank.

Senior Executive Officers

The following table sets out the Bank's President and Chief Executive Officer and the four (4) most highly compensated executive officers of the Bank for the years ended 31 December 2018, 2019, 2020, and 2021*:

Name	Position	Applicable Fiscal Year
Michelangelo R. Aguilar	President and CEO	2018 to 2021
Roberto C. Benares	President and CEO	2018
Felipe Martin F. Timbol	Executive Vice President	2018 to 2021
Manuel A. Castañeda III	Executive Vice President	2018 to 2021
Edward Dennis Zshornack	Senior Vice President	2018 and 2019
Rafael C. Bueno, Jr.	Senior Vice President	2018 and 2019
Anna Marie A. Cruz	Senior Vice President	2020 and 2021
Gamalielh Ariel O. Benavides	Senior Vice President	2020
Donald Benjamin G. Limcaco	Senior Vice President	2021

* *Projected*

The following table identifies and summarizes the aggregate compensation of the Bank's President and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other directors and all other officers as a group, for the years ended 31 December 2018, 2019, 2020 and 2021*

	Year	Salary (in ₱)	Bonus (in ₱)	Other Annual Compensation	TOTAL (in ₱)
President and the four (4) most highly compensated executive officers named above	2018	58,613,414.00	12,321,438.00	-	70,934,852.00
	2019	61,488,588.00	9,222,745.00	-	70,711,333.00
	2020	58,988,112.00	8,184,528.00	-	67,172,640.00
	2021	62,768,112.00	13,650,338.00	-	76,418,450.00
Aggregate compensation paid to all Directors and Senior Executive Officers as a group	2018	99,046,165.38	20,990,598.99	6,036,183.00	126,072,947.37
	2019	127,199,270.39	21,553,599.21	2,947,031.00	151,699,900.60
	2020	146,425,518.06	28,441,110.77	-	174,866,628.83
	2021	143,793,379.45	143,793,379.45	8,205,954.00	185,129,222.55

** Projected*

The senior executive team officers receive salaries and bonuses that are included in the amounts stated above. The Bank has a salary structure in place that is used in determining the remuneration of all employees. Remuneration of executive officers is determined by their current pay, performance, the Bank's performance, and salary scale. Aside from the foregoing, they have no other compensation plan or arrangement with the Bank.

STANDARD ARRANGEMENTS

Other than payment of a reasonable per diem and bonuses which ranges from P10,000 to P30,000 for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director. In accordance with the By-Laws, the members of the Board of Directors, the Executive Committee, other committees, and the Corporate Secretary shall be entitled to per diem for every attendance in meetings, the amount of which shall be fixed by the stockholders from time to time.

EMPLOYMENT CONTRACT BETWEEN THE BANK AND KEY MANAGEMENT PERSONNEL

There are no special employment contracts between the Bank and Senior Management.

WARRANTS AND OPTIONS HELD BY THE KEY MANAGEMENT PERSONNEL AND DIRECTORS

There are no outstanding warrants or options held by Key Management Personnel, and all officers and directors as a group.

CORPORATE GOVERNANCE

Board Committees

As part of its increasing focus on corporate governance, the Bank established a number of Board committees.

Executive Committee

The Executive Committee (Excom) is empowered to approve and/or implement any or all corporate acts within the competence of the Board except those acts expressly reserved by the Philippine Corporation Code to the Board of Directors. The Excom approves the results of performance appraisals of senior management by the President; credit related proposals within its authority; proposals to open new or relocate existing branches; proposals to sell real and other properties acquired (ROPA) by the Bank within its authority; and to engage in new products or services.

The Bank's Excom is composed of five (5) directors. The Vice-Chairman of the Board, Mr. Francis C. Chua serves as the committee's Chairman. The Executive Committee meets as often as it may be necessary to address all matters referred to it. Proposals are normally taken up *En Banc* and resolved by a majority vote of all its members. Committee meetings may be conducted through modern technologies such as, teleconferencing and video-conferencing as long as the committee members attending the meeting can actively participate in the

deliberations on matters taken-up. Every member is required by regulation to participate in at least fifty percent (50%) and to physically attend at least twenty-five (25%) of all the committee meetings every year.

Audit Committee

The Audit Committee represents and assists the Board of Directors in the general oversight of the Bank's financial reporting policies, practices and controls and internal and external audit functions. It is responsible for the setting up of the internal audit division and for the appointment, removal and remuneration of the Chief Audit Executive, as well as the appointment of the External Auditor, both of whom report directly to the Audit Committee.

The Audit Committee ensures that the financial reporting framework enables the generation and preparation of accurate and comprehensive information and reports. It approves the disclosures in the annual and monthly financial statements. It also monitors and evaluates the adequacy and effectiveness of the Bank's internal control system, including information technology security and controls.

The Audit Committee reviews and approves the internal audit charter, scope and frequency of internal audits, budget, frequency, activities, staffing and organizational structure of the internal audit function, including subsequent changes. It receives key audit reports and ensures that Senior Management is taking necessary corrective actions in a timely manner to address the weaknesses, fraud, non-compliance with policies, laws and regulations and other issues identified by the internal auditors. The Audit Committee oversees also the appointment, fees and replacement of external auditors and approves the engagement contract and ensures that the scope of audit covers areas specifically prescribed by the BSP and other regulators. It also ensures that the internal audit service providers are independent and complies with sound internal auditing standards such as the Institute of Internal Auditor's Internal Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics.

The Audit Committee also establishes and maintains whistle blowing mechanism by which officers and staff, in confidence, raise concerns about possible improprieties or malpractice in matters of financial reporting, internal control, auditing or other issues and ensures that arrangements are in place for the independent investigation, appropriate follow-up action and subsequent resolution of complaints.

The Audit Committee is composed of five (5) members, three (3) of whom including the Committee Chairman, are independent directors. Independent Director Melinda Gonzales-Manto serves as the Committee Chairman.

The Bank's Internal Audit Division through the Chief Audit Executive reports functionally to the Audit Committee and administratively to the President.

The Audit Committee meets once a month but with authority to convene additional meetings, as circumstances require.

Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) is responsible for the development and supervision of the risk management program of the Bank and its trust unit. The BROC assists the BOD in identifying and evaluating risk exposure, developing risk management strategies and promoting a risk management culture in the Bank. Duties and responsibilities include, but are not limited to, the following (1) overseeing adherence to the Bank's risk appetite and risk limits; (2) endorsing for Board approval bank-wide policies on definition, assessment, management, monitoring and reporting credit, market, liquidity, operational, and IT related risks; (3) promoting continuous development and upgrade of risk practices, policies, procedures and structures; and (4) reviewing current and emerging risk exposures to prevent undue concentration of risk in any one product, market, industry

or business. The Committee is composed of five (5) members, majority of whom are independent directors. Mr. Jose C. Nograles serves as the committee's Chairman.

Corporate Governance Committee

The Corporate Governance Committee (CGCom) assists the Board in fulfilling its corporate governance responsibilities. It is responsible for ensuring the Board's effectiveness, the performance of its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through effective oversight of corporate governance practices, the due observance of corporate governance principles and guidelines across all levels of the Bank's personnel and oversight in the implementation of the Bank's Compliance System.

The Committee is composed of five (5) members, majority of whom, including the committee chairman, are independent directors. Independent Director Mr. Aniano A. Desierto, chairs the CGCom which meets once a month.

Nominations Compensation and Remuneration Committee

The Nominations, Compensation, and Remuneration Committee (NCRC) reviews and evaluates the qualifications of all persons nominated to the Board, as well as those nominated to other positions requiring appointment by the Board. The NCRC also assesses the qualifications of senior officers recommended for promotion, reviews the Bank's table of organization, succession plan, benefit proposals and outsourcing activities and providers. At the minimum, the NCRC meets quarterly but meetings may be set more frequently to enable the NCRC to properly discharge its duties and responsibilities. The Committee is composed of five (5) members, two (2) of whom, including the committee chairman, are independent directors. Independent Director Mr. Aniano A. Desierto, chairs the NCRC.

Trust and Investments Committee

The Trust and Investments Committee (TIC) is primarily responsible for overseeing the trust and other fiduciary activities of the Bank. The TIC reviews and approves transactions of trust and/or fiduciary accounts trustee or managed by the Trust Services Group including the establishment and renewal of lines and limits with financial institutions, investment outlets and counterparties, vetting new investment outlets and proposed products and services to be offered to clients. It evaluates trust and other fiduciary accounts, reviews the overall business performance, governance and risk management of the Trust Services Group.

The Committee is composed of five (5) members, three (3) of whom are non-executive directors, including its chairman, the President of the Bank who is also a director, and the Bank's Trust Officer. The Chairman of the Board, Mr. Jose T. Pardo, chairs the TIC.

Related Party Transactions Committee

The Related Party Transactions Committee (RPTCom) assists the Board in fulfilling its responsibility of ensuring that transactions with related parties are handled in an efficient and prudent manner, with integrity, and in compliance with relevant laws and regulations to protect the interest of depositors, creditors, and other stakeholders. For this purpose, the RPTCom evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. It likewise evaluates and vets all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under identical circumstances. The RPTCom receives the monthly report on outstanding balances of all Related Party Transactions and reports to the Board on a monthly basis the Bank's aggregate exposure to Related Parties. The Committee is composed of five (5) members, all of whom are independent and non-executive directors.

Majority of the Committee members, including the committee chairman, Mr. Ricardo D. Fernandez, are independent directors.

Information Technology Steering Committee

The Information Technology Steering Committee (ITSC), as tasked by the Board of Directors, has the responsibility for IT oversight function to cohesively monitor IT performance and institute appropriate actions to ensure that the Bank's technology strategy and significant technology investments support the Bank's business needs, strategies and objectives.

The Committee is composed of five (5) members, two (2) of whom are non-executive directors, including the committee chairman, Mr. Roberto C. Benares.

Management Committees

The Bank has also established the following management committees.

1. *Anti-Money Laundering Committee*
2. *Asset Liability Management Committee*
3. *Bids and Awards Committee*
4. *Business Continuity Management Committee (Crisis Management Team)*
5. *Business Continuity Management Committee (BCP Team)*
6. *Cleahr (Controllershship, Compliance, Legal, Audit, Human Resources, and Risk) Committee*
7. *Committee on Disciplinary Action*
8. *Credit and Collection Committee*
9. *ICAAP (Internal Capital Adequacy Assessment Process) Committee*
10. *Operations and Policies Committee*
11. *Security Committee*

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

On 27 October 2020, the Board adopted the Manual on Corporate Governance (“**Manual**”), which institutionalizes the principles of good corporate governance in the entire organization. The Bank believes that it is a necessary component of sound strategic business management, hence, we undertake efforts to create awareness within the organization. The Manual is reviewed and updated annually to capture current and best practices. Proposed amendments thereof are presented to and approved by the Board as reviewed and endorsed by the Corporate Governance Committee.

In adopting the Manual, the Board and its members acknowledge the responsibility in governing the conduct of the business of the Bank, the Board Committees, in focusing on specific board functions to aid in the optimal performance of its roles and responsibilities, and the officers, in ensuring adherence to corporate principles and best practices.

BankCom has in place an annual performance evaluation as follows:

1. **Self-assessment**
This is a yearly self-assessment undertaken by each member of the Board
2. **Peer Assessment**
This is a yearly performance evaluation done by each member of the Board on the performance of his/her peers (BOD members)

3. Board Committee Assessment
This is a yearly evaluation done by the Chairman of each Board Committee on the Board Committee he presides over.
4. Board Assessment
This is a yearly evaluation undertaken by each member of the Board on the performance of the Board.

Results of these assessments are reported to Corporate Governance Committee and the Board and shared with Nomination and Compensation Committee (NomCom) for consideration in the re-election of each member of the Board. It also serves as basis in the training needs of each member of the Board.

With respect to Board Advisers, annual evaluation is also done by the members of the Board on the performance of the Board Adviser. The same is reported to Corporate Governance and the Board and shared with the NomCom for consideration in the renewal of the Board Adviser.

Moreover, the Bank's Internal Audit Division performs periodic corporate governance audit to review and evaluate the Bank's adherence with the guiding principles of the BSP and alignment with international best practices on Corporate Governance Principles for Banks by Basel Committee on Banking Supervision (BCBS) every three (3) years. Another audit of corporate governance is included in the 2022 Audit Plan, which was approved by the Audit Committee.

The Bank has fully complied with the requirement on Corporate Governance consistent with the best practices. It has been responsive to newly issued circulars and memos by BSP as well as the comments and suggestions of BSP examiners with respect to governance structures, policies, procedures and practices.

There are no known deviations nor recorded deviations from the Corporate Governance framework of the Bank. The last two internal audit reports on corporate governance undertaken yielded an "Outstanding" audit rating, which means that no significant risks and concerns were noted and controls were functioning as intended.

SHAREHOLDERS

The following table sets out the 20 largest shareholders of the Bank as of the date of this Prospectus:

	Title or Class of Shares	Name of Record Owner	Citizenship	Number of Shares Held	Percentage to Total OCS
1	Common	San Miguel Properties, Inc. (SMPI)	Filipino	447,711,800	39.89%
2	Common	San Miguel Corporation Retirement Plan (SMCRP)	Filipino	432,626,860	38.54%
3	Common	Caritas Health Shield, Inc.	Filipino	109,666,640	9.77%
4	Common	SMC Equivest Corporation	Filipino	68,305,560	6.09%
5	Common	Alexcorp Profits Limited	BVI	14,749,100	1.31%
6	Common	Q-Tech Alliance Holdings, Inc.	Filipino	12,171,660	1.08%
7	Common	Equitable Banking Corp.	Filipino	8,401,500	0.75%
8	Common	PVB-TMG as Trustee of Comprehensive Annuity Plan Pension Trust Fund	Filipino	4,980,980	0.44%
9	Common	PVB-TMG as Trustee of College Assurance Plan Inc. Retirement Fund	Filipino	3,673,860	0.33%
10	Common	Comprehensive Annuity Plan Trust Fund	Filipino	3,626,870	0.32%
11	Common	Cabien Holdings, Inc.	Filipino	3,600,650	0.32%
12	Common	Ace Solid Holdings Corp.	Filipino	3,600,620	0.32%
13	Common	JGF Holdings, Inc.	Filipino	2,163,850	0.19%
14	Common	RDA Holdings, Inc.	Filipino	2,163,850	0.19%
15	Common	MV Holdings	Filipino	1,941,950	0.17%
16	Common	Bancommerce Capital Corp.	Filipino	1,476,350	0.13%
17	Common	Bank of Commerce – Trust Services Group as Trustee for Bank of Commerce Retirement Plan	Filipino	730,670	0.07%
18	Common	Rockshed Management, Inc.	Filipino	187,600	0.02%
19	Common	Commerce and Trade Insurance Brokerage, Inc.	Filipino	147,190	0.01%
20	Common	Evangelista, Rafael E.	Filipino	133,360	0.01%

As of the date of this Prospectus, the Bank had 145 shareholders on record and 1,122,411,120 common shares outstanding.

Upon completion of the Offer, the Company shall have 1,403,013,920 total issued and outstanding Common Shares. The public ownership will be 22.9% (inclusive of 3.7% held by other public shareholders existing before this Offer). Upon completion of the Offer and assuming full purchase of the Stabilization Shares from the stabilization activities, the Company's public ownership will be 21.34%.

SECURITY OWNERSHIP OF RECORD AND BENEFICIAL OWNERS

The following table sets out the record and beneficial owners of more than 5.0% of the Bank's voting securities known to the Bank as of the date of this Prospectus:

Title of Class of Securities	Name and address of record owners and relationship with the Company*	Name of beneficial owner and relationship with record owner	Citizenship	Number of Shares	% of Ownership
Common	San Miguel Corporation Retirement Plan (SMCRP)	-	Filipino	432,626,860	39.94%
Common	San Miguel Properties, Inc. (SMPI)	San Miguel Corporation - Parent company of SMPI	Filipino	447,711,800	39.89%
Common	Caritas Health Shield, Inc.	Record owner is beneficial owner.	Filipino	109,666,640	9.77%
Common	SMC Equivest Corporation	San Miguel Corporation - Parent company of SMC Equivest	Filipino	68,305,560	6.09%

Security Ownership of Management

The following table sets out the shareholding interests of the Bank's directors and senior management as of the date of this Prospectus:

Title of Class	Name	Position	Citizenship	Amount and Nature of Beneficial Ownership	% of total outstanding Shares
Common Shares	Jose T. Pardo	Chairman	Filipino	10 (Direct)	Nil
Common Shares	Francis C. Chua	Vice-Chairman	Filipino	10 (Direct)	Nil
Common Shares	Michelangelo R. Aguilar	President and CEO / Director	Filipino	10 (Direct)	Nil
Common Shares	Roberto C. Benares	Director	Filipino	10 (Direct)	Nil
Common Shares	Marito L. Platon	Director	Filipino	10 (Direct)	Nil
Common Shares	Carolina G. Diangco	Director	Filipino	10 (Direct)	Nil
Common Shares	Melinda Gonzales-Manto	Independent Director	Filipino	10 (Direct)	Nil
Common Shares	Aniano A. Desierto	Independent	Filipino	10	Nil

		Director		(Direct)	
Common Shares	Benedicta Du-Baladad	Director	Filipino	10 (Direct)	Nil
Common Shares	Fe B. Barin	Director	Filipino	10 (Direct)	Nil
Common Shares	Alexander R. Magno	Director	Filipino	10 (Direct)	Nil
Common Shares	Jose C. Nograles	Independent Director	Filipino	10 (Direct)	Nil
Common Shares	Rebecca Maria A. Ynares	Independent Director	Filipino	10 (Direct)	Nil
Common Shares	Mariano T. Katipunan, Jr.	Director	Filipino	10 (Direct)	Nil
Common Shares	Ricardo D. Fernandez	Independent Director	Filipino	10 (Direct)	Nil
	TOTAL			150	

The aggregate number of shares owned of record by all or key officers and directors as a group as of as of the date of this Prospectus is 150 shares.

Voting trust holders of 5% or more

The Bank is not aware of shareholders holding any Voting Trust Agreement for shares constituting 5.0% or more of the outstanding capital stock, or any such similar agreement.

Change in control of the registrant since beginning of last fiscal year

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

PSE LOCK-UP REQUIREMENT

Under the PSE Consolidated Listing and Disclosure Rules, an applicant company shall cause its existing shareholders who own an equivalent of at least ten percent (10%) of the issued and outstanding shares of stock of the company to refrain from selling, assigning, or in any manner disposing of their shares for a period of:

- 180 days after the listing of said shares if the applicant company meets the track record requirements in Section 1, Article III, Part D of the PSE Consolidated Listing and Disclosure Rules; or
- 365 days after the listing of said shares if the applicant company is exempt from the track record and operating history requirements of the PSE Consolidated Listing and Disclosure Rules.

The following are covered by the 180-day lock-up requirement:

Shareholder	No. of Shares
San Miguel Corporation Retirement Plan (SMCRP)	432,626,860
San Miguel Properties, Inc. (SMPI)	447,711,800

To implement the lock-up requirement, the Bank and the foregoing shareholders shall enter into an escrow agreement with Philippine Commercial Capital, Inc. – Trust and Investment Group.

RELATED PARTY TRANSACTIONS

The Bank, in its regular conduct of business, has entered into transactions with its associate and other related parties principally consisting of credit accommodation, lease arrangement sale of real and other properties acquired (ROPA) which were all done in the regular course of business and are on arms-length basis. Handling of related party transactions follow the regulatory framework enunciated in Circular 895 issued in March 2015. The Bank has constituted a Related Party Transactions Committee (RPTCom) which meets regularly, has a board-approved RPT policy, has identified and maintained a database of all its related parties, monitors outstanding exposures to RPs on a monthly basis and renders reports to the BSP as required. For a description of the related party transactions of the Bank, see also the respective note on Related Party Transactions in the Bank's financial statements.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

The Bank has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral terms, as those prevailing at the time for comparable transactions with unrelated parties. These transactions did not involve more than the normal risk of collectability or present other unfavorable conditions. The Bank is compliant with existing limits set on related party transactions, and has necessary controls in place to minimize dependency on related parties. The Bank's loan transactions are in the ordinary course of business. Its loan transactions with certain DOSRIs follow the approval process for loans to DOSRI which include vetting of the RPT Committee. Further, these loans are limited to the amount of their unencumbered deposits and book value of their paid-in capital contribution in the Bank and subject to secured and unsecured ceilings pursuant to existing banking regulations.

As of 30 September 2021, there were no unsecured direct or indirect loans to DOSRI.

BSP Circular No. 914 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and QBs. Under the said Circular, the total outstanding loans, other credit accommodations and guarantees to each of the bank's/QB's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/QB, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/QB; and the subsidiaries and affiliates of the lending bank/QB are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the board of directors or is appointed officer of such corporation as representative of the bank/QB as reported to the BSP.

The BSP issued Circulars No. 914 and No. 1001 allow a separate individual limit to loans of banks/QBs to their subsidiaries and affiliates engaged in energy and power generation, i.e., a separate individual limit of 25.0% of the net worth of the lending bank/QB: provided, that the unsecured portion thereof shall not exceed 12.5% of such net worth: provided further, that these subsidiaries and affiliates are not related interests of any of the director, officer and/or stockholder of the lending bank/QB; except where such director, officer or stockholder sits in the board of directors or is appointed officer of such corporation as representative of the bank/QB.

In relation to balances incurred from related party transactions, outstanding amounts as of 31 December 2018, 2019, and 2020, and 30 September 2021 included in the Bank's financial statements are as follows (amounts in ₱ millions):

	31 December			30 September
	2018	2019	2020	2021
Loans and receivables, net	26,819	24,588	21,450	27,286
Deposit liabilities	29,863	28,796	42,747	57,664

The accrued interest receivable and accrued interest payable from related party transactions for the years ended 31 December 2018, 2019, and 2020, and the 9-month period ended 30 September 2021 included in the Bank's financial statements are as follows (amounts in ₱ millions):

	31 December			30 September
	2018	2019	2020	2021
Accrued interest receivable	383	171	131	199
Accrued interest payable	26	14	2	2

The effects of the foregoing transactions are shown under the appropriate accounts in the Bank's financial statements.

Table of Related Party Transactions

The following table shows information on related party loans (amounts in thousands):

	30 September 2021			31 December 2020
	DOSRI Loans	Related Party Loans (inclusive of DOSRI)	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	₱ -	₱27,577,929	₱ -	₱21,783,009
Percent of DOSRI/Related Party loans to total loans	0.00%	36.36%	0.00%	29.80%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	41.34%	0.00%	62.71%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.02%	0.00%	0.04%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.10%	0.00%	0.07%

Details of Significant Related Party Transactions

The details of significant related party transactions of the Bank follow (amounts in thousands):

Category	Outstanding Balance				Nature, Terms and Conditions
	30 Sep 21	31 Dec 20			
Other Related Parties					
Investment securities at amortized cost	562,004	1,711,696			Long-term bonds with interest rates ranging from 4.0% to 8.1% with maturity years ranging from 2021 to 2025.

Commitments and contingent liabilities	9,509,378	1,811,745	Bank guarantees in favor of related party and outstanding sight import letters of credit
--	-----------	-----------	--

Disclosure on Provisions

The related party transactions shall be settled in cash. As at 30 September 2021 and 31 December 2020, the allowance for credit losses on outstanding transactions with other related parties amounted to ₱295.2 million and ₱361.6 million, respectively. Reversal of credit losses recorded in 2021 and 2020 on such related party transactions totaled to ₱66.4 million and ₱15.5 million, respectively. Such outstanding transactions include private debt securities at FVOCI, investment securities at amortized cost, receivables from customers, sales contract receivables and accrued interest receivable under the “Loans and receivables - net” account in the statements of financial position and commitment and contingent liabilities.

Transactions with Retirement Plan

The Bank’s retirement plan is managed and administered by the Bank’s Trust Services Group which is covered by an IMA Agreement (agency relationship).

Related information on assets/liabilities and income/expense of the funds are as follows:

	30 September 2021	31 December 2020
Total Plan Assets	₱1,068,835,638	₱938,787,481
Total Plan Liabilities	₱12,214,678	₱1,964,596

	30 September 2021	30 September 2020
Plan Income	₱31,978,946	₱11,965,380
Plan Expense	₱8,922,313	₱2,032,697

For further discussion on the Company’s Related Party Transactions, please refer to Note 32 of the Company’s Audited Financial Statements as of 30 September 2021.

SMC STOCK TRANSFER SERVICE CORPORATION AS THE REGISTRAR, PAYING AGENT, RECEIVING AGENT, AND STOCK TRANSFER AGENT FOR THE OFFER

SMC Stock Transfer Service Corporation, a related party, is a wholly owned subsidiary of San Miguel Corporation and acts as the Registrar, Paying Agent, Receiving Agent, and the Stock Transfer Agent for the Offer.

Other significant related party transactions of the Bank are discussed in Note 32 to the Bank’s audited financial statements as of and for the years ended 31 December 2019 and 2020.

DESCRIPTION OF THE SHARES

SHARE CAPITAL INFORMATION

Pursuant to the Bank's amended Articles of Incorporation to implement the Offer, as approved by the Board of Directors on 25 May 2021, by the Issuer's stockholders on 8 July 2021, and by the SEC on November 2, 2021, the Bank has an authorized capital stock of Twenty-One Billion Five Hundred Seventy-Five Million One Hundred Fourteen Thousand Seven Hundred Pesos (₱21,575,114,700.00) divided into (i) One Billion Seven Hundred Two Million Five Hundred Eleven Thousand Four Hundred Seventy (1,702,511,470) Common Shares with a par value of ₱10.00 per share; and Four Hundred Fifty-Five Million (455,000,000) preferred shares with a par value of ₱10.00 per share. As of the date of this Prospectus, the Bank has One Billion One Hundred Twenty-Two Million Four Hundred Eleven Thousand Two Hundred (1,122,411,200) issued and outstanding Common Shares.

Upon completion of the Offer, the Company shall have One Billion Four Hundred Three Million Thirteen Thousand Nine Hundred Twenty (1,403,013,920) total issued and outstanding Common Shares. The public ownership will be 22.9% (inclusive of 3.7% held by other public shareholders existing before this Offer). See "*Dilution*" for a summary of shareholdings before and after the completion of the Offer beginning on page 95. Upon completion of the Offer and assuming full purchase of the Stabilization Shares from the stabilization activities, the Company's public ownership will be 21.34%.

All of the issued and outstanding common shares of the Bank, including the Offer Shares to be issued, are expected to be listed on the Main Board of the PSE under the symbol "BNCOM".

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions, and par value as may be provided for in its articles of incorporation and by-laws. A Philippine corporation may also increase or decrease its authorized capital stock, provided that the increase or decrease is approved by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose and is duly approved by the SEC.

The Issuer may acquire its own shares for a legitimate corporate purpose as long as it has unrestricted retained earnings or surplus profits sufficient to pay for the shares to be acquired, such as in the following instances: (i) elimination of fractional shares arising out of stock dividends, (ii) the purchase of shares of dissenting shareholders exercising their appraisal right and (iii) the collection or compromise of an indebtedness arising out of an unpaid subscription in a delinquency sale or to purchase delinquent shares during such sale. Upon repurchase of its own shares, the shares become treasury shares, which may be resold at a reasonable price fixed by the board of directors.

The Board of the Bank is authorized to issue shares from the treasury from time to time.

RIGHTS RELATING TO SHARES

Voting Rights

The Revised Corporation Code of the Philippines provides that no share may be deprived of voting rights except those classified and issued as "preferred" or "redeemable" shares, unless otherwise provided. There shall always be a class or series of shares with complete voting rights.

The Issuer's Common Shares have full voting rights. However, the Revised Corporation Code of the Philippines provides that for the following shares and shareholders, voting rights cannot be exercised: (i) delinquent shares as declared by the board of directors, (ii) treasury shares, or (iii) if the shareholder elected to exercise his right of appraisal referred to below. Each common share is entitled to one vote. At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in the books as of record for such meeting. Holders of nonvoting shares

shall nevertheless be entitled to vote on the following matters: (a) amendment of the articles of incorporation; (b) adoption and amendment of bylaws; (c) sale, lease, exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; (d) incurring, creating, or increasing bonded indebtedness; (e) increase or decrease of authorized capital stock; (f) merger or consolidation of the corporation with another corporation or other corporations; (g) investment of corporate funds in another corporation or business; and (h) dissolution of the corporation.

In accordance with Section 23 of the Revised Corporation Code of the Philippines, at each election of directors, every stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by them as of the relevant record date for as many persons as there are directors to be elected and for whose election they have a right to vote, or to cumulate their votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number their shares shall equal, or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.

Dividends and Dividend Rights

Shareholders have rights to dividends when declared by the Board of Directors from the unrestricted retained earnings of a company, subject to compliance with legal requirements, at such times and in such percentages as may be determined by its Board of Directors. The unrestricted retained earnings represent the undistributed earnings of the Issuer which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. Dividends are payable to all shareholders whose names are recorded in the stock and transfer book as of the record date fixed by the Board of Directors on the basis of their outstanding shares of the Issuer, each share being entitled to the same unit of dividend as any other share. The PSE has an established mechanism for distribution of dividends to beneficial owners of shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

Under the Issuer's By-laws, dividends shall be declared only from surplus profit and shall be payable at times and in amounts as the Board determines. The dividends shall be payable in cash or in shares of the unissued stock of the corporation, or both, as determined by the Board or the stockholders, as the case may be. Stock dividends may only be issued with the approval of stockholders representing two-thirds (2/3) of the outstanding capital stock at a meeting duly called for the purpose, and for listed companies, subject to the approval and the relevant rules of the SEC and the PSE on record and payment dates. In case of delinquent shares, any cash dividends due on delinquent stock will first be applied to the unpaid balance on the subscription including costs and expenses, while stock dividends will be withheld until full payment of the subscription. The Common Shares shall have full dividend rights.

RIGHTS OF SERIES 1 PREFERRED SHAREHOLDERS

The Series 1 Preferred Shares of the Company are cumulative, non-voting, non-participating, perpetual, and convertible into common shares at a ratio of 1:1 (i.e. one preferred share is convertible into one common share) and at the option of the preferred shareholder after five (5) years from the date of issuance, subject to requirements under laws, rules, and regulations. Dividends shall accrue at a rate of 2.50% p.a. in the first year, 3.00% p.a. in the second year, 4.00% p.a. in the third year, 5.00% p.a. in the fourth year, and 5.50% p.a. beginning on the fifth year onwards from issuance. The dividends shall be payable either in cash or in shares at the discretion of the Bank. The terms and conditions of the Preferred Shares, including the dividend rate were approved by the BSP.

RIGHTS OF SHAREHOLDERS TO ASSETS OF THE ISSUER

In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Issuer, the holders of the Preferred Shares that are outstanding at that time will enjoy preference over Common Shares in the payment, in full or, if the remaining assets of the Issuer are insufficient, on a pro-rata basis as among all holders of outstanding Preferred Shares.

Each holder of a Common Share is entitled to a pro rata share in the Issuer's assets available for distribution to the shareholders in the event of dissolution, liquidation, and winding up.

Pre-Emptive Rights

Pre-emptive rights entitle shareholders the right to subscribe to all issues or other dispositions of shares of any class by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical to the shares held. Pre-emptive rights are available to existing stockholders of a Philippine corporation unless expressly denied in a corporation's articles of incorporation or any amendment thereto or waived by the shareholder in writing.

Pursuant to the Article Seventh of the Issuer's Articles of Incorporation, stockholders have no pre-emptive rights or other right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying options or warrants to purchase stock of the corporation, whether out of the unissued authorized capital stock or any future increases. Thus, stocks or securities of the Issuer may be issued, option for sale, and sole or disposed of by the Issuer to persons designated in the resolution of its Board of Directors without first offering it to existing stockholders.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

The Interim Rules of Procedure Governing Intra-Corporate Controversies approved by the Supreme Court through A.M. No. 01-2-04-SC dated 13 March 2001 provide that a stockholder may bring an action in the name of a corporation provided, that: (1) he was a stockholder at the time the acts or transactions subject of the action occurred and at the time the action was filed; (2) he exerted all reasonable efforts, and alleges the same with particularity in the complaint, to exhaust all remedies available under the articles of incorporation, by-laws, laws or rules governing the corporation to obtain the relief he desires; (3) no appraisal rights are available for the act or acts complained of; and (4) the suit is not a nuisance or harassment suit.

Appraisal Rights

Under the Revised Corporation Code of the Philippines, dissenting stockholders have the right of appraisal to demand payment of the fair value of their shares in the following instances where they voted against any of the following proposed corporate actions:

- (a) an amendment of the articles of incorporation which has the effect of changing or restricting the rights of a stockholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- (b) the extension or shortening of the term of corporate existence;
- (c) the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;
- (d) a merger or consolidation; or
- (e) investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

In any of the above instances, the dissenting stockholders may require the corporation to purchase their shares at a fair value to be determined by three disinterested persons (one named by the shareholder, one by the

corporation, and the third by the two previously chosen) in the absence of any agreement on the value within 60 days from approval of the corporate action. In the event of a dispute, the Regional Trial Court will determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights of the shareholders accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. Voting and dividend rights shall, however, be restored if the corporation does not pay the dissenting shareholders the value of their shares within 30 days from award. No payment shall be made to any dissenting shareholder unless the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

To exercise the appraisal right, a dissenting shareholder who votes against a proposed corporate action must make a written demand to the corporation for the payment of the fair value of shares held within 30 days from the date on which the vote was taken. Failure to make the demand within this period is deemed a waiver of the appraisal right. The dissenting stockholder cannot withdraw his demand for payment without the corporation's consent. Within 10 days after demanding payment for shares held, a dissenting stockholder must submit the certificates of stock representing the shares to the corporation for notation that such shares are dissenting shares. Failure to do so will give the corporation the option to terminate the dissenting shareholder's rights.

The dissenting stockholder's right to payment shall cease if (1) the demand for payment is withdrawn with the consent of the corporation, (2) the proposed corporate action is abandoned or rescinded by the corporation or disapproved by the SEC where its approval is necessary, or (3) if the SEC determines that such stockholder is not entitled to the appraisal right. The dissenting stockholder's status as stockholder shall be restored, and the stockholder will be paid all dividend distributions which would have accrued on the shares.

Right to Inspect Corporate Books and Records

A shareholder has the right to inspect the records of the corporation, including all business transactions and the minutes of any meeting of the board of directors and shareholders, at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. However, the corporation may refuse such inspection if the shareholder demanding to examine or copy the corporation's records has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making the demand, or is a competitor, director, officer, controlling stockholder or otherwise represents the interests of a competitor.

A shareholder who is denied the right to inspection or whose demand for inspection is not acted upon may report the denial or inaction to the SEC. The officer or agent of the corporation who refused to allow the inspection and/or reproduction of records, or, when was acting pursuant to a board resolution or order, the directors voting for the refusal, will be liable to the stockholder or member for damages.

The unjustified failure or refusal by the corporation, or by those responsible for keeping and maintaining corporate records, to allow inspection of corporate records shall be punished with a fine ranging from Ten thousand pesos (₱10,000.00) to Two hundred thousand pesos (₱200,000.00), at the discretion of the court, taking into consideration the seriousness of the violation and its implications. When the violation is injurious or detrimental to the public, the penalty is a fine ranging from Twenty thousand pesos (₱20,000.00) to Four hundred thousand pesos (₱400,000.00).

Right to Financial Statements

A shareholder has a right to be furnished with the most recent financial statements of a Philippine corporation, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the Board of Directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certificate by an independent certified public accountant.

Right to Stock Certificates

Each shareholder whose stock subscription has been paid in full shall be entitled to a stock certificate for such shares of stock.

Right to be Elected as Director

Any shareholder having at least one share registered in his or her name may be elected director, provided that he or she has such qualifications and none of the disqualifications provided for in the Revised Corporation Code, Securities Regulation Code, the Issuer's By-Laws, the Issuer's Manual on Corporate Governance, and other relevant laws and regulations.

Board of Directors

The Board of Directors of a corporation are vested with its corporate powers, which allows it to control the conduct of business and the property of a corporation, unless otherwise provided by law or in its articles of incorporation. Pursuant to the Issuer's Articles of Incorporation, as amended, the general management of the Issuer shall be vested in a board of fifteen (15) directors, at least twenty percent (20%) but not less than two (2) of which must be Independent Directors; provided, that any fractional result from applying the required minimum proportion (i.e. 20%) shall be rounded up to the nearest whole number. . The Members of the Board of Directors shall be elected annually by the stockholders entitled to vote, and shall serve until the election and qualification of their successors.

The Board of Directors are elected during each regular meeting of the shareholders, wherein shareholders representing at least a majority of the issued and outstanding capital stock of the Issuer are present, either in person or by proxy. Any vacancy in the Board of Directors, other than by removal or by expiration of term, shall be filled by a majority vote of the remaining Board of Directors, if still constituting a quorum, at a regular meeting or at a special meeting called for that purpose, and the director or directors so chosen shall serve for the unexpired term. Otherwise, the vacancy must be filled by stockholders' vote in a regular or special meeting called for that purpose within 45 days from the time the vacancy arose. If the vacancy is due to term expiration, the election must be held no later than the day of expiration, and if due to removal, the election may be held on the same day of the meeting authorizing the director's removal. Philippine law requires that representation of foreign ownership on the Board is limited only to the proportion of the foreign shareholding.

The exercise of corporate powers belongs to the Board as a whole. Individual directors have no power as such, unless otherwise authorized by the Board. A majority of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business, and every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act. Eight (8) directors, which is a majority of the Board of Directors of the Issuer, constitute a quorum for the transaction of corporate business. Except for certain corporate actions such as the election of officers, which shall require the vote of a majority of all the members of the Board, every decision of a majority of the quorum duly assembled as a board is valid as a corporate act.

As a corporation publicly listed in the PSE, the Issuer shall conform with the requirement to have three (3) independent directors within the meaning set forth under Section 38 of the SRC. An independent director shall hold no interests or relationships with the Issuer that may hinder his or her independence from the Issuer or Management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and which he or she shall certify in a letter of confirmation to the Corporate Secretary.

Pursuant to the Issuer's By-laws, in addition to the powers and authority specified therein, the Issuer's Board of Directors may exercise all the powers of the Corporation and do all such lawful acts and things as are not, by law, directed or required to be exercised or done by the stockholders.

SHAREHOLDERS' MEETINGS

Annual or Regular Shareholders' Meeting

Under the Revised Corporation Code of the Philippines, Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes including the election of directors. The By-laws of the Issuer provide for annual meetings to be held in the month of April on such day and at such time and place as the Board of Directors may determine. For the year 2021, the annual stockholders' meeting was held on 27 April 2021 virtually due to the COVID-19 pandemic.

When provided in the by-laws or upon approval of and upon notice by the Board of Directors, meetings may be attended by the stockholders either in person or through video or teleconference or such other means as may be subsequently permitted by applicable law or regulation.

Special Shareholders' Meeting

Under the Issuer's By-laws, special meetings of the shareholders may be called by the Chairman or on request of majority of the members of the Board of Directors or on written request of the registered owners of at least a majority of the outstanding capital stock of the Issuer, but if the matter to be considered are those which, under existing laws, only shares of stock entitled to vote may be voted, then a written request of the registered owners of at least a majority of the voting stock shall be sufficient. Pursuant to Section 49 of the Revised Corporation Code, stockholders may propose the holding of a special meeting and items to be included in the agenda.

Pursuant to SEC Memorandum Circular No. 14 (series of 2020), shareholders who, alone or together with other shareholders, hold at least 5.0% of the outstanding capital stock of a publicly-listed company have the right to include items on the agenda prior to the regular/special stockholders' meeting.

Moreover, shareholders of a publicly-listed company holding at least 10.0% or more of the outstanding capital stock may call for a special stockholders' meeting, subject to the guidelines set under Section 49 of the Revised Philippine Corporation Code, SEC Memorandum Circular No. 7 (series of 2021), and other relevant regulations. The shareholders calling for the special stockholders' meeting must have held the shares for a period of at least one year prior to the receipt by the Corporate Secretary of a written call for a special stockholders' meeting.

Notice of Shareholders' Meeting

The Issuer is required to notify the shareholders in writing of every regular or special meeting, which notice shall contain the matters to be considered thereat, at such address as may appear in the books of the Corporation.

In addition, in accordance with Section 49 of the Revised Corporation Code and SEC Memorandum Circular No. 6, series of 2020, for meetings to be held via remote communication, written notice must be sent at least 21 days prior to the scheduled regular meeting. The Issuer must also comply with SEC Circular No. 3, Series of 2020 which requires a corporation to send written notice of regular meetings of shareholders at least twenty-one (21) calendar days prior to the date of the meeting. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting. Notice of any meeting may be waived, expressly or impliedly, by any shareholder, in person or by proxy, before or after the meeting.

On 16 March 2021, the SEC issued a Notice providing publicly listed companies an alternative mode of complying with existing requirements in the conduct of their 2021 annual stockholders' meeting. According to the Notice, the publicly listed company can publish the notice of the meeting in the business section of two (2) newspapers of general circulation, in print and online format, for two (2) consecutive days, provided that the last publication of the notice (print and online) shall be made no later than 21 days prior to the scheduled annual stockholders' meeting. The notice must inform stockholders of (i) the date, time and place of meeting and other information as may be required under the Revised Corporation Code, other SEC issuances or bylaws of the corporation, and (ii) the availability of an electronic copy of the Information Statement and Management Report

and SEC Form 17A and other pertinent documents, as may be necessary under the given circumstance, in the company's website and on PSE Edge.

When the meeting of the shareholders is adjourned to another time or place, notice of the adjourned meeting need not be provided so long as the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is decided. At the reconvened meeting, any business that might have been transacted on the original date of the meeting may be transacted.

For a special stockholders' meeting called pursuant to SEC Circular No. 7, the Board shall issue the notice to convene the stockholders' meeting at least seven days prior to the proposed date of the special meeting after a determination that the objectives and conditions in the written call are consistent with the requirements of SEC Circular No. 7.

Quorum

A majority of the entire subscribed stock of the corporation represented in person or by proxy or through remote communication or in absentia as the SEC shall allow under its guidelines, shall constitute a quorum at any meeting of the stockholders. A majority of the quorum shall decide any question that may come before the meeting, save and except in those several cases in which the laws of the Philippines require the affirmative vote of a greater proportion.

Unless the articles of incorporation or the by-laws provide for a greater majority, a majority of the directors as stated in the articles of incorporation constitutes a quorum to transact corporate business. Every decision reached by at least a majority of the directors constituting a quorum, except for the election of officers which requires the vote of a majority of all the members of the board, will be valid as a corporate act.

Voting

At all meetings of shareholders, a holder of Common Shares may vote in person or by proxy, for each share held by such shareholder. Voting at all meetings of the shareholders shall be by shares of stock and not per capita.

Fixing Record Dates

The Board of Directors has the authority to fix in advance the record date for shareholders entitled: (a) to notice of, to vote at, or to have their shares voted at, any shareholders' meeting; (b) to receive payment of dividends or other distributions or allotment of any rights; or (c) for any lawful action or for making any other proper determination of shareholders' rights. In lieu of fixing the record date, the Board of Directors may, by resolution, direct that the stock transfer book of the Issuer be closed.

Pursuant to SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date, which shall not be less than 10 and not more than 30 days from the date of declaration of cash dividends.

In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the SEC and shall be indicated in the SEC order, which shall not be less than 10 days nor more than 30 days after all clearances and approvals by the SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of the dividend.

SHARES OF STOCK

Each shareholder of the Issuer whose stock has been paid in full shall be entitled to a certificate or certificates showing the amount of stock of the Issuer in his or her name.

Under the PSE Rules, only fully-paid shares may be listed with the PSE.

ISSUE OF SHARES

Subject to otherwise applicable limitations, the Issuer may issue additional shares to any individual for consideration deemed fair by the Board, provided that said consideration shall not be less than the par value of the issued shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

TRANSFER OF COMMON SHARES

All transfer of shares on the PSE shall be done by means of a book-entry system. Pursuant to this system of trading and settlement, a registered shareholder transfers legal title over the shares to such nominee, but retains beneficial ownership over the shares. A shareholder transfers legal title by surrendering the stock certificate representing his shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee. A shareholder may request his shares to be uplifted from the PDTC, in which case a certificate of stock is issued to the shareholder and the shares are registered in the name of the shareholder. See *“The Philippine Stock Market.”*

Under Philippine law, transfer of the Common Shares is not required to be effected on the PSE, but any off exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See *“Philippine Taxation.”* All transfers of shares on the PSE must be effected through a licensed stockbroker in the Philippines.

SHARE REGISTER

The Issuer’s share register is maintained at the principal office of the share transfer agent, Stock Transfer Service, Inc.

SHARE CERTIFICATES

Certificates representing the Common Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. For shareholders who wish to split their certificates, they may do so through application to our stock transfer agent. Shares may also be lodged and maintained under the book-entry system of the PDTC. See *“The Philippine Stock Market.”*

MANDATORY TENDER OFFER

Pursuant to the SRC and its implementing rules and regulations, it is mandatory for any person or group of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board of directors in a public company in one or more transactions within a period of 12 months;
- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board of directors in a public company directly from one or more stockholders; or
- equity which would result in ownership of over 50% of the outstanding equity securities of a public company.

Pertaining to the first instance, when the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at

the close of such tender offer shall be proportionately distributed to both selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

Pertaining to the second instance, the tender offer shall be made for all the outstanding voting shares. The sale of shares pursuant to the private transaction with the stockholders shall not be completed prior to the closing and completion of the tender offer.

Pertaining to the third instance, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer shall be required to accept all securities tendered.

Further, unless the acquisition of equity securities is intended to circumvent or defeat the objectives of the tender offer rules, no mandatory tender is required on:

- purchases of shares from unissued capital shares unless such purchases will result in a 50% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the board of directors;
- purchases from an increase in the authorized capital shares of the target company;
- purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;
- purchases in connection with a privatization undertaken by the government of the Philippines;
- purchases in connection with corporate rehabilitation under court supervision;
- purchases through an open market at the prevailing market price; or
- purchases resulting from a merger or consolidation.

FUNDAMENTAL MATTERS

The Revised Corporation Code provides that the following acts of the corporation require the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the corporation: (i) amendment of the articles of incorporation; (ii) removal of directors; (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation; (iv) investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized; (v) delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws; (vi) merger or consolidation; (vii) an increase or decrease in capital stock; (viii) dissolution; (ix) extension or shortening of the corporate term; (x) creation or increase of bonded indebtedness; (xi) declaration of stock dividends; (xii) management contracts with related parties; and (xiii) ratification of contracts between the corporation and a director or officer.

Further, the approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting shares, is required for the adoption or amendment of the by-laws of such corporation.

ACCOUNTING AND AUDITING REQUIREMENTS

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of our operations for the preceding year. This report is required to include audited financial statements.

ADDITIONAL INFORMATION

The Issuer files periodic reports and other information to the SEC and the PSE. These reports and other information may be inspected and copied at the public reference facilities maintained by the SEC and PSE or obtained at the PSE website at www.pse.com.ph. Information on this website or any other websites are not incorporated by reference into this Prospectus and does not constitute a part of this Prospectus.

BANKING REGULATIONS AND SUPERVISION

INTRODUCTION

Republic Act No. 7653 or the New Central Bank Act of 1993 (the “New Central Bank Act”), as amended by Republic Act No. 11211, and Republic Act No. 8791 or the General Banking Law of 2000 vest the Monetary Board of the BSP with the power to supervise the operations of banks such as universal banks, commercial banks, thrift banks (composed of savings and mortgage banks, stock savings and loan associations, and private development banks), rural banks, co-operative banks as well as branches and agencies of foreign banks in the Philippines. The BSP also exercises regulatory and examination powers over the quasi-banking operations of non-bank financial institutions and as may be determined by the Monetary Board, it shall likewise exercise regulatory and examination powers over money service businesses, credit granting businesses, and payment system operators. Entities performing quasi-banking functions, trust companies, building and loan associations, non-stock savings and loan associations and other non-deposit accepting entities, while not considered banking institutions, are also subject to regulation by the Monetary Board of the BSP. Based on R.A 11211, money service business, credit granting businesses, and payment system operators are now also under the supervision of the BSP.

The supervisory power of the BSP under the New Central Bank Act, as amended, extends to the subsidiaries and affiliates of banks and QBs engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock owned by a bank or QB. An affiliate is defined as a corporation whose voting stock, to the extent of 50% or less is owned by a bank or QB or which is related or linked (directly or indirectly) to such institution or intermediary through common stockholders or such other factors as determined by the Monetary Board. In this regard, an affiliate is defined under the MORB as an entity linked directly or indirectly to a bank by means of: (a) ownership, control (as defined under the relevant portion of the Manual), or power to vote, of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa; (b) interlocking directorship or officership, where the concerned director or officer owns, controls, or has the power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity; (c) common stockholders owning at least ten percent (10%) of the outstanding voting stock of the bank and at least twenty percent (20%) of the outstanding voting stock of the entity; (d) management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; and (e) permanent proxy or voting trusts in favor of the bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa.

The power of supervision of the BSP under the General Banking Law includes the issuance of rules of conduct or standards of operation for uniform application, conduct examination to determine compliance with laws and regulations, to oversee compliance with such rules and regulations and inquire into the solvency and liquidity of the covered entities. Section 7 of the General Banking Law provides that the BSP in examining a bank shall have the authority to examine an enterprise which is owned or majority-owned or controlled by a bank. Section 28 of the New Central Bank Act, as amended, provides that there shall be an interval of at least twelve (12) months between regular examinations. A vote of at least five members of the Monetary Board may authorize a special examination if the circumstances warrant.

As a general rule, no restraining order or injunction may be issued by a court to enjoin the BSP from exercising its powers to examine any institution subject to its supervision. The BSP may compel any officer, owner, agent, manager or officer-in-charge of an institution subject to its supervision or examination to present books, documents, papers or records necessary in its judgment to ascertain the facts relative to the true condition of the institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, to the extent permitted by law. In addition to the general laws such as the General Banking Law and Republic Act No. 9160 or the AMLA, as amended, among others, banks must likewise comply with letters, circulars and memoranda issued by the BSP some of which are contained in the MORB.

The MORB is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The MORB contains regulations that include those relating to the organization, management and administration, deposit and borrowing operations, loans, investments and special financing program, and trust and other fiduciary functions of the relevant bank. Supplementing the MORB are rules and regulations promulgated in various circulars, memoranda, letters, and other directives issued by the Monetary Board.

The Financial Supervision Sector (FSS) of the BSP is primarily responsible for the regulation of banks and other BSP-supervised financial institutions (BSFIs). It also exercises oversight and supervision of financial technology and the operations of payment systems. The FSS is responsible for ensuring the observance of applicable laws and rules and regulations by banking institutions operating in the Philippines (including Government credit institutions, their subsidiaries and affiliates, non-bank financial intermediaries, and subsidiaries and affiliates of non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under Republic Act No. 3779 or the Savings and Loan Association Act, and pawnshops under Presidential Decree No. 114 or the Pawnshop Regulation Act).

BAYANIHAN TO HEAL AS ONE ACT AND COVID-19 RELATED ISSUANCES OF THE BSP

Republic Act No. 11469 or the Bayanihan to Heal As One Act provides that all BSFIs are directed to implement a minimum of a 30-day grace period for the payment of all loans, including but not limited to salary, personal, housing, and motor vehicle loans, as well as credit card payments, falling due within the period of the ECQ without incurring interests, penalties, fees, or other chargers. Persons with multiple loans shall likewise be given the minimum 30-day grace period for every loan.

Pursuant to the said law, the BSP issued Memorandum No. M-2020-017 which contains the Implementing Rules and Regulations of Republic Act No. 11469. It provides, among others, that BSFIs shall not charge or apply interest on interest, fees and charges during the 30-day grace period to future payments/amortizations of the borrowers. They are likewise prohibited from requiring their clients to waive the application of the provisions of Republic Act No. 11469. No waiver previously executed by borrowers covering payments falling due during the ECQ period shall be valid.

Further, the accrued interest for the 30-day grace period may be paid by the borrower on staggered basis over the remaining life of the loan. Nonetheless, this shall not preclude the borrower from paying the accrued interest in full on the new due date. The initial 30-day grace period shall automatically be extended if the ECQ period is extended by the President of the Republic of the Philippines.

The grace period provided under the Bayanihan Act ceased to be effective on 1 June 2020, in accordance with BSP Memorandum No. M-2020-45. On 24 June 2020, Bayanihan 1 expired.

On 11 September 2020, Bayanihan 2 was signed into law and directed banks and other covered institutions to implement a one-time 60-day grace period to be granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before 31 December 2020, including, but not limited to, salary, personal, housing, commercial, and motor vehicle loans, amortizations, financial lease payments and premium payments, as well as credit card payments, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. The said law also provides that all loans may be settled on staggered basis without interest on interests, penalties and other charges until 31 December 2020 or as may be agreed upon by the parties and that parties may mutually agree on a grace period longer than 60 days.

Further, pursuant to Bayanihan 2, banks and other non-bank financial institutions that agree to further loan term extensions or restructuring shall be entitled to regulatory relief, as may be determined by the BSP, which includes, but is not limited to, (i) staggered booking of allowances for credit losses, (ii) exemption from loan-loss provisioning, (iii) exemption from the limits on real estate loans, when applicable, (iv) exemption from related party transaction restrictions, and (v) non-inclusion in the bank's reporting on non-performing loans. The loan term extensions or restructuring under Bayanihan 2 shall be exempt from documentary stamp taxes.

However, the abovementioned provisions on Bayanihan 2 shall not apply to interbank loans and bank borrowings.

On 18 September 2020, the BSP issued Memorandum No. M-2020-068 containing the implementing rules and regulations of Section 4(uu) of Bayanihan 2. The IRR required banks to implement a mandatory, one-time 60-day grace period for all loans with principal and/or interest falling due on or before 31 December 2021, without incurring interest on interest, penalties, fees, or other charges.

Bayanihan 2 expired on 30 June 2021.

BSP Circulars and Memoranda

On 14 March 2020, the BSP issued BSP Memorandum No. M-2020-008. Recognising the significant impact of the COVID-19 pandemic on the operations of BSFIs, the BSP offered a regulatory relief package which all BSFIs were eligible to avail of within one year from 8 March 2020, the date of declaration of the President of the state of public health emergency under Presidential Proclamation No. 922. The period of eligibility could be extended depending on the developments of the COVID-19 pandemic. The relief package includes exclusion from the past due loan ratio of loans to affected borrowers for a year and the staggered booking of provision for probable losses for five years for all types of credits extended to individuals and businesses directly affected by the COVID-19 pandemic as of 8 March 2020, subject to the prior approval of the BSP.

In an effort to mitigate the adverse effects of the COVID-19 pandemic on the operations of BSFIs, the BSP issued BSP Memorandum No. M-2020-011 dated 19 March 2020, as amended by BSP Memorandum Circular No. M-2020-049 dated 9 June 2020 and Memorandum No. M-2020-057 dated 21 July 2020 and Memorandum No. M-2021-026 dated 26 April 2021. BSP Memorandum No. M-2020-049 provides for the relaxation in the regulations governing the submission of reports and other documents to the BSP-Financial Supervision Sector (“FSS”). Thus, the submission of required reports to the BSP-FSS that fall due within the months of March to June 2020 is suspended until further notice, except for the submission of the Financial Reporting Package for Banks (“FRP”), the Consolidated Foreign Exchange (“FX”) Position Report, event-driven report requirements and reserve requirement-related reports. Memorandum No. M-2020-057 and Memorandum No. M-2021-026, on the other hand, increased the single borrower’s limit from 25% to 30% until 31 December 2021.

BSP Memorandum No. M-2020-008 was further amended by Memorandum No. M-2020-032 issued on 27 April 2020. Memorandum No. M-2020-032 provides that the exclusion from the past due and non-performing classification shall be allowed from 8 March 2020, the date of declaration of the President of the state of public health emergency under Presidential Proclamation No. 922, until 31 December 2021. For this purpose, the BSP documentary requirements for restructuring of loans may be waived, provided that the BSFI will adopt appropriate and prudent operational control measures.

On 19 March 2020, in a bid to spur the economy amid the slowdown caused by COVID-19, the BSP announced it would be pulling down the interest rate on the BSP’s overnight reverse repurchase (“RRP”) facility by 50 basis points to 3.25%. Overnight deposit and lending rates were likewise trimmed to 2.75% and 3.75%, respectively, effective 20 March 2020.

On 20 March 2020, in response to the ECQ imposed by the Philippine government to prevent the spread of COVID-19, the BSP issued Memorandum No. M-2020-013, which amended standard operating procedures for Philippine holidays in view of the COVID-19 outbreak.

On 27 March 2020, the BSP issued Circular No. 1080, which granted some operational relief measures to BSP stakeholders for the duration of the community quarantine imposed to contain the spread of COVID-19 (including the general, modified, and enhanced versions thereof). The Circular allowed for, among others, the submission of documentary requirements for the sale of foreign exchange by authorized agent banks through

electronic means; documents with e-signatures/digital signatures, soft copies of duly accomplished forms; and grace periods for the registration of unregistered foreign investments.

On 31 March 2020, BSP Circular No. 1082 was issued, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, with effect from reserve week of 3 April 2020 for universal and commercial banks, to 12% against demand deposits, “NOW” accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, deposit substitutes, peso deposits lodged under due to foreign banks and Peso deposits lodged under due to Head Office/Branches/Agencies Abroad of banks.

On 22 April 2020, as part of the Government’s financial assistance program and in light of the effects of the COVID-19 pandemic on micro, small and medium-sized enterprises (“MSMEs”), the BSP issued Circular No. 1083, which provides that loans that are granted to MSMEs shall be allowed as alternative compliance with the required reserves against deposit and deposit substitute liabilities, subject to the following conditions: (1) that the MSME loan was granted after 15 March 2020; and (2) that the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose. Qualified MSME loans are to be valued at amortised cost, gross of allowance for credit losses. The use of MSME loans as allowable alternative compliance with the reserve requirement is available to banks from 24 April 2020 to 30 December 2021.

On 25 April 2020, the BSP issued Memorandum No. M-2020-031 which provides for the suspension of PESONet and InstaPay fees for the duration of the ECQ period. The same suspension was further strongly encouraged to be extended for the fees charged by BSFIs for other fund transfer services and interbank ATM transactions.

On 21 July 2020, the BSP issued Memorandum No. M-2020-057, which relaxed the maximum penalty to be imposed for deficiencies under Section 255 of the MORB/Section 215-Q of the MORNFBFI. For the duration of the ECQ until 31 March 2021, the maximum penalty that may be imposed by the BSP for reserve deficiencies shall be the Overnight Lending Facility rate plus 10 basis points, provided that the maximum reserve deficiency of the institution is 200 basis points, and the excess above that will be subject to regular penalties. The same Memorandum also relaxed notification requirements related to changes in banking days and hours, the temporary closure of branches, branch-lite units, and offices or service units, and the submission of documents and reports to the FSS of the BSP and extended the period of compliance with BSP supervisory requirements.

On 27 July 2020, the BSP issued BSP Memorandum Circular No. 1092 reducing the reserve requirements against deposit and deposit substitute liabilities in local currency of banks, with effect from 31 July 2020 for thrift banks, to 3% against demand deposits, “NOW” accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, and deposit substitutes.

On 3 August 2020, the BSP issued Memorandum No. M-2020-061 which provides for the supervisory expectations on the measurement of expected credit losses (“ECL”) and the treatment of regulatory relief measures granted amid the COVID-19 pandemic. The supervisory expectations provide, among others, that BSFIs that will avail of the regulatory relief measures to exclude eligible loans from past due and non-performing classifications and to stagger the booking of allowance for credit losses shall continue to report actual past due and non-performing loans and allowance for credit losses in the Financial Reporting Package (FRP) and the Capital Adequacy Ratio (CAR) reports. This is to facilitate the generation of industry statistics and provide the BSP with information on the true health of the banking system.

BSP Memorandum No. M-2020-062 dated 5 August 2020 directs BSFIs to ensure continuous availability of financial services to the general public as well as to reinforce their operational capabilities to support the anticipated increase in account opening and basic financial and payment transactions through online financial platforms (i.e. internet and mobile banking). BSFIs should likewise ensure that basic cash services are always available through timely and adequate provisioning of cash in the ATM terminals and to closely monitor other operational issues that may have significant business impact.

On 24 September 2020, the BSP issued Circular No. 1098 which provides for the ceiling on interest or finance charges for credit card receivables. The said Circular shall take effect starting 03 November 2020 after publication and states that banks and credit card issuers shall impose an interest or finance charge on all credit card transactions not to exceed an annual interest rate of 24%, except credit card installment loans which shall be subject to monthly add-on rate not exceeding 1%. For credit card cash advances, aside from the foregoing applicable maximum interest rate caps, no other charge or fee shall be imposed or collected apart from the processing fee in the maximum amount of ₱200 per transaction.

Further, the Circular also provides that the rate of interest and other charges on any loan or forbearance of any money, goods or credits regardless of maturity and whether secured or unsecured shall not be subject to any regulatory ceiling, except for the interest or finance charges imposed on credit card receivables, including cash advances and installment purchases and the maximum processing fee for credit card cash advances.

On 08 October 2020, the BSP issued Circular No. 1100 amending Circulars No. 1087 and 1083, which provides the following allowable alternative modes of compliance with the required reserves against deposit and deposit substitute liabilities:

- a) Peso-denominated loans that are granted to MSMEs, excluding banks and non-bank financial institutions with quasi-banking license (“NBQB”), subject to the following conditions:
 - i. that the MSME loan was granted after 15 March 2020; provided, that if such MSME loan becomes due or non-performing, it is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such MSME loan has been subsequently renewed/restructured by the bank/NBQB in accordance with existing regulations. This notwithstanding, a bank/NBQB may continue to utilize said past due or non-performing MSME loan as alternative compliance with reserve requirements for an additional thirty (30) calendar days from the date the loan becomes past due or non-performing, whichever comes earlier;
 - ii. that the MSME loan that was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 may be used as alternative compliance with the reserve requirements; provided, that the bank demonstrates an increase in its MSME loan portfolio during the month preceding the reserve day. For purposes of determining the increase in the bank’s MSME loan portfolio, the bank shall exclude accrued interest and accumulated charges which have been capitalized or made part of the principal restructured MSME loans; and
 - iii. that the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

The use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks from 24 April 2020 to 29 December 2022, subject to early closure of the eligibility window by the Monetary Board; and

- b) Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs that meet the definition of a large enterprise, subject to the following conditions:
 - i. that the loan to the large enterprise was granted after 15 March 2020; provided, that a loan to a large enterprise becomes due or non-performing is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such loan to a large enterprise has been subsequently renewed/restructured by the bank/NBQB in accordance with existing regulations. This notwithstanding, a bank/NBQB may continue to utilize said past due or non-performing loan to a large enterprise as alternative compliance with reserve requirements for an additional thirty (30) calendar days from the date the loan becomes past due or non-performing, whichever comes earlier;
 - ii. that the loan to the large enterprise that was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 may be used as alternative compliance with the reserve requirements; provided, that the bank demonstrates an increase in its loan portfolio to large enterprises during the month preceding the reserve day. For purposes of determining the increase in the bank’s loan portfolio to large enterprises, the bank shall exclude accrued interest and

- accumulated charges which have been capitalized or made part of the principal restructured loans to large enterprises; and
- iii. that the loan to the large enterprise is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

A large enterprise shall refer to a sole proprietorship, partnership, corporation or cooperative that meets all of the following criteria: (a) it does not belong to a conglomerate structure; (b) it has an asset size (less land) of more than ₱100 million and an employment size of two-hundred (200) employees or more; and (c) it is a critically-impacted business enterprise that has been directly and adversely impacted by the COVID-19 pandemic such that it has experienced a significant decline in gross receipts for at least one calendar quarter and is generally unable to pay or perform its obligations as they fall due in the ordinary course of business, or as determined by the appropriate regulatory agency or agencies, as applicable. A critically-impacted business shall include the transport industry, tourism industry and export-import industry but shall exclude banks and other financial institutions under the supervision of BSP.

The use of loans to large enterprises as allowable alternative compliance with the reserve requirement shall be available to banks/NBQBs from 29 May 2020 to 29 December 2022, subject to early closure of the eligibility window by the Monetary Board.

On 19 October 2021, the BSP issued Memorandum No. M-2021-055 which adopts a temporary regulatory relief on the capital treatment of provisioning requirements under PFRS 9. Covered BSFIs will be allowed to add-back increase in Stage 1 and Stage 2 provisioning requirements booked under allowance for credit losses from end-December 2019 to Common Equity Tier 1 (CET 1) capital over a period of two (2) years starting 01 January 2022 reporting period, subject to a declining add-back factor of 100% from 01 January 2022 to 31 December 2022 and 50% from 01 January 2023 to 31 December 2023.

In light of the continuing uncertainty in the economic environment due to COVID-19, the BSP issued Memorandum No. M-2021-056 which provides guidance on the regulatory treatment of loans with terms and conditions that have been modified due to the impact of the pandemic, especially consumption loans, for purposes of measuring ECL and classifying the accounts as non-performing. Modified loans may be classified under Stage 1, 2, or 3 for purposes of determining the ECL. The classification shall be based on the assessment of the extent of financial difficulty of the borrowers and their ability to fully pay the loan based on the revised terms. Further, loans that have been restructured to support borrowers that are experiencing financial difficulties due to the pandemic should not automatically be considered as credit-impaired (as defined under PFRS 9) that will warrant the classification of the accounts as non-performing (as defined under the relevant portion of MORB). BSFIs are expected to holistically assess the borrower's repayment capacity, revised cash flows, and financial position. The guidelines are effective until 31 December 2022.

REGULATION RELATING TO CAPITAL STRUCTURE

Pursuant to the General Banking Law, no entity may operate as a bank without the permit of the BSP through the Monetary Board. The SEC will not register the incorporation documents of any bank or any amendments thereto without a Certificate of Authority issued by the Monetary Board.

A bank can only issue par value stocks and it must comply with the minimum capital requirements prescribed by the Monetary Board. A bank cannot purchase or acquire its own capital stock or accept the same as security for a loan, except when authorized by the Monetary Board. Any stock so purchased or acquired must be sold within six months from the time of its purchase or acquisition.

Under Section 121 of the MORB, universal banks are required to have capital accounts of at least ₱3 billion for head office only, ₱6 billion for head office with up to 10 branches, ₱15 billion for head office with 11 to 100 branches, and ₱20 billion for head office with more than 100 branches. Commercial banks are required to have capital accounts of at least ₱2 billion for head office only, ₱4 billion for head office with up to 10 branches, ₱10 billion for head office with 11 to 100 branches, and ₱15 billion for head office with more than 100 branches. Thrift banks with head office in Metro Manila are required to have capital accounts of at least ₱500 million for head office only, ₱750 million for head office with up to 10 branches, ₱1 billion for head office with 11 to 50 branches, and ₱2 billion for head office with more than 50 branches. Thrift Banks with Head Office in all other

areas outside area are required to have capital accounts of at least ₱200 million (for Head Office only); ₱300 million (for up to 10 branches); ₱400 million (for 11 to 50 branches); and ₱800 million (for more than 50 branches). These minimum levels of capitalization may be changed by the Monetary Board from time-to-time.

For purposes of these requirements, the MORB (as amended by BSP Circular No. 1027 dated 28 December 2018) states that the term capital shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, surplus and undivided profits, less:

- treasury stock
- allowance for probable losses (which includes allowance for credit losses and impairment losses) and other capital adjustments as may be required by the BSP;
- total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI granted by the bank;
- total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries;
- total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties that are not at arm's length terms as determined by BSP;
- deferred income tax that rely on future profitability of the bank to be realized, net of any (a) allowance for impairment and (b) associated deferred tax liability, if the conditions cited in PAS 12 on Income Taxes are met, provided that if the resulting figure is a net deferred tax liability, such excess cannot be added to net worth;
- reciprocal investment in equity of other banks or enterprises, whether foreign or domestic (the deduction shall be the lower of the investment of the bank or the reciprocal investment of the other bank or enterprise); and in the case of rural banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation program.

On 15 July 2014, RA 10641 further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% (previously 60%) of the voting stock of one domestic bank. Under RA 10641, established, reputable and financially sound foreign banks may be authorized by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing bank; (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches with full banking authority. The foreign bank applicant must also be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. A foreign bank branch authorized to do banking business in the Philippines under RA 10641 may open up to five sub-branches as may be approved by the Monetary Board. Locally incorporated subsidiaries of foreign banks authorized to do banking business in the Philippines under RA 10641 shall have the same branching privileges as domestic banks of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

Under RA 10641, the Monetary Board was authorized to issue such rules and regulations as may be needed to implement the provisions of RA 10641. On 6 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA10641 and on 21 November 2014, the BSP issued Circular No. 858, amending the relevant provisions of the Manual, accordingly. On 15 February 2016, BSP issued Circular No. 902, Series of 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks pursuant to its policy to promote a competitive banking environment.

The stockholders of individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, shall be considered family groups or related interests, the

relationship of which must be fully disclosed in all transactions by such an individual with the bank. Moreover, two (2) or more corporations owned or controlled by the same family group or same group of persons shall be considered related interests, the relationship of which must be fully disclosed in all transactions with the bank. A bank cannot declare dividends greater than its accumulated net profits on hand deducting therefrom its losses and bad debts. A bank cannot also declare dividends, unless at the time of declaration, it has complied with the following:

- clearing account with BSP is not overdrawn;
- liquidity floor for government funds for five or more consecutive days;
- minimum capitalization requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- capital conservation buffer requirement as defined in Appendix 59, Part III of the MORB;
- higher loss absorbency (“HLA”) requirement, phased-in starting 1 January 2017 with full implementation by 1 January 2019, in accordance with D-SIB Framework as provided under Section 128 of the MORB; or
- has not committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions as determined by BSP to be grounds for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor, Supervision and Examination Sector of the BSP.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

In addition, since the purchase of Traders Royal Bank (assets, the Bank has been restricted by BSP from declaring dividends until it fully provisions for various miscellaneous assets from the transaction. While these assets have been fully provisioned in the Bank’s audited Financial Statements, ₱1.36 billion still remains to be provisioned in its regulatory reporting to BSP. The Bank annually books a provision of ₱160 million to reduce this balance. There are plans to accelerate this provisioning to fully provision the miscellaneous TRB assets in the near future.

On 28 December 2018, the BSP, pursuant to Circular No. 1027, adopted amendments to the guidelines on the computation of required capital. The manner of computation defined in Subsections X105.4.b and X105.6 of the MORB was made applicable to foreign bank branches. Thus the term "capital of a foreign bank branch" shall refer to the sum of: (a) permanently assigned capital, (b) undivided profits, and (c) accumulated net earnings, which is composed of unremitted profits not yet cleared by the BSP for outward remittance and losses in operations, net of applicable capital adjustments. Any net due from head office, branches and subsidiaries outside the Philippines, excluding accumulated net earnings, shall be deducted from capital. Foreign bank branches shall also comply with the same risk-based capital adequacy ratios applicable to domestic banks of the same category.

REGULATIONS WITH RESPECT TO BRANCHES

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision of law allows banks, with prior approval from the Monetary Board, to use any or all of their branches as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. In line with this, BSP Circular No. 854 Series of 2014 provides various minimum capitalization requirements for branches of banks, depending on the number of branches (e.g., ranging from a minimum of ₱6 billion for up to 10 branches of universal banks to a maximum of ₱20 billion for more than 100 branches of universal banks).

BSP Circular No. 759 liberalized its policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank. It permitted a bank to establish as many branches as its qualifying capital can support in accordance with existing rules. In BSP Circular No. 987 Series of 2017, the

BSP approved the guidelines on the establishment of branch-lite units amending relevant provisions of the Manual. BSP Circular No. 987 was amended by BSP Circular No. 1031, including the licensing requirements of branch-lite units. A branch-lite unit refers to any permanent office or place of business of a bank, other than its head office or a branch which performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.

At present, pursuant to BSP Circular No. 932, issued in 2016, all banks, including rural and cooperative banks, as a general rule are allowed to establish branches anywhere in the Philippines, including in cities previously considered as restricted areas.

BSP Circular No. 847, series of 2014, imposed licensing fees on relocation of head offices, branches and other banking offices, approved but unopened branches and other banking offices to restricted areas.

REGULATIONS WITH RESPECT TO MANAGEMENT OF BANKS

The board of directors of a bank must have at least five and a maximum of 15 members, at least one-third but not less than two of whom shall be independent directors. In case of merged or consolidated banks, the number of directors shall not exceed 21.

The Revised Corporation Code mandates that board of banks and QBs must have independent directors comprising at least twenty (20) percent of such board. The Revised Corporation Code also requires a compliance officer. Material contracts of a corporation vested with public interest with (1) one or more of its directors, trustees, officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity must also be approved by at least two-thirds (2/3) of the members of the board, with at least majority of the independent directors approving the same, in addition to common requirements for similar contracts for other companies pursuant to Section 31 of the Revised Corporation Code.

An independent director is a person who: (i) is not or was not a director, officer or employee of the bank, its subsidiaries, affiliates or related interests during the past three years counted from the date of his election/appointment; (ii) is not or was not a director, officer, or employee of the bank's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment; (iii) is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders; (iv) is not a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of directors of the bank or any of its related companies or of any of its substantial stockholders; (v) is not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies or any of its substantial shareholders; (vi) is not or was not retained as professional adviser, consultant, agent or counsel of the bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election; (vii) is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the bank or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment; (viii) was not appointed in the bank, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment; (ix) is not affiliated with any non-profit organization that receives significant funding from the bank or any of its related companies or substantial shareholders; and (x) is not employed as an executive officer of another company where any of the bank's executives serve as directors.

Non-Filipino citizens may become members of the board of directors to the extent of the foreign participation in the equity of the bank. Further, SEC Memorandum Circular No. 24, Series of 2019, on the Code of Corporate Governance for Publicly-Listed Companies requires the board of directors of publicly-listed companies to have a Board composed of a majority of non-executive directors and at least two independent directors, or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher.

Under the Manual, bank directors and officers must meet certain minimum qualifications. For instance, directors must be at least 25 years old, have a college degree or have at least five years' business experience, while officers must be at least 21 years old, have a college degree, or have at least five years' banking or trust experience or related activities or in a field related to his position and responsibilities, and be fit and proper for the position he is being proposed/appointed to.

Certain persons are permanently disqualified from acting as bank directors, including: (a) persons who have been convicted by final judgment of a court (i) for an offense involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of Batas Pambansa Blg. 22 (which penalizes the issuance of checks that are not sufficiently funded), violation of Anti-Graft and Corrupt Practices Act, violation of the Anti-Money Laundering Act, as amended, and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), (ii) for violation of securities and banking laws, rules and regulations; (iii) for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter); (iv) for offenses which involves moral turpitude, or (v) for offenses sentencing them to serve a term of imprisonment of more than six (6) years; (b) persons who have been judicially declared insolvent or incapacitated; (c) directors, officers or employees of closed banks who were found to be culpable for such institution's closure as determined by the Monetary Board; (d) directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; and (e) persons found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution has become final and executory.

Meanwhile, certain persons are temporarily disqualified from holding a director position including, but not limited to (i) persons who have shown unwillingness to settle their financial obligations; (ii) persons involved in the closure of banks pending their clearance by the Monetary Board; (iii) persons confirmed by the Monetary Board to have committed acts or omissions; (iv) other grounds for temporary disqualification under the MORB.

When the ground for disqualification ceases to exist, the director or officer concerned may subsequently become a director or officer of institutions regulated by the BSP only upon approval of the Governor of the BSP. In addition, except as may be permitted by the Monetary Board of the BSP, directors or officers of banks are also generally prohibited from simultaneously serving as directors or officers of other banks or non-bank financial intermediaries. The same prohibition applies to persons appointed to such positions as representatives of the government or government-owned or controlled entities holding voting shares of stock of banks/QBs/nonbank financial institutions/trust corporations unless otherwise provided under existing laws.

The Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act, no appointive or elective public official, whether full time or part time, may serve as officer of any private bank, except if the service is incidental to financial assistance provided by government or government owned and controlled corporation or when allowed by law.

On 22 August 2017, the BSP issued Circular No. 971, prescribing the Guidelines on Risk Governance for BSFIs, and requiring the appointment of a Chief Risk Officer (CRO) in universal and commercial banks to head the risk management function. In addition to overseeing the risk management function, the CRO shall also support the board of directors in the development of the risk appetite of the BSFI and for translating the risk appetite into a risk limits structure. The appointment, dismissal and other changes to the CRO requires the prior approval of the board of directors. BSP also issued Circular No. 969 on the same date, prescribing the Enhanced Corporate Governance Guidelines for BSFIs.

On the same date, the BSP also issued Circular No. 972, prescribing the Enhanced Guidelines in Strengthening Compliance Frameworks for BSFIs, and requiring the appointment of a Chief Compliance Officer (“CCO”). The CCO is tasked to oversee the identification and management of the BSFI’s compliance risk and shall supervise the compliance function staff. Additionally, the board of directors should ensure that a compliance program is defined for the BSFI and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by a non-executive director, shall oversee the compliance program.

REGULATIONS WITH RESPECT TO BANK OPERATIONS

A commercial bank, such as the Bank, may open branches or offices within or outside the Philippine subject to the prior approval by the BSP. A bank and its branches and offices shall be treated as one unit. A bank, with prior approval of BSP, may likewise use any of its branches as outlets for presentation and/sale of financial products of its allied undertakings or investment house units.

The Monetary Board shall prescribe the minimum ratio which the net worth of a bank must bear to its total risk assets which may include contingent accounts. In connection thereto, the Monetary Board may require that the ratio be determined on the basis of the net worth and risk assets of a bank, its subsidiaries, financial or otherwise and prescribe the composition and the manner of determining the net worth and total risk assets of bank and their subsidiaries. To ensure compliance with the set minimum ratio, the Monetary Board may limit or prohibit the distribution of net profits by such bank and require that such net profit be used to increase the capital accounts of the bank until the minimum requirement has been met. It may also restrict or prohibit acquisition of major assets and the making of new investments by the bank.

A commercial bank has, in addition to the general powers incident to corporations, (i) all such powers as may be necessary to carry on the business of commercial banking, such as accepting drafts and issuing letters of credit; discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; accepting or creating demand deposits; receiving other types of deposits and deposit substitutes; buying and selling foreign exchange and gold or silver bullion; acquiring marketable bonds and other debt securities; and extending credit, subject to such rules as the Monetary Board may promulgate, and (ii) to invest in allied enterprise.

REGULATION WITH RESPECT TO TRANSACTIONS WITH RELATED PARTIES

BSP Circular No. 895 issued on 14 December 2015 provides for the guidelines on related party transactions of banks and their non-bank financial subsidiaries and affiliates. Related parties cover three (3) groups: (i) the bank’s subsidiaries as well as affiliates and any party the bank exerts direct/indirect control over or that exerts direct/indirect control over the bank; (ii) the bank’s directors, officers, stockholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies; and (iii) such other person/juridical entity whose interest may pose potential conflict with the interest of the financial institution. Circular No. 895 covers outstanding transactions entered into with an unrelated party that subsequently becomes a related party. Further, there is disputable presumption of control whenever there is ownership or holding – direct or indirect – of 20% or more of a class of voting shares of a company.

BSP Circular No. 895 requires the board of directors to adopt and approve a group-wide related party transaction (RPT) policy which shall encompass all entities within the banking group. The said RPT policy shall cover not only transactions that give rise to credit and/or counterparty risks, but also those that could pose material/special risk or potential abuse to the bank/financial institution and its stakeholders.

The RPT policy shall provide clear guidelines in ensuring the RPTs are conducted at arm's length terms, provide for measures to identify and prevent or manage conflicts of interest, identify materiality thresholds and excluded transactions, whistle blowing mechanisms and measures for restitution of losses and other remedies for abusive RPTs or those not engaged at arm's length terms. BSP Circular No. 895 likewise mandates the creation of an RPT Committee, especially for banks that are part of a conglomerate, which will monitor and evaluate RPTs and oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPT including, periodic review of RPT policies and procedures.

In addition to the required reports on DOSRI and transactions with subsidiaries and affiliates under existing regulations, universal/commercial banks which are part of conglomerates are now required to report all entities in the conglomerate structure and likewise disclose the beneficial owners of shareholdings that are in the name of PCD nominee corporation. The report on conglomerate structure shall be submitted within thirty (30) calendar days after the end of every calendar year. Aside from this report, banks are also required under Circular No. 895 to submit a report on material exposures to related parties including the material RPTs of their non-bank financial subsidiaries and affiliates within twenty (20) calendar days after the end of the reference quarter starting with the quarter ending 31 March 2016. In this connection, the circular provides that supervised non-bank financial subsidiaries and affiliates are expected to report their material RPTs to the parent bank, which in turn shall report the same to the BSP. The reportorial requirement on conglomerate structure is not applicable to branches of foreign banks. Moreover, the governance principles including the adoption of group-wide RPT policy shall be complied with by the branches of foreign banks only to the extent possible since these entities have a distinct organizational set-up.

BSP Circular No. 969, dated 22 August 2017, further codified the BSP's thrust to strengthen oversight over related party transactions by enhancing corporate governance guidelines which includes improvement of the duties and responsibilities of the related party transactions committee of BSP supervised financial institutions.

On 25 April 2019, the SEC issued Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly Listed Companies), mandating additional disclosure/reportorial requirements for material related party transactions ("MRPTs") amounting to 10% or higher of a publicly listed company's total assets. The circular requires all publicly listed companies to submit to the SEC a policy on MRPTs. Advisement Reports on MRPTs shall also be filed with the SEC in accordance with the circular within three (3) calendar days after the execution of a covered transaction. Finally, a summary of MRPTs entered into by the company during the reporting year shall be disclosed in the company's Integrated Annual Corporate Governance Report ("I-ACGR") submitted annually every 30 May. On 19 December 2019, the SEC issued Memorandum Circular No. 24, series of 2019, adopting the Code of Corporate Governance for Public Companies and Registered Issuers. It recommends the establishment of an Audit Committee which would be responsible for overseeing the Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework, and in the absence of an RPT Committee, would be tasked to evaluate all RPTs, determine potential reputational risk issues that may arise as a result of or in connection with RPTs, ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on potential and/or actual conflicts of interest, and oversee the implementation of the system for identifying, monitoring, measuring controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

CAPITAL ADEQUACY REQUIREMENTS AND RESERVE REQUIREMENTS

The Philippines adopted capital requirements based on the Basel Capital Accord in July 2001. On 1 July 2007, the BSP issued Circular No. 538, which is the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the BCBS containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers, and short and medium-term quantitative liquidity ratios. To align with the international standards, the BSP adopted part of the Basel Committee's eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and QBs as Hybrid Tier 1 capital and Tier 2 with the issuance of BSP Circular No. 709 effective 1 January 2011, as amended by BSP Circular Nos. 716, 768, and 781.

In January 2012, the BSP announced that the country's universal and commercial banks, including their subsidiary banks and QBs, will be required to adopt in full the capital adequacy standards under Basel III with effect from 1 January 2014. It aims to replace Basel II, to further strengthen the local bank's loss absorption capacity and encourage banks to rely more on core capital instruments like Common Equity Tier 1 and Tier 1 issues.

In January 2013, the BSP issued Circular No. 781 entitled the BASEL III Implementing Guidelines on Minimum Capital Requirements, which took effect last January 2014. Notable amendments include the following:

- Keeping minimum CAR at 10%, subject to following minimum capital ratios:
 - CET1 ratio of 6.0%;
 - Tier 1 ratio of 7.50%; and
 - Capital conservation buffer of 2.50%.
- Adopting a new categorization of capital.
- As applicable, allowing the BSP to adopt regulatory deductions in BASEL III.
- Removing existing limits on eligible Tier 1 and Total Tier 2 capital.
- By 1 January 2014, rendering ineligible existing capital instruments as of 31 December 2010 that do not meet eligibility criteria for capital instruments under the revised capital framework.
- By 1 January 2016, rendering ineligible regulatory capital instruments issued under BSP Circular No. 709 and BSP Circular No. 716 before the revised capital framework became effective.
- By subjecting covered banks and QBs to the enhanced disclosure requirements pertaining to regulatory capital.

On 14 February 2014, the BSP issued Circular No. 826 which provides for amendments to the risk disclosure requirements on loss absorbency features of capital instruments. The said circular requires the following from banks or QBs when marketing, selling and/or distributing Additional Tier 1 and Tier 2 instruments eligible as capital under BASEL III framework in the Philippines:

- The banks/QBs must subject investors to a client suitability test to determine their understanding of the specific risks related to these investments and their ability to absorb risks arising from these instruments;
- The banks/QBs must provide appropriate Risk Disclosure Statement for the issuance of Additional Tier 1 and Tier 2 capital instruments;
- The banks/QBs must secure a written certification from each investor stating that:
 - The investor has been provided a Risk Disclosure Statement which, among others, explains the concept of loss absorbency for Additional Tier 1 and Tier 2 capital instruments as well as the resulting processes should the case triggers be breached;
 - The investor has read and understood the terms and conditions of the issuance;
 - The investor is aware of the risks associated with the capital instruments; and

- Said risks include permanent write-down or conversion of the debt instrument into common equity at a specific discount;
- The banks/QBs must make available to the BSP, as may be required, the:
 - Risk Disclosure Statement;
 - Certificate from the investor; and
 - Client Suitability Test of the Investor.

For offshore issuances of Additional Tier 1 and Tier 2 capital instruments, the risk disclosure requirements will be governed by the rules and regulations of the country where these instruments are issued. The subsequent sale and/or distribution of Additional Tier 1 and Tier 2 capital instruments in the Philippines, originally issued overseas, shall comply with all the risk disclosure requirements for issuance in the Philippines.

This allowed local banks one (1) full year for a parallel run of the old and new guidelines prior to the effectiveness of the new standards in 2014, marking an accelerated implementation compared to the Basel Committee's staggered timeline that stretches from January 2013 to January 2017. On 15 January 2013, the BSP issued the implementing guidelines for the adoption on 1 January 2014 of the revised capital standards under the Basel III accord for universal and commercial banks.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for Common Equity Tier 1 ("CET1") capital and Tier 1 ("T1") capital in addition to the Capital Adequacy Ratio ("CAR"). The BSP maintained the minimum CAR at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum T1 ratio of 7.5%. The new guidelines also introduced a capital conservation buffer of 2.5% which shall be made up of CET1 capital.

In addition, banks which issued capital instruments from 2011 will be allowed to count these instruments as Basel III-eligible until end-2015. However, capital instruments that are not eligible in any of the three (3) components of capital were derecognized from the determination of the regulatory capital on 1 January 2014.

Under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve during a particular week on an average basis, it must pay a penalty to BSP on the amount of any deficiency.

BSP Circular No. 1092, issued on 31 July 2020, requires a commercial bank to maintain regular reserves of 12% against Philippine Peso demand, savings and time deposits, negotiable order of withdrawal accounts, deposit substitutes and certain managed funds.

On 23 March 2020, the Monetary Board authorized BSP Governor Benjamin E. Diokno to reduce the reserve requirement ratios of BSP-supervised financial institutions by up to a maximum of 400 basis points for 2020. The Monetary Board also authorized the BSP Governor to determine the timing, extent, and coverage of the reduction in the reserve requirement. The authority was granted to buttress the negative impact of the COVID-19 pandemic on the Philippine economy and followed announcements of an enhanced community lockdown on the entirety of Luzon by President Duterte. On 24 March 2020, pursuant to the authority, BSP Governor Diokno announced that the BSP was reducing the reserve requirement ratio by 200 basis points for universal/commercial banks effective 30 March 2020. Potential cuts on the reserve requirements for other banks and non-bank financial institutions would also be explored. Subsequently, BSP Circular No. 1082 was issued, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, effective reserve week of 3 April 2020 for universal and commercial banks, to 12% against demand deposits, "NOW" accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, deposit substitutes, peso deposits lodged under Due to foreign banks and peso deposits lodged under Due to Head Office/Branches/Agencies Abroad of banks. The same reserve requirements were reiterated in BSP Circular No. 1092, Series of 2020.

On 8 October 2020, the BSP, which had allowed alternative modes of compliance with the reserve requirement against deposit and deposit substitutes pursuant to Circular Nos. 1083, as amended by Circular No. 1083, further amended the allowable modes of alternative compliance with said reserve requirements as follows:

- a) Peso-denominated loans that are granted to MSMEs, excluding banks and NBQB that meet the definition of an MSME, subject to the following conditions:
 - i. that the MSME loan that was granted on or before 15 March 2020, provided that if such MSME loan becomes past due or non-performing, it is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such MSME loan has been subsequently renewed/restructured by the bank/NBQB in accordance with existing regulations. Notwithstanding this provision, a bank/NBQB may continue to utilize said past due or non-performing MSME loan as alternative compliance with the reserve requirements for an additional thirty (30) calendar days from the date the loan becomes past due or non-performing, whichever comes earlier; and
 - ii. that the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

The use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks/NBQBs from 24 April 2020 to 29 December 2022, subject to early closure of the eligibility window by the Monetary Board, if warranted and with prior notice.

- b) Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs that meet the definition of a large enterprise, subject to the following conditions:
 - i. that the loan to the large enterprise was granted after 15 March 2020, provided that a loan to a large enterprise that becomes past due or non-performing, as defined under Sec. 304/303-Q, is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such loan to a large enterprise has been subsequently renewed/restructured by the bank/NBQB in accordance with existing regulations. Notwithstanding this provision, a bank/NBQB may continue to utilize said past due or non-performing loan to a large enterprise as alternative compliance with the reserve requirements for an additional thirty (30) calendar days from the date the loan becomes past due or non-performing, whichever comes earlier; and
 - ii. that the loan to the large enterprise is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

On 29 October 2014, the Monetary Board approved the guidelines for the implementation of higher capital requirements on D-SIBs by the BSP under Basel III. Banks deemed as D-SIBs by the BSP will be imposed capital surcharge to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. The assessment started in 2014 with the BSP informing banks confidentially of their D-SIB status in 2015.

Under BSP Circular No. 1051, series of 2019 issued on 27 September 2019, to determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability/financial institution infrastructure, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1.5% to 2.5%. Aside from the added capital pressure, D-SIBs may be put at an undue disadvantage compared to G-SIBs (or Global Systemically Important Banks) given that this framework was patterned for regional/global banks and thus may not be appropriate for local banks. The phased-in compliance started on 1 January 2017 and will become fully effective on 31 December 2019.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratio (computed as banks' Tier 1 capital divided by its total on-book and off-book exposure). On 9 June 2015, the BSP issued Circular No. 881 on the implementing guidelines and accordingly, amending the relevant provisions of the guidelines. Under the guidelines, universal and commercial banks are required to maintain a minimum leverage ratio of 5%, which is more stringent than the 3% minimum leverage ratio under Basel III. The guidelines also provide for a monitoring period up to end-2016 during which banks are required to submit periodic reports;

however, sanctions will not be imposed on banks whose leverage ratios fall below the required 5% minimum during the period.

On 26 January 2017, the BSP issued Circular No. 943 which approved the one-year extension of the Basel III Leverage Ratio monitoring period from 31 December 2016 to 31 December 2017, and set new deadlines for the submission of the reporting and disclosure requirements. During the monitoring period, the BSP will continue to assess the calibration and treatment of the components of the leverage ratio. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to increasing regulatory burden on banks.

On 22 January 2018, the BSP issued Circular No. 990 which approved the extension of the Basel III Leverage Ratio monitoring period from 31 December 2017 to 30 June 2018, and set new deadlines for the submission of the reporting and disclosure requirements. The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on 1 July 2018.

Further, local banks face new liquidity requirements, namely, the LCR and the NSFR, under Basel III. The LCR requires banks to hold sufficient level of High-Quality Liquid Assets ("HQLAs") to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks' ability to absorb shocks and minimize negative spillovers to the real economy, compliance with these ratios may also further increase competition among banks for deposits as well as HQLAs. In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Starting 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100% commencing on 1 January 2019. The observation period for LCR requirement for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1035 (Amendments to the Basel III Framework on Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework), during which the LCR floor of 70% will be applied. Likewise, the observation period for NSFR for the subsidiary banks/quasi banks of universal and commercial banks was recently extended to 31 December 2019 by BSP Circular 1034 (Amendments to the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio), during which the NSFR floor of 70% will be applied. The internationally agreed start date for the phase-in of liquidity requirements is 1 January 2015.

On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' Internal Capital Adequacy Assessment Process ("ICAAP") submitted to the BSP every 31st of March of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the D-SIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a preemptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document which includes the first recovery plan was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year.

In addition, Basel III capital rules for banks include setting up a countercyclical capital buffer ("CCB") wherein banks build up the required level of capital during boom times and draw down on the buffer in the event of an adverse turn in the cycle or during periods of stress, thus helping to absorb losses. The CCB will require banks to hold additional common equity or other fully loss absorbing capital in amounts ranging from 0% to 2.5% of the risk-weighted assets. The credit-to-GDP gap, defined as the difference between the credit-to-GDP ratio and its long-term trend, has been chosen as the guide or EWI (early warning indicator) for activating the CCB.

However, some economists have raised the issue that the credit-to-GDP gap is not the best EWI for banking crises or system vulnerabilities, especially for emerging markets (including the Philippines). Under the BIS, the countercyclical capital buffer will be phased in beginning on 1 January 2016 and will become fully effective on 1 January 2019.

In October 2014, the BSP issued Circular No. 855 which provides for new guidelines on sound credit risk management practices. BSP Circular No. 855 mandates banks to establish appropriate credit risk strategy and policies, processes and procedures including cash flow-based credit evaluation process, and tighter provisioning guidelines. These are seen to increase costs as banks may have to upgrade their risk management systems and provisioning requirements. On 6 December 2018, under Circular No. 1024, the BSP imposed the following capital buffers with respect to the minimum Common Equity Tier (CET) 1 requirement: (a) capital conservation buffer of two and a half percent (2.5%), and (b) countercyclical capital buffer that required universal banks and commercial banks to maintain a countercyclical capital buffer (CCyB) of zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant.

Additionally, BSP Circular No. 855 sets the collateral value (“CV”) for a loan backed up by real estate to only 60% of its appraised value. Banks will still be allowed to lend more than 60% of the CV; however, the portion above 60% will be considered unsecured, thus requiring banks to set up loan loss provisions accordingly. The CV ruling should not be mistaken for the loanable value (“LV”), which is the loan amount extended by banks to its borrowers. The current industry practice is a loan-to-value (“LTV”) ratio of 70%-80%, which some banks may continue to grant provided that they have strict and consistent lending standards, adequate capital buffer and provisions. This new ruling, along with other BSP regulations intended to avert a property bubble, could result in an overall slowdown in lending to the real estate sector as banks adjust to these rulings.

On 20 October 2014, the Monetary Board decided to increase the minimum capital requirement for all bank categories including universal, commercial, thrift, rural and cooperative banks. This is in line with the BSP’s efforts of further strengthening the banking system. Under this regulation, the minimum capital for universal and commercial banks will be tiered based on network size as indicated by the number of branches. Existing banks that will not immediately meet the new minimum capital requirement may avail of a five (5)-year transition period to fully comply. Such banks will be required to submit a capital build-up program that is acceptable. Banks that fail to comply with the minimum capital requirements or fail to propose an acceptable capital build-up program face curtailment of future expansion plans. For Universal Banks, the minimum capitalization was changed from the previous ₱4.95 billion, which was applicable to all, to ₱3.0 billion for banks with Head Office only, ₱6.0 billion for banks with up to 10 branches, ₱15.0 billion for banks with 11 to 100 branches and ₱20.0 billion for banks with more than 100 branches.

To better monitor the banking industry’s exposure to the property sector, the BSP in September 2012 approved the guidelines that effectively widened the scope of banks’ real estate exposures (“REEs”) to include mortgages and loans extended to the following: individuals to finance the acquisition/construction of residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included under the new guidelines. Banks were required to submit the expanded report starting end-December 2012.

Further on 27 June 2014, the BSP issued Circular No. 839 requiring banks to undergo Real Estate Stress Test (“REST”) while setting prudential limits for banks’ real estate exposures to ensure that they have adequate capital to absorb potential losses to the property sector. Universal and commercial banks (“UKBs”) as well as thrift banks (“TBs”) must meet a CAR of 10% of qualifying capital after adjusting for the stress test results. Further, UKBs and their thrift bank subsidiaries are required to maintain a level of CET1 capital that is at least 6% of qualifying capital after factoring in the stress scenario. In addition, banks are mandated to submit quarterly report of their real estate exposures, in line with the new REST capital requirements.

On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 23 November 2017, the BSP issued Circular No. 983 that prescribes the reduction in the reserve requirement rate on repurchase transactions, as well as sets forth the features of the repurchase program that shall be eligible for the zero-reserve rate requirement. Deposit substitutes evidenced by repurchase agreements covering government securities that are transacted in an organized market under the Government Securities Repo Program shall be subject to the reserve requirement of zero percent (0%) beginning the first week of December 2017. Recently, the Monetary Board reduced the reserve requirement ratios of selected reservable liabilities of banks in BSP Circular No. 1041, series of 2019.

On 28 April 2020, the BSP issued Memorandum No. 2020-034 temporarily relaxing the assigned credit risk weight for loans to MSMEs for purposes of compliance with the BSP's Risk-Based Capital Adequacy Frameworks. Until 31 December 2020, the following exposures to MSMEs shall be assigned a credit risk weight of fifty percent (50%): (a) MSME exposures that meet the criteria of a qualified MSME portfolio; and (b) current MSME exposures that do not qualify as a highly diversified MSME portfolio.

LIMITATIONS ON OPERATIONS

The Single Borrower's Limit

Consistent with national interest, the total amount of loans, credit accommodations and guarantees that may be extended by a bank to any person or entity shall at no time exceed twenty-five percent (25%) of the net worth of the bank. The ceiling may be increased as follows:

- By an additional ten percent (10%) of the net worth of such bank, so long as the additional liabilities are adequately secured by trust receipts, shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, non-perishable goods which must be fully covered by insurance;
- By an additional twenty-five percent (25%) of the net worth of such bank, provided that the additional loans, credit accommodations and guarantees are granted to entities, which act as value chain aggregators of the lending banks' clients, and/or economically-linked entities that are also actors/players in the value chain; that the additional twenty five percent (25%) will apply only to non-DOSRI/RPT loans; and that such additional twenty-five percent (25%) shall only be for a period of three (3) years, subject to review after the said period.

The limitations do not apply to secured obligations of the BSP or the Republic of the Philippines, those covered by assignment of deposits maintained in the lending bank and held in the Philippines, those under letters of credit to the extent covered by margin deposits and those which the Monetary Board may from time to time prescribe as non-risk items.

On 5 July 2017, the BSP issued Circular No. 965, approving the guidelines on the exclusion from the Single Borrower's Limit of banks and QBs' short-term exposures to clearing and settlement banks arising from payment transactions.

In an effort to mitigate the adverse effects of the COVID-19 pandemic on the operations of BSFIs, the BSP issued BSP Memorandum No. M-2020-011 dated 19 March 2020 and Memorandum No. M-2020-057 dated 21 July 2020, which granted additional operational relief to BSFIs. The reliefs include an increase in this single borrower's limit from 25% to 30% until 31 March 2021.

On 22 July 2020, the BSP issued BSP Memorandum Circular No. 1091, excluding debt securities held by market makers from the SBL. The circular also said that the debt securities will be excluded from the SBL for a

period of time, such as 90 days from date of acquisition if this happened on 1 August 2020 until 31 July 2021 or not exceeding 60 days if acquired 1 August 2021 and onwards.

On 4 January 2021, BSP issued Memorandum No. M-2021-002 granting regulatory relief to foreign bank branches with respect to their compliance with the Single Borrower's Limit. Existing foreign bank branches established in the Philippines prior to Republic Act No. 10641 that breach the Single Borrower's Limit shall not be subject to sanctions until 31 December 2021, provided certain conditions are met.

Limitation on DOSRI Transactions

No director or officer of any bank shall directly or indirectly, for himself or as the representative or agent of others, borrow from such bank nor shall he become a guarantor, endorser or surety for loans from such bank to others, or in the manner be an obligor or incur any contractual liability to the bank except with the written approval of the majority of all the directors of the bank, excluding the director concerned.

After due notice to the Board of Directors of the bank, the office of any officer or director who violates the DOSRI limitation may be declared vacant and such erring officer or director shall be subject to the penal provisions of the New Central Bank Act. The DOSRI account shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the bank. The limitation excludes loans, credit accommodations and guarantees secured by assets which the Monetary Board considers as non-risk.

On 2 June 2016, the Monetary Board approved the revisions to prudential policy on loans, other credit accommodations, and guarantees granted to DOSRIs. The Monetary Board approved the exclusion of loans, other credit accommodation and guarantees granted by a bank to its DOSRI for the purpose of project finance from the 30% unsecured individual ceiling during the project gestation phase, provided, that the bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

As a general rule, loan and other credit accommodation against real estate shall not exceed 60% of the appraised value of the real estate security plus 60% of the appraised value of the insured improvements, and such loans may be made to the owner of the real estate or to his assignees, except for the following which shall be allowed a maximum value of 70% of the appraised value of the insured improvements: (a) residential loans not exceeding ₱3.5 million to finance the acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government's "National Shelter Program", such as the Expanded Housing Loans Program of the Home Development Mutual Fund and the mortgage and guaranty and credit insurance program of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial position and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the title-holder of the unencumbered chattels and intangible properties or his assignee.

On 23 June 2016, the BSP issued Circular No. 914, Series of 2016 amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. Circular No. 914 has raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the Philippine Development Plan / Public Investment Program ("PDP/PIP") needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to conditions. Further, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and preempt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

On 27 October 2017, the BSP issued Circular No. 978 which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding loans, other credit accommodations and guarantees granted to banks' subsidiaries and affiliates. BSP Circular No. 978 excluded the following in determining compliance with the ceilings provided under Circular No. 914: (1) Loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) Interbank call loans; and (3) The portion of loans and other credit accommodations covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

Limitation on Investments

The total investment of a universal bank in equities of allied and non-allied enterprises shall not exceed 50% of its net worth. Moreover, the equity investment in any one enterprise whether allied or non-allied, shall not exceed 25% of the net worth of the universal bank. Net worth for this purpose is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by BSP. The Monetary Board must approve such acquisition of equities.

A universal bank can own up to 100% of the equity in a thrift bank, a rural bank or a financial or non-financial allied enterprise. A publicly listed universal bank, such as the Bank, may own up to 100% of the voting stock of only one other universal or commercial bank. However, with respect to non-allied enterprise, the equity investment in such enterprise by a universal bank shall not exceed 35% of the total equity in the enterprise nor shall it exceed 35% of the voting stock in that enterprise.

A bank's total investment in real estate and improvements including bank equipment shall not exceed 50% of the combined capital accounts. Further, the bank's investment in another corporation engaged primarily in real estate shall be considered as part of the bank's total investment in real estate, unless otherwise provided by the Monetary Board.

The limitation stated above shall not apply with respect to real estate acquired by way of satisfaction of claims. However, all these properties must be disposed by the bank within a period of five (5) years or as may be prescribed by the Monetary Board. In addition, the Monetary Board recently approved BSP Circular No. 1042, series of 2019 containing the guidelines on sound risk management practices pertaining to investment activities of a bank.

On 26 November 2019, the BSP issued Memorandum No. M-2019-028 required all BSP-supervised financial institutions to take the enumerated preventive measures against illegal investment schemes, including the "Ponzi Scheme."

On 4 February 2021, the BSP issued Circular No. 1109 reducing the minimum size of each investment management account and expanding the securities eligible as investment outlet for commingled funds under investment management.

Prohibition to act as Insurer

A bank is prohibited from directly engaging in insurance business as the insurer.

Permitted Services

In addition to the operations incidental to its banking functions, a bank may perform the following services:

- receive in custody funds, documents and valuable objects;

- act as financial agent and buy and sell, by order of and for the account of their customers, shares evidences of indebtedness and all types of securities;
- upon prior approval of the Monetary Board, act as the managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; and
- rent out safety deposit boxes.

Anti-Money Laundering Act, as amended, Compliance

The AMLA requires covered institutions such as banks including its subsidiaries and affiliates, to provide for customer identification, record keeping and reporting of covered and suspicious transactions. Under its provisions, as amended, certain financial intermediaries including banks, offshore banking units, QBs, and all other institutions including their subsidiaries and affiliates supervised and/or regulated by the BSP, and insurance companies and/or institutions regulated by the Insurance Commission, are required to submit a “covered” transaction report involving a single transaction in cash or other equivalent monetary instruments in excess of ₱500,000.00 within one banking day.

Republic Act No. 10167 has expanded the coverage of the Anti-Money Laundering Council (“AMLC”) to enable inquiries into so-called “related accounts,” defined as: “funds and sources of which originated from and/or are materially linked to the monetary instrument(s) or property(ies) subject of the freeze order(s).” the high threshold level for covered transactions, the coverage of “covered institutions” and the existing Bank Secrecy Law, the amendments to the Anti-Money Laundering Act of 2001 were signed into law on 7 March 2003 under Republic Act No. 9194. The amendments included the following: (i) lowering the threshold for covered transactions to ₱500,000; (ii) authorizing the BSP to inquire or examine any deposit or investment with any banking institution without court order in the course of a periodic or special It also addressed concerns such as examination; and (iii) removing the provision prohibiting the retroactivity of the law.

On 15 February 2013, Republic Act No. 10365, which took effect on 7 March 2013, expanded the AMLA covered institutions and crimes. The revised implementing rules and regulations were published on 23 and 24 December 2016. On 15 March 2017, the BSP issued BSP Circular No. 950 to amend the Manual in order to effectively implement the provisions of the AMLA, as amended, and the revised implementing rules and regulations of the AMLA.

On 27 November 2018, the 2018 Implementing Rules and Regulations of the Anti-Money Laundering Act of 2001 took effect. This incorporated the amendments under Republic Act No. 10972, which included casinos as covered persons. However, implementation by casinos of Anti-Money Laundering Act of 2001 will continue to be governed by the existing Casino Implementing Rules and Regulations. These implementing rules and regulations feature new rules on the AMLC’s coordination with law enforcement agencies, beneficial ownership, customer due diligence, and national risk management and assessment, among others. In relation thereto, on 14 January 2019, BSP issued Circular Letter No. CL-2019-002, addressed to all BSFIs of the guidelines issued by the AMLC on digitization of customer records and identification of beneficial owners. On 29 January 2020, the AMLC issued AMLC Regulatory Issuance (“ARI”) A, B, and C No. Series of 2020, which amends certain provisions of the 2018 Implementing Rules and Regulations of Republic Act No. 9160, as amended. The ARI added provisions on immediate family members and close associates of politically-exposed persons (“PEPs”), and expanded the definition of a customer or client to include juridical persons. Such resolution also provided that the suspicious transaction report shall cover all transactions, whether completed or attempted, and shall be promptly filed within the next working day from the occurrence thereof.

Covered transactions are single transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one banking day.

Suspicious transactions are transactions with covered institutions such as a bank, regardless of the amount involved, where any of the following circumstances exists:

- there is no underlying legal or trade obligation, purpose or economic justification;

- the customer or client is not properly identified;
- the amount involved is not commensurate with the business or financial capacity of the client;
- the transaction is structured to avoid being the subject of reporting requirements under the AMLA;
- there is a deviation from the client's profile or past transaction;
- the transaction is related to an unlawful activity or offence under the AMLA;
- similar or analogous transactions to the above.

Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five years from date of transaction/closure of account shall be subject to a penalty of six months to one-year imprisonment and/or fine of ₱500,000.00

Malicious reporting of completely unwarranted or false information relative to money laundering transaction against any person is punishable by six months to four years imprisonment and a fine of one hundred thousand pesos (₱100,000.00) but not more than five hundred thousand pesos (₱500,000.00). Pursuant to the authority delegated to it by Congress under the implementing rules & regulations of Republic Act No. 9160, as amended by Republic Act No. 9194, the Anti-Money Laundering Council promulgated the Rules on the Imposition of Administrative Sanctions which took effect on 9 August 2017. The AMLC also approved the 2018 Implementing Rules and Regulations of the Anti-Money Laundering Act which took effect last 27 November 2018.

On 29 January 2021, the Anti-Money Laundering Act was further amended to include violations under the Securities Regulations Code and Strategic Trade Management Act. It also includes tax deficiencies in excess of ₱25,000,000.00. The AMLC is also empowered to issue *ex parte* freeze orders in cases of violations involving terrorist financing.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity, the media, the fact that a covered or suspicious transaction has been reported or is about to be reported, the contents of the report, or any information relating to such report. Neither may such report be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. A violation of this rule is deemed a criminal act.

Money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

- transacts said monetary instrument or property;
- converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
- conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
- attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c);
- aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b), or (c) above; and
- performs or fails to perform any act as a result of which the person facilitates the offense of money laundering referred to in paragraphs (a), (b), or (c) above.

Money laundering is also committed by any covered person who, knowing that a covered or suspicious transaction is required under this Act to be reported to the Anti-Money Laundering Council, fails to do so.

On 26 November 2018, the BSP issued BSP Circular No. 1022 where the BSP recognized the Philippine Identification System (PhilSys) ID card as an official document for financial transactions. The BSP also included a person's PhilSys number as part of the minimum information to be collected by financial institutions before carrying out a transaction and allowed the use of information and communication technology to "capture and record" personal data of customers.

Taxation of Banks

Banks are subject to corporate income tax. The taxable income of banks from all sources within and without the Philippines is subject to income tax at the rate of 20% effective 1 July 2020 (if such banks are classifiable as domestic corporations). Effective as of the same date, only the taxable income derived by banks from Philippine sources is subject to income tax at the rate of 20% (if such banks are classifiable as resident foreign corporations).

Taxable net income refers to items of income specified under Section 32 (A) the Tax Code less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

A Minimum Corporate Income Tax (“**MCIT**”) equivalent to 2% of the gross income of a bank is payable beginning on the fourth year of operations of the bank only if the MCIT is greater than the regular corporate income tax. Any excess MCIT paid over the regular corporate income tax can be carried forward as tax credit for the three immediately succeeding years. For purposes of MCIT, the bank’s gross income means: (a) gross receipts less sales returns, allowances, discounts and cost of services, including interest expense; and (b) income derived from other businesses except income exempt from income tax and income subject to final tax. Under the CREATE Act, however, the MCIT rate is lowered to 1% of gross income for the period commencing 1 July 2020 and ending 30 June 2023.

An Improperly Accumulated Earning Tax (“**IAET**”) equivalent to 10% of improperly accumulated taxable income of a corporation is not applicable to banks.

Since banks are in the regular business of lending, interest income derived by banks which is generally considered passive income by non-banks, is considered ordinary income of banks subject to 30% corporate income tax. Banks may also claim interest expense as tax deduction if such expense complies with the requirements laid down in Revenue Regulations No. 13-00. The amount of interest expense which banks may claim as tax deduction shall be reduced by an amount equal to 33% of the banks’ interest income that is subject to final tax.

The Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

- an individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank;
- a corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Pursuant to Revenue Regulations No. 05-99 (as amended by Revenue Regulations No. 25-02), in order for banks to claim bad debts as tax deductions, they must submit a written approval from the BSP stating that the indebtedness can be written off from the banks’ books of accounts at the end of the taxable year, subject to the final determination by the BIR that bad debts being claimed by the banks are worthless and uncollectible.

The banks’ passive income such as interest income earned from bank deposits is subject to final withholding tax.

Banks are subject to percentage tax or GRT which is a tax levied on the gross receipts of banks and non-bank financial intermediaries. On 13 June 2016, the BIR issued Revenue Memorandum Circular No. 62-2016 (“RMC 62-2016”) seeking to clarify the tax treatment of GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income and should itself be subject to a GRT of either 5% or 7% depending on the provision of the Tax Code covering the type of income or activity.

Real and Other Properties Acquired (“**ROPA**”) of banks are considered as ordinary assets. The income derived from their sale is subject to the regular corporate income tax. Moreover, the transaction is subject to a 6% creditable withholding tax based on the highest among the zonal value, value in the tax declaration or selling price, which shall be withheld by the buyer and can be used as a credit against the bank’s taxable income in the year that the gain is realized.

The Tax Code provides for a final tax at fixed rates for the amount of interest, yield or benefit derived from deposit substitutes which shall be withheld and remitted by the payor of the said interest, yield or benefit. This rule does not apply to gains derived from trading, retirement or redemption of the debt instrument which is subject to regular income tax rates, except those instruments with maturity of more than five years.

To be considered as a deposit substitute, the debt instrument must have been issued or endorsed to 20 or more individuals at any one time at the time of the original issuance in the primary market or at the issuance of each tranche in the case of instruments sold or issued in tranches.

Interbank call loans with a maturity period of not more than five days and used to cover deficiency in reserves against deposit liabilities are not considered deposit substitutes and are not subject to documentary stamp tax (“**DST**”) except if they have a maturity of more than seven days.

On 19 December 2017, the President of the Philippines signed into law, package 1 of TRAIN which took effect on 1 January 2018. The TRAIN amends certain provisions of the Tax Code. The relevant changes of the TRAIN are incorporated in the section titled “Philippine Taxation” of this Prospectus.

President Rodrigo Duterte has signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability. The President signed on 26 March 2021 the Republic Act (RA) 11534 or the CREATE Act which introduces reforms to the corporate income tax and incentives systems. See discussion under the Philippine Taxation section above for some of the changes introduced by the CREATE Act.

Sections 133 and 143 (f) of the Local Government Code also allow Local Government Units to impose income taxes on banks and other financial institutions at a rate not exceeding fifty percent (50%) of one percent (1%) on the gross receipts of the preceding calendar year derived from interest, commissions and discounts from lending activities, income from financial leasing, dividends, rentals on property and profit from exchange or sale of property, insurance premium.

Philippine Competition Laws

Republic Act No. 10667, or the Philippine Competition Act was signed into law on 21 July 2015 and took effect on 8 August 2015. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission (the “**PCC**”), an independent quasi-judicial agency with five (5) commissioners. Among its powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

The Philippine Competition Act prohibits anti-competitive agreements between or among competitors, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

On 3 June 2016 the PCC issued the implementing rules and regulations of the Philippine Competition Act (“PCA IRR”). Under the PCA IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1 billion (“**Size of Party**”); and (b) the value of the transaction exceeds ₱1 billion, as determined in the PCA IRR (“**Size of Transaction**”); while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1 billion.

PCC issued Memorandum Circular No. 18-001 dated 1 March 2018, which increased the initial thresholds on the Size of Transaction and Size of Party to ₱2.0 billion and ₱5.0 billion, respectively. It further provides that beginning 1 March 2019 and on March 1st of every succeeding year, the notification thresholds will be indexed based on the official estimates of the Philippine Statistics Authority of the nominal Gross Domestic Product of the previous calendar year rounded to the nearest hundred millions. The thresholds were again adjusted to ₱2.2 billion and ₱5.6 billion, respectively, which adjustment took effect on 1 March 2019 pursuant to Commission Resolution No. 03-2019 dated 21 February 2019. Under Commission Resolution No. 02-2020, effective March 1, 2020, the threshold in relation to the Size of Person was increased to ₱6.0 billion, and the threshold for the Size of Transaction was increased to ₱2.4 billion.

Notably, Bayanihan 2 exempted (a) from the compulsory notification requirement all mergers and acquisitions with transaction values below ₱50.0 billion if entered into within two years from Bayanihan 2’s effectivity; and (b) from the power of the PCC to review mergers and acquisitions *motu proprio* for a period of one year from Bayanihan 2’s effectivity. Bayanihan 2 became effective immediately upon its publication in a newspaper of general circulation or in the Official Gazette. Bayanihan 2 was published in Manila Bulletin on 15 September 2020.

On September 24, 2020, the PCC issued Commission Resolution No. 22-2020 adopting the “Rules for the Implementation of Section 4 (eee) of Republic Act No. 11494, otherwise known as the ‘Bayanihan to Recover as One Act,’ Relating to the Review of Mergers and Acquisitions” (the “Bayanihan 2 PCC Rules”). Under PCC’s Commission Resolution No. 22-2020, it shall be effective upon publication in a newspaper of general circulation.

The Bayanihan 2 PCC Rules provides that in determining the transaction value, ₱50.0 billion shall be used as the new Size of Party/Person and Size of Transaction thresholds for compulsory notification. Mergers and acquisitions with at least ₱50.0 billion transaction value, and those that are entered into before the effectivity of Bayanihan 2 and exceed the applicable thresholds when the definitive agreement was signed, are still subject to compulsory notification. In terms of *motu proprio* review, mergers and acquisitions entered into before the effectivity of Bayanihan 2 which have not yet been the subject of PCC’s review, or pending review by PCC before the effectivity of Bayanihan 2 Act, are not covered by Bayanihan 2’s exemption. Further, under the Bayanihan 2 PCC Rules, mergers and acquisitions that are likely to substantially lessen competition may be reviewed *motu proprio* after one year from Bayanihan 2’s effectivity. Upon the expiration of the one-year moratorium exempting mergers and acquisitions from the PCC’s *motu proprio* power of review on 15 September 2021, the PCC resumed reviewing potentially problematic mergers and acquisitions.

Violations of the Philippine Competition Act and its IRR have severe consequences. Under the Philippine Competition Act and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 million but not more than ₱250 million; and (ii) imprisonment for two (2) to seven (7) years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse

of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities. On 19 January 2021, PCC issued Memorandum Circular No. 21-001 adjusting the schedule of fines for violations of the Philippine Competition Act and its IRR. Failure to comply with notification requirements will subject parties to an administrative fine of 5% of 1% of the value of transaction for the first thirty (30) days of delay or fraction thereof, increased by 1% of 1% of the value of the transaction for every additional 30 days of delay or fraction thereof, but the total amount of fine to be imposed shall not exceed ₱2.2 million. Administrative fines now range from ₱110 million to ₱275 million

On 15 September 2017, the PCC published the 2017 Rules of Procedure (“**PCC Rules**”) which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The PCC Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On 23 November 2017, the PCC published the 2017 Rules on Merger Procedures (“**Merger Rules**”) which provides the procedure for the review or investigation of mergers and acquisition pursuant to the Philippine Competition Act. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within thirty (30) days from signing of definitive agreements relating to the merger. This was further supplemented by the 2019 Rules on Expedited Merger Review approved on 28 May 2019 which applies to mergers and acquisitions qualified for expedited review.

On 18 May 2020, the PCC published the Interim Guidelines on the Operations of the Mergers and Acquisitions Office (the “**MAO**”) during the Modified ECQ (the “**Interim Guidelines**”) which allow for the submission of notification forms, letters of non-coverage and other documents requested by the MAO for evaluation through the online filing facility of the PCC. The effectivity of the Interim Guidelines was extended during the GCQ through the PCC’s Resolution No. 012-2020.

On 16 July 2020, the PCC, through Commission Resolution No. 18-2020, approved the MAO Interim Guidelines on the Operations of the MAO during the GCQ and MGCQ. Such resolution modifies PCC’s Resolution No. 11-2020 and 12-2020 insofar as they are inconsistent with or contrary to Resolution No. 18-2020 with respect to the procedures and processes of the MAO.

Transactions that may qualify for expedited review include the following (i) when there are no actual or potential horizontal or vertical relationships in the Philippines between acquiring entity, including its notifying group, and the acquired entity and the entities it controls; (ii) when the merger is a global transaction where the acquiring and acquired entities identified in the definitive agreement are foreign entities (“**foreign parents**”), and their subsidiaries in the Philippines act merely as manufacturers or assemblers of products with at least 95% of such products exported to the foreign parents, subsidiaries, affiliates or third parties located in the Philippines: Provided, that the remaining 5% product sales in a market in the Philippines is minimal in relation to the entirety of such Philippine product market: (iii) when the candidate relevant geographic market of the merger is global and the acquiring and acquired entities have negligible or limited presence in the Philippines: (iv) when the joint ventures, whether incorporated or not, formed purely for the construction and development or a residential and/or commercial real estate development project.

RISK MANAGEMENT

RISK PHILOSOPHY AND GUIDING PRINCIPLES

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

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

RISK APPETITE AND STRATEGY

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

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

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

RISK MANAGEMENT OVERSIGHT

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

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

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

The Bank considers the understanding and the management of risk as a key part of its business strategy. The RSK is mandated to strengthen the Bank’s risk management infrastructure to meet the requirements of its business.

The RSK implements the risk management directives of the Board and the BROC by:

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

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



CREDIT RISK MANAGEMENT

The Credit Risk Management Department (CRM) has three (3) sections, each focusing on a major segment of the credit risk management process. The CRM is responsible for developing and recommending policies that will aid in the management of credit risk present in the Bank’s asset portfolios. The CRM is also in charge of developing, maintaining, and updating the Bank’s credit risk models including the risk rating systems and scorecards. It is the department’s duty to monitor credit risk exposures against established limits and report portfolio performance, including significant movements, asset quality, and levels of concentration to the BROC on a timely basis. It is CRM’s responsibility to make sure that the Bank is always in compliance with the continuously evolving landscape of credit risk within the banking industry.

The CRM monitors credit exposures on a counterparty and portfolio level to ensure asset quality and concentration risks are within the Bank’s risk appetite. Credit risk thresholds consist of regulatory commitments, internal limits, as well as industry benchmarks. Asset quality is measured through the Bank’s Internal Credit Risk Rating System (ICRRS) for corporate accounts and expert scoring models, based on Fair Isaac Corporation (FICO), for consumer loans, including credit cards. These rating systems are monitored and validated on a regular basis. Concentration risks and large exposures are monitored and reported to the BROC and to Management on a regular basis. Concentrations are identified on a counterparty, industry, product, and country level. Regulatory and internally developed stress tests are also performed to evaluate the Bank’s ability to absorb credit losses.

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

CREDIT REVIEW DEPARTMENT

As part of the Bank's continuous assessment of the risks extended through its lending units, Credit Review Department (CRD) implements an independent post-approval assessment on the quality of Corporate and Commercial loan accounts which encompasses the following: 1) Review of individual borrowing accounts, via preparation of Review of Credit Risk (RCR) report; 2) Provision of credit classification consistent with the internal and regulatory standards; 3) Assessment of the portfolio in terms of loan quality and adherence to credit policies via preparation of a Credit Review Report and; 4) Recommendation of credit policy and/or procedural changes, if warranted, using the results of the credit review conducted, to further improve loan portfolio quality.

MARKET AND ASSET-LIABILITY RISK MANAGEMENT

Market Risk in the Trading Book

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

Interest Rate Risk in the Banking Book

The MRM also regularly monitors the mismatches in the repricing of the Bank's assets and liabilities through the interest rate gap reports to the Asset Liability Management Committee (ALCO) and the BROCC. To ensure that the Bank's net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to one (1) year. These limits are reviewed annually and form part of the Bank's risk appetite statements. The Bank also has an internally developed Earnings-at-Risk (EAR) metric for monitoring IRRBB. EAR measures the contraction in the projected NII over the next 12 months excluding pipeline deals through historical simulation of interest rate benchmarks. Non-maturing fixed-rate deposits or current-savings accounts (CASA) are split into two classifications, core deposits and volatile deposits. The volatile or non-core portion of the NMD / CASA are spread over short-term buckets based on behavioral average life. Core deposits are slotted in the 3-5 years bucket. The model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements to existing loans and deposits. More prepayment is expected if interest rates decline while more pre-termination is expected if interest rates increase. EAR is simulated on a monthly basis and also subject to a limit approved by the Board. The report is also accompanied by stress testing with scenarios such as: 1) standard parallel yield curve shifts; 2) BSP prescribed yield curve shifts; 3) steepening and inversion of the curves; and 4) timing mismatch in assets and liabilities repricing. Internal Audit conducts a regular validation of the IRRBB models and parameters in addition to the risk-based full scope audit of RSK which includes a review and evaluation of the processes and controls, including governance and risk management activities

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (*e.g.*, term loans, housing loans) and to compensate the units that generate funding (*e.g.*, branch deposits). While the Bank is not and does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively

manages the interest rate mismatch by sourcing stable funds to match long-term assets. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

Liquidity Risk

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

OPERATIONAL RISK MANAGEMENT

The Operational Risk Management Department (ORMD) monitors the comprehensiveness and effectiveness of internal control systems employed by the Bank. The ORMD oversees the performance of these systems to minimize operational risks and detect vulnerabilities while the consequences are still manageable or avoidable. The ORMD provides timely assessments of inherent general and functional risks to ensure the operational soundness of the organization as an ongoing concern. Operational losses result from inadequate or failed internal processes, people, and systems or from external events. The ORMD monitors actual and probable operational losses in relation to the Bank's risk appetite. The ORMD facilitates the completion of Risk and Control Self Assessments (RCSA) for all the units of the Bank. The RCSA serves as a tool for acquiring information about operational and information technology risks, and determines the adequacy and effectiveness of control mechanisms employed to ensure that operational risks are within the acceptable levels of the Bank. Key risk indicators are also developed and maintained as part of the RCSA for continuous monitoring purposes. Operational loss incidents are also monitored by the ORMD for proper evaluation of the incident, with the intention of preventing recurrence and further financial losses. RCSAs and incidents are escalated to the appropriate level of management, and reported to the BROCC.

The ORMD also assists the operating units in improving the operational and system risk management capabilities through policy formulation. New or revised products and services undergo a risk assessment to ensure that adequate procedures and controls are embedded prior to implementation.

INFORMATION TECHNOLOGY MANAGEMENT

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

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

TRUST RISK MANAGEMENT

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

BUSINESS CONTINUITY MANAGEMENT

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

ANTI-MONEY LAUNDERING GOVERNANCE AND CULTURE

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

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

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

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

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

RISK MEASUREMENT AND REPORTING SYSTEMS

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

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

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

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

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

COMPLIANCE RISK

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

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

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

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

REPUTATIONAL RISK

Reputational risk proceeds from negative public opinion and has the potential to erode the perception of the Bank as a worthy counterparty or investment target. Negative perception on the part of customers, providers of funding, or regulators can adversely affect a bank's ability to maintain existing, or establish new, business relationships or to continue accessing sources of funding.

As the Bank presently neither uses capital market sensitive funding nor publicly listed stock, its funding cost and equity value remain shielded from reputational risk events and market discipline rendering fair estimate difficult to quantify.

Nevertheless, the impact on reputation of events that may occur in the regular course of business remains a top priority of Senior Management and the Board.

LEGAL RISK

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

PENSION RISK

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

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

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

MODEL RISK

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

THE PHILIPPINE STOCK MARKET

BRIEF HISTORY

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulatory, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated on 24 July 1992 as a non-stock corporation by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor.

In June 1998, the SEC granted the PSE “Self-Regulatory Organization” status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On 8 August 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. Each of the 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member-broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President. On 15 December 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry. As of 6 March 2020, the PSE has an authorized capital stock of ₱120 million, of which ₱85.2 million are issued and ₱81.6 million are outstanding.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE’s Main Board or the Small, Medium and Emerging Board. On 3 April 2013, the PSE issued Rules on Exchange Traded Funds (“**ETF**”) which provides for the listing of ETFs on an ETF Board separate from the PSE’s existing boards.

The PSE has a benchmark index, referred to as the PSEi, which reflects the price movements of the 30 largest and most active stocks at the PSE. The PSEi is a free float market capitalization-weighted index.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

With the increasing calls for good corporate governance and the need to consistently provide full, fair, accurate and timely information, the PSE adopted a new online disclosure system to support the provision of material information coming from listed companies and enhance access to such reports by the investing public. In December 2013, the PSE Electronic Disclosure Generation Technology (EDGe), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors.

In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ’s X-stream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, PSE received regulatory approvals to introduce new products in the stock market – the Dollar Denominated Securities and the Listing of PPP Companies.

In June 2018, the PSE received approval from the SEC to introduce short selling in the equities market.

On 22 March 2018, the PSE completed a stock rights offering of 11,500,000 Common Shares which were offered at the price of ₱252.00 per share, or a total of ₱2,898,000,000. The proceeds of the stock rights offering will be used to fund the acquisition of PDS and capital expenditure requirements of the PSE. As of the date of this Prospectus, the PSE has an authorized capital stock of ₱120 million, of which 85,025,692 shares are issued. Out of this total, 84,925,686 shares are outstanding, and 100,006 are treasury shares.

The table below sets out movements in the composite index from 2005 to 2020, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (₱ Bn)	Combined Value of Turnover (₱ Bn)
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	240	7,172.8	572.6
2007	3,621.6	244	7,978.5	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	253	8,697.0	1,422.6
2012	5,812.7	254	10,930.1	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	7,629.7	268	14,438.8	1,929.5
2017	8,558.4	267	17,538.1	1,958.4
2018	7,466.0	267	16,146.7	1,736.8
2019	7,815.3	271	16,710.0	1,770.0
2020	7,139.7	274	15,888.9	1,770.9
2021	7,122.6	280	18,081.1	2,233.1

Source: PSE and PSE Annual Reports.

TRADING

The PSE is a double auction market. Buyers and sellers are each represented by stock brokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading day). Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 noon for the morning session, and resumes at 1:00 pm and ends at 3:00 pm for the afternoon session, with a ten-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal and special holidays and days when the BSP clearing house is closed. However, with the implementation of the community quarantine measures in Metro Manila, beginning 16 March 2020 and until recently, the PSE has implemented shortened trading hours to end at 1:00 p.m. Beginning on March 1, 2022, trading hours have resumed its full-day five (5) hour schedule.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for the Issuer's Shares is 10 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE.
- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

NON-RESIDENT TRANSACTIONS

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

SETTLEMENT

The Securities Clearing Corporation of the Philippines (“**SCCP**”) is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on 17 January 2002. It is responsible for: (1) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE Trading Participants; (2) guaranteeing the settlement of trades in the event of a PSE Trading Participant's default through the implementation of its “Fails Management System” and administration of the Clearing and Trade Guaranty Fund, and; (3) performance of risk management and monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book entry system of the PDTC. Each PSE Trading Participant maintains a Cash Settlement Account with one of the eight existing Settlement Banks of SCCP which are BDO Unibank, Inc. (“**BDO Unibank**”), Rizal Commercial Banking Corporation (“**RCBC**”), Metropolitan Bank & Trust Company (“**Metrobank**”), Deutsche Bank (“**DB**”), Union Bank of the Philippines (“**Unionbank**”), The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”), Maybank Philippines, Inc. (“**Maybank**”) and Asia United Bank Corporation (“**AUB**”). Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement (“**CCCS**”) system in 29 May 2006. CCCS employs multilateral netting, whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of

the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

SCRIPLESS TRADING

In 1995, the PDTC, was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On 16 December 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO Unibank, RCBC, Metrobank, DB, Unionbank, HSBC, Maybank and AUB.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee Corporation ("**PCD Nominee**"), a corporation wholly owned by the PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. "**Immobilization**" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the Issuer's registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g., brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must execute the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedure of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are generally on the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee Corp. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

AMENDED RULE ON LODGMENT OF SECURITIES

On 24 June 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on 1 July 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate, in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III, Part A of the PSE's Revised Listing Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the SEC in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof as follows:

- For new companies to be listed at the PSE as of 1 July 2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee Corp. but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date.
- On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the issuer's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on 21 May 2010, through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

ISSUANCE OF STOCK CERTIFICATES FOR CERTIFICATED SHARES

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer

agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

AMENDED RULE ON MINIMUM PUBLIC OWNERSHIP

Under the PSE Amended Rule on Minimum Public Ownership, listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 10.0% of the listed companies' total issued and outstanding shares (i.e., exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. For purposes of determining compliance with the MPO, shares held by the following are generally considered "held by the public": (a) individuals (for as long as the shares held are not of a significant size (i.e., less than 10.0%) and are non-strategic in nature); (b) trading participants (for as long as the shares held are non-strategic in nature); (c) investment and mutual funds; (d) pension funds; (e) PCD nominees if this account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then this shareholder is considered a principal stockholder); and (f) social security funds.

Listed companies that become non-compliant with the MPO on or after 1 January 2013 will be suspended from trading for a period of not more than six months and will automatically be delisted if it remains non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

In accordance with the SEC Memorandum Circular No. 13 Series of 2017 issued on 1 December 2017, the MPO requirement on companies that undertake initial public offerings was increased from 10.0% to 20.0%, while existing publicly listed companies as of December 2017 remain to be subject to the 10.0% MPO. The PSE rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10.0% or 20.0%, as applicable, of the listed companies' issued and outstanding shares, exclusive of any treasury shares. Pursuant to PSE Circular No. 2020-0076, the 20% MPO requirement will also apply to companies applying for listing by way of introduction and companies undertaking a backdoor listing.

The SEC is also looking at increasing the MPO requirement of existing listed companies to 25.0% for all listed companies; however, such proposed rules on increasing the MPO have yet to be adopted.

FOREIGN EXCHANGE REGULATIONS AND FOREIGN OWNERSHIP

REGISTRATION OF FOREIGN INVESTMENTS AND EXCHANGE CONTROLS

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such Offer Shares is to be sourced from the Philippine banking system. The registration with the BSP is evidenced by a Bangko Sentral Registration Document (“**BSRD**”). If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005), as amended, however, subjects foreign exchange dealers, money changers and remittance agents to the AMLA, as amended, and requires these nonbank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed in the PSE may be done directly with a custodian bank duly designated by the foreign investor. A custodian bank may be a universal or commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); (ii) original certificate of inward remittance of foreign exchange and its conversion into Philippine Pesos through an authorized agent bank in the prescribed format; and (iii) authority to disclose (“**Authority to Disclose**”) in the prescribed format. The Authority to Disclose allows the custodian bank to disclose to the BSP any information that may be required to comply with post-audit requirements for the registration of Peso-denominated investments.

For excess Pesos arising from unrealized investments, banks may sell foreign exchange to the foreign investor equivalent to excess Pesos that are funded by inward remittance of foreign exchange plus interest earned on the excess Pesos, provided that at least 50% of the inwardly remitted foreign exchange should have been invested onshore. However, in case of disapproved subscription or oversubscription of debt and equity securities, erroneously remitted funds, and similar cases, the 50% requirement need not be complied with. In these cases, the foreign investor must execute an Application to Purchase and the bank shall report the foreign exchange remittance to the BSP.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSRD or BSRD Letter-Advice from the registering custodian bank and the broker’s sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) the BSRD or BSRD Letter-Advice; (2) the cash dividends notice from the PSE and the PDTC showing a printout of cash dividend payment or computation of interest earned; (3) the copy of the corporate secretary’s sworn statement attesting to the board resolution covering the dividend declaration and (4) the detailed computation of the amount applied for in the format prescribed by the BSP. For direct foreign equity investments, the latest audited financial statements or interim financial statements of the investee firm covering the dividend declaration period need to be presented in addition to the documents enumerated above. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor’s custodian bank

The foregoing is subject to the power of the BSP, through the Monetary Board and with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require

licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that BSP foreign exchange regulations will not be made more restrictive in the future. The registration with the BSP of all foreign investments in any Offer Shares shall be the responsibility of the foreign investor.

FOREIGN OWNERSHIP CONTROLS

General Banking Law

Under Section 11 of the General Banking Law, as clarified by Section 122 of the MORB, the aggregate voting stock in a domestic bank held by foreign individuals and non-bank corporations must not exceed 40% of the outstanding voting stock of such bank. Although the aggregate ceiling on the equity ownership in a domestic bank does not apply to Filipinos and domestic non-bank corporations pursuant to the MORB, each Filipino individual or Philippine non-bank corporation may own up to 40% of the voting stock of a universal and commercial bank. The percentage of foreign-owned voting stocks in a bank shall be determined by the citizenship of the individual stockholders in that bank. The citizenship of the corporation which is a stockholder in a bank shall follow the citizenship of the controlling stockholders of the corporation, irrespective of the place of incorporation.

On 15 July 2014, Republic Act No. 10641 (“**RA 10641**”) became law. Under RA 10641, established, reputable and financially sound foreign banks may be authorized by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to one hundred percent (100%) of the voting stock of an existing bank; (b) by investing in up to one hundred percent (100%) of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches with full banking authority. In relation thereto, on 6 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA 10641 and on 21 November 2014, the BSP issued BSP Circular No. 858, amending the relevant provisions of the MORB, accordingly. The entry into law of RA 10641 did not entirely eliminate the foreign ownership controls under the General Banking Law. While qualified foreign banks may own up to 100% of voting shares in a bank, foreign individuals or non-bank corporations are still subject to the 40% foreign ownership limitation under the General Banking Law.

Land Ownership

The Philippine Constitution and related statutes also set forth restrictions on foreign ownership of companies that own land in the Philippines.

Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 4 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines, at least 60% of whose capital is owned by such citizens.

While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40.0%. A corporation with more than 40.0% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

Foreign Investments Act of 1991

The Foreign Investments Act of 1991 or Republic Act No. 7042 (“**FIA**”) liberalized the entry of foreign investments into the Philippines. As a general rule, there are no restrictions on the extent of foreign ownership of export enterprises. Under the FIA, in domestic market enterprises, foreigners can own as much as 100%

equity except in areas specified in the Eleventh Regular Foreign Investment Negative List (the “**Negative List**”). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities.

The FIA, reserves to Philippine Nationals all areas of investment in which foreign ownership is limited by mandate of the Constitution and specific laws.

A Philippine National is defined under the law to mean any of the following: (i) a citizen of the Philippines; (ii) a domestic partnership or association wholly owned by citizens of the Philippines; (iii) a corporation organized under the laws of the Philippines of which at least sixty percent (60%) of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; (iv) a corporation organized abroad and registered as doing business in the Philippines under the Revised Corporation Code of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or (v) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippines national and at least sixty percent (60%) of the fund will accrue to the benefit of the Philippine Nationals.

However, the Foreign Investments Act of 1991 states that where a corporation (and its non-Filipino shareholders) own stock in a SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60% of the members of the board of directors of both the investing corporation and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

In SEC Memorandum Circular No. 08 dated May 20, 2013, or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for certiorari questioning the constitutionality of SEC Memorandum Circular No. 8 dated May 20, 2013 was filed in June 2013. In *Jose M. Roy III v. Chairperson Teresita Herbosa* (G.R. No. 207246) dated April 18, 2017, the Supreme Court affirmed the validity of SEC Memorandum Circular No. 08 dated May 20, 2013.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580) and its corresponding motions for reconsideration (the “**Narra Nickel Case**”), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders’ own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation’s Filipino equity falls below 60.0%, such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied. For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least sixty percent (60%) of the total shares outstanding and voting, the corporation shall be considered as a wholly Filipino-owned corporation. Restrictions under the Philippine Constitution require corporations engaged in the operation of public utilities to ensure at least sixty percent (60%) of its capital is owned by Filipinos.

The Bank is operating as a commercial bank with a conditional universal banking license, and owns land in the Philippines, and, as such, it is subject to certain nationality restrictions found under the Philippine Constitution and other laws limiting ownership to Philippine Nationals.

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Issuer. The following discussion is based upon laws, regulations, rulings, income tax treaties, administrative practices and judicial decisions in effect at the date of this Prospectus and is subject to any changes occurring after such date. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequences in light of particular situations of acquiring, owning, holding and disposing of the shares in such other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE COMMON SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF LOCAL AND NATIONAL TAX LAWS.

As used in this section, the term “resident alien” refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A “non-resident alien” is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien engaged in trade or business in the Philippines;” otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a “non-resident alien not engaged in trade or business in the Philippines.” A “domestic corporation” is created or organized under the laws of the Philippines; a “resident foreign corporation” is a non-Philippine corporation engaged in trade or business in the Philippines; and a “non-resident foreign corporation” is a non-Philippine corporation not engaged in trade or business in the Philippines. The term “non-resident holder” means a holder of shares of stock:

- who is an individual and is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and
- should an income tax treaty be applicable, whose ownership of shares of stock is not effectively connected with a fixed base or a permanent establishment in the Philippines.

PHILIPPINE TAXATION

On 1 January 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (“**TRAIN Law**”) took effect. The TRAIN Law amended various provisions of the National Internal Revenue Code of 1997 (“**Philippine Tax Code**”), including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax.

Republic Act No. 11534, or the Corporate Recovery and Tax Incentives for Enterprises Act (“**CREATE**”), which became effective on 11 April 2021, amended the fiscal incentives and lowered the regular corporate income tax rate from 30% to 25% (with retroactive application from 1 July 2020).

The salient provisions of the CREATE include:

- reduction in corporate income tax (**CIT**) from the current 30% to 20% for micro, small, and medium enterprises or MSMEs, and to 25% for other corporate taxpayers by July 1, 2020;

- reduction in the minimum corporate income tax rate to 1% effective July 1, 2020 until June 30, 2023;
- extension of the applicability of the net operating loss carryover for losses incurred during the first three years from the start of commercial operation by registered projects or activities, from the current three to five consecutive taxable years immediately following the year of such loss;
- net capital gains derived by foreign corporations on the sale of shares of stock of domestic corporations not traded on the Philippine stock exchange will be subject to a final tax of 15%, increased from the current rate of 5% on the first PhP100,000 net gain, and 10% on the excess thereof;
- regional operating headquarters, which were previously taxed at 10% on taxable income, will be subject to regular CIT rates effective January 1, 2022;
- qualified registered business enterprises (**RBE**) may be granted an income tax holiday for four to seven years; a special corporate income tax rate of 5% beginning July 1, 2020 imposed on gross income earned in lieu of all national and local taxes; and other fiscal incentives; and
- in lieu of the special corporate income tax, enhanced deductions may be granted for a period of five to ten years depending on the assigned RBE category level.

CORPORATE INCOME TAX

A domestic corporation is subject to a tax of 25% of its taxable income from all sources within and outside the Philippines. effective 1 July 2020, provided that domestic corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00 (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed) (referred to as MSMEs), shall be taxed at 20.0%. Taxable net income refers to items of gross income specified under Section 32 (A) of the Philippine Tax Code, less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction equivalent to an amount not exceeding 40% of the corporation's gross income. Passive income of a domestic corporation is taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

Beginning 1 July 2020 and until 30 June 2023, a minimum corporate income tax of 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax, provided that after 30 June 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year. Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

TAXES ON TRANSFER OF SHARES LISTED AND TRADED AT THE PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax (please see discussion below on tax treaties), a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the

shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of its client. The stock transaction tax is classified as a percentage tax and is paid in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

In addition, VAT of 12.0% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client, the seller or transferor.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. PSE Memorandum CN-No. 2012-0046 dated 22 August 2012 provides that immediately after 31 December 2012, the SEC shall impose a trading suspension for a period of not more than six months, on shares of a listed company who has not complied with the Rule on Minimum Public Ownership (“MPO”) which requires listed companies to maintain a minimum percentage of listed securities held by the public at 10% of the listed companies issued and outstanding shares at all times. SEC Memorandum Circular No. 13, Series of 2017 (the “SEC 2017 Circular”), which took effect on 5 December 2017, requires a higher MPO requirement of 20%. The SEC 2017 Circular covers any company applying for the registration of its shares of stocks for the purpose of conducting an IPO from 5 December 2017 but does not cover existing publicly-listed companies as they remain subject to the 10% MPO requirement. The sale of such listed company’ shares during the trading suspension may be effected only outside the trading system of the PSE and shall therefore be subject to taxes on the sale of shares that are not listed or traded at the stock exchange (i.e., capital gains tax, documentary stamp tax, and possibly donor’s tax if the fair market value of the shares of stock sold is greater than the consideration or the selling price, as the amount exceeding the selling price shall be deemed a gift subject to donor’s tax under Section 100 of the Tax Code). However, under the TRAIN Law, exchanges made in the ordinary course of business—i.e., a transaction which is *bona fide*, at arm’s length and free from donative intent, will be considered as made for an adequate and full consideration in money or money’s worth and will not be subject to donor’s tax. Companies which do not comply with the MPO after the lapse of the trading suspension shall be automatically delisted.

The stock transaction tax will also not apply if the shares sold are issued by a corporation that does not meet the MPO requirement, even if the sale is done through the facilities of the PSE. Revenue Regulations No. 16-2012 (“R.R. 16-12”) provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after 31 December 2012 will be subject to capital gains tax and documentary stamp tax. R.R. 16-12 also requires publicly listed companies to submit public ownership reports to the BIR within fifteen (15) days after the end of each quarter.

CAPITAL GAINS TAX, IF THE SALE WAS MADE OUTSIDE THE PSE

The net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, or a domestic corporation (other than a dealer in securities) during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15.0% of the net capital gains realized during the taxable year.

The net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are also subject to the rate of 15% of the net capital gains realized during the taxable year. Capital gains tax will also apply if the publicly listed company that issued the shares sold does not comply the MPO requirement.

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor’s tax under Section 100 of the Tax Code; provided, however, that a sale, exchange or other

transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm's length and free from donative intent) will be considered as made for an adequate and full consideration in money or money's worth and will not be subject to donor's tax.

Exemption from capital gains tax may be provided under income tax treaties executed between the Philippines and the country of residence or domicile of the non-resident holder. If an applicable income tax treaty exempts net gains from such sale from capital gains tax, either a request for confirmation on the propriety of the withholding tax applied or an application for tax treaty relief has to be filed with the BIR in accordance with BIR regulations, and approved by the BIR, to avail of the exemption. (Please see discussion below on tax treaties.)

The transfer of shares shall not be recorded in the books of a company, unless the BIR has issued an electronic Certificate Authorizing Registration (“eCAR”), certifying that capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR (“BIR ITAD”) in respect of the capital gains tax, or other conditions have been met.

TAX ON DIVIDENDS

General Rule

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by the Issuer. Cash and property dividends received from a domestic corporation by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received from a domestic corporation by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under income tax treaties executed between the Philippines and the country of residence or domicile of such non-resident alien individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by a resident foreign corporation are not subject to income tax while those received by a non-resident foreign corporation are generally subject to income tax at a final withholding tax rate of 25.0%, effective 1 January 2021 pursuant to CREATE, which became effective on 11 April 2021.

Tax Sparing Rate for Non-Resident Corporations

The 25.0% income tax rate for dividends paid to a non-resident foreign corporation may be reduced to a lower rate of 15.0% if tax sparing applies, which is when: (i) the country where the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends or (ii) the country of domicile of the non-resident foreign corporation allows at least 10.0% credit equivalent for taxes deemed to have been paid in the Philippines.

In order to avail of the 15% tax sparing rate, Revenue Memorandum Order No. 46-2020 (*Guidelines and Procedures for the Availment of the Reduced Rate of 15% on Intercompany Dividends Paid by a Domestic Corporation to a Non-Resident Foreign Corporation Pursuant to Section 28(B)(5)(B) of the National Internal Revenue Code of 1997, as amended dated 23 December 2020*) requires the non-resident foreign corporation availing itself of the tax sparing rate to file an application with the BIR for a confirmatory ruling on its entitlement to the tax sparing rate. Revenue Memorandum Order No. 46-2020 further states the following general requirements that shall accompany the first application for the reduced dividend rate of 15% in a given taxable year:

- (1) letter-request which shall provide a background of the transaction, the relief sought and the legal basis;
- (2) duly accomplished BIR Form No. 0901-TS;
- (3) original copy of the apostilled/duly authenticated Tax Residence Certificate issued by the tax authority of the country of the domicile;
- (4) apostilled/duly authenticated copy of the NRFC's articles of incorporation and proof of establishment in its country of residence;
- (5) original copy of apostilled/duly authenticated Special Power of Attorney (SPA) issued by the NRFC to its authorized representative;
- (6) certified true copy of the Board of Directors' resolution of the domestic corporation approving the issuance of dividends, which shall include the amount of dividends, and dates of declaration, record and payment, among others;
- (7) original copy of the sworn statement executed by the corporate secretary of the domestic corporation stating the legal and beneficial owners, if applicable, of all issued and outstanding shares as of record date, their corresponding subscriptions, date/s of acquisition, percentage of ownership and the allocation of dividend;
- (8) certified true copy of the General Information Sheet (GIS) of the domestic corporation for the year or period immediately preceding the date of declaration, whichever is more applicable
- (9) certified true copy of the Audited Financial Statements (AFS) of the domestic corporation stamped "received" by the BIR and Securities and Exchange Commission, which was used as the basis of such dividend declaration; and
- (10) proof of remittance of the dividend payments.

The application has to be filed within 90 days from "the remittance of the dividends or from the determination by the foreign tax authority of the deemed paid tax credit/non-imposition of tax because of the exemption, whichever is later." A domestic corporation is not required to first secure a ruling from the BIR in order to use the tax sparing rate when it remits the dividends. However, it is required to determine if under the law of the country of domicile of the non-resident foreign corporation, such non-resident foreign corporation is granted the applicable "deemed paid" tax credit, or an exemption from income tax on such dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder. (Please see discussion on tax treaties below.)

Tax Treaty Relief

The BIR recently revised its procedures for availment of tax treaty relief on dividends by issuing Revenue Memorandum Order No. 14-21 (*Streamlining the Procedures and Documents for the Availment of Treaty Benefits*, dated 31 March 2021) as clarified by Revenue Memorandum Circular No. 77-21 (*Clarification on Certain Provisions of Revenue Memorandum Order No. 14-21*, dated 15 June 2021). In accordance with the foregoing regulations, all income items derived by nonresident taxpayers entitled to tax treaty relief shall be confirmed by the BIR through filing of: (i) a **request for confirmation** by the withholding agent, or (b) a **tax treaty relief application** ("TTRA") by the nonresident taxpayer, with the required supporting documents in either case.

Request for Confirmation

The withholding agent/income payor may apply the preferential tax treaty rate on the dividend income of the non-resident foreign shareholder by relying on the submission by such shareholder of the following documents before the dividend income is paid: (a) on an application form for treaty purposes (BIR Form 0901-D for dividends), an authenticated/apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the shareholder, and (c) the relevant provision of the applicable tax treaty which prescribes the preferential tax treatment on dividend income. If the tax treaty rate was applied, the withholding agent/income payor must file with the BIR ITAD a request for confirmation of the use of the tax treaty rate. The request for confirmation must be filed after the payment of the withholding tax and in no case later than the last day of the fourth month following the close of the relevant taxable year. Revenue Memorandum Circular No. 77-21 prescribes the filing of one consolidated request for confirmation per nonresident income recipient, regardless of the number and type of income payments during the year. Revenue Memorandum Circular No. 77-21 also provides for a list of all documentary requirements that have to be submitted in support of the request for confirmation.

If the BIR determines that the withholding tax rate used is lower than the applicable tax rate that should have been applied, or that the non-resident taxpayer is not entitled to treaty benefits, the request for confirmation will be denied and it will require the withholding agent/income payor to pay the deficiency taxes plus surcharge, interest and penalties.

Tax Treaty Relief Application (TTRA)

In case the withholding agent/income payor used the regular rate under the Tax Code, the non-resident foreign shareholder may, at any time after its receipt of the dividend income, file a TTRA with ITAD. Similar to a request for confirmation, the TTRA must also be supported by the documents specified in Revenue Memorandum Circular No. 77-21.

If the BIR determines that the withholding tax rate applied is higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits, and the shareholder may apply for a refund of excess withholding tax within the two-year period provided in Section 229 of the Tax Code. The claim for refund of the shareholder may also be filed simultaneously with the TTRA. If the regular tax rate is withheld by the Issuer instead of the reduced rates applicable under an income tax treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Most tax treaties to which the Philippines is a party provide for a preferential tax rate of either 15% or 25%, in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividends, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment. In these cases, however, the provisions on business profits or independent personal services under the tax treaty shall apply.

Revenue Memorandum Circular No. 076-20 (*Clarifying Certain Issues on the Filing of the Related Party Transaction Form*) clarifies that the TTRAs filed with the BIR ITAD in relation to payments made to related parties must be indicated in the RPT Form (BIR Form No. 1709). The dividends between and among related parties (either paid or payable, received or receivable) should likewise be disclosed in the RPT Form.

As proof of dividend payments to related parties, certain documents such as a notarized board of directors' resolution approving the issuance of dividends, a certification under oath by the corporate secretary/custodian banks/depository account holders/broker dealers stating in detail the legal and beneficial owners of all issued and outstanding shares as of record date, their corresponding subscriptions, date/s of acquisition, percentage of

ownership and the allocation of dividend, and proof of payment of such dividends must be maintained by the Issuer.

Transfer taxes (e.g. documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is subject to stock transaction tax if the transfer is through a local stock exchange; or if the transfer is made outside of the exchange, capital gains tax; and documentary stamp tax.

Preferential Rates under Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)⁽⁹⁾	Capital Gains tax due on disposition of Shares outside the PSE (%)
Canada	25 ⁽¹⁾	0.6	May be exempt ⁽¹³⁾
China	15 ⁽²⁾	Exempt ⁽¹⁰⁾	May be exempt ⁽¹³⁾
France	15 ⁽³⁾	Exempt ⁽¹¹⁾	May be exempt ⁽¹³⁾
Germany	15 ⁽⁴⁾	Exempt ⁽¹²⁾	May be exempt ⁽¹³⁾
Japan	15 ⁽⁵⁾	0.6	May be exempt ⁽¹³⁾
Singapore	25 ⁽⁶⁾	0.6	May be exempt ⁽¹³⁾
United Kingdom	25 ⁽⁷⁾	0.6	Exempt ⁽¹⁴⁾
United States	25 ⁽⁸⁾	0.6	May be Exempt ⁽¹⁵⁾

Notes:

- (1) 15% if recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.
- (3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.
- (4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.
- (5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.
- (6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.
- (7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of

dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

- (9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by Section 39 of the TRAIN Law.
- (10) Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.
- (11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995.
- (12) Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.
- (13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.
- (14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a certification from the BIR on the exemption from capital gains tax pursuant to the tax treaty shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the stock and transfer book of the issuer corporation. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a TTRA in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 14-21 (*Streamlining the Procedures and Documents for the Availment of Treaty Benefits*, dated 31 March 2021) as clarified by Revenue Memorandum Circular No. 77-21 (*Clarification on Certain Provisions of Revenue Memorandum Order No. 14-21*, dated 15 June 2021)), BIR Form No. 0901-C, and other BIR issuances. The requirements include a Tax Residency Certificate (TRC) for the relevant period, duly issued by the tax authority of the foreign country in which the income recipient is a resident. Non-resident legal persons or arrangements are also required to submit an authenticated copy of their Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming their establishment or incorporation, with an English translation thereof if in foreign language.

In availing tax treaty benefits, the withholding agent may rely on the submitted BIR Form No. 0901 (Application Form for Treaty Purposes), TRC, and the relevant provision of the tax treaty on whether to apply the treaty rates. If the withholding agent applied the treaty rates, he shall file with the BIR ITAD a request for confirmation on the correctness of the withholding tax rates applied on the income. The request for confirmation shall be filed any time after the payment of withholding tax but not shall not be later than the last day of the fourth (4th) month following the close of each taxable year.

If the regular rates have been imposed on the income, the non-resident shall file a TTRA with BIR ITAD to prove its entitlement to treaty benefits. Failure to prove the same may result in the confirmation of the tax rate previously applied on the income, and in the eventual denial of the TTRA.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties.

On the contrary, if the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess withholding tax.

With respect to the availment of preferential rates for dividends under an income tax treaty, most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15.0% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

DOCUMENTARY STAMP TAX

The original issuance of shares is subject to documentary stamp tax (“DST”) of ₱2.00 on each ₱200.00 par value, or fraction thereof, of the shares issued. There is also a DST imposed on the transfer of shares is subject to a documentary stamp tax at a rate of ₱1.50 on each ₱200.00, or fractional part thereof, of the par value of the Shares. The DST is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable by either or both the vendor or the vendee of the shares.

However, the sale, barter or exchange of shares of stock listed and traded at the PSE is exempt from DST.

ESTATE AND GIFT TAXES

Shares issued by a domestic corporation are deemed to have a Philippine *situs* and their transfer by way of a succession or donation, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate and donor's taxes.

The transfer of the Offer Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, shall be subject to an estate tax which is levied on the net estate of the deceased at a uniform rate of 6.0%. An Investor shall be subject to donor's tax at a uniform rate of 6.0% based on the value of the total gift on the transfer of the Offer Shares by gift in excess of ₱250,000.00 made during a calendar year, regardless of the relation of the donor to the donee. The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock:

- (1) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or
- (2) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In case shares of stock are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the shares of stock exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the shares of stock, based on

Section 100 of the Philippine Tax Code, provided that a transfer of property made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

TAXATION OUTSIDE THE PHILIPPINES

Shares of stock in a domestic corporation are considered under Philippine law to be situated in the Philippines and any gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donors' tax or estate tax.

The tax treatment of a non-resident holder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of its domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

IPO TAX

Republic Act No. 11494, otherwise known as the "Bayanihan to Recover As One Act," took effect on September 15, 2020. Section 6 of this law repealed Section 127(B) of the Philippine Tax Code on the IPO Tax. As such, the Offer is not subject to the IPO Tax.

Under Revenue Regulations No. 23-2020 issued by the BIR, tax on shares of stocks sold, bartered, exchanged or other disposition through IPO provided under Section 127(B) of the Philippine Tax Code is repealed. Every sale, barter, exchange or other disposition through IPO of shares of stock in closely held corporations shall no longer be subject to IPO Tax.

PLAN OF DISTRIBUTION

OVERVIEW

56,120,600 Offer Shares (or 20% of the Offer Shares) are being offered in the Philippines through the PSE Trading Participants and 28,060,300 (or 10% of the Offer Shares) are being offered in the Philippines to local small investors (“**LSI**”) under the Local Small Investors Program of the PSE (subject to re-allocation as described below) (such shares, the “**Trading Participants and Retail Offer Shares**”, and such offer of Trading Participants and Retail Offer Shares, the “**Trading Participants and Retail Offer**”).

At least 196,421,900 Offer Shares, or 70% of the Offer Shares (the “**Institutional Offer Shares**”) are being offered to QIBs and other investors in the Philippines, by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Bank and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, the Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand.

There is no arrangement for the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners to return any of the Trading Participants and Retail Offer Shares or the Institutional Offer Shares to the Bank.

The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners will underwrite, on a firm commitment basis, the entire Offer.

The role of the Financial Advisor and Issue Coordinator include the following, among others: (i) initial preparation work for the transaction (including, but not limited to: assisting the Issuer on transaction management and coordination, valuation and projections, due diligence preparation, drafting of the Prospectus and Registration Statement, and other items as may be required by regulatory bodies); (ii) preparation work for the launch of the Offer (including, but not limited to: advising and assisting the Issuer on marketing and syndicate strategy, assisting the Issuer in addressing and responding to investor feedback and advising the Issuer on the offer structure); and (iii) marketing and execution work for the Offer (including, but not limited to: assisting the Issuer in reviewing research reports, strategy in book-building and allocation, pricing and sizing, and investor presentations).

ROLES AND RESPONSIBILITIES

The Financial Advisor and Issue Coordinator is responsible for the coordination of the various execution workstreams relating to the Offer and will perform the following functions: (i) initial preparation work for the transaction; (ii) preparation work for the launch of the Offer; and (iii) marketing and execution work for the Offer.

The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners are assisting the Issuer in the book-building process, which includes marketing and allocation of the Offer to potential investors as described in this Plan of Distribution.

The Trading Participants and Retail Offer Shares shall (subject to re-allocation as described below) initially be offered by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners to all the PSE Trading

Participants. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners have undertaken to underwrite the Trading Participants and Retail Offer on a firm commitment basis.

The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and their respective affiliates have engaged in transactions with, and have performed various investment banking, commercial banking and other services for the Issuer's affiliates in the past and may do so in the future. However, all services provided by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners including services in connection with the Offer, have been provided as an independent contractor and not as a fiduciary to the Issuer.

The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners do not have any right to designate or nominate a member of the Board. The Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners and their respective affiliates have no direct relationship with the Bank in terms of share ownership and, other than Joint Issue Manager, Joint Lead Underwriter, and Joint Bookrunner for the Offer, does not have any material relationship with the Bank.

The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners have no contract or other arrangement with the Issuer by which it may return to the Issuer any unsold Offer Shares.

The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners will receive underwriting and selling fees from the Issuer of up to 2.25% of the gross proceeds from the sale of the Offer Shares attributed to the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners and will not receive any discounts or commissions. The commissions and fees of the Bank as selling agent shall be deducted from the underwriting fee. The underwriting fee does not include the commissions and fees to be paid to the duly licensed securities brokers who are trading participants of The Philippine Stock Exchange, Inc. ("PSE"; the trading participants, "**PSE Trading Participants**"). This underwriting and selling fee is exclusive of the amounts to be paid to the PSE Trading Participants as selling agents, where applicable. The estimated underwriting, selling and PSE Trading Participant ("**TP**") fees amount to approximately ₱75.8 million and ₱6.7 million, respectively. See "*Use of Proceeds*" for further details.

Financial Advisor and Issue Coordinator

Philippine Commercial Capital, Inc. was incorporated on 25 July 1980 and is considered as one of the oldest investment banks in the country. PCCI has established a solid track record and expertise in the Philippine capital markets and consequently obtained a license to operate as a trust entity, investment house and securities dealer.

Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners

BDO Capital is the wholly owned investment banking subsidiary of BDO Unibank, Inc., which, in turn, is an associate of the SM Group. BDO Capital is duly licensed by the SEC to engage in the underwriting and distribution of securities and is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. Incorporated in December 1998, BDO Capital commenced operations in March 1999. As of 31 December 2020, it had ₱4.36 billion and ₱4.12 billion in assets and capital, respectively. It has an authorized capital stock of ₱1.10 billion, of which approximately ₱1.00 billion represents its paid-up capital.

China Bank Capital is the wholly-owned investment banking subsidiary of China Banking Corporation. It was registered and licensed as an investment house in 2015 as a result of the spin-off of China Bank's Investment Banking Group. The firm offers a full suite of investment banking solutions, which include arranging, managing, and underwriting bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. China Bank Capital also provides financial advisory services, such as structuring, valuation, and execution of M&A deals, joint ventures, and other corporate transactions.

Philippine Commercial Capital, Inc. was incorporated on 25 July 1980 and is considered as one of the oldest investment banks in the country. PCCI has established a solid track record and expertise in the Philippine capital markets and consequently obtained a license to operate as a trust entity, investment house and securities dealer.

PNB Capital is a wholly owned subsidiary of the Philippine National Bank. It offers a spectrum of investment banking services including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers & acquisitions. Incorporated in July 1997, PNB Capital commenced operations in October 1997. As of 31 December 2020, it had ₱2.4 billion and ₱2.2 billion in assets and capital, respectively. It has an authorized capital stock of ₱2.0 billion, of which approximately ₱1.5 billion represents its paid-up capital.

THE TRADING PARTICIPANTS AND RETAIL OFFER

The Trading Participants and Retail Offer Shares shall (subject to re-allocation as described below) initially be offered by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, to all the PSE Trading Participants and LSIs in the Philippines. 56,120,600 Offer Shares, or 20% of the Offer Shares, shall be allocated among the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated 448,900 Offer Shares (computed by dividing the Trading Participants and Retail Offer Shares allocated to the PSE Trading Participants among the 125 PSE Trading Participants) and subject to reallocation as may be determined by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. Based on the initial allocation for each PSE Trading Participant, there will be a total of 8,100 residual Offer Shares to be allocated as may be determined by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. There will be no discount on the Offer Price. The Retail Offer Shares shall be made available nationwide to the LSIs through PSE EASy.

Upon closing of the Trading Participants and Retail Offer, any allocation of Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants and LSIs shall be distributed by each of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners to its clients or the general public. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall purchase the Trading Participants and Retail Offer Shares not reallocated to the Institutional Offer, or otherwise not taken up by the PSE Trading Participants, clients of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners or the general public in the Philippines, pursuant to the terms and conditions of the Underwriting Agreement (as defined below). Nothing herein or in the Underwriting Agreement shall limit the rights of each of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners from purchasing the Offer Shares for its own account.

To facilitate the Trading Participants and Retail Offer, the Issuer has appointed BDO Capital, China Bank Capital, PCCI, and PNB Capital to act as the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

On or before 12:00 noon on 22 March 2022, the PSE Trading Participants shall submit to the Receiving Agent their respective Application and other required documents therein from the Trading Participants and Retail Offer Shares. For more details on the Procedure for Application for the Offer, please refer to the Procedures and Implementing Guidelines for Trading Participants.

PSE Trading Participants who take up Trading Participants and Retail Offer Shares shall be entitled to a selling fee of 1.0%, inclusive of VAT, of the Trading Participants and Retail Offer Shares taken up and purchased by the relevant PSE Trading Participant. The selling fee, less the applicable withholding tax, will be paid by the Issuer through the Receiving Agent to the PSE Trading Participants starting on the tenth (10th) Business Day from the Listing Date.

All of the Trading Participants and Retail Offer Shares are or shall be lodged with the PDTC and shall be issued to the PSE Trading Participants in scripless form. Investors may maintain the Trading Participants and Retail

Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Trading Participants and Retail Offer Shares from the PDTC's electronic system after the Listing Date. Costs or fees relating to such upliftment shall be for the account of the investor.

LSI SUBSCRIPTION THROUGH PSE EASY

A total of 28,060,300 Offer Shares, or about 10% of the Offer Shares, shall be made available nationwide to LSIs through the PSE Electronic Allocation System (“**PSE EASY**”). In the event total demand for the Offer Shares by LSIs exceed five (5) times or more than the initial allocation, the total LSI allocation shall be increased to 15% of the Offer Shares or 42,090,450 Offer Shares or an increase in the initial allocation to LSIs by an additional 14,030,150 Offer Shares which increase will be taken from the Institutional Offer Shares.

The system will generate a reference number and payment instruction. The Application to subscribe must be settled within the Offer Period.

An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱1,000,000.00 or such higher amount as may be approved by the PSE and the SEC. In the case of this Offer, the minimum subscription of LSIs shall be 100 shares or ₱1,200.00 while the maximum subscription shall be 83,300 shares or up to ₱999,600.00. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASY shall be described in the Bank's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners shall prioritize subscriptions of small investors with amounts lower than the maximum subscription.

Payment for the Trading Participant and Retail Offer Shares must be made upon submission of the duly completed application form.

Upon closing of the Trading Participants and Retail Offer, any allocation of Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants and the LSIs shall be distributed by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners to their clients or the general public in the Philippines or as otherwise agreed with the Issue Coordinator, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants or the LSIs and which are not reallocated to the Institutional Offer, or taken up by the clients of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, or the general public, shall be purchased by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners pursuant to the terms and conditions of the Underwriting Agreement (as defined below). Nothing herein or in the Underwriting Agreement shall limit the rights of each of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners from purchasing the Offer Shares for its own account.

PROCEDURE FOR APPLICATION FOR THE OFFER

For Trading Participants

Application forms and signature cards may be obtained from any of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, or from any participating PSE Trading Participant and the Selling Agent, and shall be made available for download on the Issuer's website. Applicants shall complete the application form, indicating all pertinent information such as the applicant's name, address, contact number, taxpayer's identification number, citizenship and all other information as may be required in the application form and shall provide all the required documents. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of Offer Shares. Failure to complete the application form may result in the rejection of the application.

All Applications shall be evidenced by the application to purchase form, in quadruplicate, duly executed by the Applicants themselves or by the authorized signatory(ies) of the Applicant (in the case of an Applicant that is not a natural person), and accompanied by the corresponding payment for the Offer Shares covered by the Application and all other required documents.

If the Applicant is an individual person, the Application must be accompanied by the following documents:

- Two (2) duly executed specimen signature cards, duly authenticated by the Applicant's nominated PDTC Participant (as defined below) or the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners (if the Applicant is a client of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners) or the Selling Agent (if the Applicant is a client of the Selling Agent);
- Photocopy of two (2) valid and current government-issued IDs (e.g., Philippine Identification Card (PhilID), SSS, GSIS, Driver's License, Passport or PRC) (Note: For joint applications (i.e. multiple Applicants in one Application), two (2) valid and current government-issued IDs of each Applicant/investor will be required); and
- Such other documents as may be reasonably required by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, the participating Trading Participant, or the Selling Agent in compliance with their respective internal policies regarding "know your customer" and anti-money laundering.

If the Applicant is a corporation, partnership, trust account, or any other legal person, the Application must be accompanied by the following documents:

- Two (2) duly executed specimen signature cards of the authorized signatory(ies), duly authenticated by the Applicant's corporate secretary (or the equivalent corporate officer);
- A certified true copy of the Applicant's latest articles of incorporation and by-laws (or the equivalent documents) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or the equivalent corporate officer authorized to provide such certification);
- A certified true copy of the Applicant's certificate of registration issued by the relevant regulating body of the Applicant's country of incorporation or organization duly certified by its corporate secretary (or the equivalent corporate officer authorized to provide such certification);
- A duly notarized corporate secretary's certificate (or the equivalent document) setting forth the resolutions of the Applicant's board of directors or equivalent body, namely: (i) authorizing the purchase of the Offer Shares indicated in the application, (ii) identifying the list of designated signatory(ies) authorized for the purpose mentioned in (i), including each signatory's specimen signature, and (iii) certifying the percentage of the Applicant's capital or capital stock held by Philippine nationals;
- A photocopy of two (2) valid and current government-issued IDs (e.g. Philippine Identification Card (PhilID), SSS, GSIS, Driver's License, Passport or PRC ID) of (a) the authorized signatory/ies, duly certified as a true copy by the Corporate Secretary and (b) the Corporate Secretary, duly certified as true copy by an authorized officer of the corporation; and
- Such other documents as may be reasonably required by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, the participating Trading Participant, or the Selling Agent in compliance with their respective internal policies regarding "know your customer" and anti-money laundering.

For foreign corporate and institutional Applicants, in addition to the foregoing documents, a certification, in quadruplicate, representing and warranting that their investing in the Offer Shares subject of the Application will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Offer Shares.

For LSIs

LSIs shall subscribe through the PSE Electronic Allocation System (“**PSE EASy**”). An LSI is defined as a subscriber to a share offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱1,000,000.00, or such higher amount as may be approved by the PSE and the SEC. In the case of this Offer, the minimum subscription of LSIs shall be 100 Offer Shares or ₱1,200.00, while the maximum subscription shall be 83,300 Offer Shares or up to ₱999,600.00. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Issuer’s Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall prioritize the subscriptions of LSIs with amounts lower than the maximum subscription.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

Applicants claiming exemption or preferential rate from any applicable tax shall also be required to submit the documentary proof of its tax-exempt or preferential status together with this Application:

- (i)
 - (a) For those claiming exemption from income tax: a current and valid Bureau of Internal Revenue (“**BIR**”) certified true copy of the tax exemption certificate, ruling or opinion addressed to the relevant Applicant confirming its exemption, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;
 - (b) For those claiming preferential tax treatment on income tax on dividends based on a tax treaty: a non-resident Applicant that opts to avail himself or itself of preferential tax treatment with respect to income tax on dividends based on an applicable tax treaty must provide the Issuer with two originals of the following documents: (a) an application form for treaty purposes (BIR Form 0901-D for dividends), (b) an authenticated/apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the Applicant, (c) notarized and authenticated/apostilled special power of attorney issued by the non-resident holder to the Issuer (indicating the latter’s authorized individual representatives), which must expressly state the authority to sign the request for confirmation, and (d) authenticated/apostilled copy of the constitutive documents, such as articles/memorandum of incorporation of incorporation/association, of the non-resident holder, if applicable, with an English translation if in foreign language. The non-resident Applicant must also furnish the Issuer the relevant provision of the applicable tax treaty which prescribes the preferential tax treatment on dividend income;
 - (c) For those claiming exemption from income tax as a BIR-qualified employees’ retirement fund (in addition to the requirements under (i) above) a duly notarized undertaking (in form and substance prescribed by the Issuer) executed by (1) the corporate secretary or any authorized representative of such Applicant who has personal knowledge of the exemption based on his official functions, if the Applicant purchases the Offer Shares for its account, or (2) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Shares pursuant to its management of tax-exempt entities (i.e., Employee Retirement Fund, etc.), declaring and warranting such entities’ tax-exempt status or preferential rate entitlement;
- (ii) a duly notarized Affidavit with Undertaking or Indemnity and Undertaking (in the prescribed form by the Issuer) declaring and warranting its tax-exempt status or preferential rate entitlement, and undertaking to immediately notify the Issuer and the Stock Transfer Agent of any suspension or revocation of its tax exemption certificates or preferential privilege and agreeing to indemnify and hold the Bank and the Stock Transfer Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding of the required tax; and

- (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming exemption from withholding tax, preferential tax treaty rates or the special 15% tax sparing rate on dividends, shall include evidence of exemption from withholding tax, or of the applicability of a tax treaty or of the tax sparing rate, with consularized proof of the Applicant's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that such Applicant is not doing business in the Philippines; provided that the Issuer, and the Stock Transfer Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Applicant on the interest payments to be made to such Applicant.

Unless properly provided with satisfactory proof of the tax-exempt status of an Applicant, the Stock Transfer Agent may assume that said Applicant is taxable and proceed to apply the tax due on the Offer Shares. Notwithstanding the submission by the Applicant, or the receipt by the Issuer or any of its agents, of documentary proof of the tax-exempt status of an Applicant, the Issuer may, in its sole and reasonable discretion, determine that such Applicant is taxable and require the Stock Transfer Agent to proceed to apply the tax due on the Offer Shares. Any question on such determination shall be referred to the Bank.

Payment Terms for the Offer

The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed application form and specimen signature card together with the requisite attachments.

For the Institutional Offer and Trading Participants, payment for the Offer Shares shall be made either by: (i) a personal or corporate check drawn against an account with a BSP authorized bank having a clearing period of no more than one (1) Business Day, (ii) a manager's or cashier's check issued by a BSP authorized bank having a clearing period of no more than one (1) Business Day; or (iii) a direct remittance via Real Time Gross Settlement ("RTGS") or any other remittance services, or an intrabank fund transfer.

For LSIs, payment for the Offer Shares shall be made either by: (i) over-the-counter cash or check deposit payment in any BDO branch via Bills Payment under the account "SMC STSC", or (ii) Digital Banking Bills Payment via BDO Online Banking or BDO Mobile Banking under the biller account "SMC STSC", or (iii) through the payment channels of COL Financial Group, Inc., First Metro Securities Brokerage Corp. and Abacus Securities Corporation (MyTrade) if these are the nominated PSE Trading Participant of the LSIs. LSI Applicants may contact the Receiving Agent for alternative modes of payment.

For check payments, only personal or corporate checks, and manager's or cashier's checks with a clearing period of not more than one (1) business day and drawn against any BSP authorized agent bank will be accepted as a valid mode of payment. The check must be dated as of the date of submission of the Application, made payable to "SMC STSC", and crossed "Payee's Account Only". Checks subject to clearing periods of over one (1) Business Day shall not be accepted.

The applications and required documents (including proof of payments) shall be transmitted to the Receiving Agent by electronic mail at smc_stsc@sanmiguel.com.ph on or before the end of the offer period, with the physical copies delivered to the Receiving Agent's address at Ground Floor, San Miguel Properties Building, #7 St. Francis St., Mandaluyong City, no later than 12:00 noon on the last day of the Offer Period.

Acceptance or Rejection of Applications for the Trading Participants and Retail Offer

Applications for the Offer Shares are subject to the confirmation of the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. The Issuer, in consultation with the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, reserves the right to accept, reject or scale down the number and amount of Offer Shares covered by any Application. The Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy total applications received.

The Trading Participants and Retail Offer Shares will be allocated in such a manner as the Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners may, in their sole discretion, deem appropriate, subject to the distribution guidelines of the PSE.

Applications with the checks dishonored upon first presentment and application forms which do not comply with the terms of the Offer will automatically be rejected.

Applications may be rejected if (i) the Offer Price is unpaid or not fully paid; (ii) payments are insufficient or where checks, as applicable, are dishonored upon first presentment; (iii) the Applications are not received by the Receiving Agent or any of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners or the Selling Agent on or before the end of the Offer Period; (iv) the number of Offer Shares subscribed is less than the minimum amount of subscription; (v) the Applications do not comply with the terms of the Offer; or (vi) the Applications do not have sufficient information as required in the Application to Purchase or are not supported by the required documents.

Refunds of the Trading Participants and Retail Offer

Except for rejection on the ground that the check submitted by the Applicant as payment is dishonored, in the event the Application of an Applicant is rejected or scaled down, the amount paid by such Applicant corresponding to the rejected Application or portion thereof, shall be refunded, without interest.

Refunds of the Trading Participants

All refunds shall be made through the Receiving Agent, at the Applicant's risk. Check refunds shall be available for pick-up at the office of the Receiving Agent starting on the fifth (5th) Business Day after the end of the Offer Period or on 29 March 2022. If such check refunds are not claimed after thirty (30) calendar days following the beginning of the refund period, such checks shall be mailed to the Applicant's registered address at the Applicant's risk.

Refunds of the LSIs

Refunds applicable to LSIs may be made to the LSI's nominated Trading Participant by transferring immediately available funds to the relevant bank account of, or via check to, each relevant nominated Trading Participant in such amount representing the total refund due to all the affected LSI-clients of the relevant nominated Trading Participant on or before the fifth (5th) Business Day after the end of the Offer Period, or on 29 March 2022. Refunds to the nominated Trading Participant is subject to the latter's consent to receive the refund on behalf of its LSI clients and submission of the Letter Confirmation and Undertaking pursuant to the Bank's Implementing Guidelines for LSIs.

Refunds may also be made directly to the LSI by depositing the amount of the refund to the LSI's designated bank account. For this purpose, an LSI eligible for refund should submit a written request addressed to the Receiving Agent to its nominated Trading Participant. The relevant Trading Participant shall collate all the written requests so received and promptly transmit the same to the Receiving Agent. Thereafter, the Receiving Agent shall process the remittance of the refunds, as requested by the relevant LSI.

Withdrawal of the Offer

The Bank may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to Listing, subject to the prior written approval of the PSE which shall not be unreasonably withheld, if there is a supervening force majeure or fortuitous event, such as:

a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the Prospectus, or would have a material adverse effect on the distribution, offer and sale of the Offer Shares in the Philippines, rendering it impracticable or inadvisable to proceed with the Offer in the manner contemplated by the Prospectus, or the Philippine economy or on the securities or other financial or currency markets of the Philippines, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or underwriters' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the underwriter, or any other entity/ person to take up any shares remaining after the Offer Period;

b. Issuance of an order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution or listing of the Offer Shares by any court or governmental agency or authority with jurisdiction on the matter, the BSP, the SEC or the PSE;

c. Cancellation, revocation or termination of the PSE Notice of Approval, the SEC pre-effective clearance, the SEC Order of Registration, the SEC Permit to Sell or the BSP Approval;

d. Cancellation or suspension of trading in the PSE for at least three (3) consecutive trading days, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by PSE;

e. A change or impending change in the law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order which (i) materially and adversely affects: (a) the ability of the Issuer to engage in the business it is presently engaged in; or (b) the capacity and due authorization of the Issuer to offer and issue the Offer Shares and enter into the transaction documents in connection with the Offer, or (ii) would render illegal the performance by any of the underwriters of its underwriting obligations hereunder;

f. Any significant, adverse, and unforeseeable change or development in the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which renders the Offer Shares unsuitable for offering to the public;

g. The Issuer decides to or is compelled to stop its operations which is not remedied within five (5) Business Days;

h. The Issuer shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or assignment with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or (ii) the Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) such receiver, trustee or similar officer shall be appointed; or (iv) the Issuer shall initiate or institute (by petition, application or otherwise howsoever), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (v) any such proceeding shall be instituted against the Issuer; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part thereof, of the Issuer;

or (vi) any event occurs which under the laws of the Philippines or to other jurisdictions, or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;

i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;

j. Any court proceeding, litigation, arbitration or other similar proceeding is commenced or threatened against the underwriters in connection with or with respect to the issuance or sale by the Issuer of the Offer Shares or the Offer in general which renders the performance of their underwriting commitment impossible or impracticable;

k. Any event occurs which makes it impossible for the underwriters to perform its underwriting obligations due to conditions beyond its control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter of an order restraining or prohibiting the underwriters, or directing the underwriters to cease, from performing their underwriting obligations;

l. Any representation, warranty or statement of the Issuer in the Prospectus shall prove to be untrue or misleading in any material respect or Issuer shall be proven to have omitted a material fact necessary in order to make the statements in the Prospectus not misleading, which untruth or omission: (a) was not known and could not have been known to the underwriters on or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability;

m. Unavailability of PDTC and PSE facilities used for the Offer and/or Listing and such unavailability impacts the ability of the Issuer and underwriters to fully comply with the listing requirements of PSE; and

n. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability.

The Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or Underwriters' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the underwriter, or any other entity/ person to take up any shares remaining after the Offer Period.

Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. The PSE issued its Notice of Approval on 16 February 2022, subject to compliance by the Bank with certain conditions. Subject to the right of the Bank to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to Section "Summary of the Offer - *Withdrawal of the Offer*" and this section of the Prospectus, the Bank and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Bank and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.

If the Offer Shares are not listed on the PSE on Listing Date, all application payments will be returned to the Applicants without interest starting on the fifth (5th) Business Day after the end of the Offer Period or on 29 March 2022.

THE INSTITUTIONAL OFFER

The Institutional Offer Shares will be offered for sale to certain qualified buyers and other investors in the Philippines, by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to further adjustment as may be agreed between Bank and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. In the event of an under application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand.

The Institutional Offer Shares are being offered solely to certain qualified buyers and other investors in the Philippines. The SEC shall be advised accordingly in the event that a portion of the Institutional Offer Shares are allocated to a cornerstone investor.

All the Institutional Offer Shares are or shall be lodged with the PDTC and shall be issued in scripless form. Purchasers of the Institutional Shares may maintain the Institutional Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Institutional Offer Shares from the PDTC's electronic system after the Listing Date.

The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and their respective affiliates have, from time to time, engaged in, and may in the future engage in, investment banking, financing, private banking, commercial banking or financial consulting activities and other commercial dealings in the ordinary course of business with the Bank, the Principal Shareholders or their respective affiliates. They have received and expect to continue to receive customary fees and commissions for these activities and dealings. In addition, in the ordinary course of business, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and their respective affiliates may trade the Bank's securities or the securities of the Bank's affiliates or derivatives relating to the foregoing securities for its and/or its affiliates' own account and/or for the accounts of customers, and may at any time hold a long or short position in such securities.

REALLOCATION

The allocation of the Offer Shares between the Trading Participants Retail Offer and the Institutional Offer is subject to further adjustment as may be determined by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. Unless otherwise agreed by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, the reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer and the Institutional Offer.

THE BANK AS SELLING AGENT

The Bank will act as Selling Agent for the Offer. The Bank believes there will be no conflict of interest as Issuer and its role as Selling Agent because the Bank will not underwrite the Offer. There is also no prohibition for a duly licensed issuer to act as a selling agent for its own securities.

UNDERWRITING COMMITMENTS

The Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners have entered into an Underwriting Agreement dated 11 March 2022 (the “**Underwriting Agreement**”), whereby the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners agree to underwrite on a firm commitment basis the number of Offer Shares opposite its name indicated in the following table. The Trading Participant and Retail Offer Shares sold by the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners as part of the Offer Shares are subject to agreement among the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners on any clawback, clawforward or other such mechanism relating to the reallocation of the Offer Shares between the Institutional Offer and the Trading Participants and Retail Offer.

	Number of Offer Shares	% of Offer Shares	Estimated Fees⁽¹⁾ (in ₱)
BDO Capital & Investment Corporation	70,150,700	25%	18.9 million
China Bank Capital Corporation	70,150,700	25%	18.9 million
Philippine Commercial Capital, Inc.	70,150,700	25%	18.9 million
PNB Capital and Investment Corporation	70,150,700	25%	18.9 million
Total		100%	75.6 million

STABILIZATION ACTIVITIES

Pursuant to the approval of the Securities and Exchange Commission (“**SEC**”) dated 23 February 2022 (as defined herein), BDO Capital has been appointed to act as the stabilizing agent (the “**Stabilizing Agent**”). In connection with the Offer, the Stabilizing Agent or any person acting on its behalf may effect stabilizing transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any Stabilization Activities may begin on or after the Listing Date and, if begun, may be ended at any time, but must end no later than thirty (30) calendar days from and including the Listing Date. Any Stabilization Activities shall be done in compliance with all applicable laws, rules and regulations. The total number of common shares which the Stabilizing Agent or any person acting in its behalf may purchase to undertake Stabilization Activities shall not exceed 22,500,000 shares. If the Stabilizing Agent commences any Stabilization Activities (which would include thereafter disposing of or selling the common shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake Stabilization Activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the common shares will not decline significantly before or after any such stabilizing activities end.

SMC Equivest has undertaken to purchase from the Stabilizing Agent, at the weighted average cost of the Stabilization Shares, the shares purchased in the open market by the Stabilizing Agent in the conduct of Stabilization Activities.

The Stabilizing Agent may purchase Common Shares in the open market only if the market price of the Common Shares falls below the Offer Price. The initial stabilization action shall be at a price below the Offer Price. After the initial stabilization action, (i) if there has not been an independent trade (i.e., a trade made by a person other than the Stabilizing Agent for itself or on behalf of its clients) in the market at a higher price than the initial stabilization trade, the subsequent trade shall be below the initial stabilization price, or (ii) if there has been an independent trade in the market at a higher price than the initial stabilization trade, the subsequent trade shall be at the lower of the stabilizing action price or the independent trade price. Such activities may stabilize, maintain or otherwise affect the market price of the Common Shares, which may have the effect of preventing a decline in the market price of the Common Shares and may also cause the price of the Common Shares to be higher than the price that otherwise would exist in the open market in the absence of these transactions. If the Stabilizing Agent commences any of these transactions (which would include thereafter disposing of or selling

the Common Shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake Stabilization Activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the Common Shares will not decline significantly before or after any such Stabilization Activities end.

Upon full purchase of the Stabilization Shares as part of the Stabilization Activities, the Stabilizing Agent will no longer be allowed to purchase Common Shares in the open market for the conduct of Stabilization Activities. In the event the Stabilization Shares are purchased, the number of shares held by public investors will be 299,416,490 Common Shares and the public float will be 21.34%.

LOCK-UP

The PSE rules require existing shareholders owning at least 10% of the outstanding shares of a company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the shares.

In addition, if there is any issuance or transfer of Shares (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of Shares (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the start of the Offer, and the transaction price is lower than that of the Offer Price, all such Shares issued or transferred shall be subject to a lock-up period of at least 365 days from full payment of such Shares.

INDEMNITY

The Underwriting Agreement provides that the Issuer will indemnify the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners against certain liabilities, including under the SRC.

REGISTRATION OF FOREIGN INVESTMENTS

The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See *“Regulatory and Environmental Matters—Foreign Investment Laws and Restrictions—Registration of Foreign Investments and Exchange Controls”*.

SELLING RESTRICTIONS

The distribution of this Prospectus or any offering material and the offer, sale or delivery of the Offer Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Prospectus or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Prospectus may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

LEGAL MATTERS

Certain legal matters relating to the Offer will be passed upon by Picazo Buyco Tan Fider & Santos, legal counsel to the Issuer, and SyCip Salazar Hernandez & Gatmaitan, legal counsel to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

Each of the foregoing legal counsel has neither shareholdings nor any right, whether legally enforceable or not, to nominate persons or to subscribe for our securities. None of the legal counsel will receive any direct or indirect interest in any of our securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The financial statements of the Bank as of and for the nine months ended 30 September 2021 and for the years 31 December 2020, 2019, 2018, and 2017, were audited by R.G. Manabat & Co., independent auditors, in accordance with Philippine Standards on Auditing, as stated in their report attached to this Prospectus.

R.G. Manabat & Co. has acted as the Issuer's external auditor since 2009. Shiela Ricca G. Dioso is the current audit partner and has served as such since 2020. The Bank has not had any material disagreements on accounting and financial disclosures with its external auditor for the same periods or any subsequent interim period.

The stockholders approve the appointment of the external auditors of the Issuer. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the Board of Directors and ensures that audit services rendered shall not impair the independence of the external auditors or violate SEC regulations. Likewise, the Audit Committee evaluates and determines any non-audit work performed by external auditors, including the fees therefor, and ensures that such work will not conflict with External Auditors' duties as such or threaten its independence. R.G. Manabat & Co. has neither shareholdings in the Issuer nor any right, whether legally enforceable or not, to nominate persons or to subscribe for our securities. R.G. Manabat & Co. will not receive any direct or indirect interest in the Issuer or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees paid to R.G. Manabat & Co. for professional services rendered by R.G. Manabat & Co., excluding out-of-pocket expenses incidental to such services:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Audit and Audit Related Fees (in ₱) ⁽¹⁾	3,037,781	2,954,510	2,865,000
All other fees	250,000	50,000	1,650,000

Note:

(1) Audit and audit related fees include fees for the audit of annual financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings.

In connection with the preparation of the Bank's audited financial statements as of 31 December 2020 and 2019 and for the years ended 31 December 2020, 2019 and 2018, and as of and for the years ended 31 December 2018 and 2017 and the interim financial statements as of and for the nine months ended 30 September 2021 and 2020 for the purposes of this Offer, fees paid to R.G. Manabat & Co. amounted to ₱4.47 million.

Changes in and Disagreements with Accountants

The Issuer has not had any changes in or disagreements with its independent accountants/auditors on any matter relating to financial or accounting disclosures.

No interest in the Issuer

There is no arrangement that experts will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

Any future non-audit/ other services to be provided by the external auditors shall undergo review and is subject to the endorsement of the Issuer' Audit Committee before such engagement is approved by the Board of Directors.

INDEX TO FINANCIAL STATEMENTS

BANK OF COMMERCE

FINANCIAL STATEMENTS

As of December 31, 2020 and 2019 and

For the Period Ended December 31, 2020, 2019 and 2018

With Independent Auditors' Report



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

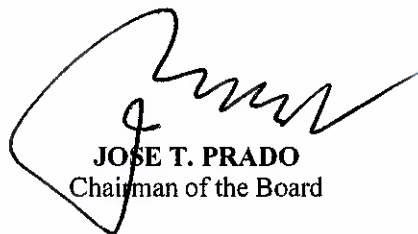
The management of **Bank of Commerce** (the "**Bank**") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, in accordance 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 or to cease operations, or has no realistic alternative to do so.

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

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


R. G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standard Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



JOSE T. PRADO
Chairman of the Board



MICHELANGELO R. AGUILAR
President and Chief Executive Officer

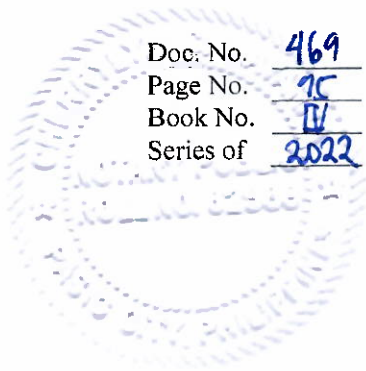


ANTONIO S. LAQUINDANUM
Senior Vice President and Chief Financial Officer

Signed this 25th day of January 2022.

SUBSCRIBED AND SWORN to before me this 03 FEB 2022 **PASIG CITY**, affiants exhibiting their Passport ID as follows:

Names	Passport No.	Place of Issue	Valid Until
Jose T. Pardo	P0859171B	DFA NCR South	February 27, 2029
Michelangelo R. Aguilar	P8692960A	DFA NCR East	September 9, 2028
Antonio S. Laquindanum	P7572781B	DFA Manila	September 9, 2031



Doc. No. 469
Page No. 75
Book No. IV
Series of 2022

Cherrilyn C. Navarra
ATTY. CHERRYLYN C. NAVARRA
NOTARY PUBLIC FOR PASIG CITY
Appointment No. 75 (2021-2022) until 31 December 2022
PTR No. 4558147; 01-03-2022; Mandaluyong City
IBP No. 169703 (for MD 2022); 12-06-2021; Makati City
Roll No. 62386
MCLE Compliance No. VI-0021425
valid until 14 April 2022
Satori Residence, F. Pasco Avenue
Pasig, 1500 Metro Manila
Mobile No. 09171087188
Email: cenavara@gmail.com



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Commerce (the “Bank”), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2020, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards.

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



Emphasis of Matter

We draw attention to Note 2 to the financial statements which discussed that in addition to the Bank's financial statements for the period ended December 31, 2020 issued on March 8, 2021, for which we expressed an unmodified opinion on the same date, the Bank issues these financial statements to present a three-year comparative information of the Bank's statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2018, December 31, 2019 and December 31, 2020, and related notes, and disclosures on earnings per share and segment reporting to comply with the requirements under Part II of the Revised SRC Rule 68 in relation to the Bank's registration of securities for public offering. Our opinion is not modified in respect of this matter.

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 Philippine Financial Reporting Standards, 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 Philippine Standards on Auditing 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 Philippine Standards on Auditing, 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.



Report on the Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 38 and Revenue Regulations 15-2010 in Note 39 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

SHEILA RICCA G. DIOSO

Partner

CPA License No. 0115382

BSP Accreditation No. 115382-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

SEC Accreditation No. 115382-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 229-233-163

BIR Accreditation No. 08-001987-047-2019

Issued December 26, 2019; valid until December 25, 2022

PTR No. MKT 8854064

Issued January 3, 2022 at Makati City

January 25, 2022

Makati City, Metro Manila



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited the accompanying financial statements of Bank of Commerce (the "Bank") as at and for the year ended December 31, 2020, on which we have rendered our report dated January 25, 2022.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Bank.

R.G. MANABAT & CO.

SHEILA RICCA G. DIOSO
Partner

CPA License No. 0115382

BSP Accreditation No. 115382-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

SEC Accreditation No. 115382-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 229-233-163

BIR Accreditation No. 08-001987-047-2019

Issued December 26, 2019; valid until December 25, 2022

PTR No. MKT 8854064

Issued January 3, 2022 at Makati City

January 25, 2022
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

BANK OF COMMERCE
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2020	2019
ASSETS			
Cash and Other Cash Items		P2,420,504,742	P1,776,398,932
Due from Bangko Sentral ng Pilipinas	18, 19	39,547,210,722	21,955,496,031
Due from Other Banks	18	1,023,255,562	670,481,616
Interbank Loans Receivable and Securities Purchased under Resale Agreements	8, 18	22,055,827,932	13,429,279,503
Financial Assets at Fair Value through Profit or Loss	9	1,265,419,468	1,053,759,876
Financial Assets at Fair Value through Other Comprehensive Income	10, 18, 33	15,424,248,009	1,389,857,145
Investment Securities at Amortized Cost	11, 18, 33	9,146,277,511	22,547,832,753
Loans and Receivables	12, 18, 33	71,628,349,480	73,742,261,809
Non-current Assets Held for Sale	13	-	48,121,557
Investment in an Associate	14, 18, 33	40,687,406	41,443,508
Property and Equipment	15, 18	1,659,401,337	1,741,075,195
Investment Properties	16, 18	3,624,986,606	3,729,769,193
Deferred Tax Assets	32	955,379,983	880,301,277
Other Assets	17, 18	2,129,132,566	2,027,207,272
		P170,920,681,324	P145,033,285,667
LIABILITIES AND EQUITY			
Deposit Liabilities	19, 33		
Demand		P39,659,286,077	P34,158,477,979
Savings		83,743,820,681	72,016,565,174
Time		20,673,084,328	17,681,144,917
Long-Term Negotiable Certificates		5,029,420,000	-
		149,105,611,086	123,856,188,070
Bills Payable	20	18,675	105,095
Manager's Checks		870,079,608	923,459,741
Accrued Interest, Taxes and Other Expenses	21, 33	892,463,477	815,034,803
Other Liabilities	22, 33	3,286,045,837	3,343,506,476
Total Liabilities		154,154,218,683	128,938,294,185
Equity			
Capital Stock	24	11,224,111,200	11,224,111,200
Paid-in Surplus	24	5,594,079,646	5,594,079,646
Surplus Reserves	25	395,602,340	399,262,743
Deficit	37	(51,156,715)	(839,250,906)
Remeasurement Losses on Retirement Liability	29	(449,088,000)	(319,998,451)
Net Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Income	10	69,657,563	36,108,673
Cumulative Translation Adjustment		(15,404,017)	2,014,880
Share in Other Comprehensive Loss of an Associate	14	(1,339,376)	(1,336,303)
Total Equity		16,766,462,641	16,094,991,482
		P170,920,681,324	P145,033,285,667

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF INCOME

Period Ended December 31				
	Note	2020	2019	2018
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	12, 33	P4,840,143,949	P4,920,061,099	P3,668,711,226
Investment securities at fair value through other comprehensive income and at amortized cost	26, 33	919,374,469	1,117,092,275	1,123,886,031
Due from Bangko Sentral ng Pilipinas and other banks	19	265,527,722	163,456,630	96,860,198
Interbank loans receivable and securities purchased under resale agreements	8	238,044,191	315,569,692	266,130,424
Other interest income:				
Financial assets at fair value through profit or loss	26	16,991,151	16,058,663	62,668,042
		6,280,081,482	6,532,238,359	5,218,255,921
INTEREST EXPENSE				
Deposit liabilities	19, 33	1,127,728,480	2,346,266,843	1,508,936,521
Lease liabilities	30	42,921,243	45,360,536	-
Bills payable and others	20	1,105,699	4,855,994	10,024,024
		1,171,755,422	2,396,483,373	1,518,960,545
NET INTEREST INCOME		5,108,326,060	4,135,754,986	3,699,295,376
OTHER INCOME				
Trading and investment securities gains (losses) - net	28	1,147,573,753	355,688,714	(109,414,653)
Service charges, fees and commissions	27, 33	444,637,070	477,274,280	391,812,899
Gains on foreclosure and sale of property and equipment and foreclosed assets - net	15, 16, 17, 33	58,764,927	336,288,436	207,379,779
Foreign exchange gains - net		48,875,995	67,994,272	58,755,372
Miscellaneous	31, 33	65,417,725	459,861,228	95,334,833
		1,765,269,470	1,697,106,930	643,868,230
OTHER EXPENSES				
Compensation and fringe benefits	29, 33	1,819,392,253	1,684,538,431	1,557,771,075
Provision for (reversal of) credit and impairment losses	18	962,509,599	52,095,015	(181,117,605)
Taxes and licenses	16	830,158,438	773,892,173	702,953,640
Depreciation and amortization	15, 16, 17	567,850,860	480,444,851	259,041,669
Rent and utilities	30	476,343,471	505,773,088	683,570,750
Insurance		280,637,960	245,450,542	229,304,192
Service fees and commissions		183,373,509	278,525,116	140,647,623
Entertainment and recreation		107,304,726	123,335,716	142,179,776
Subscription fees		96,595,420	69,302,963	1,703,304
Management and professional fees	33	79,453,000	65,801,182	89,015,345
Amortization of software costs	17	45,907,917	34,144,155	57,381,716
Miscellaneous	31	381,759,150	399,784,678	420,006,412
		5,831,286,303	4,713,087,910	4,102,457,897

Forward

Period Ended December 31				
	<i>Note</i>	2020	2019	2018
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		P1,042,309,227	P1,119,774,006	P240,705,709
SHARE IN NET LOSS OF AN ASSOCIATE	<i>14, 33</i>	753,029	2,865,073	1,844,496
INCOME BEFORE INCOME TAX EXPENSE		1,041,556,198	1,116,908,933	238,861,213
INCOME TAX EXPENSE	<i>32</i>	257,122,410	464,186,399	255,405,981
NET INCOME (LOSS)		784,433,788	652,722,534	(16,544,768)
Basic/Diluted Earnings (Loss) Per Share Attributable to Equity Holders of the Bank	<i>36</i>	P6.99	P5.82	(P0.15)

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

Period Ended December 31				
Note	2020	2019	2018	
NET INCOME (LOSS)				
	P784,433,788	P652,722,534	(P16,544,768)	
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that may not be reclassified to profit or loss				
Net change in remeasurement losses on retirement liability	29	(129,089,549)	(224,686,360)	81,431,435
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	10	(412,381)	5,229,000	28,445,940
		(129,501,930)	(219,457,360)	109,877,375
Items that may be reclassified to profit or loss				
Net change in fair value of debt securities at FVOCI	10	314,704,714	359,733,308	(161,614,821)
Net change in fair value of debt securities at FVOCI taken to profit or loss	10	(280,743,443)	(198,827,405)	164,734
Net movement in cumulative translation adjustment		(17,418,897)	(10,624,175)	21,805,665
Share in other comprehensive (loss) income of an associate	14	(3,073)	4,326,471	(4,323,059)
		16,539,301	154,608,199	(143,967,481)
		(112,962,629)	(64,849,161)	(34,090,106)
TOTAL COMPREHENSIVE INCOME (LOSS)				
		P671,471,159	P587,873,373	(P50,634,874)

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CHANGES IN EQUITY

<i>Note</i>	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Deficit (Note 37)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Gains on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 14)	Total Equity
Balance as at December 31, 2019	P11,224,111,200	P5,594,079,646	P399,262,743	(P839,250,906)	(P319,998,451)	P36,108,673	P2,014,880	(P1,336,303)	P16,094,991,482
Net income for the year	-	-	-	784,433,788	-	-	-	-	784,433,788
Other comprehensive income (loss) for the year:									
Items that may not be reclassified to profit or loss:									
Net change in remeasurement losses on retirement liability	-	-	-	-	(129,089,549)	-	-	-	(129,089,549)
Net change in fair value of equity securities at FVOCI	-	-	-	-	-	(412,381)	-	-	(412,381)
Items that may be reclassified to profit or loss:									
Net change in fair value of debt securities at FVOCI	-	-	-	-	-	314,704,714	-	-	314,704,714
Net change in fair value of debt securities at FVOCI taken to profit or loss	-	-	-	-	-	(280,743,443)	-	-	(280,743,443)
Net movement in cumulative translation adjustment	-	-	-	-	-	-	(17,418,897)	-	(17,418,897)
Share in other comprehensive loss of associate	-	-	-	-	-	-	-	(3,073)	(3,073)
Total comprehensive income for the year	-	-	-	784,433,788	(129,089,549)	33,548,890	(17,418,897)	(3,073)	671,471,159
Transactions within equity:									
Transfer from surplus reserves	25	-	(3,660,403)	3,660,403	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	-	-	-	-	-
			(3,660,403)	3,660,403	-	-	-	-	-
Balance as at December 31, 2020	P11,224,111,200	P5,594,079,646	P395,602,340	(P51,156,715)	(P449,088,000)	P69,657,563	(P15,404,017)	(P1,339,376)	P16,766,462,641

Forward

	<i>Note</i>	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Deficit (Note 37)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Gains on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 14)	Total Equity
Balance as at December 31, 2018		P11,224,111,200	P5,594,079,646	P454,994,785	(P1,547,973,982)	(P95,312,091)	(P129,757,730)	P12,639,055	(P5,662,774)	P15,507,118,109
Net income for the year		-	-	-	652,722,534	-	-	-	-	652,722,534
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	(224,686,360)	-	-	-	(224,686,360)
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	5,229,000	-	-	5,229,000
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	359,733,308	-	-	359,733,308
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	(198,827,405)	-	-	(198,827,405)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	(10,624,175)	-	(10,624,175)
Share in other comprehensive income of associate		-	-	-	-	-	-	-	4,326,471	4,326,471
Total comprehensive income for the year		-	-	-	652,722,534	(224,686,360)	166,134,903	(10,624,175)	4,326,471	587,873,373
Transactions within equity:										
Transfer from surplus reserves	25	-	-	(55,732,042)	55,732,042	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	268,500	-	(268,500)	-	-	-
		-	-	(55,732,042)	56,000,542	-	(268,500)	-	-	-
Balance as at December 31, 2019		P11,224,111,200	P5,594,079,646	P399,262,743	(P839,250,906)	(P319,998,451)	P36,108,673	P2,014,880	(P1,336,303)	P16,094,991,482

Forward

	<i>Note</i>	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Deficit (Note 37)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Gains on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 14)	Total Equity
Balance as at December 31, 2017		P11,224,111,200	P5,594,079,646	P159,442,049	(P1,241,176,478)	(P176,743,526)	P8,546,417	(P9,166,610)	(P1,339,715)	P15,557,752,983
Net loss for the year	36	-	-	-	(16,544,768)	-	-	-	-	(16,544,768)
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	81,431,435	-	-	-	81,431,435
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	28,445,940	-	-	28,445,940
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(161,614,821)	-	-	(161,614,821)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	164,734	-	-	164,734
Net movement in cumulative translation adjustment		-	-	-	-	-	-	21,805,665	-	21,805,665
Share in other comprehensive loss of associate		-	-	-	-	-	-	-	(4,323,059)	(4,323,059)
Total comprehensive loss for the year		-	-	-	(16,544,768)	81,431,435	(133,004,147)	21,805,665	(4,323,059)	(50,634,874)
Transactions within equity:										
Transfer to surplus reserves	25	-	-	295,552,736	(295,552,736)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	5,300,000	-	(5,300,000)	-	-	-
		-	-	295,552,736	(290,252,736)	-	(5,300,000)	-	-	-
Balance as at December 31, 2018		P11,224,111,200	P5,594,079,646	P454,994,785	(P1,547,973,982)	(P95,312,091)	(P129,757,730)	P12,639,055	(P5,662,774)	P15,507,118,109

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

Period Ended December 31			
Note	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense	P1,041,556,198	P1,116,908,933	P238,861,213
Adjustments for:			
Provision for (reversal of) credit and impairment losses	18 958,875,752	52,225,704	(181,359,387)
Gain on sale of investment securities at amortized cost	28 (767,033,010)	-	-
Depreciation and amortization	15, 16, 17 567,850,860	480,444,851	259,041,669
Loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI)	28 (280,743,443)	(198,827,405)	164,734
Unrealized loss (gains) on financial assets at fair value through profit or loss (FVPL)	28 (69,731,751)	(135,535,224)	19,715,698
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	15, 16, 17, 33 (58,764,927)	(336,288,436)	(207,379,779)
Amortization of software costs	17 45,907,917	34,144,155	57,381,716
Miscellaneous income	16, 31 (6,595,120)	(363,450,000)	-
Share in net loss of associate	14 753,029	2,865,073	1,844,496
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Interbank loans receivables	8 4,382,274	(110,883,214)	-
Financial assets at FVPL	(141,927,841)	918,184,476	(779,760,163)
Loans and receivables	1,142,980,036	(1,643,739,447)	(8,850,870,950)
Other assets	(184,442,772)	(202,644,680)	(164,372,519)
Increase (decrease) in:			
Deposit liabilities	25,249,423,016	(7,322,035,294)	12,410,172,147
Manager's checks	(53,380,133)	307,963,803	55,199,732
Accrued interest, taxes and other expenses	97,234,086	(100,619,502)	55,739,221
Other liabilities	(207,066,635)	(117,129,826)	203,355,747
Net cash generated from (absorbed by) operations	27,339,277,536	(7,618,416,033)	3,117,733,575
Income taxes paid	(355,090,693)	(338,334,083)	(331,533,051)
Net cash provided by (used in) operating activities	26,984,186,843	(7,956,750,116)	2,786,200,524

Forward

Period Ended December 31

	<i>Note</i>	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of:				
Investment securities at amortized cost		P20,043,309,156	P1,557,000,000	P2,901,000,000
Financial assets at FVOCI		16,022,194,922	10,024,308,116	17,541,055,971
Investment properties		50,090,800	94,051,694	209,927,628
Property and equipment		45,448,780	49,150,059	51,904,711
Additions to:				
Financial assets at FVOCI		(29,740,895,892)	(3,071,058,659)	(19,971,400,609)
Investment securities at amortized cost		(5,873,014,288)	(893,626,163)	(1,476,768,927)
Property and equipment	15	(98,228,754)	(207,302,263)	(179,307,960)
Software costs	17	(16,158,782)	(131,596,152)	(24,575,595)
Investment properties		(2,095,772)	(21,242,574)	(9,746,082)
Net cash provided by (used in) investing activities		430,650,170	7,399,684,058	(957,910,863)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of lease liability		(177,806,359)	(148,056,647)	-
Settlement of bills payable		(86,420)	(557,366,520)	(87,508)
Availment of bills payable		-	-	557,291,915
Net cash provided by (used in) financing activities	35	(177,892,779)	(705,423,167)	557,204,407
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS				
		(17,418,897)	(10,624,175)	21,805,665
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		27,219,525,337	(1,273,113,400)	2,407,299,733
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items		1,776,398,932	1,748,070,945	1,384,981,849
Due from Bangko Sentral ng Pilipinas		21,955,496,031	21,424,140,231	25,700,741,783
Due from other banks		670,481,616	3,838,048,357	3,185,565,713
Interbank loans receivable and securities purchased under resale agreements		13,318,396,289	11,983,626,735	6,315,297,190
		37,720,772,868	38,993,886,268	36,586,586,535
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items		2,420,504,742	1,776,398,932	1,748,070,945
Due from Bangko Sentral ng Pilipinas		39,547,210,722	21,955,496,031	21,424,140,231
Due from other banks		1,023,255,562	670,481,616	3,838,048,357
Interbank loans receivable and securities purchased under resale agreements	35	21,949,327,179	13,318,396,289	11,983,626,735
		P64,940,298,205	P37,720,772,868	P38,993,886,268

Forward

Period Ended December 31

<i>Note</i>	2020	2019	2018
CASH FLOWS FROM INTEREST AND DIVIDENDS			
Operating Activities			
Interest received	P5,183,736,446	P5,602,826,464	P3,861,686,762
Interest paid	1,226,602,056	2,496,181,179	1,408,579,113
Investing Activities			
Interest received	1,049,252,946	1,185,867,090	1,090,477,674
Dividends received	12,228,425	8,201,707	13,065,426
Financing Activities			
Interest paid	44,027,424	55,071,532	5,170,863

See Notes to the Financial Statements.

BANK OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Bank of Commerce (the “Bank”) is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on December 16, 1963. It provides commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, and trust services. The Bank’s principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 140 branches nationwide as at December 31, 2020 and 2019 and 139 branches as at December 31, 2018.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 39.89% and 39.94% ownership of the Bank’s issued common shares, respectively, as at December 31, 2020 and 2019, with each having significant influence over the Bank.

The Bank’s original authority for its banking license was approved under Monetary Board (MB) Resolution No. 1045 dated October 4, 1963 as *The Overseas Bank of Manila*. The Bank received its Foreign Currency Deposit Unit (the “FCDU”) license and launched its FCDU operations on September 23, 1983. The Bank received its Expanded FCDU license on March 10, 2010. The Bank was renamed Commercial Bank of Manila, Inc. on October 20, 1980, further renamed Boston Bank of the Philippines on July 27, 1988, and finally, Bank of Commerce on November 28, 1991.

On January 16, 2013, the SEC approved the Amended Articles of Incorporation to extend the corporate life of the Bank for another 50 years or up to December 16, 2063. Under Section 11, *Corporate Term* of the Revised Corporation Code issued on February 23, 2019, a corporation shall have perpetual existence unless its articles of incorporation provides otherwise. On January 30, 2020, the Board of Directors (BOD) approved the Amended Articles of Incorporation to reflect that the Bank’s term of existence shall be perpetual. The said amendment was approved by the SEC on June 9, 2020.

The accompanying financial statements of the Bank were approved and authorized for issue by the BOD on January 25, 2022.

2. Basis of Preparation

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRSs, which are adopted and issued by the Philippine Financial Reporting Standards Council, consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

In addition to the financial statements previously issued on March 8, 2021, the Bank issues these financial statements to comply with the requirements of the SEC for the filing of registration statements in relation to the Bank's planned listing of equity securities in the Philippine Stock Exchange (see Note 37). For this particular purpose and in accordance with the Revised Securities Regulation Code Rule 68 Part II, the statements of income, statements of comprehensive income, statements of changes in equity, statements of cash flows and corresponding notes to the financial statements are updated to present three-year comparatives for the years ended December 31, 2020, 2019 and 2018. Earnings per share and segment reporting are also presented following the prescribed format.

Basis of Measurement

The financial statements of the Bank have been prepared on a historical cost basis, except for the following items:

<u>Items</u>	<u>Measurement Bases</u>
Financial assets and liabilities at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Lease liability	Present value of remaining lease payments, discounted using the Bank's incremental borrowing rate
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The accompanying financial statements include accounts maintained in the Regular Banking Unit (the "RBU") and the FCDU. The functional currency of the RBU and the FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

All values are rounded to the nearest peso unless otherwise stated.

Presentation of Financial Statements

The Bank presents its statements of financial position broadly in the order of liquidity.

An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

3. Summary of Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below and the new disclosures on segment reporting and earning per share. The policies on segment reporting and earnings per share are adopted by the Bank in relation to the Bank's planned capital market issuance and its listing in the Philippine Stock Exchange (see Notes 19 and 37).

Adoption of New or Revised Standard, Amendments to Standards and Interpretation

The Bank has adopted the following new standards, amendments to standards and interpretation starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these new and amended standards and interpretation did not have any significant impact on the Bank's financial statements.

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:
 - a new chapter on measurement;
 - guidance on reporting financial performance;
 - improved definitions of an asset and a liability, and guidance supporting these definitions; and
 - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and issue other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- *Definition of Material (Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)*. The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:
 - raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
 - including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
 - clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
 - clarifying the explanatory paragraphs accompanying the definition; and
 - aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

- *Coronavirus Disease 2019 (COVID-19) Related Rent Concessions (Amendment to PFRS 16, Leases)*. The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient applies if:
 - the revised consideration is substantially the same or less than the original consideration;
 - the reduction in lease payments relates to the payments due on or before June 30, 2021; and
 - no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

The Bank adopted the amendment to PFRS 16 on January 1, 2020 and has applied the practical expedient consistently to all eligible rent concessions relating to long-term lease agreements for the premises it uses for its operations. For the year ended December 31, 2020, the Bank recognized a reduction to Lease liability under "Other Liabilities" account in the statement of financial position and a gain due to rent concession under "Miscellaneous Income" account in the statement of income amounting to P6.5 million. This reflects the changes in lease payments (i.e. rent forgiveness/reduction) arising from the application of the practical expedient.

Segment Reporting

The Bank's operating businesses are organized and managed separately according to nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. If the Bank changes the structure of its internal organization in a manner that causes composition of its reportable segment to change, the corresponding information for earlier periods, including interim periods, shall be restated unless the information is not available and the cost to develop it would be excessive. Financial information on business segments is presented in Note 7.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The General Ledger system of the Bank captures the transactions of a segment level, and segment performance is evaluated based on net income before taxes.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing the net income for the year attributable to equity holders of the Bank, after deducting dividends declared to preferred shareholders, by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding for the year adjusted for the effects of any dilutive potential common shares.

Foreign Currency Transactions and Translation

Foreign exchange differences arising from foreign currency transactions and revaluation and translation of foreign currency-denominated assets and liabilities to functional currency are credited to or charged as part of "Foreign exchange gains - net" account in the statements of income, except for differences arising from the re-translations of equity securities at FVOCI which are recognized directly in "Net change in fair value on equity securities at FVOCI" in other comprehensive income (OCI).

The books of accounts of the FCDU of the Bank are maintained in USD with various transactions in foreign currencies. The foreign currency-denominated income and expenses in the books of accounts are translated into their USD equivalent based on the exchange rates prevailing at the time of transaction. The foreign currency-denominated assets and liabilities at the reporting dates are translated into USD using the Banking Association of the Philippines (BAP) closing rate prevailing at the reporting date.

The foreign currency-denominated monetary assets and liabilities in the RBU are translated to PHP based on the BAP closing rate prevailing at the end of the year. Foreign currency-denominated income and expenses are translated to PHP at the exchange rates prevailing at transaction dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

For reporting purposes, the FCDU income and expenses are translated to their equivalent in PHP based on the BAP weighted average rate (WAR) for the year. The assets and liabilities of the FCDU at the reporting date are translated into PHP using BAP closing rate at the reporting date. The exchange differences arising from translation (i.e. BAP WAR and BAP closing rate) of FCDU accounts to PHP as presentation currency are taken directly to OCI under "Net movement in cumulative translation adjustment" in the statements of comprehensive income. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Financial Instruments - Initial Recognition

▪ *Date of Recognition*

Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Deposit liabilities, bills payable, and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Derivatives are recognized on trade date basis. Trade date is the date when an entity commits itself to purchase or sell an asset. Trade date accounting refers to: (a) the recognition of an asset to be received or the liability to be paid on the trade date, and (b) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on trade date.

- *Initial Recognition of Financial Instruments*
All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, initial measurement includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are for sole payment of principal and interest (SPPI). This assessment is referred to as the SPPI test and is performed at an instrument level.

Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level, not on an instrument-by-instrument basis, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If the cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial asset held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI Test

As part of the Bank's classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a "more than de minimis" exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Bank's measurement categories for financial assets are described below:

(i) Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading purposes, financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value. Equity securities are classified as financial assets at FVPL, unless the Bank designates an equity security that is not held for trading as at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, as described in succeeding sections, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are initially recognized and subsequently measured at fair value in the statements of financial position, with transaction costs recognized in the statements of income. Gains and losses arising from changes in the fair value of financial assets at FVPL and gains and losses arising from disposals of these securities are recognized under "Trading and investment securities gains - net" account in the statements of income. Interest earned or incurred is recorded as interest income or interest expense, respectively, while dividend income is recorded under "Miscellaneous income" account in the statements of income when the right to receive payment has been established.

Financial assets at FVPL include government and private debt securities held for trading, derivative instruments and debt securities that do not meet the SPPI test. Most of the Bank's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also take positions with the expectation of profiting from favorable movements in prices, rates or indices. The Bank is a counterparty to derivative contracts, such as currency forwards and warrants.

(ii) *Financial Assets at Amortized Cost*

The Bank measures debt financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under "Interest income" in the statements of income. Gains and losses are recognized in the statements of income when the financial asset is derecognized, modified or impaired, as well as through the amortization process. The losses arising from expected credit losses (ECL) is recognized under "Provision for credit and impairment losses" account, while reversals of ECL are recognized under "Reversal of credit and impairment losses" account. The two accounts are netted off in the statements of income. The effects of revaluation on foreign-currency denominated financial assets are recognized under "Foreign exchange gains - net" account in the statements of income.

The Bank's financial assets at amortized cost include cash and other cash items (COCI), exclusive of cash on hand, amounts due from Bangko Sentral ng Pilipinas (BSP) and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA), investment securities at amortized cost, loans and receivables from customers, sales contract receivables, unquoted debt securities, accrued interest receivable, accounts receivable and other receivables.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As at December 31, 2020 and 2019, the Bank has not made such designation.

(iii) *Financial Assets at FVOCI*

▪ *Debt Securities*

The Bank measures debt securities at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt securities at FVOCI are subsequently measured at fair value with unrealized gains and losses arising from fair valuation recognized in OCI under the 'Net unrealized gains on financial assets at FVOCI' account in the equity section of the statements of financial position. Interest income and foreign exchange gains and losses are recognized in the statements of income in the same manner as for financial assets measured at amortized cost. The ECL arising from impairment of such investments are recognized in the statements of income with a corresponding charge to "Provision for credit and impairment losses" account if the resulting ECL is impairment losses and to "Reversal of credit and impairment losses" if the resulting ECL is reversal of impairment. Other fair value changes to measure the instrument at fair value is recognized in OCI.

Upon derecognition, the cumulative gains or losses previously recognized in OCI are recognized under "Trading and investment securities gains - net" account in the statements of income.

▪ *Equity Securities*

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity securities as at FVOCI. Designation as at FVOCI is not permitted if the equity security is held for trading.

Equity securities designated at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in OCI under "Net unrealized gains on financial assets at FVOCI" account in the equity section of the statements of financial position. Dividends earned on holding equity securities designated at FVOCI are recognized in the statements of income as "Miscellaneous income" when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in OCI is reclassified to "Deficit" account in the equity section of the statements of financial position. Equity securities designated at FVOCI are not subject to impairment assessment.

The Bank designated all equity securities that are not held for trading as at FVOCI on initial application of PFRS 9, *Financial Instruments*.

Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or at FVPL.

Financial liabilities are classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities measured at FVPL. Financial liabilities measured at FVPL consists of: (a) financial liabilities held-for- trading, including derivative liabilities that are not accounted for as hedging instruments; and (b) financial liabilities designated at fair value through profit or loss.

The Bank may, at initial recognition, irrevocably designate financial liabilities as measured at FVPL.

The Bank's financial liabilities at amortized cost include deposit liabilities, bills payable, manager's checks, accrued interest and other expenses (except accrued employee and other benefits and accrued taxes payable) and other liabilities (except withholding tax payable, retirement liability and ECL on off-balance sheet exposures).

Financial liabilities at FVPL include derivative liabilities held-for-trading arising from cross-currency swap and forward contracts. Similar to derivative assets, any gains or losses arising from changes in fair values of derivative liabilities are taken directly to "Foreign exchange gains - net" in the statements of income. Derivatives are carried as liabilities when the fair value is negative.

Reclassification of Financial Assets and Liabilities

The Bank can reclassify financial assets if the objective of its business model for managing the financial asset changes. Reclassification of financial assets designated at FVPL or equity securities at FVOCI at initial recognition is not permitted.

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

Financial liabilities are not reclassified.

Modifications of Financial Assets and Financial Liabilities

Financial Assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expire. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in statements of income and expenses as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

To determine whether a modification of a financial asset is substantial or non-substantial, the guidance set out in this policy should be applied. Where it is not clear whether a “substantial modification” has occurred based on the application of this guidance, a 10.0% net present value change (equivalent to the PFRS 9 - test for financial liabilities) should be applied as a backstop.

In some cases, whether or not a modification is substantial will be clear with little or no analysis while in others a high degree of judgment may be required.

The modification of a financial asset could involve one or both of the following:

- a. Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;
- b. Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

Based on the Bank’s policy, the delineation between substantial and non-substantial modifications should focus on category (a) modifications, specifically changes in credit limit, tenor, currency or SPPI characteristics.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original EIR of the asset and recognizes the resulting adjustment as a modification gain or loss in statement of income.

For floating-rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such modification is carried out because of the financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial Liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in statement of income. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original EIR and the resulting gain or loss is recognized in statement of income. For floating-rate financial liabilities, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining terms of the modified financial liability by re-computing the EIR on the instrument.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of ownership of the asset; or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of income.

Impairment of Financial Assets

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

Expected Credit Loss Methodology

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

Staging Assessment

For non-impaired financial instruments:

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

For credit-impaired financial instruments:

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

Definition of "Default" and "Cure"

The Bank generally classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (i.e. breach of covenant) and quantitative (i.e. overdue status and non-payment on another obligation of the same borrower/issuer to the Bank). An instrument is considered to be no longer in default (i.e. to have cured) when there is sufficient evidence to support that full collection of principal and interests is probable and payments are received for at least six (6) months. This definition is consistent with the definition of non-performing loans (NPL) under Section 304 of Manual of Regulations for Banks (MORB), *Past Due Accounts and Non-Performing Loans*.

Credit Risk at Initial Recognition

The Bank makes full use of its Internal Credit Risk Rating System (ICRRS) to determine the credit risk of exposures at initial recognition. The ICRRS is devised to assess the level of risk associated with each borrower using a combination of both quantitative and qualitative factors. Subsequent credit assessments and approvals are also considered in determining the credit risk.

Significant Increase in Credit Risk

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

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

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

ECL Parameters and Methodologies

ECL is a function of the following credit risk parameters:

(a) Probability of Default (PD)

The PD is the measure of likelihood that a borrower will be unable to settle his obligation/s on time and in full. The Bank uses its ICRRS to segment exposures with homogenous risk characteristics. PD estimate, being one of the fundamental basis for credit risk modelling, plays a vital role in the estimation of ECL for the Bank.

The Bank uses the Point-in-Time (PiT) PD in calculating expected credit loss. The Bank starts with an empirical 12-month Through-the-Cycle (TtC) PD for each product type calculated per rating grade.

The observed default rate, calculated as the number of defaults relative to in-force population, is regressed on the economic input to determine how changes in the economic input impact the default rate.

The variation between the log-odds of these forecasted default rate is then used to transform the 12-month TtC PD to 12-month PiT PD. The lifetime PDs and conditional PDs are calculated for stage 2 and stage 3 ECLs using the 12-month PiT PD.

(b) Loss Given Default (LGD)

LGD measures the percentage amount of credit losses incurred and not recovered at the time of default. LGD estimation is based on historical cash flow recoveries. Calculation of the LGD is adjusted for some assets to consider cashflow recoveries on collateral. For some financial assets, the Bank supplemented internal assessments with regulatory thresholds to arrive at the LGD assumption.

(c) Exposure at Default (EAD).

EAD is defined as the outstanding amount of credit exposure at the time of default. EAD is estimated by modelling the historical data on both the actual drawn and undrawn amounts for each credit facility. This provides a more robust estimate of the total amount the Bank is exposed to.

Forward-looking Information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL.

The observed Default Rate (DR), calculated as the number of defaults relative to in-forces population, is regressed on the gross domestic product (GDP) growth rate (constant 2000 prices) to determine how changes in the GDP growth rate impact the DR. For the base scenario, the GDP growth rate (based on quarterly data from 1998 to 2019 published by Philippine Statistics Authority) is forecasted and is used to forecast expected DR. For the optimistic and pessimistic scenarios, the Bank assumed a certain level of GDP growth (positive and negative GDP growth rates for optimistic and pessimistic scenarios, respectively). The forecasted GDP growth rates, for both optimistic and pessimistic scenarios, are used to forecast expected DR under different scenarios. The difference between the log-odds of these forecasted DR is called the "Variation". The "Variation" is used to transform the 12-month TtC PD to 12-month PiT PD.

A broad range of forward-looking information are assessed as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, foreign exchange rates, property prices and other economic factors. The key forward-looking economic variable used in each of the economic scenarios for the ECL calculations in 2020 and 2019 is the GDP growth. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Restructured Loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. When the loan has been restructured but not derecognized, the Bank also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Write-offs

Financial assets are written off either partially or in full when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included under "Miscellaneous income" in the statements of income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) as part of current operations in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized as part of current operations in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Offsetting

Financial assets and liabilities are offset with the net amount reported in the statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, as the related assets and liabilities are presented gross in the statements of financial position.

As at December 31, 2020 and 2019, the Bank did not have any financial instrument that qualified for offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include COCI, amounts due from BSP and other banks and interbank loans receivable and SPURA with original maturities of three months or less from dates of placement and that are subject to insignificant risk of changes in value.

COCI consist of cash on hand and checks and other cash items. Cash on hand refers to the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATMs).

Repurchase and Reverse Repurchase Agreements

Securities sold under repurchase agreements (SSURA) at a specified future date (“repos”) are not derecognized from the statements of financial position. The corresponding cash received, including accrued interest, is recognized in the statements of financial position as liability of the Bank, reflecting the economic substance of such transaction.

Conversely, SPURA to resell at a specified future date (“reverse repos”) are not recognized in the statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Bank is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the statements of income and is amortized over the life of the agreement using the effective interest method.

Financial Guarantees and Undrawn Loan Commitments

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual values of undrawn loan commitments, where the loans agreed to be provided are on market terms, are not recorded in the statements of financial position. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to loan commitments is recognized under “Other liabilities” in the statements of financial position.

In the ordinary course of business, the Bank issues financial guarantees in favor of other parties. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee in accordance with PFRS 15. The financial guarantee is subsequently carried at the higher of the amount of loss allowance determined in accordance with the ECL model and the amount initially recognized, less when appropriate, the cumulative amount of income recognized in accordance with PFRS 15.

Non-current Assets Held for Sale

Non-current assets held for sale include assets with or without improvements that are to be recovered principally through a sale transaction rather than through continuing use, available for immediate distribution in their present condition, highly probable to be sold within one year, and are included in the sales auction program for the year. Assets held for sale are stated at the lower of its carrying amount and fair value less costs to sell.

The Bank measures a non-current asset that ceases to be classified as held for sale at the lower of:

- the carrying amount before the non-current asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the non-current asset not been classified as held for sale; and
- the recoverable amount at the date of the subsequent decision not to sell.

The Bank includes any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in income from continuing operations in the year in which the asset ceases to be held for sale.

Investment in an Associate

An associate is an entity over which the Bank has significant influence but no control. This is a rebuttable presumption in case the equity interest of the Bank in an entity is between 20.0% and 50.0%. The Bank's equity investment in BIC Management and Consultancy, Inc. (formerly Bancommerce Investment Corporation) (BIC) represents 24.26% of BIC's capital stock. Accordingly, the Bank's equity investment in BIC is treated as an investment in an associate accounted for under the equity method of accounting since there is no indication of control.

Under the equity method, an investment in an associate is carried in the statements of financial position at cost plus post-acquisition changes in the Bank's share in the net assets of the associate. The Bank's share in an associate's post-acquisition profits or losses is recognized in the statements of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in equity.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the Bank's interest in the associate.

The reporting period of BIC is on a calendar year basis. BIC's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Property and Equipment

Land is stated at cost less any impairment in value. Depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any costs that are directly attributable to bringing the property and equipment to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put to operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in the increase in the future economic benefits to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the terms of the related lease, whichever is shorter.

Estimated useful lives of property and equipment are as follows:

	Years
Building	50
Furniture, fixtures and equipment	3 - 7
Leasehold improvements	5 - 15

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period the asset is derecognized.

The asset's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each reporting date.

Investment Properties

Investment properties are composed of assets acquired from foreclosure or *dacion en pago* and land and building that are vacant and no longer used for administrative purposes (previously owner-occupied property), and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is initially recognized at the fair value of the asset acquired unless the fair value of each asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as "Gain on foreclosure" under "Gain on foreclosure and sale of property and equipment and foreclosed assets - net" in the statement of income. Foreclosed properties are classified under "Investment properties" upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure;
or
- notarization of the Deed of Dacion in case of payment in kind (*dacion en pago*).

The Bank applies the cost model in subsequently measuring its investment properties. Land is carried at cost less any impairment in value and depreciable properties acquired are carried at cost. Cost is the fair value of the asset at acquisition date, less any accumulated depreciation and any impairment in value. Transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of cost of the investment properties.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or 10 years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the start of owner-occupation or of development with a view to sell.

Repairs and maintenance costs relating to investment properties are normally charged to statements of income in the period in which the costs are incurred.

An investment property is derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Other Properties Acquired

Other properties acquired, included under "Other assets" account in the statements of financial position, include chattel mortgage properties foreclosed in settlement of loan receivables. The Bank applies the cost model of accounting for these assets. Under the cost model, these assets are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or three years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of the other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Intangible Assets

Intangible assets consist of software costs and branch licenses. Intangible assets acquired separately, included under "Other assets" account in the statements of financial position, are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. Internally generated intangible assets are not capitalized but recognized in the statements of income in the period when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statements of income under the expense category consistent with the function of the intangible asset. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of income in the period when the asset is derecognized.

Branch Licenses

Branch licenses are granted by the BSP and capitalized on the basis of the costs incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

Software Costs

Software costs include costs incurred relative to the purchase of the Bank's software and are amortized on a straight-line basis over 5 years. Software costs are carried at cost less accumulated amortization and any impairment in value.

Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Non-current Assets Held for Sale, Property and Equipment, Investment Properties, Other Properties Acquired and Intangible Assets under "Other Assets"

At each reporting date, the Bank assesses whether there is any indication of impairment on investment in an associate, non-current assets held for sale, property and equipment, investment properties, other properties acquired and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

The net recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or cash-generating unit) exceeds its net recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged against operations in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statements of income.

After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurement

The Bank measures financial instruments, such as, financial assets and liabilities at FVPL, financial assets at FVOCI and net retirement liability which is measured at present value of the defined benefit obligation less fair value of plan assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 6.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair Value Hierarchy

The majority of valuation models deploy only observable market data as inputs. This has not changed as a result of COVID-19, however the Bank has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

The Bank evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the reporting date.

For certain financial instruments, the Bank may use data that is not readily observable in current markets. If the Bank uses unobservable market data, then the Bank needs to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, the Bank derives unobservable inputs from other relevant market data and compares them to observed transaction prices where available.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are involved for valuation of significant assets such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 6.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable.

Determining whether the Bank is acting as a Principal or an Agent

The Bank assesses its revenue arrangements against the following indicators to determine whether it is acting as a principal or an agent:

- whether the Bank has primary responsibility for providing the services;
- whether the Bank has discretion in establishing prices; and
- whether the Bank has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.

The Bank has determined that it is acting as a principal in its revenue arrangements except for activities where the Bank acts in a fiduciary or custodian capacity such as nominee, trustee, or agent. The Bank recognizes income from fiduciary and custodianship activities under "Service charges, fees and commission" account in the statements of income.

The following specific recognition criteria must also be met before revenue is recognized:

Revenues within the Scope of PFRS 15:

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

Service Charges and Penalties

Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability. This arises from deposit-related processing transactions and charges from late payments on loans and drawing against insufficient funds of depositors.

Fees and Commissions

(i) Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period. These include guarantee fees, credit related fees, investment fund fees, custodian fees, fiduciary fees, portfolio and other management fees. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period. If a drawdown was expected and the commitment expires without the Bank making the loan, the commitment fees are recognized as fee income on expiry of the scheduled drawdown.

(ii) Fee Income Earned from Providing Transaction Services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as brokerage fees for the arrangement of the acquisition of shares or other securities are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statements of income when the syndication has been completed and the Bank retains no part of the loans for itself or retains a part of the loan at the same EIR as for the other participants.

Discounts Earned and Awards Revenue on Credit Cards

Discounts received are taken up as income upon receipt from member establishments of charges arising from credit availments by the Bank's cardholders. These discounts are computed based on certain agreed rates and are deducted from the amounts remitted to the member establishments. These also include interchange income from transactions processed by Mastercard, a card network, and fees from cash advance transactions of cardholders.

The amount allocated to the loyalty programmes is deferred and recognized as revenue when the award credits expire or the likelihood of the customer redeeming the loyalty points becomes remote. Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated based on the estimated stand-alone selling prices. Income generated from customer loyalty programmes is recognized in 'Service charges, fees and commissions' in the statements of income.

Other Income

Income from the sale of services is recognized upon completion of the service. Income from sale of properties is recognized when control over properties transfers to the recipients, measured as the difference between the transaction price and the properties' carrying amounts and presented under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" in the statements of income.

Revenues Outside the Scope of PFRS 15

Interest Income

Interest income is recognized in the statements of income for all financial assets measured at amortized cost and debt securities at FVOCI as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses. The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently, except for repricing loans. The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in statements of income as interest income or expense.

Interest on interest-bearing financial assets at FVPL is recognized based on the contractual rate.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statements of financial position. The unearned discount is taken up to interest income over the installment term and is computed using the effective interest method.

Trading and Investment Securities Gains or Losses

Trading and investment securities gains or losses represent results arising from disposal of debt securities at FVOCI and trading activities (realized gains and losses) and from the changes in fair value of financial assets and liabilities at FVPL (unrealized gains or losses).

Dividends

Dividends are recognized when received or when the Bank's right to receive the dividends is established.

Rental Income

Payments received under operating lease arrangements are recognized in the statements of income on a straight-line basis over the term of the lease.

Recovery on Charged-off Assets

Income arising from collections on accounts or recoveries from impairment of items previously written off is recognized in the statement of income in the year of recovery.

Expense Recognition

Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen to the Bank and can be measured reliably.

Interest Expense

Interest expense for all interest-bearing financial liabilities is recognized in "Interest expense" in the statements of income using the EIR of the financial liabilities to which they relate.

Other Expenses

Other expenses include losses and expenses that arise in the ordinary course of business of the Bank and are recognized when incurred.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has presented legal or constructive obligation to pay this amount as a result of past service provided by the employer and the obligation can be estimated reliably.

Retirement Benefits

The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

The retirement benefits liability recognized in the statements of financial position in respect of the defined benefits retirement plan is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on high quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement liability.

Remeasurements of the defined benefit liability, which include actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Bank determines the net interest expense (income) on the retirement benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement benefit liability (asset), taking into account any changes in the retirement liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income. The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Equity

“Capital Stock” is recorded at par for all shares issued and outstanding.

“Paid-in Surplus” represents the proceeds in excess of par value. Incremental costs incurred which are directly attributable to the issuance of new shares are charged to *“Paid-in surplus”*.

“Deficit” represents the accumulated losses of the Bank.

“Surplus Reserves” represent the appropriation of retained earnings in relation to allowance for credit losses which are less than the 1.0% general provision prescribed by the BSP for regulatory purposes, 10.0% of the Bank’s profit from trust business, and self-insurance of the Bank.

Leases

The Bank has applied PFRS 16 using the modified retrospective approach and therefore the 2018 comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4. The details of accounting policies under PAS 17 and IFRIC 4 are disclosed separately.

Applicable from January 1, 2019

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as Lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises, the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and any impairment losses, adjusted for certain remeasurements of the lease liability. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove any improvements made. The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase, extension or termination option is reasonably certain not to be exercised or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in "Property and equipment" and lease liabilities in "Other liabilities" in the statements of financial position.

Short-term Leases and Leases of Low-value Assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Bank recognizes the lease payments associated with these leases as a rent expense on a straight-line basis over the lease term.

Bank as a Lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank is a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

Impact on Transition

On transition to PFRS 16, the Bank adopted PFRS 16 using the modified retrospective approach. Under this approach, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. For leases classified as operating leases under PAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Bank used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17.

- Applied PFRS 16 only to contracts that were previously identified as leases applying PAS 17 at the date of initial application.
- Applied the exemption not to recognize right-of-use assets and lease liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The accounting policies applicable to the Bank as a lessor are not different from those under PAS 17. As such, PFRS 16 has no impact for leases where the Bank acts as a lessor. However, the Bank has applied PFRS 15, *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease components.

The impact on transition (increase/(decrease)) is summarized below:

<i>In millions of Peso</i>	<i>Note</i>	January 1, 2019
Lease liabilities	30	P587.8
Right-of-use assets	15, 30	550.5
Accrued rent	21	(47.1)
Prepaid rent	17	(9.8)

Applicable before January 1, 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Bank as a Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of income on a straight-line basis over the lease term.

Bank as a Lessor

The Bank is also a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

Income Tax Expense

Current Tax

Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. These reflect uncertainty related to income taxes, if there is any.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to current operations, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Assets and Liabilities

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

Events After the Reporting Date

Post year-end events that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

Amendments to Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Bank has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements.

Effective April 1, 2021

- *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16 Leases)*. The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

Effective January 1, 2022

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, Property, Plant and Equipment)*. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets)*. The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e., it comprises both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020*.
 - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9)*. The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- *Lease Incentives (Amendment to Illustrative Examples Accompanying PFRS 16 Leases)*. The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- *Classification of Liabilities as Current or Non-current (Amendments to PAS 1 Presentation of Financial Statements)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
 - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
 - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, *Non-Current Liabilities with Covenants* after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)*. To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements)*. The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes)*. The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

4. Critical Judgments and Estimates

The preparation of financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant Judgments

In the process of applying the Bank's accounting policies, management has made the following significant judgments, apart from those involving estimations, which may have the most significant effect on amounts recognized in the financial statements:

Applicable from January 1, 2019

a) *Leases*

Bank as Lessee

The Bank leases properties, land and buildings for the premises it uses for its operations.

The Bank recognizes right-of-use assets and lease liabilities for most leases - on-balance sheet leases. However, the Bank has elected not to recognize right-of-use assets and lease liabilities for leases involving assets of low value. The same policy is likewise applied for short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant judgment was exercised by the Bank in determining the discount rate to be used in calculating the present value of right-of-use assets and lease liabilities. The discount rate is represented by the incremental borrowing rate which is Bloomberg Valuation (BVAL) rate and credit spread as determined by the Bank.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in Notes 15 and 22, respectively.

Applicable to 2020, 2019 and 2018

Bank as Lessor

The Bank has entered into commercial property lease agreements for its property and equipment, and investment properties. The Bank has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

In determining whether or not a lease should be treated as an operating lease, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer of executory costs, among others, are considered.

b) Business Model Assessment

The Bank manages its financial assets based on the business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investing and trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e. group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e. not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to, taking into consideration the objectives of each business model established by the Bank. The level of aggregation at which the business model is applied is based on the specific activities being undertaken by each business unit of the Bank to achieve its stated objectives and other relevant factors such as risks affecting the business model, key performance indicators in evaluating the business model, and how managers of the business are compensated.

The Bank assesses the performance of each business model by considering the activities undertaken by the business models, placing the appropriate key performance indicators and monitoring the frequency of sales activities. PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers facts and circumstances present to assess whether an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a hold-to-collect business model and whether the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

In September and October 2020, the Bank sold government securities classified as Investment securities at amortized cost and was assessed as consistent with the hold-to-collect business model since the sale was not more than infrequent (see Note 11). The sale was deemed to be not more than infrequent since it was approved only once during the year and transpired within the approved time period.

c) *Testing the Cash Flow Characteristics of Financial Assets*

In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e. cash flows that are non-SPPI, does not meet the amortized cost and FVOCI criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

d) *Functional Currency*

PAS 21, *The Effects of Changes in Foreign Exchange Rates* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- the currency that mainly influences sales prices for financial instruments and services;
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstance relevant to the Bank, the functional currency of the Bank's RBU book of accounts and FCDU book of accounts have been determined to be PHP and USD, respectively.

PHP and USD are the currencies of the primary economic environment in which the Bank operates. These are the currencies that mainly influence the income and costs arising from the Bank operations.

e) *Provisions and Contingencies*

The Bank, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between provisions and contingencies (see Note 38).

Applicable before January 1, 2019

(a) Operating Leases - Bank as Lessee

The Bank has entered into operating lease agreements for the premises it uses for its operations. The Bank has determined that all significant risks and rewards of ownership of the properties it leases on operating lease arrangements are retained by the lessor.

In determining whether or not a lease should be treated as an operating lease, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer of executory costs, among others, are considered.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(i) Expected Credit Losses on Financial Assets, Loan Commitments and Financial Guarantees

The Bank reviews its financial assets at amortized cost and debt securities at FVOCI, loan commitments and financial guarantees to assess the amount of credit losses to be recognized in the statements of financial position at least on an annual basis or more frequently, as deemed necessary. The measurement of ECL under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of a SICR. These estimates are driven by a number of factors, changes to which can result in different levels of allowances.

Considering the COVID-19 pandemic that started in 2020, the Bank needed to apply certain adjustments on the estimation of parameters and assumptions in order to account for the impact of this unforeseen event. The general methodology for the ECL calculation remains the same. However, the projection of the forward-looking components was updated. The Bank used the most recent supportable and available information to establish the probable effects of the pandemic to the performance of the Bank's exposures. Furthermore, the scenario weights were also adjusted giving a bigger probability to the pessimistic scenario to account for the uncertainties brought by the pandemic. The Bank also identified accounts that are vulnerable to the impact of COVID-19 and these were subjected to individual impairment assessment. These accounts are closely monitored paying more attention to their actual performance during the year.

Refer to Notes 3 and 5 for the detailed discussions of the inputs, assumptions and estimation uncertainty used in measuring ECL under PFRS 9. The related allowance for credit losses subject to ECL are disclosed in Note 18

(ii) *Fair Value of Financial Instruments*

Where the fair values of financial assets and liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(iii) *Impairment of Investment in an Associate and Non-Financial Assets*

Investment in an Associate, Non-current Assets Held for Sale, Property and Equipment, Investment Properties, Other Properties Acquired, and Intangible Assets under "Other Assets"

The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- a) significant underperformance relative to expected historical or projected future operating results;
- b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- c) significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its net recoverable amount. Net recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying values of non-current assets held for sale, investment in an associate, property and equipment, investment properties, other properties acquired and intangible assets under "Other Assets" are disclosed in Notes 13, 14, 15, 16 and 17, respectively.

(iv) *Estimated Useful Lives of Property and Equipment, Investment Properties, Other Properties Acquired and Software Costs*

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from property and equipment and computer software.

The estimated useful lives of property and equipment, investment properties, other properties acquired and software costs are disclosed in Note 3.

(v) Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that sufficient taxable income will be available against which the related tax benefits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the forecasted timing and amount of future taxable income together with future tax planning strategies.

The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized and the unrecognized deferred tax assets are disclosed in Note 32.

(vi) Present Value of Retirement Benefit Obligation

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date. The present value of the Bank's retirement obligation and the fair value of plan assets are disclosed in Note 29.

(vii) Contingencies

The Bank is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed by management, in consultation with the legal counsels handling the Bank's legal defense in these matters, and is based upon an analysis of potential results. Management currently does not believe that these proceedings will have a material adverse effect on the Bank's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 37).

5. Financial Risk Management Objectives and Policies

Introduction

The business of banking involves financial risks which must be measured, monitored and managed by an effective risk management system embedded throughout the whole organization. Effective risk management ensures that financial risks are properly identified, assessed, measured and managed. The diligent monitoring and management of all financial risks, notably credit, interest rate risk in the banking book (IRRBB), market and liquidity risk require the development of a risk-conscious culture that will influence daily business activities and decision-making.

The Bank believes that effective risk management will not only minimize potential or actual losses but will also optimize earnings by correctly pricing its products and services commensurate to the risks taken. Its risk mission and objectives are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

Risk Management Structure

The BOD is ultimately responsible for identifying and controlling risks. However, there are separate independent units at the BOD and management levels, which are responsible for managing and monitoring financial risk.

Board of Directors

The BOD is primarily responsible for the sound governance of the Bank, promotion of the highest standards of ethics and integrity. It approves and oversees the implementation of the Bank's strategic objectives and establishes and maintains sound risk management system for the whole institution. The BOD approves and reviews the institutional tolerance for risks, business strategies and risk philosophy.

Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the BOD in fulfilling its corporate governance responsibilities and in providing oversight in the implementation of the Bank's Compliance System. It is responsible for ensuring due observance of corporate governance principles and guidelines across the Bank.

Related Party Transactions Committee (RPTCom)

The RPTCom assists the BOD in fulfilling its responsibility of ensuring that transactions with related parties are arm's length. It covers proper identification of related parties, recording and vetting of transactions with them including disclosures in financial reports, which must be consistent with relevant legal and regulatory requirements, and Bank policies.

Audit Committee

The Audit Committee represents and assists the BOD in its general oversight of the Bank's financial reporting policies, practices and control and internal and external audit functions. It oversees the relationship with the independent external auditors, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditors, and the experience of the Committee's members in business, financial and accounting matters.

Board Risk Oversight Committee (BROC)

The BROC, a sub-committee of the BOD, oversees the Bank's risk management system. It has the power to approve procedures for implementing risk and capital management policies. The BROC shall assist the BOD with its oversight function to identify and evaluate risk exposures, develop risk management strategies, implement and periodically review the risk management framework and promote a risk management culture in the Bank.

Risk Management Division (RSK)

The RSK is responsible for the creation and oversight of the Bank's corporate risk policy. It is responsible for making recommendations to the BOD on corporate policies and guidelines for risk measurement, management and reporting. It also reviews the system of risk limits, compliance to said limits and validates the reports of the risk-taking personnel. The RSK reports to the BROC.

Asset Liability Management Committee (ALCO)

The ALCO is responsible for setting, developing and implementing the Bank's Asset Liability Management (ALM) and hedging policy. It also reviews the allocation of resources, pricing of products and foreign exchange position of the Bank.

Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)

The ICAAPcom is responsible for overseeing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

Credit and Collections Committee (Crecom)

The Crecom plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan (whether short or long) within its authority and to endorse those credit proposals which are beyond its authority to the Executive Committee (Excom) and/or the BOD. It has likewise the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations. On top of these, the Crecom studies and deliberates proposals intended to adopt new credit policies or to amend existing ones or to offer new loan products or programs, prior to endorsement to the Senior Executive Team and Excom for approval.

Internal Audit Division

Internal Audit Division is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to examine, evaluate and improve the effectiveness of risk management, internal control and governance processes of the Bank. The Internal Audit Division reports to the Audit Committee.

Legal Services Division

The primary functions of the Bank's Legal Services Division are composed of rendering legal advice and document review to ensure that relevant laws are disseminated and complied with, the Bank's interest is duly protected, and identified risks are either eliminated or minimized and imparted to responsible units of the Bank. The Division also handles cases filed for and against the Bank.

Compliance Division

The Compliance Division is responsible for coordinating, monitoring and facilitating the Bank's compliance with regulatory requirements. It is responsible for implementing the Bank's Compliance Program and the Money Laundering and Terrorist Financing Prevention Program (MTPP).

Risk Measurement and Reporting Systems

The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by the RSK.

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

Quality of credit risks are measured via risk classifications of accounts using ICRRS together with BSP risk classification of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowance for losses including changes thereon, when necessary. All risk information is processed, analyzed and consolidated for proper reporting to the BOD through the BROC and Audit Committee, as well as the Senior Executive Team and various management committees of the Bank.

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

Risk Mitigation

To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency and interest rate risk. The Bank also observes limits on positions, losses, and market sensitivities to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes.

Risk Concentration

The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposure status and act upon limit breaches whenever necessary.

Credit Risk

The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management, and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

There has been no material change on the Bank's exposure to credit risk or the manner in which it manages and measures the risk since prior financial year.

Derivative Financial Instruments

The Bank enters into currency forward contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. These derivatives are accounted for as non-hedges, with the fair value changes being reported in the statements of income for the period under "Foreign exchange gains - net" account. Credit risk, in respect of derivative financial instruments, is limited to those with positive fair values, which are reported as "Financial assets at FVPL" in the statements of financial position.

Credit-related Commitment Risks

The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

Credit Risk Exposures

The table below shows the Bank's maximum exposure on receivables from customers and sales contract receivables, net of unearned interest income and allowance for credit losses, before and after collateral to credit risk as at December 31, 2020 and 2019:

	December 31, 2020		December 31, 2019	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	After Financial Effect of Collateral or Credit Enhancement	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	P55,358,855,966	P49,192,891,513	P55,754,995,589	P53,995,648,310
Housing loans	7,924,342,343	3,638,959,697	8,234,227,024	4,916,701,057
Auto loans	3,873,064,570	529,309,808	4,499,246,660	1,296,506,132
Bills purchased, import bills and trust receipts	634,184,181	634,184,181	792,632,820	792,632,820
Direct advances	428,696,320	29,894,682	764,345,531	40,119,324
Agri-agra loans	293,758,988	256,413,315	313,615,889	295,694,374
Others	1,502,363,886	1,490,088,834	1,794,126,857	1,772,382,043
	70,015,266,254	55,771,742,030	72,153,190,370	63,109,684,060
Sales contract receivables	398,422,865	53,712,557	469,821,167	53,712,557
	P70,413,689,119	P55,825,454,587	P72,623,011,537	P63,163,396,617

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2020 and 2019.

As at December 31, 2020 and 2019, fair value of collateral held for loans and receivables amounted to P79.0 billion and P39.4 billion, respectively.

The table below shows the Bank's maximum exposures, net of unearned interest income, relating to financial assets carried under Stage 3 as at December 31, 2020 and 2019:

	December 31, 2020			
	Maximum Exposure			
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P601,684,734	P138,889,579	P462,795,155	P593,710,939
Housing loans	754,847,638	478,482,475	276,365,163	305,219,778
Auto loans	494,798,184	470,238,412	24,559,772	252,159,442
Bills purchased, import bills and trust receipts	73,709,827	-	73,709,827	73,709,827
Direct advances	163,188,320	-	163,188,320	163,188,320
Agri-agra loans	17,663,370	14,362,060	3,301,310	17,663,370
Others	590,785,517	599,155	590,186,362	559,082,099
	2,696,677,590	1,102,571,681	1,594,105,909	1,964,733,775
Sales contract receivables	153,595,022	99,882,465	53,712,557	54,708,682
	P2,850,272,612	P1,202,454,146	P1,647,818,466	P2,019,442,457

	December 31, 2019			
	Maximum Exposure			
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P598,517,342	P108,275,966	P490,241,376	P587,503,224
Housing loans	249,628,092	151,724,004	97,904,088	88,277,621
Auto loans	199,333,248	179,790,793	19,542,455	94,418,236
Bills purchased, import bills and trust receipts	76,156,390	3,828,006	72,328,384	76,156,390
Direct advances	163,188,326	1,128,360	162,059,966	163,188,326
Agri-agra loans	17,663,370	14,362,060	3,301,310	17,663,370
Others	322,575,202	210,713	322,364,489	318,068,757
	1,627,061,970	459,319,902	1,167,742,068	1,345,275,924
Sales contract receivables	120,071,482	66,358,925	53,712,557	54,373,446
	P1,747,133,452	P525,678,827	P1,221,454,625	P1,399,649,370

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2020 and 2019.

Collateral and Other Credit Enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. Guidelines are implemented regarding the acceptability of types of collateral valuation and parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions: cash or securities;
- For commercial lending: mortgages over real properties, inventory and trade receivables and chattel mortgages; and
- For retail lending: mortgages over real properties and financed vehicles.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, in the event that the value of the collateral depreciates due to various factors affecting the collateral.

It is the Bank's policy to dispose repossessed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank's accredited brokers and/or formulating programs to attract buyers like offering fixed interest rates for an extended period of time and reduced rates for downpayment as compared to prevailing market rates, among others.

Credit Quality Per Class of Financial Assets

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

Based on the evaluation of the facility risk factor (FRF), the borrower risk rating (BRR) can be upgraded or downgraded to come up with the final credit risk rating (CRR). Such CRR is eventually used in the determination of the ECL.

BRR Disclosure

In compliance with BSP, the Bank implemented in 2007 a credit risk classification that is compliant with global rating standards. The BRR is the evaluation of the credit worthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. The BRR measures the borrower's credit quality by looking into three major aspects, namely, financial condition, industry analysis and management quality. Each section is given the following point allocation:

Section	Maximum Points	Section Rating
Financial Condition	240	40%
Industry Analysis	210	30%
Management Quality	150	30%
TOTAL	600	100%

There are several rating factors per section which can earn points depending on the four (4) quality judgment levels as follows:

Good	- 30 points
Satisfactory	- 20 points
Still Acceptable	- 10 points
Poor	- 0 point

If there is no available information for a specific factor, a rating of "Poor" will be given.

The BRR is used to determine the credit quality of the Bank's corporate accounts. Loan accounts are classified according to a 1 -10 rating scale based on BRR results, as follows:

	Final Score	Equivalent Risk Rating	Calculated BRR
High Grade	>177	Excellent	1
	150 - 176	Strong	2
	123 - 149	Good	3
Standard Grade	96 - 122	Satisfactory	4
	68 - 95	Acceptable	5
	<68	Watchlist	6
Substandard Grade		Special Mention	7
Impaired		Substandard	8
		Doubtful	9
		Loss	10

High Grade or accounts with BRR of 1-3 are loans where the risk of the Bank are good to excellent in terms of risk quality and where the likelihood of the non-payment of obligation is less likely to happen.

Standard Grade or accounts with BRR of 4-6 are loans where the risk of the Bank ranges from satisfactory to acceptable with some form of weakness and where repayment capacity needs to be watched.

Substandard Grade or accounts with BRR of 7 are loans observed to have potential weaknesses and require a closer observation than the accounts under the Standard rating since if weaknesses are uncorrected, repayment of the loan may be affected increasing the credit risk to the Bank.

Past due but not impaired are those accounts for which contractual principal and interest payments were past due but that the Bank still believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Impaired accounts are loans classified by the Bank as Substandard, Doubtful and Loss where there are experiences of past due accounts and there are well-defined weaknesses where collection or liquidation of obligation may be or is already jeopardized.

Unrated accounts include consumer loans portfolio, credit card receivables, benefit loans, accounts receivables, sales contract receivables and returned checks and other cash items (RCOCI). The Bank is currently building a separate credit rating system for these accounts to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment.

The BRR can be subject to an upgrade/downgrade on the basis of the following:

Group Affiliation:

- (a) When a borrower belongs to a group of companies, it can be upgraded up to the rating of the parent company provided that the parent company has a BRR of 4 or better.

- (b) However, if the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.
- (c) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.
- (d) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.
- (e) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

FRF:

- (a) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.
- (b) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

The adjustment on the BRR based on the FRF will be based on the following:

Upgrade	The facility is cash collateralized or covered by marketable securities
	Full collateralization of other assets
	3rd party guarantees in accordance with the BRR of the guarantor an upgrade should be set to the BRR of the guarantor
Downgrade	Borrower is a potential candidate for a downgrade if the facility is clean or a major part of the facilities are pledged to other creditors

The following table shows the credit quality of loans and receivables, excluding unquoted debt securities (gross of allowance for credit losses and net of unearned interest income) as at December 31, 2020 and 2019 (amounts in thousands).

	December 31, 2020										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P10,722,487	P -	P -	P343,391	P396,810	P -	P -	P11,462,688	P -	P188,908	P11,651,596
Standard grade	44,580,817	-	6,515	298,194	2,371	278,823	-	45,166,720	-	242,354	45,409,074
Substandard grade	-	-	-	-	-	-	-	-	-	-	-
Unrated	-	6,900,837	2,912,243	-	-	-	1,416,982	11,230,062	287,217	739,428	12,256,707
	55,303,304	6,900,837	2,918,758	641,585	399,181	278,823	1,416,982	67,859,470	287,217	1,170,690	69,317,377
Stage 2											
Neither past due nor impaired:											
Standard grade	498,894	-	502	-	-	-	-	499,396	-	1,517	500,913
Substandard grade	227,928	-	-	-	-	-	-	227,928	-	1,357	229,285
Past due but not impaired	-	861,790	819,172	-	-	-	79,137	1,760,099	15,345	75,679	1,851,123
Impaired	-	-	-	-	36,954	17,785	-	54,739	-	12	54,751
	726,822	861,790	819,674	-	36,954	17,785	79,137	2,542,162	15,345	78,565	2,636,072
Stage 3											
Impaired	601,685	754,848	494,798	73,710	163,188	17,663	590,786	2,696,678	153,595	765,107	3,615,380
	601,685	754,848	494,798	73,710	163,188	17,663	590,786	2,696,678	153,595	765,107	3,615,380
	P56,631,811	P8,517,475	P4,233,230	P715,295	P599,323	P314,271	P2,086,905	P73,098,310	P456,157	P2,014,362	P75,568,829

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

December 31, 2019

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P24,617,817	P -	P429	P686,974	P722,542	P -	P -	P26,027,762	P -	P393,711	P26,421,473
Standard grade	31,390,032	3,147	23,624	113,280	42,825	294,531	-	31,867,439	-	205,736	32,073,175
Substandard grade	-	-	-	209	-	-	-	209	-	-	209
Unrated	110,000	7,990,517	4,288,683	-	-	-	1,803,761	14,192,961	398,621	530,527	15,122,109
	56,117,849	7,993,664	4,312,736	800,463	765,367	294,531	1,803,761	72,088,371	398,621	1,129,974	73,616,966
Stage 2											
Neither past due nor impaired:											
Standard grade	61,000	-	-	-	-	-	-	61,000	-	858	61,858
Substandard grade	5,885	-	-	-	-	-	-	5,885	-	35	5,920
Past due but not impaired	7,116	251,179	180,776	-	-	-	10,283	449,354	9,585	25,099	484,038
Impaired	234,468	-	-	-	-	22,338	-	256,806	-	672	257,478
	308,469	251,179	180,776	-	-	22,338	10,283	773,045	9,585	26,664	809,294
Stage 3											
Impaired	598,518	249,628	199,333	76,156	163,188	17,664	322,575	1,627,062	120,071	751,564	2,498,697
	598,518	249,628	199,333	76,156	163,188	17,664	322,575	1,627,062	120,071	751,564	2,498,697
	P57,024,836	P8,494,471	P4,692,845	P876,619	P928,555	P334,533	P2,136,619	P74,488,478	P528,277	P1,908,202	P76,924,957

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2020 and 2019 (amounts in thousands).

	December 31, 2020			Total
	Stage 1	Stage 2	Stage 3	
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P2,948,400	P -	P -	P2,948,400
Standard grade	2,574,078	-	-	2,574,078
Unrated	3,729,527	-	-	3,729,527
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
	P9,252,005	P -	P -	P9,252,005
<hr/>				
	December 31, 2019			Total
	Stage 1	Stage 2	Stage 3	
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P1,112,886	P -	P -	P1,112,886
Standard grade	4,078,152	-	-	4,078,152
Unrated	4,325,886	-	-	4,325,886
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
	P9,516,924	P -	P -	P9,516,924

Sensitivity of ECL to Future Economic Conditions

The ECL are sensitive to judgments and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. The Bank performs a sensitivity analysis on the ECL recognized on material classes of its assets.

The table below shows the loss allowance on receivables from customers assuming the optimistic and pessimistic scenarios were weighted 100.0% instead of applying scenario probability weights. For ease of comparison, the table provides loss allowance amounts for the current and previous year using the same sensitivity analysis (amounts in thousands).

	December 31, 2020			
	ECL Allowance			Probability-weighted
Gross Exposure	Optimistic	Pessimistic		
Term Loans	P56,631,811	P1,271,405	P1,273,622	P1,272,955
Housing Loans	8,517,475	562,947	606,325	593,133
Auto Loans	4,233,230	358,715	360,809	360,166
Bills Purchased, Import Bills and Trust Receipts	715,295	81,111	81,111	81,111
Direct Advances	599,323	170,626	170,627	170,627
Agri-Agra Loans	314,271	20,509	20,514	20,512
Others*	2,086,905	584,517	584,596	584,540
	P73,098,310	P3,049,830	P3,097,604	P3,083,044

*Comprised of benefit loans, salary loans and credit cards.

	December 31, 2019			
	Gross Exposure	ECL Allowance		Probability-weighted
		Optimistic	Pessimistic	
Term Loans	P57,024,836	P1,269,910	P1,269,667	P1,269,840
Housing Loans	8,494,471	259,799	266,374	260,244
Auto Loans	4,692,845	193,730	198,189	193,599
Bills Purchased, Import Bills and Trust	-	-	-	-
Receipts	876,619	83,986	83,986	83,986
Direct Advances	928,556	163,918	163,935	164,210
Agri-Agra Loans	334,532	20,943	20,943	20,917
Others*	2,136,619	342,499	343,599	342,492
	P74,488,478	P2,334,785	P2,346,693	P2,335,288

*Comprised of benefit loans, salary loans and credit cards.

Loans with Renegotiated Terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates receivable from customers in financial difficulties to maximize collection opportunities and minimize the risk of default. The carrying amounts per class of loans and receivables whose terms have been renegotiated are as follows:

	2020	2019
Term loans	P254,866,548	P472,254,731
Agri-Agra loans	35,447,897	40,001,419
Housing loans	14,109,526	15,526,118
Others	-	182,889
	P304,423,971	P527,965,157

For financial assets such as amounts due from BSP and other banks, interbank loans receivable and SPURA, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost, and unquoted debt securities classified as loans, the credit quality is assessed using external credit rating (such as Standard & Poor's, Fitch, Moody's, etc.) of the respective counterparties considering relevant BSP mandates, as follows:

	December 31, 2020		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P39,552,550,316	P -	P39,552,550,316
Due from other banks	585,644,975	437,748,745	1,023,393,720
Interbank loans receivable and SPURA	22,058,805,871	-	22,058,805,871
	62,197,001,162	437,748,745	62,634,749,907
Financial assets at FVPL:			
Government securities held-for-trading	-	639,004,121	639,004,121
Private debt securities	602,403,847	-	602,403,847
Derivative assets*	-	24,011,500	24,011,500
	602,403,847	663,015,621	1,265,419,468
Financial assets at FVOCI:			
Government securities**	8,403,032,875	6,545,064,097	14,948,096,972
Private debt securities**	314,963,700	-	314,963,700
Equity securities	-	161,187,337	161,187,337
	8,717,996,575	6,706,251,434	15,424,248,009
Investment securities at amortized cost:			
Government securities**	-	5,934,456,406	5,934,456,406
Private debt securities**	2,740,704,556	472,348,002	3,213,052,558
	2,740,704,556	6,406,804,408	9,147,508,964
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,198	291,578,198
	P74,258,106,140	P14,505,398,406	P88,763,504,546

*Unrated derivatives pertain to warrants

**Accounts are neither past due nor impaired and carried at Stage 1 in 2020

***Accounts are impaired and carried at Stage 3 in 2020

	December 31, 2019		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P21,958,460,423	P -	P21,958,460,423
Due from other banks	223,134,411	447,434,045	670,568,456
Interbank loans receivable and SPURA	13,431,092,701	-	13,431,092,701
	35,612,687,535	447,434,045	36,060,121,580
Financial assets at FVPL: Private debt securities	770,870,690	-	770,870,690
Government securities held-for-trading	-	257,571,686	257,571,686
Derivative assets*	-	25,317,500	25,317,500
	770,870,690	282,889,186	1,053,759,876
Financial assets at FVOCI: Government securities**	-	916,898,827	916,898,827
Private debt securities**	311,358,600	-	311,358,600
Equity securities	-	161,599,718	161,599,718
	311,358,600	1,078,498,545	1,389,857,145
Investment securities at amortized cost:			
Government securities**	616,299,614	18,336,574,659	18,952,874,273
Private debt securities**	3,093,115,884	504,807,305	3,597,923,189
	3,709,415,498	18,841,381,964	22,550,797,462
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,203	291,578,203
	P40,404,332,323	P20,941,781,943	P61,346,114,266

*Unrated derivatives pertain to warrants

**Accounts are neither past due nor impaired and carried at Stage 1 in 2019

***Accounts are impaired and carried at Stage 3 in 2019

Aging Analysis of Past Due but not Impaired

The table below shows the aging of past due but not impaired loans and receivables as at December 31, 2020 and 2019.

	December 31, 2020			
	1 - 30 Days	31 - 60 Days	61 - 90 Days	Total
Receivable from customers (gross):				
Housing loans	P -	P673,551,296	P188,239,086	P861,790,382
Auto loans	-	612,973,894	206,198,449	819,172,343
Term loans	-	-	-	-
Others	-	69,893,369	9,243,545	79,136,914
Sales contract receivables	12,461,595	2,883,599	-	15,345,194
Other receivables*	352,305	50,320,326	25,006,068	75,678,699
	P12,813,900	P1,409,622,484	P428,687,148	P1,851,123,532

* Comprised of accrued interest receivables, accounts receivables, and RCOCI

	December 31, 2019			
	1-30 Days	31-60 Days	61-90 Days	Total
Receivable from customers (gross):				
Housing loans	P -	P155,665,265	P95,513,900	P251,179,165
Auto loans	-	137,250,489	43,525,160	180,775,649
Term loans	-	7,115,797	-	7,115,797
Others	-	7,152,318	3,130,651	10,282,969
Sales contract receivables	4,280,916	4,008,139	1,295,918	9,584,973
Other receivables*	46,341	18,218,691	6,833,847	25,098,879
	P4,327,257	P329,410,699	P150,299,476	P484,037,432

* Comprised of accrued interest receivables, accounts receivables, and RCOCI

Impairment Assessment

The Bank recognizes credit losses on financial assets at amortized cost and debt securities at FVOCI based on whether it has had a significant increase in credit risk since initial recognition. ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk since prior financial year.

Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2020 and 2019 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2020					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	P39,659,286	P -	P -	P -	P -	P39,659,286
Savings	33,274,332	48,919,548	1,577,378	-	-	83,771,258
Time	143,148	17,511,243	1,582,798	1,593,462	-	20,830,651
Long-term negotiable certificates	-	55,952	170,372	5,869,962	-	6,096,286
Bills payable	-	-	19	-	-	19
Manager's checks	-	870,080	-	-	-	870,080
Accrued interest and other expenses*	-	469,849	-	-	-	469,849
Lease liabilities	-	37,748	182,289	486,398	61,072	767,507
Other liabilities**	-	640,566	1,209,081	-	279,766	2,129,413
Total Undiscounted Financial Liabilities	P73,076,766	P68,504,986	P4,721,937	P7,949,822	P340,838	P154,594,349

*amounts exclude accruals of employee and other benefits, taxes payable and rent

**amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures

	December 31, 2019					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	P34,158,478	P -	P -	P -	P -	P34,158,478
Savings	24,322,480	46,041,532	1,752,385	77	-	72,116,474
Time	19,280	13,207,699	2,686,001	2,031,851	-	17,944,831
Bills payable	-	1	9	107	-	117
Manager's checks	-	923,460	-	-	-	923,460
Accrued interest and other expenses*	-	486,213	-	-	-	486,213
Lease liabilities	-	36,726	169,622	486,685	53,195	746,228
Other liabilities**	-	-	1,980,728	-	277,516	2,258,244
Total Undiscounted Financial Liabilities	P58,500,238	P60,695,631	P6,588,745	P2,518,720	P330,711	P128,634,045

* amounts exclude accruals of employee and other benefits, taxes payable and rent

**amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments (amounts in thousands):

	December 31, 2020				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,708,362	P282,538	P516,618	P3,578,850	P8,086,368
Contingent liabilities	35,670,094	702,357	1,163,616	3,385,057	40,921,124
	P39,378,456	P984,895	P1,680,234	P6,963,907	P49,007,492

	December 31, 2019				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P4,114,539	P571,289	P3,134,707	P1,350	P7,821,885
Contingent liabilities	38,545,085	770,807	1,682,639	1,784,414	42,782,945
	P42,659,624	P1,342,096	P4,817,346	P1,785,764	P50,604,830

Interest Rate Risk in the Banking Book

The loans provided by the Bank to its borrowers are mostly funded by the deposits of its branch and corporate customers. The difference in the interest revenues from loans and the interest expense in servicing deposits provide the bulk of the Bank's Net Interest Income (NII). Aside from loans, interest revenue is also provided by holdings in debt securities, repurchase agreements (repo), and other interest-bearing assets. Occasionally, the Bank taps interbank loans and other sources of funding to supplement deposits, which are subject to additional interest expense.

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate the units that generate funding (e.g., branch deposits). These businesses are able to evaluate profitability and returns upon deal origination given that FTP insulates them from interest rate risk. The Central Funding Unit (CFU), under the Treasury Management Group, carries the IRRBB since it is the sole borrower of funds from the deposit taking units and the sole lender of funds to the lending units. CFU is the first line of defense for both IRRBB and Liquidity Risk. While the Bank is not and does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively manages the interest rate mismatch by growing its sources of stable funds to offset long-term assets.

The FTP policy is properly documented and is transparent to all parties. The FTP interest rates are anchored by widely-used and market-driven benchmark rates such as BVAL and BSP interest rate corridor rates for Peso; US Libor and USD-denominated bonds issued by the Philippines for USD. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

The NII, and ultimately earnings and capital, is vulnerable to adverse fluctuations interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions, if more applicable.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered "liability sensitive" since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

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

The Bank makes use of an internally developed Earnings-at-Risk (EAR) model for measuring IRRBB. EAR simulates the contraction of the projected NII over the next 12 months using historical changes in interest rate benchmarks such as BVAL for PHP and US Libor for USD. The balance sheet size and shape are assumed to remain static for the next 12 months. Non-maturity deposits (NMD) or current-savings accounts (CASA) are split into two classifications, core deposits and volatile deposits.

The volatile or non-core portion of the NMD/CASA is spread over short-term buckets based on behavioral average life. Core deposits are slotted in the 3 - 5 years bucket. Interest rate option risk embedded in loans and time deposits that alter the timing of balance sheet items are incorporated in the model. The model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario simulated by the model impacts the exercise of the interest rate option. More prepayment is expected if interest rates decline while more pre-termination is expected as interest rates increase.

The table sets forth the Bank's interest rate repricing gap as at December 31, 2020 and 2019.

In Millions	December 31, 2020								Total
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P2,421	P2,421
Due from BSP	24,857	-	-	-	-	-	-	14,691	39,548
Due from other banks	-	-	-	-	-	-	-	7,049	7,049
Interbank loans receivable	15,819	-	107	-	-	-	-	(2)	15,924
Financial assets at FVPL	-	-	-	-	-	-	-	1,265	1,265
Financial assets at FVOCI	2,385	2,624	6,718	1,945	1,543	-	-	48	15,263
Investment securities at AC	177	1,139	1,467	1,411	4,375	886	25	(331)	9,149
Loans - net	17,924	17,162	6,808	5,091	6,332	11,776	2,326	2,683	70,102
Other resources	279	1	-	-	-	-	-	9,243	9,523
	P61,441	P20,926	P15,100	P8,447	P12,250	P12,662	P2,351	P37,067	P170,244
Liabilities and Equity									
Deposit liabilities:	P56,180	P31,044	P2,970	P1,355	P955	P56,601	P -	P -	P149,105
Demand deposits	5,767	4,575	348	-	-	28,969	-	-	39,659
Savings deposits	5,582	4,249	968	307	-	22,147	-	-	33,253
Time deposits	44,831	22,220	1,654	1,048	955	456	-	-	71,164
Long-term negotiable certificates	-	-	-	-	-	5,029	-	-	5,029
Other liabilities	-	-	-	-	-	-	-	4,853	4,853
Capital funds	56,180	31,044	2,970	1,355	955	56,601	-	4,853	153,958
	P56,180	P31,044	P2,970	P1,355	P955	P56,601	P -	P21,139	P170,244
Total periodic gap	P5,261	(P10,118)	P12,130	P7,092	P11,295	(P43,939)	P2,351	P15,928	P -

In Millions	December 31, 2019								Total
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P1,776	P1,776
Due from BSP	6,750	-	-	-	-	-	-	15,205	21,955
Due from other banks	-	-	-	-	-	-	-	4,590	4,590
Interbank loans receivable	9,400	-	-	-	-	-	-	-	9,400
Financial assets at FVPL	-	-	-	-	-	-	-	1,054	1,054
Financial assets at FVOCI	36	32	129	236	688	-	78	29	1,228
Investment securities at AC	102	1,087	35	1,745	4,361	7,239	8,364	(335)	22,598
Loans - net	10,408	12,605	4,004	4,781	11,012	17,164	10,095	2,131	72,200
Other resources	375	16	-	-	-	-	-	9,613	10,004
	P27,071	P13,740	P4,168	P6,762	P16,061	P24,403	P18,537	P34,063	P144,805
Liabilities and Equity									
Deposit liabilities:	P43,745	P15,973	P1,980	P2,038	P1,038	P607	P -	P58,475	P123,856
Demand deposits	-	-	-	-	-	-	-	34,158	34,158
Savings deposits	-	-	-	-	-	-	-	24,317	24,317
Time deposits	43,745	15,973	1,980	2,038	1,038	607	-	-	65,381
Other liabilities	-	-	-	-	-	-	-	4,906	4,906
Capital funds	43,745	15,973	1,980	2,038	1,038	607	-	63,381	128,762
	P43,745	P15,973	P1,980	P2,038	P1,038	P607	P -	P79,424	P144,805
Total periodic gap	(P16,674)	(P2,233)	P2,188	P4,724	P15,023	P23,796	P18,537	(P45,361)	P -

The Bank manages interest rate risk separately for its RBU and FCDU books. The interest rate risk of the RBU of the Bank from its accounts is managed in PHP while the FCDU of the Bank, regardless of original currency is managed in USD. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's results of operations and OCI:

Currency	December 31, 2020			
	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity Of OCI (In Millions)
PHP	+200	(P55.88)	(P43.71)	(P354.54)
USD	+100	2.97	(29.49)	(25.23)
PHP	-200	55.88	43.71	354.54
USD	-100	(2.97)	29.49	25.23

December 31, 2019

Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity Of OCI (In Millions)
PHP	+200	(P81.19)	(P17.24)	(P20.44)
USD	+100	3.38	(25.29)	(7.75)
PHP	-200	81.19	17.24	20.44
USD	-100	(3.38)	25.29	7.75

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and liabilities held as at December 31, 2020 and 2019.

The sensitivity of "Trading and investment securities gains - net" and OCI is calculated by revaluing fixed-rate financial assets at FVPL and debt securities at FVOCI, respectively, as at December 31, 2020 and 2019. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Market Risk

Market risk arises from the potential decline in earnings and capital due to adverse changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to two sources of market risk, namely: 1) market price risk in the trading book; and 2) foreign exchange risk from open foreign currency exposures. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first two.

There has been no material change to the Bank's exposure to market risk or the manner in which it manages and measures the risk since prior financial year.

Market Price Risk in the Trading Book

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank's RSK simulates the trading book's VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, monthly and yearly losses.

Value-at-Risk Methodology

VAR serves as the Bank's key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk. The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank's VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

The table below summarizes the results of the Bank's VAR calculations as at December 31, 2020 and 2019.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
2020				
As at December 31, 2020	P1,726,310	P4,018,818	P15,499,166	P18,371,364
Average	1,430,556	4,250,037	31,705,591	36,000,815
Highest	3,916,042	16,499,017	81,809,349	92,052,475
Lowest	535,935	384,686	1,718,683	4,051,594
2019				
As at December 31, 2019	P1,948,258	P1,126,875	P4,935,389	P5,167,226
Average	1,616,678	4,152,198	17,740,607	21,346,876
Highest	5,121,637	22,581,724	54,493,190	74,012,971
Lowest	448,676	52,909	966,445	1,460,171

Currency Risk

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure based on its assets and liabilities is within conservative limits for a financial institution engaged in a type of business similar to that of the Bank.

Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolios in the FCDU. Banks are required by BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

Similar to market price risk in the trading book, the Bank employs limits and a VAR model to manage the risk that possible interest or currency movements pose. Such limits are prudently set and the position status is monitored on a daily basis.

The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2020 and 2019. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (based on USD equivalents in thousands):

	December 31, 2020			Total
	USD	Euro	Others	
Assets				
Due from other banks	\$686	\$750	\$391	\$1,827
Interbank loans	3,100	-	-	3,100
Loans and receivables	856	-	-	856
Total assets	4,642	750	391	5,783
Liabilities				
Deposit liabilities	-	742	-	742
Other liabilities	122	54	3	179
Total liabilities	122	796	3	921
Net Exposure	\$4,520	(\$46)	\$388	\$4,862
Amount in PHP	P217,064	(P2,209)	P18,633	P233,488

	December 31, 2019			
	USD	Euro	Others	Total
Assets				
Due from other banks	\$804	\$660	\$383	\$1,847
Interbank loans	3,150	-	-	3,150
Loans and receivables	2,807	-	-	2,807
Total assets	6,761	660	383	7,804
Liabilities				
Deposit liabilities	-	718	-	718
Other liabilities	97	114	17	228
Total liabilities	97	832	17	946
Net Exposure	\$6,664	(\$172)	\$366	\$6,858
Amount in PHP	P337,432	(P8,709)	P18,532	P347,255

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2020 and 2019 based on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Change in currency rates are based on the historical movements of each currency for the same period:

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2020				
Currency				
USD	P1.00	(P4.52)	(P1.00)	P4.52
Euro	0.50	0.02	(0.50)	(0.02)
Others	0.40	(0.16)	(0.40)	0.16
December 31, 2019				
Currency				
USD	P1.00	(P6.66)	(P1.00)	P6.66
Euro	0.50	0.09	(0.50)	(0.09)
Others	0.40	(0.15)	(0.40)	0.15

Given the nature and amount of the Bank's equity investments portfolio in 2020 and 2019, management believes the Bank's exposure to currency risk is considered minimal.

Equity Price Risk

Given the nature and amount of the Bank's equity investments portfolio in 2020 and 2019, management believes the Bank's exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

COCI, Due from BSP and Other Banks and Interbank Loans Receivable and SPURA - Fair values approximate carrying amounts given the short-term nature of the instruments.

Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost) - Fair values are generally based on quoted market prices. If not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using discounted cash flow methodology.

Equity Securities (Financial Assets at FVOCI) - Fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers.

Derivative Instruments (Financial Assets at FVPL) - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Loans and Receivables - The estimated fair values of long-term receivables from customers and sales contract receivables are equal to the estimated future cash flows expected to be received which are discounted using current market rates (i.e. BVAL and Libor). Fair value of short-term receivable from customers, sales contract receivables, accounts receivables, accrued interest receivables, and RCOCI approximates carrying amounts given the short-term nature of the accounts.

Investment Properties - Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.

Forward

Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit Liabilities - Fair values of long-term time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e. BVAL and Libor) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term time deposits approximate fair value. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bills Payable - For long-term bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bills payable approximate fair value.

Manager's Checks, Accrued Interest and Other Expenses and Other Liabilities (excluding non-financial liabilities) - Carrying amounts approximate fair values due to the short-term nature of the accounts. Due to preferred shareholders is determined to be long term in nature due to a pending dispute which affects maturity. Fair value cannot be estimated reliably due to lack of supportable data available.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	December 31, 2020				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
<i>Financial Assets</i>					
Financial assets at FVPL:					
Government securities held for trading	P639,004	P558,716	P80,288	P -	P639,004
Private debt securities	602,404	-	602,404	-	602,404
Derivative assets	24,011	-	24,011	-	24,011
Financial assets at FVOCI:					
Government securities	14,948,097	12,363,794	2,584,303	-	14,948,097
Private debt securities	314,964	314,964	-	-	314,964
Equity securities	161,187	123,560	-	37,627	161,187
	P16,689,667	P13,361,034	P3,291,006	P37,627	P16,689,667
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
Investment securities at amortized cost:					
Government securities	P5,933,637	P3,751,321	P2,314,803	P -	P6,066,124
Private debt securities	3,212,641	2,758,716	483,296	-	3,242,012
Loans and receivables:					
Receivables from customers	70,038,051	-	-	81,238,432	81,238,432
Less unearned interest	22,784	-	-	22,784	22,784

Forward

	December 31, 2020				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Sales contract receivables	P70,015,267	P -	P -	P81,215,648	P81,215,648
	398,423	-	-	493,875	493,875
	79,559,968	6,510,037	2,798,099	81,709,523	91,017,659
<i>Non-financial Assets</i>					
Investment properties	3,624,987	-	-	8,135,990	8,135,990
	P83,184,955	P6,510,037	P2,798,099	P89,845,513	P99,153,649
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
Deposit liabilities:					
Time	P20,673,084	P -	P20,727,448	P -	P20,727,448
Long-term negotiable certificates	5,029,420	-	5,425,681	-	5,425,681
Bills payable	19	-	19	-	19
	P25,702,523	P -	P26,153,148	P -	P26,153,148
December 31, 2019					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
<i>Assets Measured at Fair Value</i>					
<i>Financial Assets</i>					
Financial assets at FVPL:					
Private debt securities	P770,871	P -	P770,871	P -	P770,871
Government securities held for trading	257,572	173,419	84,153	-	257,572
Derivative assets	25,318	-	25,318	-	25,318
Financial assets at FVOCI:					
Government securities	916,899	187,661	729,238	-	916,899
Private debt securities	311,359	311,359	-	-	311,359
Equity securities	161,600	124,691	-	36,909	161,600
	P2,443,619	P797,130	P1,609,580	P36,909	P2,443,619
<i>Assets for which Fair Values are Disclosed</i>					
<i>Financial Assets</i>					
Investment securities at amortized cost:					
Government securities	P18,950,382	P8,896,466	P10,269,387	P -	P19,165,853
Private debt securities	3,597,450	3,102,744	505,738	-	3,608,482
Loans and receivables:					
Receivables from customers	72,176,104	-	-	76,769,861	76,769,861
Less unearned interest	22,914	-	-	22,914	22,914
	72,153,190	-	-	76,746,947	76,746,947
Sales contract receivables	469,821	-	-	553,092	553,092
	95,170,843	11,999,210	10,775,125	77,300,039	100,074,374
<i>Non-financial Assets</i>					
Investment properties	3,729,769	-	-	7,173,335	7,173,335
	P98,900,612	P11,999,210	P10,775,125	P84,473,374	P107,247,709
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
Time deposit liabilities	P17,681,145	P -	P17,689,214	P -	P17,689,214
Bills payable	105	-	112	-	112
	P17,681,250	P -	P17,689,326	P -	P17,689,326

In 2020 and 2019, due to changes in market conditions for certain government securities measured at FVPL and FVOCI, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVPL and at FVOCI, with carrying amounts of P12.6 million and P441.8 million, respectively, in 2020, and P3.6 million and P360.4 million, respectively, in 2019, were transferred from Level 1 to Level 2 of the fair value hierarchy.

For 2020 and 2019, there have been no transfers into and out of Level 3 of the fair value hierarchy.

An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. The fair value of the Level 3 instruments is based on cost which approximates its fair value.

The Bank reclassified the fair value level of its loans and receivables and investment properties presented as at December 31, 2019 to Level 3.

As at December 31, 2020 and 2019, the carrying values of the Bank's financial assets and liabilities, not included in the table above, as reflected in the statements of financial position and related notes approximate their respective fair values.

7. Segment Reporting

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to Senior Management who is responsible for allocating resources to the segments and assessing their performance. The Bank's business segments follow:

Treasury Management Group - principally provides money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks.

Corporate Banking Group - principally handles loans and other credit facilities for corporate institutional, and middle market clients.

Branch Banking Group - principally supervises customers' deposits and offers standard customer transactional services through the branch network.

Consumer Group - principally manages home, automobile, and salary loans for individual customers.

Others - includes but not limited to Credit Cards, Transaction Banking, Trust, and Acquired Assets. Other operations of the Bank also include operations and financial control groups.

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. The Bank has no significant customers which contributes 10.00% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the year ended December 31, 2020, 2019 and 2018 for statement of income items, and as at December 31, 2020 and December 31, 2019 for statement of financial position items follow (amounts in millions):

	December 31, 2020					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Income						
Net interest income:						
Third party	P1,173	P3,677	(P1,023)	P1,013	P268	P5,108
Intersegment	(1,416)	(2,019)	4,840	(716)	(689)	-
Net interest income	(243)	1,658	3,817	297	(421)	5,108
Non-interest income	1,204	78	86	10	387	1,765
Total revenues	961	1,736	3,903	307	(34)	6,873
Other expenses	308	219	1,736	153	2,452	4,868
Income (losses) before provision for credit losses and income tax expense	P653	P1,517	P2,167	P154	(P2,486)	P2,005
Provision for credit and impairment losses						P963
Share in net loss of an associate						1
Income tax expense						257
Net income						P784
Other Segment Information						
Capital expenditures	P3	P2	P34	P4	P44	P87
Depreciation and amortization	P4	P3	P256	P7	P298	P568

	December 31, 2020					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Financial Position						
Total assets	P71,291	P60,263	P18,595	P12,811	P7,961	P170,921
Total Liabilities	9,118	3	141,729	111	3,193	154,154

	December 31, 2019					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Income						
Net interest income:						
Third party	P1,029	P3,173	(P1,150)	P927	P157	P4,136
Intersegment	(481)	(1,993)	3,469	(670)	(325)	-
Net interest income	548	1,180	2,319	257	(168)	4,136
Non-interest income	437	287	124	74	775	1,697
Total revenues	985	1,467	2,443	331	607	5,833
Other expenses	213	400	1,661	157	2,230	4,661
Income (losses) before provision for credit losses and income tax expense	P772	P1,067	P782	P174	(P1,623)	P1,172
Provision for credit and impairment losses						P52
Share in net loss of an associate						3
Income tax expense						464
Net income						P653
Other Segment Information						
Capital expenditures	P4	P -	P49	P7	P129	P189
Depreciation and amortization	P4	P3	P74	P7	P392	P480

	December 31, 2019					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Financial Position						
Total assets	P43,769	P66,391	P14,244	P13,496	P7,133	P145,033
Total Liabilities	7,199	30,774	87,717	95	3,153	128,938

	December 31, 2018					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income						
Third party	P1,540	P2,756	(P1,481)	P737	P147	P3,699
Intersegment	(882)	(2,009)	3,704	(423)	(390)	-
Net interest income	658	747	2,223	314	(243)	3,699
Non-interest income	(44)	115	89	38	446	644
Total revenues	614	862	2,312	352	203	4,343
Other expenses	285	266	1,635	143	1,954	4,283
Income (losses) before provision for credit losses and income tax expense	P329	P596	P677	P209	(P1,751)	P60
Reversal for credit and impairment losses						(P181)
Share in net loss of an associate						2
Income tax expense						255
Net loss						(P16)
Other Segment Information						
Capital expenditures	P6	P7	P61	P6	P61	P141
Depreciation and amortization	P3	P3	P85	P7	P161	P259

Non-Interest income consists of trading and investment securities gains (losses), service charges, fees and commissions, foreign exchange gains, gain on foreclosure, and sale of property and equipment and foreclosed assets and miscellaneous income.

Other expenses consist of compensation and fringe benefits, taxes and licenses, rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, entertainment and recreation, management and professional fees, amortization of software costs, share in net loss of associate and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	Note	2020	2019
SPURA		P15,819,273,408	P9,290,661,215
Interbank loans receivable		6,239,532,463	4,140,431,486
		22,058,805,871	13,431,092,701
Less allowance for credit losses	18	2,977,939	1,813,198
		P22,055,827,932	P13,429,279,503

Interbank loans receivable consists of short-term loans granted to other banks.

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

Interest income on SPURA and interbank loans receivable follows:

	2020	2019	2018
SPURA	P234,610,084	P272,552,691	P253,783,499
Interbank loans receivable	3,434,107	43,017,001	12,346,925
	P238,044,191	P315,569,692	P266,130,424

Peso-denominated interbank loans receivable bear interest rates ranging from 3.5% to 3.9%, from 4.0% to 5.3% and from 4.0% to 5.3% in 2020, 2019 and 2018, respectively. Dollar-denominated interbank loans receivable bear interest rates ranging from 0.1% to 1.7%, from 1.6% to 2.3% and from 0.6% to 1.9% in 2020, 2019 and 2018, respectively.

SPURA bears interest rates ranging from 2.0% to 4.0%, from 4.0% to 4.8% and from 3.0% to 4.8% in 2020, 2019 and 2018, respectively.

9. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2020	2019
Government securities held-for-trading	P639,004,121	P257,571,686
Private debt securities	602,403,847	770,870,690
Derivative assets	24,011,500	25,317,500
	P1,265,419,468	P1,053,759,876

Private debt securities pertain to investment in MRT III bonds that does not qualify as SPPI, thus, mandatorily classified and measured as financial assets at FVPL.

As at December 31, 2020, 2019 and 2018, financial assets at FVPL are adjusted for unrealized gain of P69.7 million and P135.5 million, and unrealized loss of P19.7 million respectively (see Note 28).

Derivative Financial Instruments

This includes warrants amounting to \$50 thousand acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding of certain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount and leverage exposure. The leverage exposure is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The leverage exposure indicates the volume of transactions outstanding as at December 31, 2020 and 2019 and is not indicative of either market risk or credit risk.

	December 31, 2020			December 31, 2019		
	Derivative Assets	Notional Amount	Leverage Exposure	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives: Warrants	P24,011,500	\$50,000	\$ -	P25,317,500	\$50,000	\$ -

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	<i>Note</i>	2020	2019
Government securities	20, 38	P14,948,096,972	P916,898,827
Private debt securities	33	314,963,700	311,358,600
Equity securities	33	161,187,337	161,599,718
		P15,424,248,009	P1,389,857,145

As at December 31, 2020, 2019 and 2018, the ECL allowance on debt securities at FVOCI included under “Net unrealized gains on financial assets at FVOCI” amounted to P1.8 million, P0.1 million, and P0.8 million, respectively (see Note 18).

Equity Securities

This account consists of ordinary shares from a foreign financial institution and a telecommunications company and club shares. The Bank has designated these equity securities as at FVOCI.

Equity securities include the Bank’s 8.57% equity interest in Banco National de Guinea Equatorial (BANGE) as part of its partnership with the National Government of the Republic of Equatorial Guinea. Dividend income received from BANGE in 2020, 2019 and 2018 amounted to P3.0 million, P5.5 million and P6.6 million, respectively, booked under “Miscellaneous Income” in the statements of income (see Notes 31 and 33).

In 2019 and 2018, the Bank disposed club shares with carrying value of P0.03 million and P7.0 million, respectively, and transferred to “Deficit” account the realized gain of P0.3 million and P5.3 million in 2019 and 2018, respectively. In 2020, there were no disposals of equity securities.

Dividend income in 2020, 2019 and 2018 from equity securities at FVOCI amounted to P12.2 million, P8.2 million and P13.1 million, respectively (see Note 31).

Net Unrealized Gains on Financial Assets at FVOCI

The movements of net unrealized gains on financial assets at FVOCI follow:

	<i>Note</i>	2020	2019	2018
Balance at beginning of year		P36,108,673	(P129,757,730)	P8,546,417
Net unrealized gains recognized as OCI		315,724,110	368,927,255	(133,365,743)
Realized gains taken to profit or loss	28	(280,743,443)	(198,827,405)	164,734
Effect of tax	32	(3,084,165)	(3,305,159)	196,862
ECL on debt securities at FVOCI	18	1,652,388	(659,788)	-
Realized gains taken deficit		-	(268,500)	(5,300,000)
Balance at end of year		P69,657,563	P36,108,673	(P129,757,730)

11. Investment Securities at Amortized Cost

This account consists of:

	<i>Note</i>	2020	2019
Government securities		P5,934,456,406	P18,952,874,273
Private debt securities	33	3,213,052,558	3,597,923,189
		9,147,508,964	22,550,797,462
Less allowance for credit losses	18	1,231,453	2,964,709
		P9,146,277,511	P22,547,832,753

In September and October 2020, the Bank sold government securities classified as Investment securities at amortized cost with total carrying value of P11.8 billion for peso denominated government securities and \$51.3 million for dollar denominated government securities. The Bank realized gain from the sale of these securities amounting to P570.5 million and \$4.0 million (P196.6 million) for peso and dollar denominated government securities, respectively (see Note 28).

The sales were made as part of the Bank's initiatives to preserve its capital and provide a buffer over regulatory minimum levels. The capital of the Bank was directly threatened by the increasing past due and NPL brought by the unforeseen and historical COVID-19 pandemic which required a significant increase in provision for credit losses on loans. The Bank assessed that the sale did not result in changes to the objectives of the hold-to-collect business model as the sale was infrequent. The remaining investment securities continue to be measured at amortized cost.

12. Loans and Receivables

This account consists of:

	<i>Note</i>	2020	2019
Receivables from customers:			
Term loans		P56,631,811,377	P57,024,835,729
Housing loans		8,517,583,659	8,494,591,887
Auto loans		4,233,260,023	4,693,003,643
Bills purchased, import bills and trust receipts	22	715,294,705	876,619,124
Direct advances		600,996,331	931,274,215
Agri-agra loans		314,820,702	334,962,386
Others		2,107,327,349	2,156,105,393
		73,121,094,146	74,511,392,377
Less unearned interest income		22,784,328	22,914,092
		73,098,309,818	74,488,478,285
Accounts receivable		1,125,879,319	1,091,478,464
Accrued interest receivable:			
Loans and receivables		783,484,965	584,376,502
Trading and investment securities		99,472,481	225,035,140
Due from BSP and other banks		3,394,000	2,460,937
Interbank loans receivable and SPURA		2,121,071	4,756,138
Sales contract receivables		456,157,168	528,276,665
Unquoted debt securities		291,578,198	291,578,203
RCOCI		10,500	94,545
		75,860,407,520	77,216,534,879
Less allowance for credit losses	18	4,232,058,040	3,474,273,070
		P71,628,349,480	P73,742,261,809

Bills purchased, import bills and trust receipts include bills purchased with contra account in “Bills purchased - contra” under “Other Liabilities” amounting to P684.4 million and P822.0 million as at December 31, 2020 and 2019, respectively (see Notes 22 and 33). Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the Bank to its clients.

Other receivables from customers pertain to consumer loans such as benefit loans, salary loans, and credit cards.

Accounts receivable mainly consist of amounts due from customers and other parties under open-account arrangements, advances for buyers of foreclosed properties, receivables from employees and other miscellaneous receivables.

Sales contract receivables arise mainly from the sale of foreclosed properties booked under “Investment properties” and “Non-current assets held for sale” accounts.

On March 25, 2020, Republic Act (RA) No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1”) was enacted. Bayanihan 1 provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest falling due within the enhanced community quarantine period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, RA No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2”), was enacted. Under Bayanihan 2, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, fees and other charges, thereby extending the maturity of the said loans.

Based on the Bank’s assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. The impact of loan modifications amounted to a loss of P29.6 million. For the year ended December 31, 2020, the net impact of the loan modification after subsequent accretion of the modified loan amounted to P24.8 million and were recorded in “Interest income” in the statement of income.

BSP Regulatory Reporting

As at December 31, 2020 and 2019, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2020		2019	
	Amount	%	Amount	%
Loans secured by:				
Real estate	P4,109,378	5.6	P6,998,411	9.4
Chattel	3,331,699	4.6	3,596,487	4.8
Deed of assignment	1,609,305	2.2	4,798,740	6.4
Deposit hold-out	620,771	0.9	733,324	1.0
Others*	16,395,441	22.4	4,912,537	6.6
	26,066,594	35.7	21,039,499	28.2
Unsecured	47,054,500	64.3	53,471,893	71.8
	P73,121,094	100.0	P74,511,392	100.0

*Others include certificate of participation, corporate guaranty, continuing surety agreement, deed of pledge, mortgage trust indenture and post-dated checks

As at December 31, 2020 and 2019, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2020		2019	
	Amount	%	Amount	%
Real estate activities	P16,784,796	23.0	P18,389,214	24.7
Electricity, gas, steam, and air-conditioning supply	15,331,150	21.0	12,444,906	16.7
Construction	10,328,230	14.1	10,698,737	14.3
Manufacturing	9,010,927	12.3	8,185,572	11.0
Financial and insurance activities	3,742,904	5.1	2,080,598	2.8
Arts, entertainment and recreation	3,500,204	4.8	3,500,000	4.7
Wholesale and retail trade, repair of motor vehicles and motorcycles	2,791,156	3.8	2,170,380	2.9
Water supply, sewerage, waste management and remediation activities	1,401,877	1.9	941,283	1.3
Transportation and storage	1,353,153	1.9	2,998,915	4.0
Agriculture, forestry and fishing	1,064,300	1.5	3,983,847	5.3
Accommodation and food service activities	943,691	1.3	647,704	0.9
Administrative and support service activities	185,583	0.2	207,513	0.3
Others*	6,683,123	9.1	8,262,723	11.1
	P73,121,094	100.0	P74,511,392	100.0

*Others include Information and Communication, Professional Activities, Education, Personal Consumption and other various activities

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio or 10.0% of Tier 1 capital. As at December 31, 2020 and 2019, the Bank does not have credit concentration in any particular industry that exceeds 30.0% of total loan portfolio. As at December 31, 2020, 10% of Tier 1 capital amounted to P1.5 billion and the table above includes the seven industry groups exceeding this level as of that date. The table also includes the nine industry groups above the 10% of Tier 1 capital (P1.5 billion) as at December 31, 2019. The BROCOM and CRECOM constantly monitor these credit risk concentrations to ensure they are within the risk appetite of the Bank.

Under BSP Circular No. 941, *Amendments to the Regulations on Past Due and Non-Performing Loans*, loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

As at December 31, 2020 and 2019, the breakdown of receivables from customers as to status, as reported to BSP, is as follows (amounts in thousands)

	2020	2019
Performing loans	P70,424,269	P72,878,388
Non-performing loans	2,698,793	1,610,090
	P73,123,062	P74,488,478

As at December 31, 2020 and 2019, the NPLs of the Bank, as reported to BSP, are as follows:

	2020	2019
Gross NPLs	P2,698,793	P1,610,090
Less deductions as required by BSP	1,908,728	1,320,969
Net NPLs	P790,065	P289,121

Gross and net NPL ratios of the Bank are 3.0% and 0.9%, respectively, as at December 31, 2020 and 1.9% and 0.3%, respectively, as at December 31, 2019.

As at December 31, 2020 and 2019, restructured loans amounted to P304.4 million and P528.0 million, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2020 and 2019, restructured receivables from customers considered as NPLs amounted P195.8 million.

On March 14, 2020, the BSP issued BSP Memorandum No. M-2020-008 Regulatory Reliefs for BSP-supervised financial institutions (BSFIs) Affected by the COVID-19, as amended by M-2020-0032 dated April 27, 2020 and M-2020-0022 dated April 8, 2020. The said memorandum provides for certain temporary regulatory relief measures for financial institutions supervised by the BSP. Accordingly, the Bank informed the BSP of its intention to avail the following:

- Staggered booking of allowance for credit losses over a maximum of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of March 8, 2020, subject to prior approval of the BSP;
- Exclusion from the computation of past due and non-performing classification, the loans by borrowers in affected areas which should have been reclassified as past due as of March 8, 2020, including those loans becoming past due or non-performing six months thereafter, subject to the following: (a) such loans shall be reported to the BSP; (b) the exclusion shall be allowed from March 8, 2020 until December 31, 2021; and (c) BSP documentary requirements for restructuring of loans may be waived provided that the Bank will adopt appropriate and prudent operational control measures;
- Non-imposition of monetary policies for delays incurred in the submission of all supervisory reports to BSP due to be submitted from March 8, 2020 up to six months thereafter;

- Non-imposition of penalties on legal reserve deficiencies computed under Section 255 of the MORB starting from reserve week following March 8, 2020 up to six months thereafter, subject to prior approval of the BSP;
- Increase in the Single Borrower's Limit (SBL) from 25.0% to 30.0% until March 31, 2021;
- Allowance of (a) loans to Micro, Small and Medium Enterprises (MSMEs) and (b) loans to critically-impacted large enterprises as alternative mode of compliance with reserve requirements until December 31, 2021; and
- Provision of financial assistance to officers affected by the present health emergency, for the grant of loans, advances or any other forms of credit accommodations, subject to the submission by the Bank of a request for BSP approval within 30 calendar days from the approval thereof of the BOD.

As of December 31, 2020, the Bank chose not to continue with the availment of the relief on staggered booking of allowance for credit losses with regards to its Audited Financial Statements. There has also been no availment of the other reliefs during this period.

Interest Income on Loans and Receivables

This account consists of:

	2020	2019	2018
Receivables from customers:			
Term loans	P3,502,896,604	P3,729,495,585	P2,719,698,559
Housing loans	570,443,567	501,280,911	373,151,392
Auto loans	351,866,491	327,044,238	270,126,575
Agri-agra loans	26,051,159	34,055,163	22,707,796
Direct advances	25,320,441	33,414,850	31,737,042
Bills purchased, import bills and trust receipts	280,959	5,023,182	19,703,706
Others	336,682,833	255,918,893	189,760,452
	4,813,542,054	4,886,232,822	3,626,885,522
Sales contract receivable	26,601,895	33,828,277	41,825,704
	P4,840,143,949	P4,920,061,099	P3,668,711,226

**Others pertain to interest income from consumer loans such as benefit loans, salary loans, and credit cards.*

As at December 31, 2020, 2019 and 2018, 44.3%, 44.7% and 46.7%, respectively, of the total receivables from customers were subject to periodic interest repricing. Peso-denominated loans earn annual fixed interest rates ranging from 1.3% to 54.0%, 1.6% to 54.0% and 1.3% to 54.0% in 2020, 2019 and 2018, respectively. Dollar-denominated loans earn annual fixed interest rates ranging from 1.2% to 8.0%, 2.9% to 8.5% and 3.1% to 8.0% in 2020, 2019 and 2018, respectively.

Sales contract receivables bear fixed interest rates ranging from 3.4% to 12.1% in 2020 and 2019 and 3.4% to 13.2% in 2018.

13. Non-current Assets Held for Sale

As at December 31, 2020 and 2019, non-current assets held for sale amounting to nil and P48.1 million, respectively, were comprised of buildings and were stated at carrying amount.

In 2020, these properties ceased to be classified as held for sale since the sale was not highly probable. The Bank reclassified these properties to Investment properties account and recognized P48.1 million in Depreciation and amortization in the statement of income for the current period.

There were no additions and disposals of non-current assets held for sale in 2019.

There is no cumulative income or expense included in OCI relating to non-current assets held for sale.

14. Investment in an Associate

The details of movements of the Bank's equity investment in BIC follow:

	<i>Note</i>	2020	2019	2018
Acquisition cost (24.26%-owned)		P75,395,200	P75,395,200	P75,395,200
Accumulated equity in net loss and OCI:				
Balance at beginning of year		(28,025,906)	(29,487,304)	(23,319,749)
Share in net loss		(753,029)	(2,865,073)	(1,844,496)
Share in other comprehensive income (loss)		(3,073)	4,326,471	(4,323,059)
Balance at end of year		(28,782,008)	(28,025,906)	(29,487,304)
Allowance for impairment loss	18	(5,925,786)	(5,925,786)	(5,925,786)
	33	P40,687,406	P41,443,508	P39,982,110

The following table shows the summarized financial information of BIC:

	2020***	2019**	2018*
Assets	P179,192,558	P182,018,232	P185,720,681
Liabilities	(11,409,432)	(11,439,777)	(11,097,790)
Net assets	167,783,126	170,578,455	174,622,891
Revenues	956,700	1,168,192	1,659,125
Net loss for the year	(2,782,659)	(4,039,329)	(24,612,820)
Other comprehensive loss	(12,670)	(5,106)	19,174
Total comprehensive loss	(2,795,329)	(4,044,435)	(24,593,646)

*Based on 2018 audited financial statements

**Based on 2019 audited financial statements

***Based on 2020 unaudited numbers

As at December 31, 2020 and 2019, the Bank's subscribed capital stock in BIC amounted to P75.8 million out of BIC's outstanding capital stock of P312.5 million.

15. Property and Equipment

The movements in property and equipment follow:

December 31, 2020						
Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost						
Balance at January 1	P41,569,630	P852,916,703	P1,535,856,312	P818,750,027	P762,476,355	P4,011,569,027
Additions	-	1,253,430	86,666,609	10,308,715	220,979,671	319,208,425
Disposals	-	-	(82,166,966)	-	(43,050,807)	(125,217,773)
Balance at December 31	41,569,630	854,170,133	1,540,355,955	829,058,742	940,405,219	4,205,559,679
Less Accumulated Depreciation and Amortization						
Balance at January 1	-	220,640,955	1,122,019,787	751,645,607	170,031,581	2,264,337,930
Depreciation and amortization	-	22,180,554	113,180,003	24,200,831	196,113,592	355,674,980
Disposals	-	-	(37,264,285)	-	(42,746,185)	(80,010,470)
Balance at December 31	-	242,821,509	1,197,935,505	775,846,438	323,398,988	2,540,002,440
Allowance for impairment losses	18	5,022,885	1,133,017	-	-	6,155,902
Net Book Value at December 31	P36,546,745	P610,215,607	P342,420,450	P53,212,304	P617,006,231	P1,659,401,337

December 31, 2019						
Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost						
Balance at January 1	P41,569,630	P845,238,581	P1,649,552,985	P808,309,177	P550,480,190	P3,895,150,563
Additions	-	7,678,122	189,183,291	10,440,850	211,996,165	419,298,428
Disposals	-	-	(302,879,964)	-	-	(302,879,964)
Balance at December 31	41,569,630	852,916,703	1,535,856,312	818,750,027	762,476,355	4,011,569,027
Less Accumulated Depreciation and Amortization						
Balance at January 1	-	198,472,522	1,267,389,443	722,813,031	-	2,188,674,996
Depreciation and amortization	-	22,168,433	108,753,170	28,832,576	170,031,581	329,785,760
Disposals	-	-	(254,122,826)	-	-	(254,122,826)
Balance at December 31	-	220,640,955	1,122,019,787	751,645,607	170,031,581	2,264,337,930
Allowance for impairment losses	18	5,022,885	1,133,017	-	-	6,155,902
Net Book Value at December 31	P36,546,745	P631,142,731	P413,836,525	P67,104,420	P592,444,774	P1,741,075,195

December 31, 2018						
Note	Land (Note 36)	Buildings (Note 36)	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost						
Balance at January 1	P41,570,353	P838,758,341	P1,754,713,543	P776,819,527	P -	P3,411,861,764
Additions	-	6,480,240	141,038,070	31,789,650	-	179,307,960
Reclassifications	(723)	-	-	-	-	(723)
Disposals and others	-	-	(246,198,628)	(300,000)	-	(246,498,628)
Balance at December 31	41,569,630	845,238,581	1,649,552,985	808,309,177	-	3,344,670,373
Less Accumulated Depreciation and Amortization						
Balance at January 1	-	176,496,736	1,370,455,000	682,792,721	-	2,229,744,457
Depreciation and amortization	-	21,975,786	95,470,830	40,020,310	-	157,466,926
Disposals	-	-	(198,536,387)	-	-	(198,536,387)
Balance at December 31	-	198,472,522	1,267,389,443	722,813,031	-	2,188,674,996
Allowance for impairment losses	18	5,022,885	1,133,017	-	-	6,155,902
Net Book Value at December 31	P36,546,745	P645,633,042	P382,163,542	P85,496,146	P -	P1,149,839,475

In 2020, 2019 and 2018 net gains on sale of property and equipment under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” account in the statement of income amounted to P0.5 million, P0.4 million and P3.9 million, respectively.

As at December 31, 2020 and 2019, the cost of fully depreciated property and equipment still in use amounted to P1.6 billion and P0.8 billion, respectively.

16. Investment Properties

The movements in investment properties follow:

	Note	December 31, 2020		
		Land	Buildings	Total
Balance at January 1		P3,382,699,201	P1,117,837,397	P4,500,536,598
Additions		11,786,963	12,404,057	24,191,020
Reclassification	13	-	58,930,175	58,930,175
Disposals		(39,584,003)	(11,919,235)	(51,503,238)
Balance at December 31		3,354,902,161	1,177,252,394	4,532,154,555
Less Accumulated Depreciation				
Balance at January 1		-	595,014,287	595,014,287
Depreciation		-	125,259,084	125,259,084
Reclassification	13	-	10,808,618	10,808,618
Disposal		-	(3,730,338)	(3,730,338)
		-	727,351,651	727,351,651
Less Allowance for Impairment Losses	18	172,547,531	7,268,767	179,816,298
		P3,182,354,630	P442,631,976	P3,624,986,606
December 31, 2019				
	Note	Land	Buildings	Total
Balance at January 1		P2,892,960,147	P925,714,857	P3,818,675,004
Additions	31	559,494,733	319,842,177	879,336,910
Disposals		(69,755,679)	(127,719,637)	(197,475,316)
Balance at December 31		3,382,699,201	1,117,837,397	4,500,536,598
Less Accumulated Depreciation				
Balance at January 1		-	529,929,280	529,929,280
Depreciation		-	73,682,841	73,682,841
Disposal		-	(8,597,834)	(8,597,834)
		-	595,014,287	595,014,287
Less Allowance for Impairment Losses	18	165,124,070	10,629,048	175,753,118
		P3,217,575,131	P512,194,062	P3,729,769,193

	Note	December 31, 2018		
		Land	Buildings	Total
Balance at January 1		P2,956,570,194	P928,413,124	P3,884,983,318
Additions		92,626,551	58,364,723	150,991,274
Disposals		(156,237,321)	(61,062,990)	(217,300,311)
Reclassifications	15	723	-	723
Balance at December 31		2,892,960,147	925,714,857	3,818,675,004
Less Accumulated Depreciation				
Balance at January 1		-	511,919,830	511,919,830
Depreciation		-	58,955,492	58,955,492
Disposal		-	(40,946,042)	(40,946,042)
		-	529,929,280	529,929,280
Allowance for Impairment Losses	18	146,959,442	19,161,294	166,120,736
		P2,746,000,705	P376,624,283	P3,122,624,988

As at December 31, 2020 and 2019, the aggregate market value of investment properties amounted to P8.1 billion and P7.2 billion, respectively. Information about the fair value measurement of investment properties is presented in Note 6.

Gain on foreclosure and sale of investment properties under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” consists of the following:

	2020	2019	2018
Gain on assets sold	P45,987,545	P134,937,859	P119,558,672
Gain on foreclosure	1,104,271	193,461,664	62,092,904
	P47,091,816	P328,399,523	P181,651,576

Rental income on investment properties (included in “Miscellaneous income” account in the statements of income) in 2020, 2019 and 2018 amounted to P0.2 million, P1.6 million P2.0 million, respectively (see Note 31).

No direct operating expenses on investment properties that generated rental income (included under “Litigation and acquired assets” in “Other expenses - miscellaneous” account and “Taxes and licenses” account in the statements of income) were incurred in 2020, 2019 and 2018. Direct operating expenses on investment properties such as litigation expenses, included under “Litigation and acquired assets” in “Other expenses - miscellaneous” account, and real estate taxes, included under “Taxes and licenses” account in the statements of income, that did not generate rental income in 2020, 2019 and 2018 amounted to P68.4 million, P70.2 million and P61.4 million, respectively (see Note 31).

17. Other Assets

This account consists of:

	<i>Note</i>	2020	2019
Miscellaneous assets - TRB	34	P4,435,569,820	P4,435,986,451
Creditable withholding tax		1,277,486,389	1,124,318,843
Intangible assets *		363,318,065	393,067,200
Sinking fund	24	279,765,823	277,515,653
Documentary stamps		102,095,989	64,327,008
Other properties acquired *		51,041,236	140,467,777
Prepaid expenses		21,596,789	25,290,597
Others		213,982,609	181,400,604
		6,744,856,720	6,642,374,133
Less allowance for impairment losses	18	4,615,724,154	4,615,166,861
		P2,129,132,566	P2,027,207,272

**net of accumulated amortization/depreciation, gross of allowance for impairment losses*

Others include security deposit, unused supplies and forms and petty cash fund.

Miscellaneous Assets - TRB

This account includes non-performing assets (NPAs) amounting to P4.4 billion as at December 31, 2020 and 2019 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 34). Pursuant to the requirements of PFRS, the impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2020 and 2019, were charged in full in the period incurred.

For its separate prudential reporting to BSP, the Bank was allowed under the MB Resolution No. 1751, dated November 8, 2001, as further amended by MB Resolution No. 489, dated April 3, 2003 and pursuant to MB Resolution No. 1950, dated November 21, 2013, to defer the full recognition of the impairment losses. The Bank annually recognizes provisions for impairment losses to gradually meet the foregoing provisioning requirement based on the net yield earned by the Bank from the Financial Assistance Agreement (FAA) with Philippine Deposit Insurance Corporation (PDIC) until November 29, 2013 when the collateralized government securities was sold and the obligation was fully settled. In 2020 and 2019, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million and P159.3 million, respectively (see Note 34).

Intangible Assets

Intangible assets consist of:

	<i>Note</i>	2020	2019
Software costs *		P303,318,065	P333,067,200
Branch licenses		60,000,000	60,000,000
		363,318,065	393,067,200
Less allowance for impairment losses	18	90,278,696	90,278,696
		P273,039,369	P302,788,504

**net of accumulated amortization, gross of allowance for impairment losses*

Movements in software costs follow:

	2020	2019	2018
Cost			
Balance at January 1	P861,720,028	P730,123,876	P705,548,281
Additions	16,158,782	131,596,152	24,575,595
Balance at end of year	877,878,810	861,720,028	730,123,876
Less Accumulated Amortization			
Balance at January 1	528,652,828	494,508,673	437,126,957
Amortization for the year	45,907,917	34,144,155	57,381,716
Balance at end of year	574,560,745	528,652,828	494,508,673
Less Allowance for Impairment Losses	90,278,696	90,278,696	90,278,696
Net Book Value	P213,039,369	P242,788,504	P145,336,507

Other Properties Acquired

Movements in the other properties acquired follow:

	2020	2019	2018
Cost			
Balance at January 1	P246,655,672	P228,602,522	P59,786,522
Additions	24,013,000	49,947,500	232,780,000
Disposals	(45,238,500)	(31,511,000)	(63,964,000)
Write-off	-	(383,350)	-
Balance at end of year	225,430,172	246,655,672	228,602,522
Less Accumulated Depreciation			
Balance at January 1	106,187,895	38,239,801	16,360,495
Depreciation for the year	86,916,796	76,976,250	42,619,251
Disposals	(18,715,755)	(8,644,806)	(20,739,945)
Write-off	-	(383,350)	-
Balance at end of year	174,388,936	106,187,895	38,239,801
Less Allowance for Impairment Losses	-	25,777	-
Net Book Value	P51,041,236	P140,442,000	P190,362,721

In 2020, 2019 and 2018, gain on foreclosure amounted to P0.2 million, P1.6 million and P3.2 million, respectively. Gain on sale of other properties acquired under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" amounted to P11.0 million, P5.9 million and P18.6 million in 2020, 2019 and 2018, respectively.

18. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2020, 2019 and 2018 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2020					Total
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	
ECL allowance, January 1, 2020	P2,964	P87	P1,813	P118	P2,965	P7,947
Provision for (reversal of) credit and impairment losses for the year	2,376	55	1,204	1,687	(1,707)	3,615
Foreign exchange differences	-	(4)	(39)	(35)	(27)	(105)
ECL allowance, December 31, 2020	P5,340	P138	P2,978	P1,770	P1,231	P11,457

	December 31, 2019					Total
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	
ECL allowance, January 1, 2019	P2,893	P518	P1,618	P777	P3,109	P8,915
Provision for (reversal of) credit and impairment losses for the year	71	(423)	221	(656)	(119)	(906)
Foreign exchange differences	-	(8)	(26)	(3)	(25)	(62)
ECL allowance, December 31, 2019	P2,964	P87	P1,813	P118	P2,965	P7,947

	December 31, 2018					Total
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	
ECL allowance, January 1, 2018	P3,470	P430	P853	P566	P2,909	P8,228
Reversal of (provision for) credit and impairment losses for the year	(577)	68	751	197	167	606
Foreign exchange differences	-	20	14	14	33	81
ECL allowance, December 31, 2018	P2,893	P518	P1,618	P777	P3,109	P8,915

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2020, 2019 and 2018.

The ECL allowance on financial assets at FVOCI is included in the “Net unrealized gains on financial assets at FVOCI” account in the statements of financial position (see Note 10).

As at December 31, 2020 and 2019, ECL on off-balance sheet exposures amounted to P32.2 million and P47.9 million, respectively, (see Note 22). In 2020, 2019 and 2018, the Bank recognized reversal of ECL on loan commitment and financial guarantees amounting to P15.7 million, P8.0 million and P5.9 million, respectively.

The table below summarizes the movement in ECL allowances on loans and receivables in 2020, 2019 and 2018 (amounts in thousands).

	December 31, 2020										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2020	P595,718	P160,023	P93,507	P7,830	P1,022	P1,412	P23,986	P883,498	P3,986	P12,918	P900,402
Provision for credit and impairment losses	93,568	279,607	125,749	(420)	6,421	230	(2,358)	502,797	(633)	12,140	514,304
Transfer from Stage 1	(56,149)	(241,584)	(140,802)	-	(7,059)	-	(1,854)	(447,448)	(499)	(8,812)	(456,759)
Transfer from Stage 2	-	1,316	735	-	-	-	28	2,079	13	56	2,148
Transfer from Stage 3	-	82	41	-	-	-	-	123	5	4	132
Foreign exchange differences	(3,247)	(13)	-	(9)	(4)	-	(58)	(3,331)	-	(14)	(3,345)
	629,890	199,431	79,230	7,401	380	1,642	19,744	937,718	2,872	16,292	956,882
Stage 2											
ECL Loans, January 1, 2020	86,618	11,943	5,674	-	-	1,842	437	106,514	96	25,241	131,851
Provision for credit and impairment losses	(2,657)	43,875	26,193	-	235	(635)	(213)	66,798	(23)	9,325	76,100
Transfer from Stage 1	49,354	81,028	27,681	-	7,059	-	632	165,754	73	3,113	168,940
Transfer from Stage 2	(6,039)	(48,896)	(30,809)	-	-	-	(199)	(85,943)	(67)	(5,996)	(92,006)
Transfer from Stage 3	-	532	37	-	-	-	5,057	5,626	74	3	5,703
Movement due to foreclosure/settlement	(77,922)	-	-	-	-	-	-	(77,922)	-	-	(77,922)
Foreign exchange differences	-	-	-	-	(235)	-	-	(235)	-	(59)	(294)
	49,354	88,482	28,776	-	7,059	1,207	5,714	180,592	153	31,627	212,372
Stage 3											
ECL Loans, January 1, 2020	587,504	88,278	94,418	76,156	163,188	17,663	318,069	1,345,276	54,373	1,042,371	2,442,020
Provision for credit and impairment losses	(4,826)	9,420	24,142	(62)	-	-	356,011	384,685	(65)	(5,082)	379,538
Transfer from Stage 1	6,795	160,556	113,121	-	-	-	1,222	281,694	426	5,699	287,819
Transfer from Stage 2	6,039	47,580	30,074	-	-	-	171	83,864	54	5,940	89,858
Transfer from Stage 3	-	(614)	(78)	-	-	-	(5,057)	(5,749)	(79)	(7)	(5,835)
Movement due to foreclosure/settlement	-	-	(9,517)	-	-	-	-	(9,517)	-	(882)	(10,399)
Write-off	-	-	-	-	-	-	(108,923)	(108,923)	-	-	(108,923)
Foreign exchange differences	(1,801)	-	-	(2,384)	-	-	(2,411)	(6,596)	-	(4,678)	(11,274)
	593,711	305,220	252,160	73,710	163,188	17,663	559,082	1,964,734	54,709	1,043,361	3,062,804
TOTAL											
ECL Loans, January 1, 2020	1,269,840	260,244	193,599	83,986	164,210	20,917	342,492	2,335,288	58,455	1,080,530	3,474,273
Provision for credit and impairment losses	86,085	332,902	176,084	(482)	6,656	(405)	353,440	954,280	(721)	16,383	969,942
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	(77,922)	-	(9,517)	-	-	-	-	(87,439)	-	(882)	(88,321)
Write-off	-	-	-	-	-	-	(108,923)	(108,923)	-	-	(108,923)
Foreign exchange differences	(5,048)	(13)	-	(2,393)	(239)	-	(2,469)	(10,162)	-	(4,751)	(14,913)
	P1,272,955	P593,133	P360,166	P81,111	P170,627	P20,512	P584,540	P3,083,044	P57,734	P1,091,280	P4,232,058

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

December 31, 2019

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2019	P592,605	P129,606	P66,540	P3,662	P466	P4,911	P18,026	P815,816	P4,748	P6,381	P826,945
Provision for credit and impairment losses	33,062	26,326	31,634	4,180	568	(1,657)	7,008	101,121	(537)	5,748	106,332
Transfer from Stage 1	(27,836)	(7,773)	(8,775)	-	-	(1,842)	(1,095)	(47,321)	(306)	(1,080)	(48,707)
Transfer from Stage 2	-	8,416	2,669	-	-	-	124	11,209	34	1,812	13,055
Transfer from Stage 3	-	3,454	1,439	-	-	-	84	4,977	47	61	5,085
Foreign exchange differences	(2,113)	(6)	-	(12)	(12)	-	(161)	(2,304)	-	(4)	(2,308)
	595,718	160,023	93,507	7,830	1,022	1,412	23,986	883,498	3,986	12,918	900,402
Stage 2											
ECL Loans, January 1, 2019	174,686	15,909	4,614	-	-	-	271	195,480	48	25,247	220,775
Provision for credit and impairment losses	(90,393)	1,192	(2,579)	-	-	-	(17)	(91,797)	(50)	23,211	(68,636)
Transfer from Stage 1	716	3,544	4,996	-	-	1,842	265	11,363	99	264	11,726
Transfer from Stage 2	1,609	(11,526)	(4,108)	-	-	-	(170)	(14,195)	(36)	(23,555)	(37,786)
Transfer from Stage 3	-	2,824	2,751	-	-	-	88	5,663	35	88	5,786
Movement due to foreclosure/settlement	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	-	-	-	-	(14)	(14)
	86,618	11,943	5,674	-	-	1,842	437	106,514	96	25,241	131,851
Stage 3											
ECL Loans, January 1, 2019	699,277	64,352	87,948	78,525	163,652	17,663	245,855	1,357,272	54,726	988,978	2,400,976
Provision for credit and impairment losses	(136,029)	25,057	19,351	(594)	(464)	-	73,136	(19,543)	(480)	35,725	15,702
Transfer from Stage 1	27,120	4,229	3,779	-	-	-	830	35,958	207	816	36,981
Transfer from Stage 2	(1,609)	3,110	1,439	-	-	-	46	2,986	2	21,743	24,731
Transfer from Stage 3	-	(6,278)	(4,190)	-	-	-	(172)	(10,640)	(82)	(149)	(10,871)
Movement due to foreclosure/settlement	-	(2,192)	(13,909)	-	-	-	-	(16,101)	-	(1,259)	(17,360)
Foreign exchange differences	(1,255.00)	-	-	(1,775)	-	-	(1,626)	(4,656)	-	(3,483)	(8,139)
	587,504.00	88,278	94,418	76,156	163,188	17,663	318,069	1,345,276	54,373	1,042,371	2,442,020
TOTAL											
ECL Loans, January 1, 2019	1,466,568	209,867	159,102	82,187	164,118	22,574	264,152	2,368,568	59,522	1,020,606	3,448,696
Provision for credit and impairment losses	(193,360)	52,575	48,406	3,586	104	(1,657)	80,127	(10,219)	(1,067)	64,684	53,398
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(2,192)	(13,909)	-	-	-	-	(16,101)	-	(1,259)	(17,360)
Foreign exchange differences	(3,368)	(6)	-	(1,787)	(12)	-	(1,787)	(6,960)	-	(3,501)	(10,461)
	P1,269,840	P260,244	P193,599	P83,986	P164,210	P20,917	P342,492	P2,335,288	P58,455	P1,080,530	P3,474,273

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

December 31, 2018

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2018	P441,083	P107,425	P67,621	P8,579	P588	P2,601	P15,136	P643,033	P10,484	P7,170	P660,687
Provision for credit and impairment losses	158,204	20,499	223	(4,926)	19,197	2,310	3,030	198,537	(5,313)	257	193,481
Transfer from Stage 1	(6,992)	(9,851)	(7,834)	-	(19,344)	-	(758)	(44,779)	(471)	(1,424)	(46,674)
Transfer from Stage 2	-	4,938	2,203	-	-	-	134	7,275	26	243	7,544
Transfer from Stage 3	-	6,595	4,327	-	-	-	468	11,390	22	132	11,544
Foreign exchange differences	310	-	-	9	25	-	16	360	-	3	363
	592,605	129,606	66,540	3,662	466	4,911	18,026	815,816	4,748	6,381	826,945
Stage 2											
ECL Loans, January 1, 2018	273,428	10,049	6,382	-	-	-	467	290,326	138	14,347	304,811
Provision for credit and impairment losses	(100,112)	1,203	(5,012)	-	-	-	(459)	(104,380)	(73)	11,890	(92,563)
Transfer from Stage 1	-	6,877	3,948	-	-	-	82	10,907	50	971	11,928
Transfer from Stage 2	(2,125)	(6,461)	(3,868)	-	-	-	(150)	(12,604)	(68)	(2,031)	(14,703)
Transfer from Stage 3	3,171	4,241	3,164	-	-	-	331	10,907	1	50	10,958
Movement due to foreclosure/settlement	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	324	-	-	-	-	-	-	324	-	20	344
	174,686	15,909	4,614	-	-	-	271	195,480	48	25,247	220,775
Stage 3											
ECL Loans, January 1, 2018	919,280	56,073	78,233	83,088	146,082	17,663	204,091	1,504,510	54,692	971,338	2,530,540
Provision for credit and impairment losses	(228,578)	17,315	25,229	(7,325)	(1,774)	-	39,543	(155,590)	(406)	11,966	(144,030)
Transfer from Stage 1	6,992	2,974	3,886	-	19,344	-	676	33,872	421	453	34,746
Transfer from Stage 2	2,125	1,523	1,665	-	-	-	16	5,329	42	1,788	7,159
Transfer from Stage 3	(3,171)	(10,836)	(7,491)	-	-	-	(799)	(22,297)	(23)	(182)	(22,502)
Movement due to foreclosure/settlement	-	(2,697)	(13,574)	-	-	-	-	(16,271)	-	(1,188)	(17,459)
Foreign exchange differences	2,629	-	-	2,762	-	-	2,328	7,719	-	4,803	12,522
	699,277	64,352	87,948	78,525	163,652	17,663	245,855	1,357,272	54,726	988,978	2,400,976
TOTAL											
ECL Loans, January 1, 2018	1,633,791	173,547	152,236	91,667	146,670	20,264	219,694	2,437,869	65,314	992,855	3,496,038
Provision for credit and impairment losses	(170,486)	39,017	20,440	(12,251)	17,423	2,310	42,114	(61,433)	(5,792)	24,113	(43,112)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(2,697)	(13,574)	-	-	-	-	(16,271)	-	(1,188)	(17,459)
Foreign exchange differences	3,263	-	-	2,771	25	-	2,344	8,403	-	4,826	13,229
	P1,466,568	P209,867	P159,102	P82,187	P164,118	P22,574	P264,152	P2,368,568	P59,522	P1,020,606	P3,448,696

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

The table below summarizes the movement in the gross carrying amounts of financial assets, other than loans and receivables, in 2020 and 2019 (amounts in thousands).

	December 31, 2020				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2020	P21,958,460	P670,568	P13,431,093	P1,389,857	P22,550,797
New assets purchased or originated	2,608,260,913	19,120	2,224,513,173	29,751,469	5,989,528
Assets derecognized or repaid	(2,590,910,913)	(39,070)	(2,217,983,223)	(16,022,195)	(20,043,309)
Other movements*	244,090	372,776	2,097,763	305,117	650,493
Gross carrying amount, December 31, 2020	P39,552,550	P1,023,394	P22,058,806	P15,424,248	P9,147,509

*Includes movements in outstanding balances and foreign exchange differences

	December 31, 2019				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2020	P21,427,033	P3,838,567	P11,985,245	P7,974,183	P23,214,197
New assets purchased or originated	302,898,084	2,183	1,855,170,775	3,491,762	922,128
Assets derecognized or repaid	(296,148,084)	(58,168)	(1,851,378,614)	(10,024,308)	(1,557,000)
Other movements*	(6,218,573)	(3,112,014)	(2,346,313)	(51,780)	(28,528)
Gross carrying amount, December 31, 2020	P21,958,460	P670,568	P13,431,093	P1,389,857	P22,550,797

*Includes movements in outstanding balances and foreign exchange differences

The table below summarizes the movement in the gross carrying amounts on loans and receivables in 2020 and 2019 (amounts in thousands).

	December 31, 2020										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2020	P56,117,848	P7,993,664	P4,312,736	P800,463	P765,368	P294,531	P1,803,761	P72,088,371	P398,621	P1,129,974	P73,616,966
New assets purchased or originated	26,701,798	784,403	887,809	641,585	446,383	247,344	358,892	30,068,214	59,627	1,120,087	31,247,928
Assets derecognized or repaid	(23,425,918)	(177,266)	(237,521)	(800,463)	(755,645)	(252,499)	(175,708)	(25,825,020)	(31,971)	(883,242)	(26,740,233)
Transfer from Stage 1	(740,284)	(1,191,508)	(1,038,585)	-	(36,954)	-	(458,306)	(3,465,637)	(49,855)	(108,137)	(3,623,629)
Transfer from Stage 2	-	39,885	27,235	-	-	-	1,149	68,269	1,322	1,896	71,487
Transfer from Stage 3	-	1,102	1,436	-	-	-	-	2,538	471	59	3,068
Other movements***	(3,350,140)	(549,443)	(1,034,352)	-	(19,971)	(10,553)	(112,806)	(5,077,265)	(90,998)	(89,947)	(5,258,210)
	55,303,304	6,900,837	2,918,758	641,585	399,181	278,823	1,416,982	67,859,470	287,217	1,170,690	69,317,377
Stage 2											
Gross carrying amount, January 1, 2020	308,470	251,179	180,775	-	-	22,338	10,283	773,045	9,585	26,664	809,294
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(301,354)	(13,099)	(17,709)	-	-	-	(2,904)	(335,066)	(616)	(16,341)	(352,023)
Transfer from Stage 1	726,822	795,254	787,817	-	36,954.00	-	60,489	2,407,336	7,378	76,933	2,491,647
Transfer from Stage 2	(6,130)	(165,733)	(96,204)	-	-	-	(2,726)	(270,793)	(6,668)	(9,410)	(286,871)
Transfer from Stage 3	-	4,938	1,177	-	-	-	17,020	23,135	7,377	53	30,565
Other movements***	(986)	(10,749)	(36,182)	-	-	(4,553)	(3,025)	(55,495)	(1,711)	666	(56,540)
	726,822	861,790	819,674	-	36,954	17,785	79,137	2,542,162	15,345	78,565	2,636,072
Stage 3											
Gross carrying amount, January 1, 2020	598,518	249,628	199,334	76,156	163,188	17,663	322,575	1,627,062	120,071	1,043,142	2,790,275
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(13,635)	(9,156)	(12,744)	-	-	-	(2,285)	(37,820)	(2,686)	(20,551)	(61,057)
Transfer from Stage 1	13,462	396,254	250,768	-	-	-	397,817	1,058,301	42,477	31,204	1,131,982
Transfer from Stage 2	6,130	125,848	68,969	-	-	-	1,577	202,524	5,346	7,514	215,384
Transfer from Stage 3	-	(6,040)	(2,613)	-	-	-	(17,020)	(25,673)	(7,848)	(112)	(33,633)
Write-off	-	-	-	-	-	-	(108,923)	(108,923)	-	-	(108,923)
Other movements***	(2,790)	(1,686)	(8,916)	(2,446)	-	-	(2,955)	(18,793)	(3,765)	(4,512)	(27,070)
	601,685	754,848	494,798	73,710	163,188	17,663	590,786	2,696,678	153,595	1,056,685	3,906,958
Total											
Gross carrying amount, January 1, 2020	57,024,836	8,494,471	4,692,845	876,619	928,556	334,532	2,136,619	74,488,478	528,277	2,199,780	77,216,535
New assets purchased or originated	26,701,798	784,403	887,809	641,585	446,383	247,344	358,892	30,068,214	59,627	1,120,087	31,247,928
Assets derecognized or repaid	(23,740,907)	(199,521)	(267,974)	(800,463)	(755,645)	(252,499)	(180,897)	(26,197,906)	(35,273)	(920,134)	(27,153,313)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	(108,923)	(108,923)	-	-	(108,923)
Other movements***	(3,353,916)	(561,878)	(1,079,450)	(2,446)	(19,971)	(15,106)	(118,786)	(5,151,553)	(96,474)	(93,793)	(5,341,820)
	P56,631,811	P8,517,475	P4,233,230	P715,295	P599,323	P314,271	P2,086,905	P73,098,310	P456,157	P2,305,940	P75,860,407

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

***Includes movements in outstanding balances and foreign exchange differences

December 31, 2019

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2019	P56,954,903	P6,395,507	P3,260,811	P1,315,932	P888,175	P354,490	P1,194,998	P70,364,816	P474,781	P1,122,533	P71,962,130
New assets purchased or originated	26,585,114	2,406,631	2,317,012	800,463	758,454	276,403	439,370	33,583,447	110,589	399,108	34,093,144
Assets derecognized or repaid	(24,669,612)	(237,305)	(241,628)	(1,315,932)	(880,015)	(299,161)	(221,350)	(27,865,003)	(94,809)	(341,384)	(28,301,196)
Transfer from Stage 1	(39,568)	(242,098)	(215,592)	-	-	(22,338)	(17,581)	(537,177)	(30,588)	(101,803)	(669,568)
Transfer from Stage 2	-	177,914	86,813	-	-	-	5,192	269,919	3,332	2,699	275,950
Transfer from Stage 3	-	9,731	3,436	-	-	-	169	13,336	4,748	106	18,190
Other movements***	(2,712,989)	(516,716)	(898,116)	-	(1,246)	(14,863)	402,963	(3,740,967)	(69,432)	48,715	(3,761,684)
	56,117,848	7,993,664	4,312,736	800,463	765,368	294,531	1,803,761	72,088,371	398,621	1,129,974	73,616,966
Stage 2											
Gross carrying amount, January 1, 2019	385,625	403,921	203,470	-	-	-	15,694	1,008,710	4,804	25,415	1,038,929
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(33,118)	(53,610)	(26,671)	-	-	-	(4,630)	(118,029)	(447)	(563)	(119,039)
Transfer from Stage 1	9,557	156,733	177,088	-	-	22,338	10,052	375,768	9,861	22,196	407,825
Transfer from Stage 2	-	(246,471)	(127,457)	-	-	-	(7,020)	(380,948)	(3,564)	(24,531)	(409,043)
Transfer from Stage 3	4,566	6,922	5,989	-	-	-	200	17,677	3,486	263	21,426
Other movements***	(58,160)	(16,316)	(51,644)	-	-	-	(4,013)	(130,133)	(4,555)	3,884	(130,804)
	308,470	251,179	180,775	-	-	22,338.00	10,283	773,045	9,585	26,664	809,294
Stage 3											
Gross carrying amount, January 1, 2019	712,431	160,139	179,398	78,525	163,859	17,663	251,128	1,563,143	155,339	1,000,216	2,718,698
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(134,677)	(42,661)	(27,683)	-	(671)	-	(2,454)	(208,146)	(42,584)	(1,486)	(252,216)
Transfer from Stage 1	30,011	85,365	38,504	-	-	-	7,529	161,409	20,727	79,607	261,743
Transfer from Stage 2	-	68,557	40,644	-	-	-	1,828	111,029	232	21,832	133,093
Transfer from Stage 3	(4,566)	(16,653)	(9,425)	-	-	-	(369)	(31,013)	(8,234)	(369)	(39,616)
Other movements***	(4,681)	(5,119)	(22,104)	(2,369)	-	-	64,913	30,640	(5,409)	(56,658)	(31,427)
	598,518	249,628	199,334	76,156	163,188	17,663	322,575	1,627,062	120,071	1,043,142	2,790,275
TOTAL											
Gross carrying amount, January 1, 2019	58,052,959	6,959,567	3,643,679	1,394,457	1,052,034	372,153	1,461,820	72,936,669	634,924	2,148,164	75,719,757
New assets purchased or originated	26,585,114	2,406,631	2,317,012	800,463	758,454	276,403	439,370	33,583,447	110,589	399,108	34,093,144
Assets derecognized or repaid	(24,837,407)	(333,576)	(295,982)	(1,315,932)	(880,686)	(299,161)	(228,434)	(28,191,178)	(137,840)	(343,433)	(28,672,451)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Other movements***	(2,775,830)	(538,151)	(971,864)	(2,369)	(1,246)	(14,863)	463,863	(3,840,460)	(79,396)	(4,059)	(3,923,915)
	P57,024,836	P8,494,471	P4,692,845	P876,619	P928,556	P334,532	P2,136,619	P74,488,478	P528,277	P2,199,780	P77,216,535

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

***Includes movements in outstanding balances and foreign exchange differences

Movement in allowance for impairment losses as at December 31, 2020, 2019 and 2018 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

December 31, 2020					
	Investment in Associate (Note 14)	Property and Equipment (Note 15)	Investment Properties (Note 16)	Other Assets (Note 17)	Total
Balance at beginning of year	P5,926	P6,156	P175,753	P4,615,167	P4,803,002
Provision for impairment losses for the year	-	-	4,063	564	4,627
Foreign exchange differences	-	-	-	(7)	(7)
Balance at end of year	P5,926	P6,156	P179,816	P4,615,724	P4,807,622

December 31, 2019					
	Investment in Associate (Note 14)	Property and Equipment (Note 15)	Investment Properties (Note 16)	Other Assets (Note 17)	Total
Balance at beginning of year	P5,926	P6,156	P166,121	P4,617,177	P4,795,380
Provision for (Reversal of) impairment losses for the year	-	-	9,632	(2,002)	7,630
Foreign exchange differences	-	-	-	(8)	(8)
Balance at end of year	P5,926	P6,156	P175,753	P4,615,167	P4,803,002

December 31, 2018					
	Investment in Associate (Note 14)	Property and Equipment (Note 15)	Investment Properties (Note 16)	Other Assets (Note 17)	Total
Balance at beginning of year	P5,926	P14,733	P200,818	P4,617,553	P4,839,030
Provision for (Reversal of) impairment losses for the year	-	(8,577)	(34,697)	(376)	(43,650)
Foreign exchange differences	-	-	-	-	-
Accounts charged-off	-	-	-	-	-
Balance at end of year	P5,926	P6,156	P166,121	P4,617,177	P4,795,380

19. Deposit Liabilities

Long-term Negotiable Certificates of Time Deposit (LTNCTD)

On March 17, 2020, the Bank issued unsecured LTNCTD with 4.5% fixed interest rate at par value of P5.0 billion and maturing on September 17, 2025. The issuance of the LTNCTD was approved by the BOD on June 25, 2019 and by the BSP on October 31, 2019. The issuance was listed in the Philippine Dealing and Exchange Corporation.

Reserve Requirement

On December 6, 2019, the BSP reduced the reserve requirement to 14.0% through the issuance of BSP Circular No.1063, *Reduction in Reserve Requirements*.

On March 31, 2020, the BSP issued Circular No. 1082, *Reduction in Reserve Requirements* reducing the reserve requirement to 12.0% effective on the reserve week starting on April 3, 2020.

As at December 31, 2020 and 2019, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P15.4 billion and P15.1 billion as at December 31, 2020 and 2019, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rates ranging from 1.5% to 3.5%, from 3.5% to 4.3%, from 2.5% to 4.3% in 2020, 2019, and 2018, respectively. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 1.7% to 4.3%, from 4.2% to 5.2%, from 2.8% to 4.5% in 2020, 2019, and 2018, respectively. Interest income on Due from BSP amounted to P255.2 million, P104.9 million, P45.2 million in 2020, 2019, and 2018, respectively. Interest expense on deposit liabilities follows:

	2020	2019	2018
Demand	P44,728,904	P35,708,157	P32,724,146
Savings	710,148,562	1,912,211,483	1,187,162,285
Time	194,935,281	398,347,203	289,050,090
LTNCTD	177,915,733	-	-
	P1,127,728,480	P2,346,266,843	P1,508,936,521

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.3% in 2020 and 2019 and from 0.1% to 7.4% in 2018. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 3.0% in 2020 and 2019 and from 0.1% to 3.1% in 2018.

20. Bills Payable

This account consists of SSURA, short-term borrowings from local banks and borrowings from rediscounting facility availed by TRB from Social Security System, which was assumed by the Bank in connection with the PSA entered into by the Bank with the TRB in 2002. As at December 31, 2020 and 2019, borrowings from rediscounting facility were collateralized by certain receivables from customers amounting to P0.04 million and P0.08 million, respectively.

As at December 31, 2020 and 2019, there are no financial assets at FVOCI pledged and transferred under SSURA transactions and no short-term borrowings from local banks.

Interest expense consists of:

	2020	2019	2018
Local banks	P272,528	P2,660,677	P423,182
SSURA	-	597,709	8,475,711
Other borrowings	833,171	1,597,608	1,125,131
	P1,105,699	P4,855,994	P10,024,024

Peso-denominated short-term borrowings from local banks are subject to annual interest rate of 1.9%, from 5.0% to 5.3% and from 3.1% to 4.7% in 2020, 2019 and 2018, respectively. Foreign currency denominated short-term borrowings from local banks are subject to annual interest rate of 1.3% in 2020. No foreign currency denominated short-term borrowings in 2019 and interest rates ranging from 1.4% to 2.3% in 2018.

SSURA were subject to annual interest rate of 2.8% in 2019 and interest rates ranging from 2.6% to 2.8% in 2018.

Borrowings from rediscounting facility are subject to annual interest rate of 8.0% in 2020 and annual interest rates ranging from 8.0% to 12% in 2019 and 2018.

21. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	<i>Note</i>	2020	2019
Interest payable:			
Deposit liabilities	19	P51,639,625	P150,513,201
Bills payable	20	1,762	2,244
		51,641,387	150,515,445
Employee and other benefits		338,329,853	216,523,457
Insurance		144,295,518	123,427,239
Penalties		141,485,559	81,642,389
Taxes payable		73,083,225	99,115,147
Equipment-related expenses		23,502,169	26,894,604
Fees and commissions		22,796,639	33,454,721
Rent		11,201,623	13,182,866
Management and professional fees		9,360,289	16,631,150
Others		76,767,215	53,647,785
		P892,463,477	P815,034,803

Other accrued expenses include accruals for utilities expenses, security services, janitorial, messengerial and various expenses attributable to the Bank's operations.

22. Other Liabilities

This account consists of:

	<i>Note</i>	2020	2019
Accounts payable		P874,595,629	P978,466,356
Lease liability	30	681,997,064	645,999,494
Bills purchased - contra	12	640,565,660	775,822,119
Retirement liability	29	392,542,958	315,118,153
Due to preferred shareholders	24	279,765,823	277,515,653
Other credits-dormant		178,948,793	107,139,500
Due to Treasurer of the Philippines		56,618,723	56,868,348
Withholding tax payable		49,898,110	76,276,475
ECL on off-balance sheet exposures	18	32,194,847	47,868,523
Miscellaneous		98,918,230	62,431,855
		P3,286,045,837	P3,343,506,476

Accounts payable mainly pertains to advance loan payments from borrowers, inward and outward remittances received by the Bank pending payment or application to designated deposit accounts.

Other credits - dormant account are long outstanding Managers' Checks that are yet to be encashed by the payee for more than one (1) year from the date of check.

ECL on off-balance sheet exposures relate to committed credit line, credit card lines, outstanding guarantees and unused commercial letter of credits (see Note 38).

Miscellaneous include deposits for keys of safety deposit boxes, SSS payable and unclaimed salaries of resigned employees.

23. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled within and/or after more than 12 months after the reporting period (amounts in thousands):

Note	2020			2019			Total
	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total	
Financial Assets - gross							
COCI		P 2,420,505	P -	P 2,420,505	P 1,776,399	P -	P 1,776,399
Due from BSP	19	39,552,550	-	39,552,550	21,958,460	-	21,958,460
Due from other banks		1,023,394	-	1,023,394	670,568	-	670,568
Interbank loans receivable and SPURA	8	22,058,806	-	22,058,806	13,431,093	-	13,431,093
Financial assets at FVPL:	9						
Government securities held-for-trading		639,004	-	639,004	257,572	-	257,572
Private debt securities		-	602,404	602,404	-	770,871	770,871
Derivative assets		-	24,011	24,011	-	25,318	25,318
Financial assets at FVOCI:	10						
Government securities held-for-trading		10,545,490	4,402,607	14,948,097	470,437	446,462	916,899
Private debt securities		-	314,964	314,964	-	311,359	311,359
Equity securities		-	161,187	161,187	-	161,600	161,600
Investment securities at amortized cost - gross:	11						
Government securities		1,794,104	4,140,353	5,934,457	1,582,316	17,370,558	18,952,874
Private debt securities		2,358,976	854,076	3,213,052	352,227	3,245,696	3,597,923
Loans and receivables - gross:	12						
Receivable from customers:							
Term loans		22,498,929	34,132,883	56,631,812	23,850,544	33,174,292	57,024,836
Housing loans		1,673,336	6,844,248	8,517,584	524,057	7,970,535	8,494,592
Auto loans		1,499,126	2,734,134	4,233,260	543,298	4,149,706	4,693,004
Bills purchased, import bills and trust receipts		715,295	-	715,295	876,619	-	876,619
Direct advances		596,077	4,920	600,997	918,763	12,511	931,274
Agri-agra loans		266,282	48,537	314,819	270,591	64,371	334,962
Others		1,635,536	471,791	2,107,327	1,532,216	623,889	2,156,105
Accounts receivable		1,125,879	-	1,125,879	1,091,478	-	1,091,478
Accrued interest receivable		888,473	-	888,473	816,629	-	816,629
Sales contract receivables		168,409	287,748	456,157	137,614	390,663	528,277
Unquoted debt securities		291,578	-	291,578	291,578	-	291,578
RCOCI		10	-	10	94	-	94
Investment in associate	14	-	75,395	75,395	-	75,395	75,395
		111,751,759	55,099,258	166,851,017	71,352,553	68,793,226	140,145,779
Non-financial Assets - gross							
Non-current assets held for sale	13	-	-	-	48,122	-	48,122
Property and equipment	15	-	4,205,560	4,205,560	-	4,011,569	4,011,569
Investment properties	16	-	4,532,155	4,532,155	-	4,500,537	4,500,537
Deferred tax assets - net	32	-	955,380	955,380	-	880,301	880,301
Other assets	17	1,416,804	6,077,002	7,493,806	1,227,041	6,050,174	7,277,215
		1,416,804	15,770,097	17,186,901	1,275,163	15,442,581	16,717,744
		P113,168,563	P70,869,355	P184,037,918	P72,627,716	P84,235,807	P156,863,523
Less:							
Allowance for credit and impairment losses	18			P9,049,367			P8,285,104
Accumulated depreciation and amortization	15, 16, 17			4,016,304			3,494,193
Accumulated equity in net loss	14			28,782			28,026
Unearned interest	12			22,784			22,914
Total				P170,920,681			P145,033,286
Financial Liabilities							
Deposit liabilities:	19						
Demand		P39,659,286	P -	P39,659,286	P34,158,478	P -	P34,158,478
Savings		83,743,821	-	83,743,821	72,016,488	77	72,016,565
Time		19,162,549	1,510,535	20,673,084	15,781,288	1,899,857	17,681,145
LTNCTD		-	5,029,420	5,029,420	-	-	-
Bills payable	20	19	-	19	-	105	105
Manager's checks		870,080	-	870,080	923,460	-	923,460
Accrued interest and other expenses*	21	469,849	-	469,849	486,213	-	486,213
Other liabilities**	22	2,036,987	774,422	2,811,409	2,150,117	754,126	2,904,243
		145,942,591	7,314,377	153,256,968	125,516,044	2,654,165	128,170,209
Non-financial Liabilities							
Accrued taxes and other expense payable	21	422,615	-	422,615	328,822	-	328,822
Other liabilities	22	474,636	-	474,636	439,263	-	439,263
		897,251	-	897,251	768,085	-	768,085
		P146,839,842	P7,314,377	P154,154,219	P126,284,129	P2,654,165	P128,938,294

*amounts exclude accruals of employee and other benefits, taxes payable and rent

**amounts exclude withholding tax payable, retirement liability and ECL of loan commitments and financial guarantees

24. Capital

As at December 31, 2020, 2019 and 2018, the Bank's capital stock consists of the following:

	Shares			Amount		
	2020	2019	2018	2020	2019	2018
Authorized common stock, P100 par value	170,251,147	212,500,000	212,500,000	P17,025,114,700	P21,250,000,000	P21,250,000,000
Authorized preferred stock, P100 par value	45,500,000	7,500,000	7,500,000	4,550,000,000	750,000,000	750,000,000
Common stock issued and outstanding	112,241,112	112,241,112	112,241,112	11,224,111,200	11,224,111,200	11,224,111,200
Additional paid-in capital	-	-	-	5,594,079,646	5,594,079,646	5,594,079,646

As at December 31, 2020, 2019 and 2018, the Bank has no outstanding preferred shares. However, the Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P279.8 million and P277.5 million as at December 31, 2020 and 2019, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 22 to the financial statements. As at December 31, 2020 and 2019, the related sinking fund which is recorded under "Other assets" account amounting to P279.8 million and P277.5 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 17).

On April 8, 2010, the SEC approved the Bank's application for the increase in authorized capital stock from P6.0 billion, divided into 52.5 million common shares and 7.5 million preferred shares both with the par value of P100 each, to P22.0 billion divided into 212.5 million common shares and 7.5 million preferred shares both with the par value of P100 each. The related amendment to the Articles of Incorporation of the Bank relative to its proposed increase in authorized capital stock from P6.0 billion to P22.0 billion was approved by BSP and the SEC on March 26, 2010 and April 8, 2010, respectively.

During its meeting on January 18, 2011, the BOD of the Bank passed a resolution approving the following:

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to SMPI and SMCRP amounting to 2,800,000 shares and 1,972,735 shares, respectively; and
- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

In this connection, the Bank secured the approval of the MB of BSP for such sale of shares and assignment of subscription of the shares of Valiant. This is mandated in BSP's MORB since the total shareholdings of Valiant entitles it to a board seat. The Board also approved that the sale of shares and assignment of subscription rights be recorded in the stock and transfer book of the Bank only after the approval of the MB has been obtained.

On March 30, 2011, the MB of BSP approved the sale of shares of Valiant. In 2011, the Bank's subscribed common stock totaling 59,741,113 shares have been fully paid in accordance with the subscription agreement.

On April 30, 2019, the BOD and the Stockholders approved to amend the Articles of Incorporation to deny pre-emptive rights. The said amendment was approved by the BSP on August 16, 2019 and by the SEC on September 5, 2019.

On January 30, 2020, the BOD and the Stockholders approved the amendment of the Articles of Incorporation to (a) reflect that the Bank's terms of existence shall be perpetual (b) retire 4,248,853 redeemed preferred shares thereby decreasing the Bank's authorized capital stock to P21,575,114,70 (c) reclassify 3,251,147 existing unissued preferred shares into new unissued preferred shares and (d) reclassify 42,248,853 existing unissued common shares into new unissued preferred shares. The amendments resulted in total new preferred shares of 45,500,000 with par value of P100 and decrease in common shares to 170,251,147 with par value of P100. These were approved by the BSP on May 21, 2020 and by the SEC on June 9, 2020.

Preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of the Bank and subject to the other terms and conditions as may be fixed by the BOD, required under regulations, and to the extent permitted by applicable law.

Capital Management

The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is being actively managed to cover risks inherent in the Bank's operations. In 2009, SMPI and SMCRP infused additional capital amounting to P3.3 billion in the form of paid-up common stock. On February 18, 2010 and March 1, 2010, major stockholders infused P271.9 million and P2.1 billion, respectively, into the Bank in the form of advances for future stock subscriptions, which shall be treated as part of the Bank's paid-up capital upon the SEC's approval thereon and on the increase in the Bank's authorized capital stock.

In a disclosure to the Philippine Stock Exchange on November 7, 2019, San Miguel Corporation (SMC) declared that the BOD of SMC approved to provide an additional equity investment in the Bank of up to P5.5 billion in support of the application of the Bank for an upgrade of its commercial banking license to a universal banking license. The Bank continues to discuss the terms of the investment with SMC and is currently working on the other requirements of the BSP for a universal banking license.

Under Section 121 of the MORB, *Minimum Required Capital*, the minimum capitalization requirement applicable for the Bank (commercial banks with more than 100 branches) amounted to P15.0 billion. As at December 31, 2020 and 2019, the reported unimpaired capital of the Bank amounted to P16.5 billion and P16.0 billion, respectively.

The guidelines on bank's ICAAP under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework. In compliance with this new circular, the Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Bank. The level and structure of capital are assessed and determined in light of the Bank's business environment, plans, performance, risks and budget; as well as regulatory edicts. The deadline for submission of ICAAP documents is March 31 of each year.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles which differ from PFRSs in some respects.

The BSP sets and monitors compliance to minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 538, *Revised Risk-Based Capital Adequacy Framework For Universal and Commercial Banks and their Subsidiary Banks and Quasi-banks* which implemented the Revised Risk-Based Capital Adequacy Framework under Basel II effective July 1, 2007. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0%.

Under Section 125 and Appendix 59 of the MORB, the regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprised common stock, additional paid-in capital and surplus. Tier 2 composed upper tier 2 and lower tier 2. Upper tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision and deposit for common stock subscription. Lower tier 2 consists of the unsecured subordinated debt.

The following are the minimum capital requirements for UBs and KBs and their subsidiary banks and quasi-banks (QBs):

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs)
- 7.5% Tier 1 Capital/RWAs, and 10.0% Total Qualifying Capital (Tier1 plus Tier2)/RWAs

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-'going concern' [CET1 plus Additional Tier 1(ATI)] and Tier 2 -'gone concern.' A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.5% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and quasi-banks. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress.

The CET1 capital requirement includes as an additional capital buffer, the Countercyclical capital buffer (CcyB) of zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increases in the CcyB rate shall be effective 12 months after announcement while decreases shall be effective immediately.

The countercyclical buffer requirement will extend the size of the capital conservation buffer. A bank shall not be subject to any restriction on distribution if the following conditions are met:

- a. Has positive retained earnings as of the preceding quarter and has complied with the requirements on the declaration of dividends as provided in the MORB;
- b. Has CET1 of more than the total required (minimum CET1 ratio of 6.0% plus CCB of 2.5% plus CcyB at the rate determined by the MB) before distribution; and
- c. Has complied with the minimum capital ratios (CET1 ratio of 6.0%, Tier 1 ratio of 7.5% and 10.0% CAR) after the distribution.

Otherwise, the policy framework of the capital conservation buffer on the restriction on distributions shall apply, except for drawdowns. Thresholds on the restriction on distribution shall consider the CcyB requirement as an extension of the capital conservation buffer.

As at December 31, 2020 and 2019, based on the CAR reports submitted to BSP, the Bank's CAR of 16.60% and 15.93%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"), based on the Basel III framework. The increase in CAR ratio was mainly due to the movement in the credit risk weighted amount of loans and other risk assets.

The breakdown of the Bank's risk-weighted assets as at December 31, 2020 and 2019 as reported to BSP follows (amounts in thousands):

	2020	2019
Credit risk-weighted assets	P87,988,590	P89,735,017
Operational risk-weighted assets	8,310,351	7,472,407
Market-risk weighted assets	733,210	409,223
	P97,032,151	P97,616,647

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2020 and 2019 (in millions) which was compiled as per below:

	2020	2019
Tier 1 capital	P15,120	P14,715
Tier 2 capital	984	837
Total qualifying capital	P16,104	P15,552
Risk-weighted assets	P97,032	P97,617
Tier 1 capital ratio	15.58%	15.07%
Total capital ratio	16.60%	15.93%

Certain adjustments are made to PFRSs results and reserves to calculate CAR which included the Bank's accounting of the following transactions that require different accounting treatments under PFRSs:

- a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning through offset of net yield earned from the financial assistance;
- b) accounting for investment properties.

The recognition of the Bank is based on the accounting treatment approved by BSP (see Notes 16 and 17).

Under Section 129 of the MORB Basel III, leverage ratio is designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The Bank exceeded the minimum leverage ratio 5.0% in 2020 and 2019 (in thousands) as per below breakdown (amounts in thousands):

	2020	2019
Capital measure	P15,120,329	P14,714,742
Exposure measure	174,068,012	148,518,664
Leverage ratio	8.69%	9.91%

The LCR framework under Section 145 of the MORB promotes short-term resilience of liquidity risk profile of a bank. The LCR is the ratio of HQLAs to total net cash outflows. Under normal situation, the value of the ratio should be no lower than 100.0% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement commenced on January 01, 2018 and the prescribed minimum shall be set initially at 90% for 2018 and raised to the minimum level of 100% on January 01, 2019.

Based on the LCR reports submitted to the BSP as at December 31, 2020 and 2019, the Bank's LCR were 165.00% and 149.64% respectively, which were above the prescribed minimum requirement set at 100.0%.

While the NSFR promotes long-term resilience of banks against liquidity risk and maintains stable funding profile in relation to the composition of its assets and off-balance sheet activities. The implementation of the minimum NSFR was phased-in, banks undergone observation period from July 1, 2018 up to December 31, 2018 while actual implementation commenced on January 01, 2019. The NSR is the ratio of Bank's available stable funding to its required stable funding and shall maintain at least 100.0% at all times.

As at December 31, 2020 and 2019, the reported NSFR of 161% and 137% respectively, exceeded the required minimum of 100%.

This applies to U/KBs as well as their subsidiary banks and quasi-banks with the framework anchored on the international standards issued by the Basel Committee on Banking Supervision known as the Basel 3 reforms.

25. Surplus Reserve

	2020	2019	2018
Reserve for general provision - special reserve	P208,882,885	P223,344,419	P287,401,612
Reserve for trust business	126,719,455	115,918,324	107,593,173
Reserve for self-insurance	60,000,000	60,000,000	60,000,000
	P395,602,340	P399,262,743	P454,994,785

The BSP, through Circular No. 1011, *Guidelines on the Adoption of the PFRS 9*, requires appropriation of the Bank's Retained earnings in case the computed allowance for credit losses on loans based on PFRS 9 is less than the BSP required 1.0% general provision on outstanding Stage 1 on-balance sheet loans, except for accounts considered as risk-free under existing regulations.

In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Bank's authorized capital stock.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation and other unlawful acts of the Bank's personnel or third parties.

26. Interest Income on Debt Securities

This account consists of:

	Note	2020	2019	2018
Investment securities at amortized cost:				
Government securities	11	P571,132,356	P754,709,801	P754,060,444
Private debt securities		177,633,500	171,893,382	163,479,146
Financial assets at FVOCI:				
Government securities	10	150,809,611	162,313,770	153,446,491
Private debt securities		19,799,002	28,175,322	52,899,950
		919,374,469	1,117,092,275	1,123,886,031
Financial assets at FVPL:				
Government securities held for trading	9	16,991,151	16,058,663	62,668,042
		P936,365,620	P1,133,150,938	P1,186,554,073

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 0.6% to 9.5% in 2020, from 0.3% to 8.6% in 2019 and from 0.3% to 9.9% in 2018. Peso-denominated financial assets at FVPL bear annual interest rates ranging from 0.8% to 8.1%, from 3.6% to 8.1% and from 3.6% to 8.1% in 2020, 2019 and 2018, respectively.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 0.1% to 3.9%, from 2.0% to 3.9%, and from 1.1% to 4.5%, respectively, in 2020, 2019 and 2018. Peso-denominated financial assets at FVOCI bear EIRs ranging from 1.4% to 7.1% in 2020, from 6.0% to 7.2% in 2019 and from 2.1% to 7.6% in 2018.

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 3.4%, from 2.0% to 3.4% and from 1.4% to 3.7%, respectively, in 2020, 2019 and 2018. Peso-denominated investment securities at amortized cost bear EIRs ranging from 1.7% to 8.1% in 2020, from 3.2% to 8.1% in 2019 and from 2.1% to 8.1% in 2018.

27. Service Charges, Fees and Commissions

This account consists of:

	2020	2019	2018
Trust income	P124,291,947	P107,985,620	P83,231,022
Service charges	123,659,614	142,303,916	137,357,081
Credit card fees	90,918,959	114,954,396	66,577,112
Remittance fees	42,395,261	41,849,712	16,429,495
Commitment fee	26,054,795	2,280,159	20,221,761
Letters of credit fees	11,347,102	16,036,627	15,382,181
Penalty charges	8,626,070	19,629,875	17,398,727
Fees and commissions	2,999,204	3,285,774	3,374,185
Telegraphic transfer fees	2,363,815	3,053,339	3,876,512
Others	11,980,303	25,894,862	27,964,823
	P444,637,070	P477,274,280	P391,812,899

Service charges include charges on loans, ATM fees and deposit taking-related activities.

Others include commission on acceptance fee, insurance, auto and housing loans, processing and sale of demand drafts.

28. Trading and Investment Securities Gains (Losses) - net

This account consists of realized and unrealized gains (losses) from the following securities:

	Note	2020	2019	2018
Financial assets and liabilities at FVPL:				
Debt securities:				
Unrealized	9	P69,731,751	P135,535,224	(P19,715,698)
Realized		30,065,549	21,326,085	(89,534,221)
Financial assets at FVOCI	10	280,743,443	198,827,405	(164,734)
Investment securities at amortized cost	11	767,033,010	-	-
		P1,147,573,753	P355,688,714	(P109,414,653)

29. Employee Benefits

Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using projected unit credit method.

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

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

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

The Bank's retirement plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended, and complies with the minimum retirement benefit specified under RA No. 7641, the "New Retirement Law."

The date of the last actuarial valuation is December 31, 2020. Valuations are performed on an annual basis.

As at December 31, 2020, 2019 and 2018, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2020	2019	2018
Average working life	13.0	13.0	13.0
Discount rate	3.9%	5.3%	7.6%
Future salary increases	6.6%	6.6%	6.6%

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability and its components (in thousands).

	Defined Benefits Obligation			Fair Value of Plan Assets			Net Retirement Benefit Liability		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Balance at January 1	P1,137,202	P822,021	P862,561	(P822,084)	(P620,813)	(P677,115)	P315,118	P201,208	P185,446
Included in Profit or Loss									
Current service cost	108,067	76,083	86,437	-	-	-	108,067	76,083	86,437
Interest expense (income)	60,272	62,474	50,028	(43,570)	(47,182)	(39,272)	16,702	15,292	10,756
	168,339	138,557	136,465	(43,570)	(47,182)	(39,272)	124,769	91,375	97,193
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	196,092	234,215	(162,837)	-	-	-	196,092	234,215	(162,837)
Experience adjustment	(87,254)	(5,378)	22,345	-	-	-	(87,254)	(5,378)	22,345
Return on plan assets excluding interest income	-	-	-	20,251	(4,151)	59,061	20,251	(4,151)	59,061
	108,838	228,837	(140,492)	20,251	(4,151)	59,061	129,089	224,686	(81,431)
Others									
Contributions paid by the employer	-	-	-	(176,433)	(202,151)	-	(176,433)	(202,151)	-
Benefits paid	(85,013)	(52,213)	(36,513)	85,013	52,213	36,513	-	-	-
	(85,013)	(52,213)	(36,513)	(91,420)	(149,938)	36,513	(176,433)	(202,151)	-
Balance at December 31	P1,329,366	P1,137,202	P822,021	(P936,823)	(P822,084)	(P620,813)	P392,543	P315,118	P201,208

The movements of the remeasurement losses on retirement liability of the Bank follow:

	2020	2019	2018
Balance at beginning of year	P319,998,451	P95,312,091	P176,743,526
Remeasurement losses (gains) on:			
Defined benefits obligation	108,837,990	228,837,578	(140,492,272)
Plan assets	20,251,559	(4,151,218)	59,060,837
	129,089,549	224,686,360	(81,431,435)
Balance at end of year	P449,088,000	P319,998,451	P95,312,091

The actual gain on plan assets amounted to P23.3 million and P51.3 million in 2020 and 2019, respectively.

The Bank expects to contribute P192.4 million to its defined benefits retirement plan in 2021.

The major categories of the fair value of plan assets as at December 31, 2020 and 2019 follow:

	2020	2019
Financial assets at FVOCI:		
Government and other debt securities	P515,228,053	P425,389,037
Quoted equity securities	211,844,705	196,084,992
Unquoted equity securities	10,986,031	12,223,787
Deposits with the bank	69,142,094	63,689,062
Loans receivables	122,556,146	115,816,489
Other receivables	7,065,856	8,880,528
Total Plan Assets	P936,822,885	P822,083,895

Sensitivity Analysis

Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement liability of the Bank by the amounts shown below:

	December 31, 2020			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P1,184,591,907	P1,502,174,842	P1,486,931,398	P1,193,854,763
Fair value of plan assets	936,822,885	936,822,885	936,822,885	936,822,885
Net retirement liability	P247,769,022	P565,351,957	P550,108,513	P257,031,878

	December 31, 2019			
	Discount Rate		Salary Increase Rate	
	+0.50%	-0.50%	+0.50%	-0.50%
Present value of the defined benefit obligation	P1,024,750,080	P1,270,093,388	P1,259,632,270	P1,031,132,850
Fair value of plan assets	822,083,895	822,083,895	822,083,895	822,083,895
Net retirement liability	P202,666,185	P448,009,493	P437,548,375	P209,048,955

The maturity analyses of the undiscounted benefit payments as at December 31, 2020 and 2019 are as follows:

	2020	2019
1 - 5 years	P346,025,220	P400,997,606
6 - 10 years	774,482,245	671,856,271
11 - 15 years	1,108,344,179	1,109,714,344
16 years and up	4,353,924,242	4,529,654,517

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The overall investment policy and strategy of the retirement plan is based on the Bank's suitability assessment, as provided by its Trust Services Group, in compliance with BSP requirements.

The weighted average duration of the defined benefit obligations is equal to the expected average remaining working lives as at December 31, 2020, 2019 and 2018.

Compensation and Fringe Benefits

The details of the following accounts for the year ended December 31 follow:

	2020	2019	2018
Salaries and allowances	P970,341,304	P939,044,104	P840,818,170
Employee benefits	371,032,809	318,705,457	301,155,953
Bonuses	332,320,000	298,945,157	286,446,807
Retirement benefits	124,768,607	91,375,015	97,313,094
Overtime	20,929,533	36,468,698	32,037,051
	P1,819,392,253	P1,684,538,431	P1,557,771,075

30. Lease Contracts

Bank as Lessee

The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase ranging from 3.0% to 20.0%.

The Bank also leases IT equipment such as ATMs and photocopier machine with contract term of 1 year. These leases are short-term and/or leases of low value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases. Rent expenses related to these contracts are charged against current operations (included under "Rent and utilities" account in the statements of income).

Information about leases for which the Bank is a lessee is presented below:

Right-of-Use Assets

Right-of-use assets relate to leased branch and office premises. Details of right-of-use assets are presented within property and equipment (see Note 15).

Lease Liabilities

See Note 5 for maturity analysis of lease liabilities as at December 31, 2020 and 2019.

As at December 31, 2018, the future minimum lease payments under non-cancellable operating leases were payable as follows (amounts in millions):

Maturity analysis - contractual undiscounted cash flows:	
Less than one year	P178.5
Between one and five years	387.2
More than five years	48.3
Total undiscounted lease liabilities at December 31	P614.0

The table below shows the amounts recognized in the statement of income in 2020 and 2019 related to leases under PFRS 16 (amounts in millions).

	2020	2019
Interest on lease liabilities	P42.9	P45.4
Expenses relating to short-term leases	44.4	56.0
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	13.2	10.5

Rent expense recognized in the statement of income in 2018 related to operating leases under PAS 17 amounted to P324.0 million

Total cash outflow for leases recognized in the statement of cash flows in 2020 and 2019 amounted to P280.9 million and P275.9 million, respectively.

Bank as Lessor

The Bank leases out its commercial properties for office space. These non-cancellable leases have remaining lease terms of less than 1 year in 2019 and expired in 2020. The Bank has classified these leases as operating leases, because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Bank on its commercial properties (shown under "Miscellaneous" in the statements of income) during the years ended December 31, 2020, 2019 and 2018 were P0.7 million, P2.6 million, and P2.2 million respectively, and includes rental income on investment properties (Note 16). The Bank also recognized income from the use of safety deposit boxes amounting to P2.8 million and P2.9 million during the years ended December 31, 2020 and 2019, respectively (see Note 31). There is no contingent rental income recognized in 2018.

The following table sets out a maturity analysis of lease payments, showing undiscounted lease payments to be received after the reporting date (amounts in millions).

Operating Leases under PFRS 16	2020	2019
Less than one year	P -	P0.4
Total	P -	P0.4

Operating Leases under PAS 17	2018
Less than one year	P1.2
One to two years	0.4
Total	P1.6

31. Miscellaneous Income and Expenses

Miscellaneous Income

This account consists of:

	<i>Note</i>	2020	2019	2018
Passed-on GRT		P33,438,750	P54,649,626	P36,992,947
Dividend income	10	12,228,425	8,201,707	13,065,426
Rent income	30	3,546,544	5,509,668	5,053,852
Gain on exchange	16	-	363,450,000	-
Others		16,204,006	28,050,227	40,222,608
		P65,417,725	P459,861,228	P95,334,833

In December 2019, the Bank received a parcel of land located in Sto. Domingo, Quezon City, as a replacement for certain assets (condominium units) booked as investment properties. The assignment of the condominium units to the Bank was made in 1998 as settlement of a loan. However, the covering Condominium Certificates of Title could not be transferred to the Bank since the related project was not completed by the developer. In order to finally settle the issues relating to the above condominium units, a settlement agreement has been executed by the Bank and the borrower to replace the recorded condominium units with the above mentioned parcel of land.

The Bank recognized gain from exchange of properties and provision for deferred tax (included in "Income tax expense" account in the statements of income (see Note 32) from this transaction amounting to P363.5 million and P109.0 million, respectively.

Others include gain due to rent concessions, recovery from charged-off assets and excess chattel fees.

Miscellaneous Expense

This account consists of:

	<i>Note</i>	2020	2019	2018
Fines and penalties		P61,931,157	P41,932,646	P88,221,536
Supervision and examination fee		55,138,108	47,807,051	44,127,596
Messengerial services		53,324,266	52,025,020	48,589,626
Communications		52,048,887	57,879,402	54,550,711
Marketing		51,243,101	73,927,301	62,010,994
Forms and supplies		40,537,784	38,009,159	30,728,779
Membership dues		13,307,104	12,670,088	7,476,041
Transportation and travel		11,465,185	22,657,826	18,836,580
Litigation and acquired assets-related expenses	17	5,416,646	11,388,756	43,538,090
Others		37,346,912	41,487,429	21,296,459
		P381,759,150	P399,784,678	P419,376,412

Others include management fee on deposits, charges on correspondent banks and postage.

32. Income and Other Taxes

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

Regular Banking Unit

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented under "Taxes and licenses" account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income tax expense include corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

The corporate income tax rate is 30.0%. Interest allowed as a deductible expense is reduced by an amount equivalent to 33.0% of interest income subjected to final tax.

The regulations also provide for MCIT of 2.0% on modified gross income and allow NOLCO. The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a 3-year period from the year of incurrence.

In addition, Revenue Regulations (RR) No. 10-2002 provides for the ceiling on the amount of entertainment, amusement and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Bank is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue.

In 2011, the BIR issued RR 4-2011, *Proper allocation of costs and expenses amongst income earning of banks and other financial institutions for income tax reporting purposes*, which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU's taxable income. In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation.

Foreign Currency Deposit Unit

RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU, provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.
- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and

- Interest income derived by resident individual or corporation on deposits with FCDUs and OBU's are subject to 15.0% final tax.

Income tax expense consists of:

	2020	2019	2018
Current:			
Final	P278,627,049	P281,701,979	P267,811,760
RCIT	136,789,048	1,536,421	723,047
Tax benefit	(80,130,816)	-	-
MCIT	-	61,363,313	57,182,035
	335,285,281	344,601,713	325,716,842
Deferred	(78,162,871)	119,584,686	(70,310,861)
	P257,122,410	P464,186,399	P255,405,981

The amount of tax benefit relates to previously unrecognized MCIT of prior periods that is used to reduce current tax payable.

The amount of deferred tax income relates to the origination and reversal of temporary differences.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the statements of income follows:

	2020	2019	2018
Income before income tax expense	P1,041,556,198	P1,116,908,933	P238,861,213
Income tax at statutory rate	P312,466,859	P335,072,680	P71,658,364
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	340,769,185	319,664,541	228,721,683
Nontaxable income	(209,326,488)	(79,941,478)	(80,954,777)
Tax paid income	(129,117,988)	(142,426,503)	(128,719,151)
Changes in unrecognized deferred tax assets	87,538,287	12,565,790	175,496,013
FCDU income	(71,635,416)	(28,009,350)	556,652
Others	(73,572,029)	47,260,719	(11,352,803)
Effective income tax	P257,122,410	P464,186,399	P255,405,981

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	Beginning Balance (December 31, 2019 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2020 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P1,052,927,615	P -	P -	P1,052,927,615
Accumulated depreciation on foreclosed properties	175,304,119	42,901,376	-	218,205,495
Accrued employee benefits and other expenses	100,210,650	38,887,522	-	139,098,172
Unrealized loss on foreclosed properties	87,296,490	4,398,110	-	91,694,600
Net lease liability	16,066,416	3,430,834	-	19,497,250
Accrued rent expense	1,441,827	1,641,965	-	3,083,792
	1,433,247,117	91,259,807	-	1,524,506,924
Deferred tax liability:				
Unrealized gain on foreclosed properties	(457,536,129)	(1,415,939)	-	(458,952,068)
Unrealized foreign exchange gain	(54,429,444)	6,088,710	-	(48,340,734)
Gain on investment properties sold under installments	(36,211,019)	1,327,746	-	(34,883,273)
Unrealized gain on financial assets at FVOCI	(3,305,159)	-	(3,084,165)	(6,389,324)
Unrealized gain on financial assets at FVPL	-	(3,598,029)	-	(3,598,029)
Retirement benefits	(1,464,089)	(15,499,424)	-	(16,963,513)
	(552,945,840)	(13,096,936)	(3,084,165)	(569,126,941)
Net Deferred Tax Assets (Liabilities)	P880,301,277	P78,162,871	(P3,084,165)	P955,379,983
	Beginning Balance (December 31, 2018 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2019 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P1,050,037,901	P2,889,714	P -	P1,052,927,615
Accumulated depreciation on foreclosed properties	156,013,550	19,290,569	-	175,304,119
Accrued employee benefits and other expenses	86,317,408	13,893,242	-	100,210,650
Unrealized loss on foreclosed properties	138,450,921	(51,154,431)	-	87,296,490
Net lease liability	-	16,066,416	-	16,066,416
Accrued rent expense	18,594,692	(17,152,865)	-	1,441,827
	1,449,414,472	(16,167,355)	-	1,433,247,117
Deferred tax liability:				
Unrealized gain on foreclosed properties	(345,683,932)	(111,852,197)	-	(457,536,129)
Unrealized foreign exchange gain	(53,260,423)	(1,169,021)	-	(54,429,444)
Gain on investment properties sold under installments	(47,278,995)	11,067,976	-	(36,211,019)
Unrealized gain on financial assets at FVOCI	-	-	(3,305,159)	(3,305,159)
Retirement benefits	-	(1,464,089)	-	(1,464,089)
	(446,223,350)	(103,417,331)	(3,305,159)	(552,945,840)
Net Deferred Tax Assets (Liabilities)	P1,003,191,122	(P119,584,686)	(P3,305,159)	P880,301,277

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Bank did not set up deferred tax assets on the following temporary differences and carry forward benefits of NOLCO and MCIT:

	2020		2019		2018	
	Deductible Temporary Differences	Deferred Tax Asset	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses	P3,027,818,815	P908,345,645	P2,280,245,612	P684,073,684	P2,282,938,129	P684,881,439
MCIT	91,992,619	91,992,619	172,123,436	172,123,436	156,443,933	156,443,933
NOLCO	-	-	207,378,429	62,213,529	132,524,523	39,757,357
Unrealized loss on financial assets at FVPL	-	-	1,556,373	466,912	51,954,240	15,586,272
Retirement benefits	-	-	-	-	105,895,889	31,768,767
Others	142,823,016	42,846,905	122,564,407	36,769,322	48,811,082	14,643,325
Deferred tax items not recognized in profit or loss	3,262,634,450	1,043,185,169	2,783,868,257	955,646,883	2,778,567,796	943,081,093
Remeasurement losses on retirement liability	449,088,000	134,726,400	319,998,451	95,999,535	95,312,091	28,593,627
Unrealized loss on financial assets at FVOCI	-	-	-	-	71,179,467	21,353,840
Deferred tax items not recognized in OCI	449,088,000	134,726,400	319,998,451	95,999,535	166,491,558	49,947,467
	P3,711,722,450	P1,177,911,569	P3,103,866,708	P1,051,646,418	P2,945,059,354	P993,028,560

Details of the Bank's RBU NOLCO and MCIT as at December 31, 2020 follow:
NOLCO

Inception Year	Amount	Used	Balance	Expiry Year
2018	P114,621,525	P114,621,525	P -	2021
2019	92,756,904	92,756,904	-	2022
	P207,378,429	P207,378,429	P -	

MCIT

Inception Year	Amount	Used	Balance	Expiry Year
2017	P53,578,087	P53,578,087	P -	2020
2018	57,182,035	26,552,729	30,629,306	2021
2019	61,363,313	-	61,363,313	2022
	P172,123,435	P80,130,816	P91,992,619	

33. Related Party Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank: Provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed 30.0% of their respective total loans, other accommodations and guarantees. Loans, other credit accommodations, and guarantees granted by the Bank to its DOSRI for the purpose of project finance, shall be exempted from the 30.0% unsecured individual ceiling during the project gestation phase: Provided, That: the Bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

Except with the prior approval of the Monetary Board, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the bank or 100.0% of net worth whichever is lower: Provided, That in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank: Provided, That the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed 5.0% of such net worth: Provided, further, That the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank: Provided, finally, That these subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending bank.

The following table shows information on related party loans (amounts in thousands):

	2020		2019	
	DOSRI Loans	Related Party Loans (inclusive of DOSRI)	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	P -	P21,783,009	P1,746	P25,283,718
Percent of DOSRI/Related Party loans to total loans	0.00%	29.80%	0.00%	33.93%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	62.71%	16.59%	66.09%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.04%	14.18%	0.01%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.07%	0.00%	0.01%

The details of significant related party transactions of the Bank follow (amounts in thousands):

Category	Note	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Associate	14			
2020				
Investment in an associate		P -	P40,687	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		753	-	Share in net loss of BIC
2019				
Investment in an associate		-	41,444	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		2,865	-	Share in net loss of BIC
2018				
Investment in an associate		-	39,982	24.25% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		1,844	-	Share in net loss of BIC

Unless otherwise stated, RPTs disclosed are unsecured.

Category	Note	Amount/Volume			Outstanding Balance		Nature, Terms and Conditions
		2020	2019	2018	2020	2019	
Other Related Parties							
Financial assets at FVOCI:	10						
Equity securities		P -	P -	P -	P18,531	P17,812	8.57% equity interest in BANGE
Private debt securities		-	-	-	314,964	311,359	Long-term bond with interest rate of 6.6% with maturity in 2022. Matured bond had interest rate of 5.9%
Maturities		-	558,581	-	-	-	Long-term bonds with interest rates ranging from 4.0% to 8.1% with maturity years ranging from 2021 to 2025.
Investment securities at amortized cost	11	-	-	-	1,711,696	2,044,107	Matured bond had interest rate of 5.0%
Maturities		332,380	-	-	-	-	
Loans and receivables - net:	12						
Receivables from customers:		-	-	-	21,449,789	24,587,767	Term, housing, auto, salary and personal loans with interest rates ranging from 2.7% to 23.0% and with maturity of less than 1 year to 20 years; Collateral includes real estate mortgage, unregistered chattel mortgage, hold-out on deposit, assignment of contract and concession agreement, continuing surety agreement, mortgage trust indenture and pledge agreement on shares;
Availments		57,727,441	97,558,958	-	-	-	
Settlements		60,698,979	100,372,158	-	-	-	
Sales contract receivables and accrued interest receivables:							
Availments		-	-	-	130,863	171,069	Sales contract receivables with annual interest rates ranging from 6.3% to 10.5% and with maturity years of 5 to 10 years; accrued interest receivables on loans, sales contract receivables and long-term bonds;
Settlements		998	32,491	1,120	-	-	Interest income on loans, sales contract receivables and long-term bonds;
Interest income		1,948,698	2,337,264	2,045,134	-	-	
Deposit liabilities:	19						
Deposits		3,171,896,515	3,654,227,740	3,700,249,029	42,747,440	28,795,694	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates-
Withdrawals		2,570,073,386	2,330,818,579	2,427,698,304	-	-	
Accrued interest payable	21	138,076	558,705	253,452	2,377	13,805	Interest expense and accrued interest payable on deposits;
Accrued other expenses and other liabilities	22	144,915	166,865	156,187	2,951	5,061	Accrued other expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing; Other liabilities consists of accounts payable to Bank's officers; On demand, unsecured and non-interest bearing.
Fees and other income	27, 31	49,736	62,269	61,380	-	-	Loan and investment-related fees and commission income, gain from the cash sale transactions of foreclosed properties, dividend received from BANGE and passed-on GRT
Commitments and contingent liabilities	33	-	-	-	1,811,745	1,897,609	Bank guarantees in favor of related party and outstanding sight import letters of credit

Unless otherwise stated, RPTs disclosed are unsecured and balances are gross of allowance

As at December 31, 2020 and 2019, outstanding bills purchased of related parties with contra account in "Other liabilities" amounted to P419.8 million and P695.0 million, respectively (see Notes 12 and 22).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash. As of December 31, 2020 and 2019, the allowance for credit losses on outstanding transactions with other related parties amounted to P361.6 million and P377.2 million, respectively. Provision for (reversal of) of credit losses recorded in 2020, 2019 and 2018 on such related party transactions totaled to (P15.5) million, (P98.7) million and P33.0 million, respectively. Such outstanding transactions include private debt securities at FVOCI, investment securities at amortized cost, receivables from customers, sales contract receivables and accrued interest receivable under the "Loans and receivables - net" account in the statements of financial position and commitment and contingent liabilities.

Transactions with Retirement Plan

The Bank's retirement plan is managed and administered by the Bank's Trust Services Group which is covered by an IMA Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 29.

Related information on assets/liabilities and income/expense of the funds as at and for the years ended December 31, 2020, 2019 and 2018 follow:

	2020	2019	
Financial assets at FVOCI:			
Government and other debt securities	P515,228,053	P425,389,037	
Quoted equity securities	211,844,705	196,084,992	
Unquoted equity securities	10,986,031	12,223,787	
Loans and other receivables	129,622,002	124,697,017	
Deposits with the Bank	71,106,690	66,464,054	
Total Plan Assets	P938,787,481	P824,858,887	
Due to Broker	P1,728,636	P2,582,777	
Trust fee payable	201,974	177,615	
Other liabilities	33,986	14,600	
Total Plan Liabilities	P1,964,596	P2,774,992	
Plan Income			
	2020	2019	2018
Interest income	P26,049,369	P25,325,513	P19,722,520
Trading and investment gains (loss)	(10,560,419)	1,742,765	-
Dividend income and others	8,193,257	6,625,221	498,995
	P23,682,207	P33,693,499	P20,221,515
Plan Expense			
Trust fees	P2,088,834	P1,755,143	P1,627,332
Other expenses	647,155	752,211	676,688
Provision for credit losses	73,991	277,864	(527,867)
	P2,809,980	P2,785,218	P1,776,153

As at December 31, 2020 and 2019, the retirement plan assets of the Bank include 73,067 shares of the Bank classified under financial assets at FVOCI. The allowance for probable losses on the retirement plan's shares of the Bank amounted to P11.1 million and P9.9 million as at December 31, 2020 and 2019, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

Interest income on deposit with the Bank amounted to P129,977, P10,537 and P7,910 as at December 31, 2020, 2019 and 2018, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the fund.

The Bank's contribution to its defined benefits retirement plan amounted to P176.4 million and P202.2 million in 2020 and 2019, respectively. Benefits paid out of the Bank's plan assets amounted to P85.0 million and P52.2 million in 2020 and 2019, respectively (see Note 29).

Compensation of Key Management Personnel of the Bank

The remuneration of directors and other members of key management included in the "Compensation and fringe benefits" account in the statements of income for the years ended December 31, 2020, 2019 and 2018 follows:

	2020	2019	2018
Short-term employee benefits	P530,809,650	P536,003,622	P458,986,174
Post-employment benefits	37,430,582	29,240,005	28,220,797
	P568,240,232	P565,243,627	P487,206,971

34. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

- a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001. The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.

- b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.
- c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).
- d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

Settlement of Liabilities of TRB

Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

- a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.
- b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.
- c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a "White Knight" by agreeing to the terms and conditions of the PSA with TRB, follows:

- a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year government securities with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year government securities (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB's unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as "Miscellaneous assets".

On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

- b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP's pertinent regulations on minimum capital requirement.
- c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC's written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.
- d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within 5 years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

- a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;
- b. Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and
- c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRSs. These transactions and their effects are described below:

Assumption of NPAs of TRB

In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 17). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2020, 2019 and 2018 were charged in full in the period incurred (see Note 17).

For its separate prudential reporting to BSP, the Bank continues to recognize the P4.4 billion impairment losses on a staggered basis as provided under MB No. 1950 (see Note 17).

35. Notes to Statements of Cash Flows

As at December 31, 2020 and 2019, interbank loans receivable amounting to P106.5 million and P110.9 million, respectively, were not considered as part of cash and cash equivalents, having a maturity of more than 3 months.

The following is a summary of noncash activities of the Bank:

	2020	2019	2018
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	P46,108,250	P433,122,836	P338,423,348
Increase in sales contract receivables from sale of investment properties	43,862,200	118,925,434	86,214,038

The following table shows the reconciliation analysis of liabilities arising from financing liabilities for period ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
Beginning balance	P646,104,589	P557,471,615	P267,208
Lease liabilities	-	587,782,880	-
	646,104,589	1,145,254,495	267,208
Additions to lease liabilities	220,703,671	206,273,261	-
Interest accretion	42,921,243	45,360,536	
Cash flows during the year:			
Proceeds	1,984,184,000	6,554,445,000	5,151,699,550
Settlements	(2,204,998,022)	(7,305,228,703)	(4,594,495,143)
	(220,814,022)	(750,783,703)	557,204,407
Other adjustments	(6,899,742)	-	-
Ending balance	P682,015,739	P646,104,589	P557,471,615

Other adjustments pertain to reductions to lease liabilities due to rent concessions and pre-termination of lease contracts.

As allowed by PAS 7, short-term borrowings from local banks amounting to P2.0 billion and P6.6 billion in 2020 and 2019, respectively, are presented in statements of cash flows on a net basis.

36. Financial Performance Indicators

Basic earnings (loss) per share amounts were computed as follows:

	2020	2019	2018
a. Net income (loss)	P784,433,788	P652,722,534	(P16,544,768)
b. Weighted average number of outstanding common shares	112,241,112	112,241,112	112,241,112
c. Earnings (loss) per share (a/b)	P6.99	P5.82	(P0.15)

As at December 31, 2020, 2019 and 2018, the Bank has no potentially dilutive common shares.

The following basic ratios measure the financial performance of the Bank:

	2020	2019	2018
Return on average equity	4.77%	4.13%	-0.11%
Return on average assets	0.50%	0.44%	-0.01%
Net interest margin on average earning assets	3.87%	3.45%	3.28%

37. Events after the Reporting Date

On January 26, 2021, the BOD approved the issuance of 41,666,667 preferred shares to San Miguel Corporation. These shares will be issued out of the unissued Series 1 Preferred Shares of the Bank. BSP clearance of the indicative terms and conditions of these Preferred Shares is being requested to ensure that the investment meets the requirements for Additional Tier 1 capital. Final share price will also be dependent on the cleared terms and conditions. On June 29, 2021, the BOD approved the change of investor for preferred shares from San Miguel Corporation to SMC Equivest Corporation, a wholly owned subsidiary of San Miguel Corporation and an existing stockholder of the Bank. On August 5, 2021, the Bank issued 41,666,667 Series 1 Preferred Shares to SMC Equivest Corporation at P132.0 per share.

On February 23, 2021, the BOD approved a Bond Issuance Program of up to P20.0 billion, in multiple tranches, with a minimum term of 1.5 years. Interest rates will be based on prevailing market rates. The Bond Issuance Program aims to further diversify the Bank's funding sources and generate stable longer-term funding to support the Bank's expansion activities.

On March 29, 2021, the BOD approved the Bank to undergo equity restructuring to wipe out the deficit amounting to P51,156,715 as at December 31, 2020 through the use of the Bank's Paid-in surplus. On July 12, 2021, the Bank received from BSP a "No Objection" response to its application for equity restructuring with the SEC, subject to the (i) Bank's compliance with the Commission's other requirements; and (ii) condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within five (5) days from receipt thereof. On October 14, 2021, the SEC approved the equity restructuring to wipe-out the deficit as at December 31, 2020 amounting to P51,156,715 against the Paid-in surplus of P5.6 billion subject to the conditions that the remaining Paid-in surplus cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC. As of the date of SEC approval, the deficit of the Bank as at January 1, 2021 amounted to nil.

On May 25, 2021, the BOD approved the amendment of the Bank's Articles of Incorporation relative to the change in par value of common and preferred shares from One Hundred Pesos (P100.0) to Ten Pesos (P10.0). The amendment was approved by the Stockholders on July 8, 2021. On October 4, 2021 and November 2, 2021, the amendment on the Bank's Articles of Incorporation for the change in par value from P100.0 to P10.0 was approved by the BSP and SEC, respectively. The amendment resulted to an increase in common shares from 170,251,147 to 1,702,511,470 and increase in preferred shares from 45,500,000 to 455,000,000.

On October 28, 2021 and November 9, 2021, the BOD and the Stockholders, respectively, approved the primary public offer and sale of up to 280,700,000 common shares from unissued capital stock. The actual sale will be done as soon as approvals are received from the applicable regulatory agencies.

On the same dates, the BOD and the Stockholders also approved amendments to the Articles of Incorporation to align sections around the sale, assignment, and disposal of shares with the lock up requirements of the Philippine Stock Exchange. The By-laws were also amended to update sections on stockholders, the Board of Directors, certificates of stock, and the transfer of shares of stock. On December 31, 2021, the Monetary Board approved the upgrade of the Bank's banking license from commercial bank to universal bank (UB) subject to certain regulatory requirements.

38. Supplementary Information Required under BSP Circular No. 1074

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074, *Amendment to Regulations on Financial Audit of Banks*.

(a) Commitments and Contingencies

In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2020 and 2019:

	2020	2019
Contingent assets:		
Future/spot exchange bought	P168,080,500	P101,270,000
Outward bills for collection	3,286,476	1,012,065
Fixed income securities purchased	248,291	60,938,300
	P171,615,267	P163,220,365
Commitments and contingent liabilities:		
Trust department accounts	P39,055,150,377	P40,329,500,019
Credit card lines	3,708,362,146	4,114,539,042
Committed credit line	3,577,500,000	3,325,000,000
Outstanding guarantees	1,165,637,379	1,695,038,981
Unused commercial letters of credit	800,505,453	382,345,641
Future/spot exchange sold	528,253,000	658,255,000
Late deposits/payments received	171,532,610	99,280,942
Fixed income securities sold	496,582	19,752
Items held for safekeeping/securities held as collateral	54,088	851,068
	P49,007,491,635	P50,604,830,445

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2020 and 2019.

(b) Trust Assets

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P39.1 billion (unaudited) and P40.3 billion (audited) as at December 31, 2020 and 2019, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P504.0 million and P439.0 million as at December 31, 2020 and 2019, respectively, which have been included under "Investment securities at amortized cost" (see Note 11), are deposited with BSP.

Other relevant disclosures required by BSP Circular No. 1074 are in Notes 12, 24 and 33.

39. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The Bureau of Internal Revenue (BIR) has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to financial statements. The Bank reported and/or paid the following types of taxes in 2020:

a. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Taxes and Licenses' account in the Bank's statement of income.

Details of taxes and licenses for the year consist of the following:

Documentary stamp tax	P407,266,395
Gross receipts tax	349,550,289
License and permit fees	39,381,605
Real estate taxes	17,315,921
Fringe benefits	8,327,769
Transfer taxes	7,667,241
Capital gains tax	550,681
Others	98,537
	P830,158,438

b. Withholding Tax Remittances to BIR

As withholding agent, the Bank remitted the following withheld taxes during the year:

Final withholding taxes	P278,738,710
Tax on compensation and benefits	182,571,378
Expanded withholding taxes	46,439,694
	P507,749,782

c. Deficiency Tax Assessments

Period Covered	
2003	P3,095,735*

**Amount of deficiency tax assessments, whether protested or not.*

Management, in consultation with its legal counsels, believes that the deficiency tax assessment above is without legal basis. Accordingly, the Bank has filed abatement on January 27, 2006 for the closure of the case. The said abatement is pending decision by the BIR.

d. Tax Cases

As at December 31, 2020, the Bank has no outstanding tax cases and assessments.



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the accompanying financial statements of Bank of Commerce (the "Bank") as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, and have issued our report thereon dated January 25, 2022.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



Our audits were made for the purpose of forming an opinion on the basic financial statements of the Bank taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the financial statements as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, and no material exceptions were noted.

R.G. MANABAT & CO.

SHEILA RICCA G. DIOSO

Partner

CPA License No. 0115382

BSP Accreditation No. 115382-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

SEC Accreditation No. 115382-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 229-233-163

BIR Accreditation No. 08-001987-047-2019

Issued December 26, 2019; valid until December 25, 2022

PTR No. MKT 8854064

Issued January 3, 2022 at Makati City

January 25, 2022

Makati City, Metro Manila



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and the Stockholders

Bank of Commerce

San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the accompanying financial statements of Bank of Commerce (the “Bank”) as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, and have issued our report thereon dated January 25, 2022.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Bank taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Bank’s management. Such additional components include:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Relationship Map
- Supplementary Schedules of Annex 68-J

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.


SHEILA RICCA G. DIOSO
Partner

CPA License No. 0115382

BSP Accreditation No. 115382-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

SEC Accreditation No. 115382-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 229-233-163

BIR Accreditation No. 08-001987-047-2019

Issued December 26, 2019; valid until December 25, 2022

PTR No. MKT 8854064

Issued January 3, 2022 at Makati City

January 25, 2022
Makati City, Metro Manila

BANK OF COMMERCE

SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68 DECEMBER 31, 2020

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule (SRC) 68. It prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by the Revised SRC Rule 68. These are presented for purposes of filing with the SEC and is not required part of the basic financial statements.

PART I

- Schedule A: Schedule of Financial Soundness Indicators
- Schedule B: Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule C: Relationship Map

PART II (Schedules Required by Annex 68-J of the Revised SRC Rule 68)

- Schedule A: Financial Assets
- Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- Schedule C: Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
- Schedule D: Long-Term Debt
- Schedule E: Indebtedness to Related Parties (Long-Term Loans from Related Companies)
- Schedule F: Guarantees of Securities of Other Issuers
- Schedule G: Capital Stock

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
BANK OF COMMERCE**

AS OF DECEMBER 31, 2020 AND DECEMBER 31, 2019

RATIO	FORMULA	RATIO	
		2020	2019
Current Ratio	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	0.77	0.58
Acid Test Ratio	$\frac{\text{Total current financial assets}}{\text{Total current liabilities}}$	0.76	0.57
Solvency Ratio	$\frac{\text{Net income before non-cash expenses}}{\text{Total liabilities}}$	0.02	0.01
Debt to Equity Ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	9.19	8.01
Asset to Equity Ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	10.19	9.01
Interest Rate Coverage Ratio	$\frac{\text{Net Income before interest and taxes}}{\text{Interest expense}}$	1.89	1.47
Return on Equity	$\frac{\text{Net income}}{\text{Average total equity}}$	4.77%	4.13%
Return on Asset	$\frac{\text{Net income}}{\text{Average total assets}}$	0.50%	0.44%
Net Profit Margin	$\frac{\text{Net income}}{\text{Total revenues}}$	11.41%	11.19%
OTHER RATIOS			
Net Interest Margin	$\frac{\text{Net interest income}}{\text{Average interest-earning assets}}$	3.87%	3.45%
Cost to Income Ratio	$\frac{\text{Total operating expense}}{\text{Total revenues}}$	0.71	0.80
Debt to Assets Ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	0.90	0.89
Loans to Deposit Ratio	$\frac{\text{Total gross loans*}}{\text{Total deposits}}$	0.64	0.71
Non-performing Loans Cover	$\frac{\text{Allowance for credit losses on loans}}{\text{Non-performing loans}}$	114.24%	145.04%
Non-performing Loans Ratio**	$\frac{\text{Non-performing loans}}{\text{Total gross loans}}$	3.03%	1.92%
Net Non-performing Loans Ratio**	$\frac{\text{Net non-performing loans}}{\text{Total gross loans}}$	0.89%	0.34%
Capital Adequacy Ratio	$\frac{\text{Total qualifying capital}}{\text{Total risk-weighted assets}}$	16.60%	15.93%

*Gross loans include receivables from customers (loans), interbank loans receivable and securities purchased under resale agreements.

**Computed based on BSP Circular 941

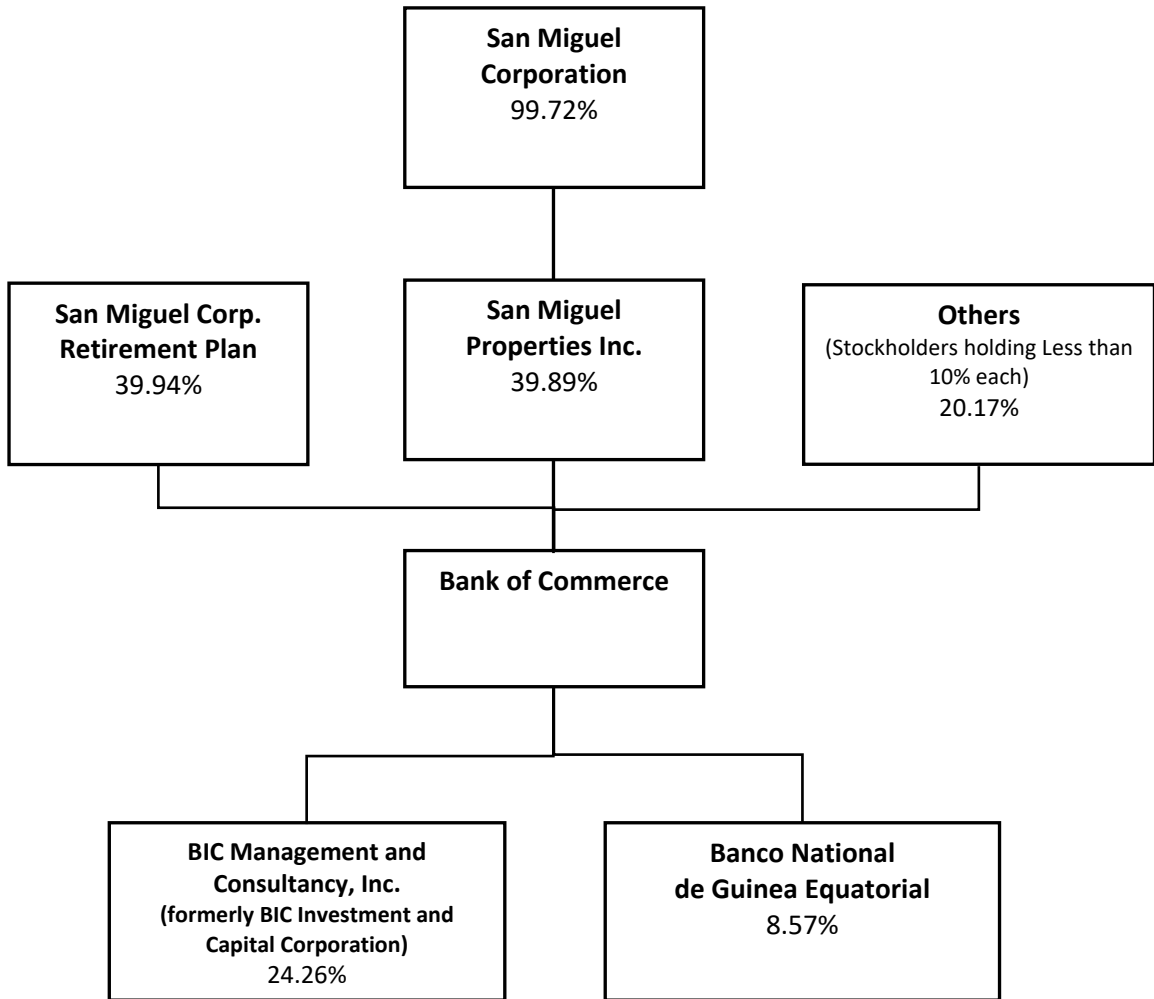
BANK OF COMMERCE

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
DECEMBER 31, 2020**

Unappropriated deficit, beginning	(P839,250,906)
Adjustments:	
Deferred tax assets recognized	(1,433,247,117)
Fair value adjustments on foreclosed properties	(1,234,132,129)
Unrealized foreign exchange gain	(181,431,479)
Unappropriated deficit, as adjusted to available for dividend declaration, beginning	(3,688,061,631)
Net income during the year closed to retained earnings	784,433,788
Add/Less: Non-actual/unrealized income (expenses)	
Movement on deferred tax asset	(91,259,807)
Unrealized gain on fair value through profit or loss	(69,731,751)
Unrealized foreign exchange loss	20,295,698
Fair value adjustments on foreclosed properties	9,940,570
Add: Net income actually earned/realized during the period	653,678,498
Add: Transfer from surplus reserves	3,660,403
Unappropriated deficit available for dividend declaration, end	(P3,030,722,730)

BANK OF COMMERCE

**RELATIONSHIP MAP
DECEMBER 31, 2020**



BANK OF COMMERCE**SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2020**

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
NONE TO REPORT							
<i>Greater of aggregate cost or market value of FVPL is less than 5% of current assets.</i>							

BANK OF COMMERCE**SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2020**

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
NONE TO REPORT <i>Indebtedness arise in the ordinary course of business.</i>							

BANK OF COMMERCE**SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
NONE TO REPORT							
<i>Financial statements are not for consolidation.</i>							

BANK OF COMMERCE

SCHEDULE D – LONG-TERM DEBT
DECEMBER 31, 2020

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption “Current Portion of Long-Term Debt” in Related Balance Sheet	Amount Shown under Caption “Long-Term Debt” in Related Balance Sheet	Interest Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Long-term negotiable certificates of time deposit	P5,029,420,000	P -	P5,029,420,000	4.500%	Quarterly interest payment	September 17, 2025

BANK OF COMMERCE**SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES (LONG TERM
LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2020**

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year	Nature, Terms and Conditions
NONE TO REPORT			
<i>No long term loans from related companies.</i>			

BANK OF COMMERCE**SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2020**

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount of Guaranteed and Outstanding	Amount Owned by Person of which Statement is Filed	Nature of Guarantee
NONE TO REPORT <i>No securities were guaranteed.</i>				

BANK OF COMMERCE

SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2020

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under the Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common shares	170,251,147	112,241,112	-	147,635	73,706	112,019,771
Preferred Shares	45,500,000	-	-	-	-	-

Required information is disclosed in Note 24: Capital Stock

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

							2	4	2	2	1
--	--	--	--	--	--	--	---	---	---	---	---

COMPANY NAME

B	A	N	K		O	F		C	O	M	M	E	R	C	E																	

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

S	a	n		M	i	g	u	e	l		P	r	o	p	e	r	t	i	e	s		C	e	n	t	r	e					
N	o	.	7		S	t	.		F	r	a	n	c	i	s		S	t	r	e	e	t										
M	a	n	d	a	l	u	y	o	n	g		C	i	t	y																	

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	8982-6000	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
145	Any day in April	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Antonio S. Laquindanum	ASLaquindanum@bankcom.com.ph	8982-6000	N/A

CONTACT PERSON'S ADDRESS

12th Floor, San Miguel Properties Centre, No. 7 St. Francis St., Mandaluyong City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

ANNEX A: LIST OF PROPERTIES OWNED OR LEASED BY THE BANK

ANNEX A: LIST OF PROPERTIES OWNED OR LEASED BY THE BANK

I. PROPERTIES OWNED BY THE BANK

NO.	NAME OF BRANCH	LOCATION	TITLE NO.
1	BATANGAS P. BURGOS BRANCH	P. Burgos St., Barangay Poblacion, Batangas City	T-40683
2	BROADCAST CITY BRANCH	Capitol Hills Drive, Broadcast City Compound, Capitol Hills, Brgy. Old Balara, Quezon City	T-225837
3	AYALA BRANCH	6764 Phil. First Bldg, Ayala Avenue, Makati City	47437
4	MARAMAG BRANCH	Sayre Highway, Maramag, Bukidnon	T-36212
5	CARMEN BRANCH	Mc-Arthur Highway, Carmen, Rosales, Pangasinan	T-30890
6	IBA ZAMBALES BRANCH	Brgy. Zone II, Iba, Zambales	T-45802
7	KABANKALAN BRANCH	Guanzon Street and J. Cordova Street, Barangay 1, Kabankalan City, Neg. Occ.	T-104029 / T-104030
8	GREENHILLS BRANCH	Eisenhower Condominium, Eisenhower St., Greenhills, San Juan	9397-R
9	SMPC - HEAD OFFICE	SMPC No. 7 St., Francis Street., Mandaluyong City	several CCTs
		1-A	008-2011000095
		1-B	008-2011000096
		1-C	008-2011000097
		7-A	008-2012000219
		7-B	008-2012000218
		12-A	008-2011000098
		12-B	008-2011000099
		17-A	008-2011000100
		17-B	008-2011000101
		18-A	008-2011002076
		18-B	008-2011002077
		21-A	008-2011000102
		21-B	008-2011000103
		22-A	008-2011000104
		22-B	008-2011000105
		24-A	008-2011000106
		24-B	008-2011000107
		25	008-2011000108
		26	008-2011000109
10	PASEO BRANCH	Unit A, G/F Legaspi Tower 200 (South Wing), No. 107 Paseo De Roxas, Legaspi Village, Makati City	8700

II. PROPERTIES LEASED BY THE BANK

No.	Branch Name	Address	Lease Expiry	Floor Area	STATUS/REMARKS OF LEASE	Current Rental	Terms of Renewal Options
1	Port Area	G/F/ Mary Bachrach Building, 25th Cor. Delgado Sts., Brgy. 653, Port Area, Manila	May 31, 2012	160.64	On-going dispute by (Sub)LESSOR with the LGU (LESSOR)	101,696.00	May be renewed under the terms and conditions acceptable to both parties with the LESSEE sending notice thereof upon the LESSOR at lease Sixty (60) days before the expiration of the original lease contract.
2	Del Monte	G/F Bank of Commerce Building, Del Monte Ave. cor. D. Tuazon St., Brgy. Maharlika, Quezon City	June 17, 2019	450.00	On-going acquisition of legal documentation by LESSOR due to deceased spouse/co-owner	140,000.00	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
3	Subic Freeport	G/F, The Venue, Annex Building, Rizal Nighway, Subic Bay Freeport Zone 2222, Olongapo City, Zambales.	July 31, 2020	120.00	For lessor's sign off	91,162.67	Automatically renewed for 5 years unless prior notice of non-renewal within 3 onths prior to lease expiration
4	Sta. Rosa	Shop 1-A, Paseo-III, Embarcadero Lane, Paseo De Santa Rosa, Brgy. Don Jose, Sta. Rosa City, Laguna	September 15, 2020	170.00	For lessor's sign off	161,802.24	None
5	Iloilo - J.M. Basa	G/F TTW Building J.M. Basa & Mapa Sts., Brgy. Ortiz, Iloilo City.	September 28, 2020	354.72	With pending clarification to branch coming from legal	152,155.25	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties, provided, the LESSEE shall serve written notice upon the LESSOR of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
6	Eastwood-Petron	No. 188 E. Rodriguez Jr. Avenue (C-5), Brgy. Bagumbayan, Quezon City.	February 14, 2021	123.00	On-going renewal documentation process. Awaiting renewal contract copy.	171,732.03	The term of this Contract may be renewed for another period but not to exceed the term of the Head Lease upon such terms and

							conditions as may be mutually agreed upon by the parties.
7	Balanga	P. Paterno Street, Brgy. Poblacion, Balanga City, Bataan.	February 22, 2021	177.80	For contract review of Legal Dept	124,106.26	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties, provided, the LESSEE shall serve written notice upon the LESSOR of its intention to renew said lease at least sixty (60) days prior to the expiration of this Contract
8	Angeles	McArthur Highway Cor. B. Aquino Street, Brgy. Lourdes Sur East, Angeles City, Pampanga.	March 17, 2021	190.33	For lessor's sign off	196,353.92	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties, provided, the LESSEE shall serve written notice upon the LESSOR of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
9	Iloilo Atria	F&B 2, UPMC Building, Atria Park District, Bgy San Rafael, Iloilo City.	April 11, 2021	140.64	Documentary requirement to be submitted by branch to legal	85,474.40	May be renewed upon the written agreement of the LESSOR and the LESSEE and under such terms and conditions as may be acceptable to them; provided that, the LESSEE shall have faithfully complied with all the terms of this Contract, and the LESSEE shall notify the LESSOR in writing of its desire to renew the lease at least ninety (90) days prior to its expiration
10	Bacolod Capitol	GR 04 & 05, 888 Chinatown Premier Mall, Cottage Road corner Gatuslao St., Brgy. 8, Bacolod City, Negros Occidental.	May 30, 2021	155.85	For contract review of Legal Dept	72,166.34	Negotiation within 90 days prior to lease expiration

11	Rockwell	P1 - Concourse Level, The Powerplant Mall, Rockwell Center, Brgy. Poblacion, Makati City	June 30, 2021	73.62	On-going renewal documentation process. Awaiting renewal contract copy.	234,479.70	The LESSOR will be under no obligation to renew this Contract. If the LESSOR desires, however, to renew this Contract, it shall notify the LESSEE in writing, no less than One Hundred Twenty (120) days prior to the date of expiration of this Contract, the terms and conditions (including rent) of the renewal. The LESSEE shall have a period of Fifteen (15) days from receipt of said notice to accept or decline the offer. In the event the LESSOR decides not to renew this Contract or the LESS does not accept the terms and conditions for renewal within the period of Fifteen (15) days, the LESSEE shall deliver possession of the LEASED PREMISES at the expiration of the term of this Contract
12	Cauayan City, Isabela	G/F, Majesty Commercial Building, National Highway, Brgy. San Fermin, Cauayan, Isabela.	September 9, 2021	135.00	On-going negotiation and approval of BBG Division Head	65,002.50	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties, provided, the LESSEE shall serve written notice upon the LESSOR of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
13	Santiago City, Isabela	G/F Oryza Hotel, Maharlika Highway, Bgy Villasis, Santiago City, Isabela.	September 17, 2021	150.00	for contract review by lessor	86,821.88	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties, provided, the LESSEE shall serve written notice upon the LESSOR of its intention to renew said lease at least ninety

							(90) days prior to the expiration of this Contract
14	Bel-Air Petron	363 Sen. Gil Puyat Ave., Brgy. Bel-Air, Makati City.	September 21, 2021	154.00	On-going renewal documentation process. Awaiting renewal contract copy.	215,014.09	The term of this Contract may be renewed for another period but not to exceed the term of the Head Lease upon such terms and conditions as may be mutually agreed upon by the parties.
15	Katipunan-Petron	Katipunan Ave., cor. Mangyan Road, La Vista, Brgy. Pansol, Quezon City.	October 27, 2021	140.40	On-going renewal documentation process. Awaiting renewal contract copy.	196,025.83	Subject to renewal upon terms that are mutually acceptable to the PARTIES. The SUBLESSEE shall inform the SUBLESSOR and the LESSOR in writing of its intention to renew this Contract within thirty (30) days but in no case less than fifteen (15) days prior to the expiration of this Contract. The term of this Contract or its renewal is contingent on the Agreements and the Sublease Agreement. Accordingly, in case of termination or non-renewal of the Head Lease, this Contract shall likewise automatically terminate.
16	Baliuag DRT Highway	3006 Augustine Square Commercial Complex, Doña Remedios Trinidad (DRT) Highway, Brgy. Pinagbarilan, Baliuag, Bulacan.	December 13, 2021	131.80	On-going renewal documentation process. Awaiting renewal contract copy.	64,870.31	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
17	Taft Avenue	G/F, 2270 Endriga Building, Taft Ave., Brgy. 725, Malate Manila	December 20, 2021	130.33	Renewed. Contract awaiting notarization.	107,558.96	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.

18	Iligan City	M. Badelles corner De Leon Street, Barangay Poblacion, Iligan City, Lanao del Norte.	December 30, 2021	171.30	Ongoing negotiation	87,500.00	Renewal under such terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
19	NAIA	IPT Building., Arrival Lobby, Terminal 1, Brgy. Sto. Nino, Pasay City.	December 31, 2021	14.31	On-going renewal documentation process. Awaiting renewal contract copy.	17,177.29	This Contract may be renewed or extended only upon written agreement by the parties on such terms and conditions as may be mutually agreed upon.
20	NAIA Terminal-3	Stall No. 14, Arrival Lobby, NAIA Terminal 3, Brgy. 183, Pasay City.	December 31, 2021	24.78	On-going renewal documentation process. Awaiting renewal contract copy.	31,337.48	This Contract may be renewed or extended only upon written agreement by the parties. Should there be subsequent renewal/s, there shall be an escalation of two (2%) percent every year will be imposed.
21	Tutuban	G/F, Units LS-CM19 & 20, Centermall-II, Tutuban Center, C.M. Recto Ave., Brgy. 248, Binondo, Manila	December 31, 2021	84.00	On-going renewal documentation process. Awaiting renewal contract copy.	132,733.28	The parties agree in writing, at least ninety (90) days prior to the expiration of the Contract, to renew and/or extend it under mutually acceptable terms and conditions.
22	Salcedo	G/F Aguirre Building, Tordesillas cor. H.V. Dela Costa St., Salcedo Village, Brgy. Bel-Air, Makati City.	January 4, 2022	111.45	Renewed. For Contract signing.	173,082.70	Subject to renewal under terms and conditions acceptable to both parties. Three (3) months prior to the expiration of the Lease Contract the LESSEE shall notify the LESSOR in writing of its desire to renew the lease. In the event the parties agree on the renewal, it will be renewed for another year and the rental shall be subject to an increase of at least ten (10%) percent. In the event that the parties cannot agree on the new

							rental rate and the other terms and conditions, the Lease Contract shall be deemed expired/terminated at the end of the term, and the LESSOR shall be entitled to the rights granted in this Lease Contract by reason of such expiration/termination.
23	Commonwealth	G/F Verde Oro Building, 535 Commonwealth Ave., Matandang Balara, Quezon City.	February 28, 2022	151.50	On-going renewal process (negotiations).	171,761.73	Subject to any extension or renewal for another Five (5) years under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
24	Imus	G/F Lot 3 Block 1, Aguinaldo Highway, Brgy. Anabu 1-B, Imus City, Cavite.	February 28, 2022	134.00	Renewed. With signed Lease Contract.	81,033.75	Subject to any extension or renewal for another Five (5) years under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
25	Alabang	Unit-6 El Molito-II Building, Madrigal Avenue cor. Alabang-Zapote Road, Brgy. Ayala Alabang, Muntinlupa City.	March 14, 2022	198.00	Renewed. With signed Lease proposal. Awaiting final Lease Contract.	352,608.96	There shall be no tacit renewal of contract of Lease notwithstanding the LESSEE's continued possession of the Lease Premises for any length of time after the expiration of the term of this lease. May be renewed for such period and under such terms and conditions as may be agreed upon by the LESSOR and the LESSEE in writing at least 90 days prior to its expiration.
26	Malolos	Paseo Del Congreso, Brgy. Caingin, Malolos City, Bulacan.	March 19, 2022	170.00	Renewed. With agreed Lease Terms. On-going contract draft review by LESSOR.	110,809.16	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior

							written notice prior to expiration upon intention to renew.
27	BF Homes	33 President's Ave., Brgy. B.F. Homes, Paranaque City.	April 3, 2022	226.69	Renewed. With agreed Lease Terms. On-going contract draft review by LESSOR.	296,691.52	The lease may be extended or renewed by agreement of the parties.
28	Soler	1004 Reina Regente cor. Soler St., Brgy. 292 Binondo, Manila	May 20, 2022	213.40	On-going renewal process (negotiations).	134,908.20	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
29	Davao-Rizal	G/F CAP Development Center Building, Rizal Street, Brgy. 3-A, Davao City, Davao Del Sur.	May 25, 2022	155.14	For commencement of renewal process by Branch.	114,606.22	None
30	Kalibo	No. 1280 Garcia Building, C. Laserna Street, Brgy. Poblacion, Kalibo, Aklan.	May 25, 2022	176.00	For commencement of renewal process by Branch.	101,612.24	Subject to extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least sixty (60) days prior to the expiration of this Contract
31	Naga	G/F No. 258 Romar Building-1, Elias Angeles Street, Brgy. Dinaga, Naga City, Camarines Sur.	June 12, 2022	126.00	For commencement of renewal process by Branch.	121,550.63	Subject to extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
32	San Fernando, Pampanga	G/F Insular Life Building, McArthur Highway, Brgy. Dolores, San Fernando, Pampanga.	June 15, 2022	287.00	For commencement of renewal process by Branch.	214,543.98	May be renewed for another term by mutual agreement of the parties under the same terms and conditions provided however that the lessee shall notify the lessor at least one hundred eighty (180) days before its expiration

33	Sucab	8338 Fortuna-II Bldg., Dr. A. Santos Ave., Brgy. San Isidro, Paranaque City.	June 18, 2022	167.08	Renewed. With agreed Lease Terms. On-going contract draft preparation by BLD.	94,000.00	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
34	Bicutan	G/F Filhome Builders Building, No. 68 Dona Soledad Ave., Betterliving Subdivision, Brgy. Don Bosco, Paranaque City.	June 30, 2022	95.00	On-going renewal process (negotiations).	69,457.50	Subject to any extension or renewal for another Five (5) years under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
35	Cubao	Unit 1, G/F Harvester Corporate Center, P. Tuazon Cor. 7th & 8th Ave., Brgy. Socorro, Cubao, Quezon City	July 31, 2022	203.68	For Units decision on whether to renew or relocate.	409,225.73	Three (3) months prior to the expiration of this Contract, the LESSEE shall notify in writing of its intention for the renewal of the LEASE. If the LESSEE fails to notify the LESSOR of its intention of renewing the lease, or notifies the LESSOR of its intention in NOT renewing the lease, the LESSOR shall be entitled to offer the space to any prospective tenants and the LESSEE shall allow the LESSOR and prospective tenants to conduct ocular inspection of the leased premises on a time and date mutually agreeable to the LESSOR and LESSEE. There shall be no tacit renewal of contract of Lease notwithstanding the LESSEE's continued possession of the Lease Premises for any length of time after the expiration of the term of this lease.
36	Fairview-Petron	G/F Petron Station, Commonwealth Avenue, Brgy. Fairview, Quezon City.	August 31, 2022	189.00	For commencement of renewal process by Branch.	73,300.26	The term of this Contract may be renewed for another period but not

							to exceed the term of the Head Lease upon such terms and conditions as may be mutually agreed upon by the parties.
37	Quiapo	No. 609 Sales St., Brgy. 309, Quiapo, Manila.	August 31, 2022	296.74	For commencement of renewal process by Branch.	136,893.35	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
38	Lapu-Lapu	Unit 3-5 AJS Building, M.L. Quezon National Highway, Brgy. Pusok, Lapu-Lapu City, Mactan, Cebu	September 2, 2022	181.78	Ongoing negotiation	98,677.70	Subject to extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
39	Fort Bonifacio Global City	G/F Kensington Place, Burgos Circle, Brgy. Fort Bonifacio, Taguig City.	September 30, 2022	167.41	For commencement of renewal process by Branch.	368,216.20	Subject to any extension or renewal for another Five (5) years under such terms and conditions mutually acceptable to both parties. With 60 day prior written notice prior to expiration upon intention to renew.
40	San Jose Del Monte	G/F Block 2, Lot 12, Quirino Highway, Cor. Diamond Crest Village, Brgy. San Manuel, San Jose Del Monte City, Bulacan.	September 30, 2022	169.39	For commencement of renewal process by Branch.	108,816.75	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
41	Tomas Morato	Tomas Morato Ave., cor. Dr. Lascano St., Brgy. Sacred Heart, Quezon City	October 22, 2022	150.00	For commencement of renewal process by Branch.	251,379.43	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.

42	Lipa	# 7 Bank of Commerce Building, CM Recto Avenue, Bgy 9-A, Lipa City, Batangas.	October 31, 2022	300.00	For completion of documents	104,527.05	Subject to extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
43	Cebu F. Cabahug	Units 5 & 6 GPH Central, F. Cabahug corner Pres. Roxas Sts., Bgy Kasambagan, Cebu City	November 30, 2022	124.00	Ongoing negotiation	86,127.30	Intention to renew 60 days prior to lease expiration
44	Pasong Tamo Ext.	2295 OPVI Centre, Pasong Tamo Extension, Brgy. Magallanes, Makati City	December 26, 2022	148.86	For commencement of renewal process by Branch.	155,132.33	The LESSOR reserves the option to renew the lease for an additional period upon expiration of the Lease Period as stated under Section 1 of this Contract, under the same terms and conditions set forth herein, with the exception of the monthly rental which may be hanged to the mutual agreement of the Parties.
45	E. Rodriguez	No. 84 Hemady St., New Manila, Brgy. Mariana, Quezon City.	December 31, 2022	180.00	For commencement of renewal process by Branch.	194,809.47	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
46	Calamba	Unit 6 & 7, New Parian Business Center, National Road, Brgy. Parian, Calamba City, Laguna.	December 31, 2022	200.00	Ongoing negotiation	140,512.52	Subject to renewal for another FIVE (5) years of the lease under terms and conditions mutually acceptable to both parties, provided the LESSEE serves a WRITTEN NOTICE upon the LESSOR of its intention to renew said lease at least thirty (30) days prior to the expiration of the contract

47	Cebu Sto. Niño - Magallanes	G/F Unit 2, Martina Sugbo Building, P Burgos corner Magallanes Sts., Bgy Sto. Nino, Cebu City	January 31, 2023	195.30	Ongoing lease	209,376.54	Renewed or extended for five (5) years under such terms and conditions mutually acceptable to both parties, provided, the LESSEE shall serve written notice upon the LESSOR of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract. In the event LESSEE fails to provide the written notice at indicated 2 P a g e hereinabove, this Contract shall be deemed automatically renewed or extended for another five (5) years subject to the same terms and conditions of this Contract including the escalation rate on the base rentals indicated herein
48	General Santos	G/F Sunshine Hardware Building, Santiago Blvd., Brgy. East, General Santos City, South Cotabato.	January 31, 2023	165.00	Ongoing lease	169,055.93	A written intention to renew must be served by the Lessee on the Lessor at least ninety (90) days prior to the expiration of this Contract, otherwise the Contract shall be deemed automatically renewed for another year, subject to the latest rate of rental escalation.
49	Marikina	No. 258 J.P. Rizal St., Brgy. Sta. Elena, Marikina City	February 16, 2023	257.18	Ongoing lease	203,300.00	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 60 day prior written notice prior to expiration upon intention to renew.
50	Mabalacat	McArthur Highway, Brgy. San Francisco, Mabalacat, Pampanga.	February 23, 2023	125.00	Ongoing lease	57,937.50	Subject to extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety

							(90) days prior to the expiration of this Contract
51	Aduana	G/F FEMII Building, A. Soriano St., Brgy. 656, Intramuros, Manila.	February 28, 2023	143.00	Ongoing lease	141,940.20	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
52	Malabon-Gen. Luna	No. 55 Gen. Luna St., Brgy. San Agustin, Malabon City.	February 28, 2023	186.60	Ongoing lease	100,024.74	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
53	Urdaneta	The Pentagon Building, McArthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan.	February 28, 2023	200.00	Ongoing lease	97,240.50	Subject to extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
54	Cagayan De Oro Carmen	Eric Tan Building, Vamenta Boulevard, Brgy. Carmen, Cagayan De Oro City.	March 6, 2023	262.00	Ongoing lease	85,191.31	Renewed for five (5) years under terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
55	Roxas City	G/F Gaisano Arcade, Arnaldo Boulevard, Brgy. Baybay, Roxas City, Capiz.	March 14, 2023	144.00	Ongoing lease	70,368.25	May be renewed upon reaching mutual acceptable terms in writing within 60 days before the expiration date
56	Las Pinas	G/F Pelayo Building, Alabang-Zapote Road, Manuela Subdivision, Brgy. Pamplona-III, Las Piñas City.	March 31, 2023	168.00	Ongoing lease	127,050.00	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior

							written notice prior to expiration upon intention to renew.
57	Dagupan	Eastgate Plaza Building, A.B. Fernandez Avenue, Dagupan City, Pangasinan.	March 31, 2023	280.00	Ongoing lease	94,815.00	Automatically be renewed or extended for five (5) years under such terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
58	Zamboanga Veterans	Veterans Avenue cor. Camachile Street, Brgy. Zone 3, Zamboanga City, Zamboanga Del Sur.	March 31, 2023	168.43	Ongoing lease	101,388.96	Subject to extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
59	Puerto Princesa	J.P. Rizal Avenue, Brgy. Manggahan, Puerto Princesa City, Palawan.	April 1, 2023	167.71	Ongoing lease	141,726.06	Option to renew provided that the lessee shall serve written notice of intent to exercise renewal option at least 4 months prior to the expiration of Contract
60	Cebu-Main	Cebu Woman's Club Building, B. Rodriguez St. Cor. Osmeña Blvd., Brgy. Sambag-II, Cebu City.	April 30, 2023	355.00	Ongoing lease	325,006.61	Renewed or extended for five (5) years under terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
61	Calapan	G/F Leona Yap Ong Building, J.P. Rizal Street, Brgy. San Vicente Central, Calapan City, Oriental Mindoro.	May 19, 2023	260.90	Ongoing lease	167,855.63	Renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the

							LESSOR of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
62	Ninoy Aquino Avenue	Unit W & Y, No. 707 Columbia Airfreight Complex, Ninoy Aquino Ave., Brgy. Sto. Nino, Paranaque City.	June 15, 2023	292.53	Ongoing lease	174,240.00	This Contract may be renewed for the same term and upon such terms and conditions that may hereafter be mutually agreed by the parties. With 60 day prior written notice prior to expiration upon intention to renew. Failure of the LESSEE to initiate renewal or negotiations within sixty (60) days prior to contract expiration shall give the LESSOR the right to show the Leased Premises to other prospective tenants as provided in Section 19 hereof.
63	Sta. Maria, Bulacan	G/F Jover Building, Narra Street, Bgy Sta. Clara, Sta. Maria, Bulacan.	June 15, 2023	105.00	Ongoing lease	77,175.00	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
64	Dasmariñas-Cavite	G/F Veluz-Frances Plaza Building, Aguinaldo Highway, Brgy. Zone 1, Dasmariñas City, Cavite.	June 30, 2023	165.00	Ongoing lease	88,200.00	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
65	West Avenue	68 West Ave., Brgy. West Triangle, Quezon City	June 30, 2023	156.85	Ongoing lease	110,253.87	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.

66	Legazpi City	G/F Diabetes One Stop Center, LANDCO Business Park, Brgy. Capantawan, Legazpi City, Albay.	June 30, 2023	161.90	Ongoing lease	110,780.00	Extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
67	Davao Lanang	Consuelo Bldg, Km. 7, Lanang, Davao City	July 15, 2023	190.00	Ongoing lease	162,930.72	Extension or renewal under such terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
68	Cebu Talisay	PCJ Building, National Highway, Bulacao, Talisay City, Metro Cebu	July 17, 2023	135.00	Ongoing lease	74,250.00	Renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the LESSOR of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
69	Sto. Cristo	G/F Kim Siu Ching Foundation Building, 471-483 Sto. Cristo cor. Jaboneros St., Brgy. 281 Binondo Manila	July 31, 2023	188.88	Ongoing lease	161,387.97	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
70	Marcos Highway	Unit # 10, No. 4 Thaddeus Arcade, Gil Fernando Avenue corner Pitpitan Street, Brgy. San Roque, Marikina City.	August 31, 2023	135.00	Ongoing lease	157,217.24	With 90 day prior written notice, but in no case less than thirty (30) days, prior to expiration upon intention to renew.
71	Mandaue	G/F Entienza Building, National Highway, Brgy. Bakilid, Mandaue City, Cebu.	September 15, 2023	289.50	Ongoing lease	139,722.44	Subject to extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice

							upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
72	Magallanes	G/F Tritan Plaza Building, San Antonio St., Paseo de Magallanes, Brgy. Magallanes, Makati City.	September 29, 2023	115.00	Ongoing lease	106,612.03	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
73	Ermita	1312 A. Mabini St., Brgy. 669, Ermita, Manila	September 30, 2023	172.44	Ongoing lease	160,165.36	Section 22. Termination of Lease - LESSEE shall advise LESSOR in writing at least two (20 months before the termination of the lease, of its intention to renew or not.
74	Cabanatuan	G/F V. P Building, Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City, Nueva Ecija.	October 26, 2023	162.00	Ongoing lease	130,381.65	Renewal under such terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the LESSOR of its intention to renew said lease at least one hundred fifty (150) days prior to the expiration of this Contract
75	Dela Costa-Alfaro	G/F 100 Don Chua Lamko Building, H.V. Dela Costa cor. Leviste St., Salcedo Village, Brgy. Bel-Air, Makati City	October 31, 2023	138.00	Ongoing lease	202,860.00	Lease is renewable at the option of the LESSEE for another period under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
76	Grace Park	G/F No. 554 HGL Building, EDSA Cor. Biglang Awa Street, Brgy. 95, Caloocan City.	October 31, 2023	180.26	Ongoing lease	156,634.51	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.

77	UN Avenue	No. 429 Victoria Building, United Nations Avenue, Brgy. 666, Ermita, Manila.	November 15, 2023	411.20	Ongoing lease	262,254.68	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
78	Bacolod-Araneta	G/F Yusay Arcade, Araneta Street, Brgy. 15, Bacolod City, Negros Occidental.	December 4, 2023	248.88	Ongoing lease	198,755.57	5-year renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the LESSOR of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
79	West Triangle	1451 Quezon Ave., cor. Examiner St., Brgy. West Triangle, Quezon City.	December 31, 2023	143.14	Ongoing lease	277,551.59	This Contract shall again be renewed or extended for five (5) years under terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract.
80	Pasig	G/F Renaissance 2000 Tower, Meralco Ave., Brgy. San Antonio, Pasig City.	January 2, 2024	220.29	Ongoing lease	534,176.82	LESSEE shall be given the first option to lease the same premises for such rental and under such terms and conditions as may be mutually agreed upon between the parties, provided the LESSEE must give written notice of its intention to renew at least 180 days prior to expiration.
81	Valenzuela	Units 12 & 13, Puregold Shopping Complex, McArthur Highway, Brgy. Dalandan, Valenzuela City.	January 14, 2024	125.00	Ongoing lease	92,221.08	This lease may be renewed only by a written agreement of the parties under terms and conditions mutually agreed upon by them, provided that the LESSEE shall propose to the LESSOR in writing

							its desired renewal at least Thirty (30) days prior to the expiration of the term stipulated therein and provided further that in the evaluation and assessment of the LESSOR, the LESSEE shall have faithfully complied with all the terms and conditions stipulated herein during the original term.
82	Cainta	No. 40 Felix Ave., Brgy. San Isidro, Cainta, Rizal.	January 24, 2024	154.00	Ongoing lease	96,997.82	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
83	Vigan	G/F Plaza Maestro Commercial Complex, Florentino Cor. Jacinto Streets, Brgy. 1, Vigan City, Ilocos Sur.	February 18, 2024	164.00	Ongoing lease	164,136.80	As agreed by both parties
84	Tarlac	Block 4, Unit 110-112, G/F, Rising Sun Building, McArthur Highway, Brgy. San Nicolas, Tarlac City.	February 28, 2024	162.00	Ongoing lease	80,405.74	Subject to extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
85	Bonifacio High Street	G/F Active Fun Building, 9th Avenue corner 28th Street, Brgy. Fort Bonifacio, Taguig City	April 30, 2024	205.67	Ongoing lease	593,988.46	No specified renewal provision.
86	Malabon	29 Gov. Pascual Ave., Brgy. Acacia, Malabon City.	May 31, 2024	225.00	Ongoing lease	133,928.57	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
87	Baguio	G/F YMCA Baguio Building, Post Office Loop (Upper Session Road), Brgy. Session Road, Baguio City, Benguet.	May 31, 2024	136.00	Ongoing lease	184,805.90	Renewal under such terms and conditions mutually acceptable to both parties, provided, the Lessee

							shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
88	Iloilo Iznart	G/F TCT Building, Iznart Street, Brgy. Danao, Iloilo City.	May 31, 2024	302.38	Ongoing lease	151,190.00	Renewal under such terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
89	San Pedro	G/F Pacita Commercial Complex, National Highway, Brgy. Nueva, San Pedro Laguna.	June 20, 2024	192.00	may be	168,081.62	Renewal/extension subjected to mutually acceptable terms and conditions
90	Butuan	G/F Cesia Building, Montilla Boulevard, Brgy. Urduja, Butuan City, Agusan Del Norte.	July 31, 2024	225.00	Ongoing lease	120,259.81	Renewal under such terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
91	Dela Rosa	G/F King's Court Building-II, 2129 Chino Roces Ave., Cor. Dela Rosa Street, Pio Del Pilar, Makati City	September 15, 2024	100.03	Ongoing lease	183,480.03	No specified renewal provision.
92	Pasig Boulevard	152 Pasig Boulevard, Brgy. Bagong Ilog, Pasig City.	October 15, 2024	179.61	Ongoing lease	127,628.16	With option to renew for another Five(5) years, subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
93	Mandaue NRA Branch	G/F Mantawe Ave., North Reclamation Area, Brgy. Tipolo, Mandaue	October 15, 2024	122.07	Ongoing lease	124,459.67	Renewal under such terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the

							Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
94	Pasay Road	1006 Cedar Executive Building, A. Arnaiz Ave., San Lorenzo Village, Brgy. San Lorenzo, Makati City	October 31, 2024	197.68	Ongoing lease	366,118.07	There shall be no tacit renewal of contract of Lease notwithstanding the LESSEE's continued possession of the Lease Premises for any length of time after the expiration of the term of this lease. May be renewed for such period and under such terms and conditions as may be acceptable to them provided that LESSEE shall have faithfully complied with all the terms of this Contract and that LESSEE shall provide written notification of its desire to renew at least 90 days prior to expiration of the lease.
95	Quezon Avenue	No. 8 Sto. Domingo Church Compound, Biak-Na-Bato St cor. Quezon Ave., Brgy. Sto. Domingo, Quezon City.	November 27, 2024	369.12	Ongoing lease	219,230.27	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
96	La Union	Northway Plaza, National Highway, Bgy Sevilla, San Fernando City, La Union.	November 30, 2024	169.00	Ongoing lease	90,560.76	Lessee to secure from the lessor written approval to renew the contract ninety (90) days prior to lease termination date
97	Tuguegarao	No. 27 Bonifacio Cor. Washington Streets, Brgy. Centro 4, Tuguegarao City, Cagayan.	November 30, 2024	180.00	Ongoing lease	154,079.89	Renewal under such terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract

98	Estancia	Clement Street, Brgy. 25, Estancia, Iloilo City.	January 29, 2025	249.00	Ongoing lease	52,500.00	Subject to renewal for another FIVE (5) years of the lease under terms and conditions mutually acceptable to both parties, provided the LESSEE serves a WRITTEN NOTICE upon the LESSOR of its intention to renew said lease at least ninety (90) days prior to the expiration of the contract
99	Resorts World	Unit R3, GF Star Cruises Centre, 100 Andrews Avenue, Newport City Brgy. 183, Pasay City	January 31, 2025	106.00	Ongoing lease	300,510.00	There shall be no tacit renewal of this Contract, notwithstanding the continuation of LESSEE in the possession of the Leased Premises for any length of time after the expiration of the term of this lease. May be renewed upon the written agreement of LESSOR and LESSEE and under such terms and conditions as may be acceptable to them provided that should LESSOR and LESSEE fail to agree on the terms and conditions under which this lease shall be renewed on or before ninety (90) calendar days prior to the expiry of this lease, then this lease shall automatically terminate and LESSOR shall be entitled to the rights granted under this Contract by reason of such termination.
100	Balibago	McArthur Highway Cor. Victor Street, Brgy. Balibago, Angeles City, Pampanga.	January 31, 2025	333.00	Ongoing lease	129,674.69	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days

							prior to the expiration of this Contract
101	Ormoc	G/F H. Serafica Building, Real Street, Brgy. District 24, Ormoc City, Leyte	January 31, 2025	168.72	Ongoing lease	127,867.45	Subject to extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
102	Tagbilaran	G/F 0025 Karan's Building, B. Inting St., 2nd district, Bgy Poblacion 2, Tagbilaran City	January 31, 2025	80.00	Ongoing lease	96,600.00	Subject to extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
103	Sta. Cruz	National Road Cor. Misola St., Brgy. Poblacion South, Sta. Cruz, Zambales.	February 16, 2025	165.00	Ongoing lease	37,450.00	Subject to extension or renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
104	Bacolod-Lacson	Corner 12th & Lacson Streets, Brgy. 4, Bacolod City, Negros Occidental.	March 14, 2025	468.00	Ongoing lease	221,130.00	Subject to renewal for another FIVE (5) years of the lease under terms and conditions mutually acceptable to both parties, provided the LESSEE serves a WRITTEN NOTICE upon the LESSOR of its intention to renew said lease at least thirty (30) days prior to the expiration of the contract
105	Banawe	No. 128-B, WAS Building, Banawe Street, Brgy. Tatalon, Quezon City.	April 2, 2025	177.50	Ongoing lease	149,171.06	Shall again be renewed or extended for Five (5) years under

							such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
106	Diliman	Commonwealth Ave., Cor. Masaya St., Brgy. Old Capitol Site, Quezon City	April 30, 2025	500.00	Ongoing lease	367,500.00	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
107	Visayas Avenue	15 Visayas Avenue Extension, Brgy. Culiati, Quezon City.	May 31, 2025	106.00	Ongoing lease	100,000.00	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
108	Laoag	Rizal corner Gen. Hizon St., Brgy. 7-A, Laoag City, Ilocos Norte.	May 31, 2025	181.00	Ongoing lease	161,704.87	Subject to renewal for another FIVE (5) years of the lease under terms and conditions mutually acceptable to both parties, provided the LESSEE serves a WRITTEN NOTICE upon the LESSOR of its intention to renew said lease at least ninety (90) days prior to the expiration of the contract
109	Calocan	100 8th Avenue cor. A. Del Mundo St., Brgy 058, Calocan City.	July 31, 2025	132.00	Ongoing lease	70,036.31	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
110	Taft-PGH	G/F Mirasol Building, 854 G. Apacible St., cor. Taft Ave., Brgy. 676, Ermita, Manila	July 31, 2025	116.78	Ongoing lease	136,892.74	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior

							written notice prior to expiration upon intention to renew.
111	Concepcion	No. 52 A.M. PACLEB Building, Bayan-Bayanan Avenue, Brgy. Concepcion Uno, Marikina City.	August 22, 2025	218.48	Ongoing lease	135,000.00	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
112	Dasmariñas-Binondo	G/F, 304 STP Building, Dasmariñas cor. Marquina Sts., Brgy. 291, Binondo, Manila.	August 31, 2025	217.14	Ongoing lease	121,550.63	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
113	Cagayan De Oro-Velez	Don A. Velez-Akut Streets, Brgy. 16, Cagayan De Oro City, Misamis Oriental.	September 4, 2025	391.00	Ongoing lease	217,317.80	Renewal under such terms and conditions acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
114	Juan Luna	No. 465 MCU Building, Juan Luna Street, Brgy. 287, Binondo, Manila.	September 18, 2025	202.00	Ongoing lease	268,019.13	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
115	Tacloban	Door Nos. 12 & 13, RUL Building, Justice Romualdez St., Brgy. 15, Tacloban City	November 30, 2025	165.60	Ongoing lease	75,245.63	Any extension of lease period shall be signed by both parties at least THIRTY (30) days prior to its expiration.
116	Lucena	G/F Bank of Commerce Building, Quezon Avenue cor. Lakandula Street, Brgy. IX, Lucena City, Quezon.	December 15, 2025	151.00	Ongoing lease	128,840.40	Renewal upon terms mutually acceptable to both parties, provided that, the LESSEE shall serve written notice upon the LESSOR of its intention to renew said lease at least ninety (90) days

							prior to the expiration of this Contract
117	Jupiter	64/66 Jupiter St., Brgy. Bel-Air, Makati City	March 16, 2026	120.00	Ongoing lease	723,007.60	This Contract may be extended or renewed by mutual agreement of the parties in writing.
118	Batangas-Caedo	G/F Caedo Commercial Complex, Brgy. Calicanto, Batangas City.	March 31, 2026	245.64	Ongoing lease	112,000.00	Renewal upon terms mutually acceptable to both parties, provided that, the LESSEE shall serve written notice upon the LESSOR of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
119	Wack-Wack Petron	No. 553 Shaw Blvd., Brgy. Wack-Wack, Greenhills East, Mandaluyong City, Manila.	May 31, 2026	176.34	Ongoing lease	168,972.73	The lease may be extended or renewed by agreement of the parties
120	Tagum City	Units 104-105 PLJ Building, Apokon Road, Maguppo Poblacion, Tagum City, Davao del Norte.	June 27, 2026	120.00	Ongoing lease	73,043.19	Extension or renewal upon terms mutually acceptable to both parties, provided that, the LESSEE shall serve written notice upon the LESSOR of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
121	Angeles Nepomart	G/F ENTEC Building, Teresa Avenue, Nepo Mart Complex, Bgy Cutcut, Angeles City, Pampanga	July 14, 2026	129.98	renewed for 5 yrs last expiry July 14, 2021	90,280.86	Renewal upon terms mutually acceptable to both parties, provided that, the LESSEE shall serve written notice upon the LESSOR of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
122	Cebu Banilad	First Jomica Realty & Development Bldg., No. 888 A. S. Fortuna St., Bgy Banilad, Mandaue City, Cebu	July 17, 2026	120.00	renewed for 5 yrs last expiry July 17, 2021	100,170.00	Extension or renewal under such terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at

							least ninety (90) days prior to the expiration of this Contract
123	Candon	National Highway, Brgy. San Jose, Candon City, Ilocos Sur.	September 30, 2026	292.81	renewed for 5yrs last expiry Sept. 30, 2021	176,678.19	Renewal upon terms mutually acceptable to both parties, provided that, the Lessee shall serve written notice upon the LESSOR of its intention to renew said lease at least 6 months prior to the expiration of this Contract
124	Makati Avenue-Zuellig	Unit 2, G/F Zuellig Building, Makati Ave., Cor. Paseo De Roxas & Sta. Potenciana Sts., Brgy. Bel-Air, Makati City.	December 31, 2026	161.00	Ongoing lease	450,800.00	Unless renewed under the conditions stipulated herein, the Lease Term shall not be extended beyond the Expiration Date, nor shall there be an implied renewal of the Lease Term or this Contract notwithstanding LESSEE's continued possession of the Leased Premises after the Expiration Date. This Contract may be renewed only by written instrument containing the terms and conditions mutually agreed by upon LESSOR and LESSEE. Unless LESSOR and LESSEE execute a renewal agreement on or before ninety (90) Days prior to the Expiration Date, this Contract shall automatically expire on said date. The renewal of this Contract shall be subject to the conditions set forth in Item 11 of Annex "A".
125	Tanauan	G-04 The Citywalk, No. 2 President Laurel Highway, Brgy. Darasa, Tanauan City, Batangas.	December 31, 2026	108.43	renewed last expiry - Dec. 31, 2021	63,473.78	Lessee must secure from the lessor written approval to renew the contract ninety (90) days prior to the lease termination date
126	San Fernando Sindalan	Jumbo Jenra, McArthur Highway, Bgy Sindalan, San Fernando City, Pampanga.	April 23, 2027	150.00	Ongoing lease	118,125.00	Term extended at the Lessor's sole option by written authority secured prior to the expiration of the

							original period and upon such terms as may be mutually agreed upon by the parties
127	Pagadian	F. S. Pajares Avenue, Brgy. Gatas, Pagadian City, Zamboanga del Sur.	April 7, 2028	111.43	Ongoing lease	67,568.37	Extension or renewal under such terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
128	Baliuag	G/F Doña Victoria Building, Gil Carlos Cor. Año Streets, Brgy. Poblacion, Baliuag, Bulacan.	September 8, 2028	217.25	Ongoing lease	226,270.00	Subject to any extension or renewal under such terms and conditions mutually acceptable to both parties. With 90 day prior written notice prior to expiration upon intention to renew.
129	Dumaguete	Rusiana Building, North Road, Capitol Area (National Highway), Barangay Daro, Dumaguete City	June 16, 2029	161.00	Ongoing lease	82,063.11	Extension or renewal under such terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
130	Davao-City Hall	G/F Valgoson's Realty Building, City Hall Drive, Brgy. 2-A, Davao City, Davao Del Sur.	July 31, 2029	216.00	Ongoing lease	153,747.68	Renewed or extended under terms and conditions mutually acceptable to both parties, provided, the Lessee shall serve written notice upon the Lessor of its intention to renew said lease at least ninety (90) days prior to the expiration of this Contract
131	Cagayan De Oro-Lapasan	Suites 6 & 7, Gateway Tower-1, Limketkai Center, Lapasan Highway, Brgy. Lapasan, Cagayan De Oro City	April 30, 2030	169.68	Ongoing lease	200,207.13	The parties may renew the lease on mutually acceptable terms and conditions

ANNEX B: LIST OF PERMITS AND LICENSES

PERMITS AND LICENSES

A. Head Office

Issuing Agency	Permits/Clearance	Permit / License Number	Issue Date	Expiry Date
Bangko Sentral ng Pilipinas (BSP)	Certificate of Authority – Foreign Currency Deposit Unit (FCDU)	(not indicated)	March 10, 2010	N/A (No expiration)
BSP	BSP Letter re. authority to operate as commercial bank and to perform trust operations	(not indicated)	July 22, 2004	N/A (No expiration)
Securities and Exchange Commission (SEC)	Confirmation of the Payment of Annual Fees – Government Securities Eligible Dealer and Associated Person	SEC Registration No. 0000024221	December 4, 2020	December 31, 2021
Intellectual Property Office of the Philippines	Certificate of Registration for Bank of Commerce (San Miguel Properties Centre, # 7 Saint Francis Street, Mandaluyong City, Metro Manila)	4/2019/00011172	July 24, 2020 Term: 10 years (until July 24, 2030)	July 24, 2030
Intellectual Property Office of the Philippines	Certificate of Registration for BankCom (San Miguel Properties Centre, # 7 Saint Francis Street, Mandaluyong City, Metro Manila)	4/2019/00011173	November 24, 2019 Term: 10 years (until November 24, 2029)	November 24, 2029
Bureau of Internal Revenue (BIR)	Certificate of Registration for Bank of Commerce-FCDU (San Miguel Properties Centre, No. 7 St. Francis St. Mandaluyong City)	8RC0000019991	April 12, 2002	N/A (No expiration)
BIR	Certificate of Registration for Bank of Commerce (San Miguel Properties Centre, No. 7 St. Francis St. Mandaluyong City)	8RC0000019989	June 8, 1996	N/A (No expiration)
Pag-IBIG	Employer Data Form for Bank of Commerce (Computer Generated) (21/F San Miguel Properties Centre, Saint Francis Street, Mandaluyong City, Metro Manila)	800167338216	(not indicated)	N/A (No expiration)
Department of Labor and Employment (DOLE)	Registry of Establishment for Bank of Commerce-Head Office	11-24-2014	November 4, 2014	N/A (No expiration)

Issuing Agency	Permits/Clearance	Permit / License Number	Issue Date	Expiry Date
Philippine Health Insurance Corporation (PhilHealth)	Employer's Data Record for Bank of Commerce (Computer Generated) (San Miguel Properties Centre, 7 Saint Francis St., Mandaluyong City)	200276300074 (Philhealth Employer No.)	September 21, 2011 (Date of Filing/Registration)	N/A (No expiration)
Social Security System (SSS)	Social Security Plate and Certificate of Registration for Bank of Commerce	03-2816400-0-000 (SSS Employer No.)	January 01, 1964 (Date of Registration)	N/A (No expiration)
BSP	Certificate of Registration for Bank of Commerce – Operator Payment System (SMPC, No. 7, Saint Francis St., Mandaluyong City)	OPSCOR-2020-0056	March 25, 2020	N/A (No expiration)
Local Government Unit (LGU)	Business Permit for Bank of Commerce (Head Office and MOB) (G/F, SMPC Bldg., St. Francis, Brgy. Wack-Wack, Mandaluyong City)	21-02145	January 12, 2021	December 31, 2021
SEC	Certificate of Registration for Annielyn Placer Paradero (Fixed Income Market Salesman of Bank of Commerce)	02-2021-14366	October 18, 2021	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Christian Rox Tagle Chua (Fixed Income Market Salesman of Bank of Commerce)	02-2009-03963	February 11, 2020	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Paulyn Villamor Bernabe (Fixed Income Market Salesman of Bank of Commerce)	02-2009-02998	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Nerly Garcia Borja (Fixed Income Market Salesman of Bank of Commerce)	02-2012-06564	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Augusto Manuel Mondonedo Briones (Fixed Income Market Salesman of Bank of Commerce)	02-2009-03803	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment

Issuing Agency	Permits/Clearance	Permit / License Number	Issue Date	Expiry Date
SEC	Certificate of Registration for Nicole Francine Ariadne CoChua (Fixed Income Market Salesman of Bank of Commerce)	02-2009-04048	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Antonio Basilio Canlas De Guzman (Fixed Income Market Salesman of Bank of Commerce)	02-2009-03346	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Brian Rivera Josef (Fixed Income Market Salesman of Bank of Commerce)	02-2018-13173	June 8, 2018	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Monette Gozun De Leon (Fixed Income Market Salesman of Bank of Commerce)	02-2015-10459	May 14, 2015	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Joseph Alfred Reyes Estiva (Fixed Income Market Salesman of Bank of Commerce)	02-2009-03821	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Laurence Christopher Loy Estira (Fixed Income Market Salesman of Bank of Commerce)	02-2019-13627	July 10, 2019	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Manolo Barrios Kimpo, Jr. (Fixed Income Market Salesman of Bank of Commerce)	02-2009-03003	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Johanna Belle Bucay Kho(Fixed Income Market Salesman of Bank of Commerce)	02-2012-06814	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for John Francis Hernandez (Fixed Income Market Salesman of Bank of Commerce)	02-2021-14251	March 19, 2021	Valid unless suspended or revoked for cause or deemed cancelled due to separation

Issuing Agency	Permits/Clearance	Permit / License Number	Issue Date	Expiry Date
				from employment
SEC	Certificate of Registration for May Meliton Llabres (Fixed Income Market Salesman of Bank of Commerce)	02-2009-03004	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Amy Salcedo Masip (Fixed Income Market Salesman of Bank of Commerce)	02-2012-06815	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Edrick John Gamboa Santos (Fixed Income Market Salesman of Bank of Commerce)	02-2016-11721	September 7, 2021	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Dino Joseph Apolinar Ramirez (Fixed Income Market Salesman of Bank of Commerce)	02-2009-03851	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Paul John Toledo Reyes (Fixed Income Market Salesman of Bank of Commerce)	02-2011-05523	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Nica Pauline Arubang Timbang (Fixed Income Market Salesman of Bank of Commerce)	02-2016-12020	May 25, 2016	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Nina Francesca Mendoza Virata (Fixed Income Market Salesman of Bank of Commerce)	02-2011-06155	September 11, 2015	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment
SEC	Certificate of Registration for Felipe Martin Francisco Timbol (Fixed Income Market Salesman of Bank of Commerce)	02-2009-03865	December 29, 2014	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment

Issuing Agency	Permits/Clearance	Permit / License Number	Issue Date	Expiry Date
SEC	Certificate of Registration for Juan Miguel Bernarte Torres (Fixed Income Market Salesman of Bank of Commerce)	02-2011-06229	June 23, 2019	Valid unless suspended or revoked for cause or deemed cancelled due to separation from employment

B. Branches – Renewals in process

Issuing Agency	Permits/Clearance	Permit/License Number	Issue Date	Expiry Date
1. LGU	Business Permit for Alabang Branch (U-M26 Molito 2 Bldg Madrigal Avenue, MBP Ayala Alabang)	2021-0004172	January 20, 2021	December 31, 2021
2. LGU	Business Permit for Urdaneta Branch (Mc Arthur Highway Nancayasan, Urdaneta City, Pangasinan)	BP-1310-2021	January 26, 2021	December 31, 2021
3. LGU	Business Permit for Candon Branch (National Highway, San Jose, Candon City)	2021-0000951	January 18, 2021	December 31, 2021
4. LGU	Permit for Cauayan Branch (Majestic Commercial Building, San Fermin, City of Cauayan)	2021-0641	February 3, 2021	December 31, 2021
5. LGU	Business Permit for Vigan Branch (Plaza Maestro Complex, Barangay I, Vigan City)	1804	February 10, 2021	December 31, 2021
6. LGU	Business Permit for Baguio Branch (G/F Post Office Loop, Salud Mitra)	10-6-64191-55149	January 21, 2021	December 31, 2021
7. LGU	Business Permit for Laoag Branch (G/F N. Corpuz Building, Bank of Commerce, J.P. Rizal St., Cor Gen. Hizon St., Brgy. No. 7-A, Nstra. Sra. De Natividad, Laoag, Ilocos Norte)	2021-012812000-1908	January 21, 2021	December 31, 2021
8. LGU	Business Permit for La Union Branch (Northway Plaza, Sevilla, La Union)	CSF-2021-3569	February 9, 2021	December 31, 2021
9. LGU	Business Permit for Carmen Branch (Carmen West, Rosales, Pangasinan)	1649	January 20, 2021	December 31, 2021
10. LGU	Business Permit for Dagupan Branch (Eastgate Plaza, A.B. Fernandez, East Mayombo, Dagupan City)	21-02-2338	February 17, 2021	December 31, 2021
11. LGU	Business Permit for Tuguegarao Branch (Bonifacio St., Centro 4, Tuguegarao City)	4101	March 25, 2021	December 31, 2021
12. LGU	Business Permit for Santiago Branch (G/F Orayza Building, Maharlika Highway, Villasis, Santiago City)	01267	January 29, 2021	December 31, 2021
13. LGU	Business Permit for Baliuag Branch (Victoria Building, Poblacion, Baliwag Bulacan)	21-01880	January 20, 2021	December 31, 2021

	Issuing Agency	Permits/Clearance	Permit/License Number	Issue Date	Expiry Date
14.	LGU	Business Permit for Baliwag DRT Branch (St. Augustine Sq. DRT Highway, Pinagbarilan, Baliwag Bulacan)	21-01449	January 19, 2021	December 31, 2021
15.	LGU	Business Permit for Banawe Branch (128-B, Banawe St., Tatalon 4, Quezon City)	99-013126	March 28, 2021	December 31, 2021
16.	LGU	Business Permit for Caloocan Branch (100, 8 th Avenue, Cor. Del Mundo St., Brgy. 058, District 2, Caloocan City)	(BIN No.) 04-008998	January 25, 2021	December 31, 2021
17.	LGU	Business Permit for Grace Park Branch (334 Biglang-awa St., Brgy. 095, District 2, Caloocan City)	(BIN No.) 04-009037	January 25, 2021	December 31, 2021
18.	LGU	Business Permit for Malabon Branch (29 Gonzales Village, Tinajeros, Malabon City)	21-02966	January 18, 2021	December 31, 2021
19.	LGU	Business Permit for Malabon Gen.Luna Branch(55 Gen Luna St., San Agustin Malabon)	21-02965	January 16, 2021	December 31, 2021
20.	LGU	Business Permit for Malolos Branch (Paseo Del Congreso, Brgy. Caingin, City of Malolos)	2021-00826	January 19, 2021	December 31, 2021
21.	LGU	Business Permit for San Jose Del Monte Branch (B2, L12, Quirino Highway Corner Diamond Crest Village, 1 Brgy. San Manuel, CSJDM Bulacan)	2021-0002214	January 21, 2021	December 31, 2021
22.	LGU	Business Permit for Sta. Maria Bulacan Branch (G/F Jover Bldg., Narra St., Sta. Clara, Sta. Maria Bulacan)	0654	January 18, 2021	December 31, 2021
23.	LGU	Business Permit for Tomas Morato Branch (212 Tomas Morato Ave., Cor. DR Lazcano, Sacred Heart 4)	97-087303	March 28, 2021	December 31, 2021
24.	LGU	Business Permit for Valenzuela Branch (Unit 12-13 Ellmac Building)	09-106804	January 19, 2021	December 31, 2021
25.	LGU	Business Permit for Angeles Branch (Henson St., Santa Teresita, Angeles City)	2021003369	January 27, 2021	December 31, 2021
26.	LGU	Business Permit for Angeles Nepo Mart Branch (Lot 15-18, Blk 15, G/F, Entec 1 Bldg., Teresa Avenue, Villa Teresa, Santo Rosario, Angeles City)	2021003370	January 27, 2021	December 31, 2021
27.	LGU	Business Permit for Ayala Branch (6764 Ayala Ave., San Lorenzo, Ayala)	14774	January 28, 2021	December 31, 2021
28.	LGU	Business Permit for Bacolod Araneta Branch (G/F, Yusay Arcade, Araneta St., Bacolod City)	202176202	January 27, 2021	December 31, 2021
29.	LGU	Business Permit for Bacolod Capitol Branch (G4 & G5 888 Chinatown, Premiere Brgy. 8, Bacolod City)	202175062	January 20, 2021	December 31, 2021
30.	LGU	Business Permit for Bacolod Lacon Branch (12 th Lacson st., Brgy. 4, Bacolod City)	202176526	January 28, 2021	December 31, 2021
31.	LGU	Business Permit for Balanga Branch	2021-1274	January 21, 2021	December 31, 2021

	Issuing Agency	Permits/Clearance	Permit/License Number	Issue Date	Expiry Date
		(Paterno St., Poblacio, Balanga City, Bataan)			
32.	LGU	Business Permit for Balibago Branch (Mac Arthur Hiway, Corner Victor St., Balibago, Angeles City)	2021005358	February 4, 2021	December 31, 2021
33.	LGU	Business Permit for Batangas Caedo Branch (No. 5 Malvar St., San Isidro Village, San Isidro, Balanga City)	0764	January 15, 2021	December 31, 2021
34.	LGU	Business Permit for Batangas P. Burgos Branch (No. 27, P. Burgos St., Poblacion 015, Batangas City)	0776	January 15, 2021	December 31, 2021
35.	LGU	Business Permit for Bel-Air Branch (G/F, Petron Bel-Air Square, 363 Sen. Gil Puyat Ave. Bel-Air, Makati City)	14781	January 28, 2021	December 31, 2021
36.	LGU	Business Permit for BF Homes Branch (South Super Highway, San Antonio, Parañaque City)	(BIN No.) 2004012702	January 27, 2021	December 31, 2021
37.	LGU	Business Permit for Bicutan Branch (G/F Filhome Builders Building, 68 Doña Soledad Avenue, Better Living Subd. Don Bon Bosco, Parañaque City)	(BIN No.) 2004016244	January 27, 2021	December 31, 2021
38.	LGU	Business Permit for Bonifacio Global City Branch (G/F Kensington Place, Bonifacio Global City, Fort Bonifacio, City of Taguig)	2021-10232	February 5, 2021	December 31, 2021
39.	LGU	Business Permit for Bonifacio High Street Branch (Lot 5, blk 8, 9 th Ave, Cor. Fort Bonifacio, City of Taguig)	2021-10576	February 8, 2021	December 31, 2021
40.	LGU	Business Permit for Broadcast City Branch (Capitol Hills Drive, Matandang Balara 3, Quezon City)	97-075763	March 28, 2021	December 31, 2021
41.	LGU	Business Permit for Butuan Branch (Mont. Blvd. Cesia Building, Dagohoy, Butuan City)	2021-04327	January 16, 2021	December 31, 2021
42.	LGU	Business Permit for Cabanatuan Branch (UP Bldg., Maharlika Highway H., Concepcion, Cabanatuan City)	21-03425	March 4, 2021	December 31, 2021
43.	LGU	Business Permit for Cainta Branch (40 Felix Avenue, San Isidro, Cainta Rizal)	2021-1885	January 22, 2021	December 31, 2021
44.	LGU	Business Permit for Calamba Branch (National Highway, Parian Calamba City, Laguna)	2021-04368	February 8, 2021	December 31, 2021
45.	LGU	Business Permit for Calapan Branch (San Vicente Central, Calapan City, Oriental Mindoro)	(not indicated)	January 27, 2021	December 31, 2021
46.	LGU	Business Permit for CDO Carmen Branch (Eric Tan Building, Vamenta Blvd., Carmen, Cagayan De Oro City)	2021-06945	January 19, 2021	December 31, 2021
47.	LGU	Business Permit for CDO Lapan Branch (C.M. Recto Ave., Lapan, Cagayan De Oro City)	2021-09512	January 25, 2021	December 31, 2021
48.	LGU	Business Permit for CDO Velez Branch (Akut-Velez Sts. Barangay 16, Cagayan De Oro City)	2021-10052	January 26, 2021	December 31, 2021

Issuing Agency	Permits/Clearance	Permit/License Number	Issue Date	Expiry Date
49.	LGU Business Permit for Cebu Banilad Branch (888 First Jomika Realty Bldg., As Fortuna St., Brgy. Banilad, Mandaue, Cebu City)	2021-072230000-3188	February 11, 2021	December 31, 2021
50.	LGU Business Permit for Cebu F. Cabahug Branch (Unit 5 & 6 GPH Central, F. Cabahug St., Cor. Pres. Roxas St., Kasambangan Cebu City)	102013	January 17, 2020	December 31, 2021
51.	LGU Business Permit for Cebu Main Branch (Cor. B. Rodriguez, & Osmeña Blvd. Cebu City)	4122	January 31, 2020	December 31, 2021
52.	LGU Business Permit for Cebu Sto. Niño Branch (Osmeña Blvd., & Plaridel Sts. Cebu City)	3958	January 21, 2020	December 31, 2021
53.	LGU Business Permit for Cebu Talisay Branch (G/F PCJ Building, Bulacao, City of Talisay, Cebu)	2021-1489	February 11, 2021	December 31, 2021
54.	LGU Business Permit for Commonwealth Branch (535 Commonwealth Ave., Matandang Balara 3, Quezon City)s	97-078369	March 28, 2021	December 31, 2021
55.	LGU Business Permit for Concepcion Branch (38 Paleb Bldg., Bayan Bayanan Avenue, Concepcion, Marikina City)	2021-10611	January 20, 2021	December 31, 2021
56.	LGU Business Permit for Cubao Branch (158 P. Tuazon Blvd., Socorro 3, Quezon City)	97-065976	March 28, 2021	December 31, 2021
57.	LGU Business Permit for Dasmariñas Cavite Branch (Aguinaldo Hiway, Veluz Frances Bldg., Zone 1, Dasmariñas City, Cavite)	2021-06941	January 18, 2021	December 31, 2021
58.	LGU Business Permit for Davao City Hall Branch (Valgosons Bldg., City Hall Drive, Brgy. 2-A, Poblacion District, Davao City)	B-04601-1	January 31, 2021	December 31, 2021
59.	LGU Business Permit for Davao Lanang Branch Unit 1 & 2 KM, 7 Lanag, Brgy. San Antonio, Agdao District, Davao City)	B-05862-2	January 29, 2021	December 31, 2021
60.	LGU Business Permit for Davao Rizal Branch (CAP Building, Rizal St., Brgy. 3-A, Poblacion District, Davao City)	B-10427-7	January 31, 2021	December 31, 2021
61.	LGU Business Permit for Del Monte Branch (Del Monte Ave., Cor. D. Tuazon St., Maharlika 1, Quezon City)	00-028488	March 28, 2021	December 31, 2021
62.	LGU Business Permit for Dela Costa Alfaro Branch (G/F Don Chua, Lamko Bldg., 100 L.P Leviste Cor. H.V. Dela Costa Sts. Bel-Air, Makati City)	14779	January 28, 2021	December 31, 2021
63.	LGU Business Permit for Dela Rosa Branch (G/F, King's Court II Bldg., 2129 Pasong Tamo St., Pio Del Pilar, Makati City)	14773	January 28, 2021	December 31, 2021
64.	LGU Business Permit for Diliman Branch (Corner Commonwelath Ave., Masaya St., Old Capital Site 4, Quezon	97-087302	March 28, 2021	December 31, 2021

Issuing Agency	Permits/Clearance	Permit/License Number	Issue Date	Expiry Date
	City)			
65.	LGU Business Permit for E. Rodriguez Branch (84 Doña M. Hemady, Mariana 4, Quezon City)	99-013127	March 28, 2021	December 31, 2021
66.	LGU Business Permit for Eastwood Petron Branch (Petron (Libis) Station 188 E. Rodriguez Jr. Ave. Bagumbayan)	03-003080	March 28, 2021	December 31, 2021
67.	LGU Business Permit for Estancia Iloilo Branch (Clement St., Brgy. Poblacion, Zone II, Estancia, Iloilo City)	2021-454	April 13, 2021	December 31, 2021
68.	LGU Business Permit for Fairview Petron Branch (Petron Comp. Commonwelath Ave., Fairview, Quezon City)	99-013124	March 28, 2021	December 31, 2021
69.	LGU Business Permit for General Santos Branch (G/F Sunshine Hardware Bldg., Santiago Blvd., Dadiangas East, General Santos City)	06654-0	January 19, 2021	December 31, 2021
70.	LGU Business Permit for Iba, Zambales Branch (Zone II, Iba, Zambales)	2021-0000269	February 02, 2021	December 31, 2021
71.	LGU Business Permit for Iligan Branch (G/F, Barnuevo Building, M. Actub St., Poblacion, Iligan City, Lanao Del Norte)	BP-2021-01811	January 15, 2021	December 31, 2021
72.	LGU Business Permit for Iloilo Atria Branch (F & B 2UPMC Qualimed Bildg., Atria Park, District Brgy. San Rafael, Mandurrao Iloilo City)	A-2021-0846	January 15, 2021	December 31, 2021
73.	LGU Business Permit for Iloilo Iznart Branch (TCT Bldg., Iznart St., Iloilo City)	2021-0003879	January 21, 2021	December 31, 2021
74.	LGU Business Permit for Iloilo JM Basa Branch (Cor. JM Basa-Mapa Sts., Brgy. Ortiz, Iloilo City)	2021-0002817	January 19, 2021	December 31, 2021
75.	LGU Business Permit for Imus Branch (Aguinaldo Highway, Anabu 1-B, City of Imus, Cavite)	1631	January 8, 2021	December 31, 2021
76.	LGU Business Permit for Jupiter Branch (G/F, Manila TAT Bldg., Jupiter St., Bel-Air, Makati City)	14776	January 28, 2021	December 31, 2021
77.	LGU Business Permit for Kabankalan Branch (Guanzon St., Brgy. 2, Kabankalan City, Negros Occidental)	2021-583	January 29, 2021	December 31, 2021
78.	LGU Business Permit for Kalibo Branch (Garcia Building, C. Laserna St., Poblacion, Kalibo, Aklan)	BP-2021-01737-0	March 02, 2021	December 31, 2021
79.	LGU Business Permit for Katipunan Petron Branch (Katipunan Ave., Cor Mangyan road, Pansol 3, Quezon City)	12-003527	March 28, 2021	December 31, 2021
80.	LGU Business Permit for Lapu-Lapu City Branch (M.L. Quezon National Highway, Pusok, Lapu-Lapu City)	02313108	October 26, 2021	December 31, 2021
81.	LGU Business Permit for Las Piñas Branch	202106092	January 25, 2021	December 31, 2021

Issuing Agency	Permits/Clearance	Permit/License Number	Issue Date	Expiry Date
	(Real St., Pamplona Uno, Las Piñas City)			
82.	LGU Business Permit for Legazpi City Branch (DOSC Circumferential Road, Capantawan, Legazpi City)	BP-2021-01787-0	January 28, 2021	December 31, 2021
83.	LGU Business Permit for Lipa Branch (CM recto Avenue, Brgy. 9-A, Lipa City)	01640	January 19, 2021	December 31, 2021
84.	LGU Business Permit for Lucena Branch (Quezon Ave., Cor. Lakandula St., Brgy. IX, Lucena City)	2021-BF-08475	January 19, 2021	December 31, 2021
85.	LGU Business Permit for Mabalacat Branch (Mac Arthur Highway San Francisco, Mabalacat City, Pampanga)	2021-01-01229	January 22, 2021	December 31, 2021
86.	LGU Business Permit for Magallanes Branch (G/F, Tritran Plaza, Magallanes Commercial Center, Magallanes, Makati City)	14777	January 28, 2021	December 31, 2021
87.	LGU Business Permit for Main Office Branch (G/F, San Miguel Properties Centre Building, No. 7 Saint Francis St., Mandaluyong City)	21-02145	January 12, 2021	December 31, 2021
88.	LGU Business Permit for Makati Ave-Zuellig Branch (Unit 2, G/F, Zuellig Bldg., Makati Ave., Corner Paseo De Roxas, Urdaneta, Makati City)	19720	January 29, 2021	December 31, 2021
89.	LGU Business Permit for Mandaue Branch (Entienza Bldg., National Highway, Brgy. Bakilid, Mandaue City)	2021-072230000-2339	February 9, 2021	December 31, 2021
90.	LGU Business Permit for Mandaue NRA Branch (City Time Sqaure 2, Ground Floor, Mantawe Ave., Brgy. Tipolo Mandaue City)	2021-07223000-2855	February 11, 2021	December 31, 2021
91.	LGU Business Permit for Maramag Branch (Purok 7, North Poblacion, Maramag, City, Bukidnon)	2021-1791	January 18, 2021	December 31, 2021
92.	LGU Business Permit for Marcos Highway Branch (Gil Fernando Ave., San Roque, Marikina City)	2021-08110	January 20, 2021	December 31, 2021
93.	LGU Business Permit for Marikina Branch (JP Rizal St., Sta. Elena, Marikina City)	2021-10600	January 20, 2021	December 31, 2021
94.	LGU Business Permit for Naga Branch (Romar Building, Elias Angeles St., Dinaga, Naga City)	BP-2021-04093-0	January 20, 2021	December 31, 2021
95.	LGU Business Permit for NAIA 1 Branch (IPT Bldg., Terminal 1, Arrival Are, Sto. Niño, Parañaque City)	(BIN No.) 2009010069	January 27, 2021	December 31, 2021
96.	LGU Business Permit for NAIA 3 Branch (Unit No. S-14, Arrival Lobby, NAIA Terminal 3 Bldg., Andrews Ave., St., Villamore, Brgy. 183, Pasay City, Metro Manila)	06896	February 3, 2021	December 31, 2021
97.	LGU Business Permit for Ninoy Aquino Ave., Branch (Unit W Y Columbia Complex Bldg., Ninoy Aquino Ave., Stop. Niño,	2019010087	January 27, 2021	December 31, 2021

	Issuing Agency	Permits/Clearance	Permit/License Number	Issue Date	Expiry Date
		Parañaque City)			
98.	LGU	Business Permit for Ormoc Branch (432 Real St., Ormoc City Leyte)	1687-2021	January 21, 2021	December 31, 2021
99.	LGU	Business Permit for Pagadian Branch (F.S. Pajares Avenue, Gatas District, Pagadian City)	1568	January 20, 2021	December 31, 2021
100.	LGU	Business Permit for Pasay Road Branch (G/F, cedar Executive Bldg., 1006 A. Arnaiz Ave., San Lorenzo, Makati City)	19721	January 29, 2021	December 31, 2021
101.	LGU	Business Permit for Pasig Boulevard Branch (152 Pasig Blvd., Bagong Ilog, Pasig City)	012780	January 26, 2021	December 31, 2021
102.	LGU	Business Permit for Pasig Branch (Renaissance Tower, Meralco Ave., Ugong, Pasig City)	BNK-21-012779	January 27, 2021	December 31, 2021
103.	LGU	Business Permit for Pasong Tamo Branch (Jannov Plaza I Bldg., 2295 Pasong Tamo Ext. Magallanes, Makati City)	14775	January 28, 2021	December 31, 2021
104.	LGU	Business Permit for Puerto Princesa Branch (Rizal Avenue, Manggahan, Puerto Princesa City, Palawan)	BP-2021-04338-0	January 19, 2021	December 31, 2021
105.	LGU	Business Permit for Quezon Avenue Branch (8 Biak na Bato St., Sto. Domingo Compound, Sto. Domingo I, Quezon City)	97-067442	March 28, 2021	December 31, 2021
106.	LGU	Business Permit for Resorts World Branch (Unit No. R3, G/F, Bldg. No. 100, Horizon Center Bldg., Andrews Ave., St., Newport City Subd. Brgy. 183, Pasay City, Metro Manila)	05423	January 27, 2021	December 31, 2021
107.	LGU	Business Permit for Rockwell Branch (Concourse Level 1, Power Plant Mall, J.P. Rizal St., Poblacion, Makati City)	14778	January 28, 2021	December 31, 2021
108.	LGU	Business Permit for Roxas City Branch (Gaisano Arcade, Arnaldo Blvd., Brgy. Inzo, Arnaldo Village, Roxas City, Capiz)	1826	January 28, 2021	December 31, 2021
109.	LGU	Business Permit for Salcedo Branch (G/F Aguirre Bldg., 108 H.V. Dela Costa St., Bel-Air, Makati City)	14780	January 28, 2021	December 31, 2021
110.	LGU	Business Permit for San Fernando Branch (Insular Life Bldg., Mac Arthur Highway, Dolores, City of San Fernando, Pampanga)	3815	January 19, 2021	December 31, 2021
111.	LGU	Business Permit for San Fernando Sindalan Branch (Jumbo Jenra Sindalan, Mc Arthur Highway, Sindalan, City of San Fernando, Pampanga)	15921	January 29, 2021	December 31, 2021
112.	LGU	Business Permit for San Pedro Branch (Pacita Commercial Center, National Highway, Brgy. Nueva, San Pedro	02083	January 20, 2021	December 31, 2021

Issuing Agency	Permits/Clearance	Permit/License Number	Issue Date	Expiry Date
	City, Laguna)			
113.	LGU Business Permit for Sta. Cruz Branch (Poblacion South, Sta. Cruz, Zambales)	362	January 21, 2021	December 31, 2021
114.	LGU Business Permit for Sta. Rosa Branch (Shop 1-A, G/F Paseo De Santa Rosa 3, Don Jose, Sta. Rosa, Laguna)	1137-21	January 21, 2021	December 31, 2021
115.	LGU Business Permit for Subic Branch (Unit A-101, The Venue Bldg., Lot near Bldg., 1041 Rizal Highway, Subic Gateway District, Subic Bay Freeport Zone)	SBMA-0339	September 29, 2020	September 28, 2023
116.	LGU Business Permit for Sucat Branch (8338 Dasa, San Antonio, Parañaque City)	(BIN No.) 2004018616	January 27, 2021	December 31, 2021
117.	LGU Business Permit for Tacloban Branch (Door 12 & 13 R.U.L. Bldg., J. Romualdez St., Brgy. 15, Tacloban City)	2021-00788	January 20, 2021	December 31, 2021
118.	LGU Business Permit for Tagbilaran Branch (G/F Karan's Building, B. Inting St., Poblacion, Tagbilaran City, Bohol)	BP-2021-02690-0	January 22, 2021	December 31, 2021
119.	LGU Business Permit for Tagum Branch (PLJ Bldg., Apokon Road, Magugpo East, Tagum City)	04489	January 29, 2021	December 31, 2021
120.	LGU Business Permit for Tanauan Branch (Unit G04, The Citywalk, Pres. JPL Highway, Brgy. Darasa City of Tanauan, Batangas)	21-1824	January 20, 2021	December 31, 2021
121.	LGU Business Permit for Tarlac Branch (Rising Sun Bldg., Mc Arthur Highway, Brgy. San Nicolas, Tarlac City)	0264	(not indicated)	December 31, 2021
122.	LGU Business Permit for Visayas Ave., Branch (No 15 Visayas Ave., Culiati 6, Quezon City)	04-005806	March 28, 2021	December 31, 2021
123.	LGU Business Permit for Wack-Wack Petron Branch (Shaw Blvd. Cor. Ideal, Brgy. Additional Hills, Mandaluyong City)	21-02152	January 12, 2021	December 31, 2021
124.	LGU Business Permit for West Ave. Branch (No 68, West Avenue, West Triangle 1, Quezon City)	99-013123	March 28, 2021	December 31, 2021
125.	LGU Business Permit for West Triangle Branch (1451 Quezon Avenue, West Triangle 1, Quezon City)	97-087420	March 28, 2021	December 31, 2021
126.	LGU Business Permit for Zamboanga Veterans Branch (Camanchile Drive, Veteran Ave., Zone III, Zamboanga City)	04-01417R	January 22, 2021	December 31, 2021
127.	LGU Business Permit for Greenhills - ATM Kiosk (Eisenhower Tower, No. 7 Eisenhower St., Greenhills, San Juan City, Metro Manila)	FMZ2021-7617-A	December 3, 2021	December 31, 2021
	LGU Business Permit for Greenhills Branch (Eisenhower Tower, No. 7 Eisenhower St., Greenhills, San Juan City, Metro Manila)	FMZ2021-7617	December 3, 2021	December 31, 2021

	Issuing Agency	Permits/Clearance	Permit/License Number	Issue Date	Expiry Date
128.	LGU	Business Permit for Dumaguete Branch (Poblacion No. 5, Dumaguete, Negros Oriental)	R-10-01658	November 26, 2021	December 31, 2021
129.	LGU	Business Permit for Aduana Branch (Aduana St., Intramuros Manila)	2021050789	November 4, 2021	December 31, 2021
130.	LGU	Business Permit for Dasmariñas-Binondo Branch (STP Building, Dasmariñas St., Binondo, Manila)	2021050787	November 4, 2021	December 31, 2021
131.	LGU	Business Permit for Ermita Branch (1312 A. Mabini St., Ermita Manila)	2021050792	November 4, 2021	December 31, 2021
132.	LGU	Business Permit for Juan Luna Branch (G/F Artex Bldg., J. Luna St., Binondo, Manila)	2021050784	November 4, 2021	December 31, 2021
133.	LGU	Business Permit for Port Area Branch (Manila Hotel South Harbor, 25 th St., Port Area, Brgy. 653, Metro Manila)	2021050785	November 4, 2021	December 31, 2021
134.	LGU	Business Permit for Quiapo Branch (Sales St., Sta Cruz, Brgy. 309, Manila)	2021050794	November 4, 2021	December 31, 2021
135.	LGU	Business Permit for Soler Branch (Corner Reigna Regente & Soler St., Binondo, Metro Manila)	2021050793	November 4, 2021	December 31, 2021
136.	LGU	Business Permit for Sto. Cristo Branch (473 Sto. Cristo St., San Nicolas, Manila)	2021050786	November 4, 2021	December 31, 2021
137.	LGU	Business Permit for Taft Avenue Branch (2270 Taft Avenue, Malate, Manila)	2021050790	November 4, 2021	December 31, 2021
138.	LGU	Business Permit for Taft-PGH Branch (G/F Mirasol Bldg., Apacible St., Corner Taft Ave., Ermita, Manila)	2021050788	November 4, 2021	December 31, 2021
139.	LGU	Business Permit for Tutuban Branch (Tutuban Prime B, Tutuban Center, CM Recto, Tondo, Manila)	2021050795	November 4, 2021	December 31, 2021
140.	LGU	Business Permit for UN Avenue Branch (G/F Victoria Bldg., UN avenue, Ermita Manila)	2021050791	November 4, 2021	December 31, 2021