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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank 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.

FRANCIS C. CHUA
Chairman of the Board

MICHELANGELO R. AGUILAR
President and Chief Executive Officer

ANTONIO S. LAQUINDANUM
Executive Vice President and Chief Financial Officer

Signed this 4th day of April 2022.

SUBSCRIBED AND SWORN to before me this APR 04 2022, affiants exhibiting their Senior Citizen and Passport ID as follows:

Names	**Identification No.**	**Place of Issue**	**Valid Until**
Francis C. Chua	Senior Citizen ID No. GGG-001082	San Juan, Metro Manila	N/A
Michelangelo R. Aguilar	Passport No. P8692960A	DFA NCR East	September 9, 2028
Antonio S. Laquindanum	Passport No. P7572781B	DFA Manila	September 9, 2031

Doc. No. 364
Page No. 74
Book No. VI
Series of 2022

JOYSHA D. MAGMANLAC
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0483-22
UNTIL DECEMBER 31, 2023
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CI
PTR NO. 3067589/01-12-2022/MANDALUYONG C
IBP LIFETIME NO. 09035
ROLL OF ATTORNEYS NO. 58611

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	4	2	2	1

COMPANY NAME

BANK OF COMMERCE

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

San Miguel Properties Centre
No. 7 St. Francis Street
Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

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

Note1: 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

KPMG

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *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.

RECEIVED
Y M. PANDIÑO

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)

KPMG

Key Audit Matter

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

Allowance for Expected Credit Losses (ECL) for Loans and Receivables

The risk

The Bank's ECL for its loans and receivables is significant to our audit as it involves the exercise of significant management judgment. In calculating ECL, key areas of judgment include: determining the method to estimate ECL; defining default; identifying exposures with significant increase in credit risk; determining assumptions to be used in the ECL model such as expected recoveries from defaulted accounts and amount and timing of future cash flows; and incorporating forward-looking information, including the impact of the coronavirus pandemic.

Loans and receivables and the corresponding allowance for credit losses as at December 31, 2021 amounted to P77.92 billion and P3.54 billion, respectively. Reversal of credit losses in 2021 amounted to P634.82 million, net of provisions. The disclosures in relation to the allowance for credit losses are included in Notes 12 and 17 of the financial statements.

Our response

We obtained an understanding of the Bank's ECL methodologies and models for loans and receivables, as approved by the Credit Committee and the Board of Directors, and evaluated whether those are (a) established and implemented consistently in accordance with the underlying principles of PFRS 9 *Financial Instruments*; (b) appropriate in the context of the Bank's lending activities and asset portfolio; and (c) supported with processes and controls including documentations that capture in sufficient detail the judgment and estimation applied in the development of the ECL model.

We have performed the following procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of loans and other receivables:

- We tested the governance over the development, validation and approval of the ECL model including continuous reassessment performed by the Bank;

- We tested the design, implementation and operating effectiveness of key controls in the ECL process. This includes appropriate classification of loan to stages and assignment of loan risk rating, approval of restructured loans, review of underlying collateral valuation, and the calculation and recognition of the ECL allowance;

- We assessed whether the loans are classified to the appropriate stage and challenged the criteria used to categorize the loan to respective stages;

- On a sample basis, we performed an independent review in order to evaluate the appropriateness of the risk rating review and credit review processes done by the Bank. Accounts selected for review were based on a set of criteria designed to capture items with a high risk of material misstatement in the Bank's loan portfolios;

- We assessed the appropriateness of the inputs and assumptions as well as the formulas used in the ECL model, including the determination of the probability of default, loss given default and exposure at default;

- We performed model re-assessment through a series of statistical tests on the time series regression analysis and interpreted the results with the aim to verify, primarily, statistical significance;

- For forward-looking information used, we evaluated whether the historical and projected macro-economic factors (i.e. Wholesale Price Index, Interest Rate, Philippine Stock Index, Exchange Rate, Consumer Price Index, and Cash Remittances), were appropriate and sufficient. This included assessing the level of significance of the correlation of the forward-looking information to the default rates, as well as the impact of these variables in the ECL. We also reviewed management's use of expert credit judgment on the assessment of other macroeconomic factors as inputs in the ECL model;

- On selected non-performing accounts, we evaluated management's forecast of recoverable cash flows based on agreed restructuring plan, collateral valuation and estimates of recovery from other sources;

- We have tested the integrity of the data inputs by comparing data from source systems to the detailed ECL model; and

- We have assessed the appropriateness and adequacy of the disclosures made in the financial statements.

- We involved our Information Technology specialists to assist in testing the relevant automated control environments and application controls, and Financial Risk Management specialists to assist in assessing the Bank's ECL model.

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 PFRSs, 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074

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 37 to the financial statements is presented for purposes of filing with the BSP 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.

The engagement partner on the audit resulting in this independent auditors' report is Sheila Ricca G. Dioso.

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

April 4, 2022
Makati City, Metro Manila

TABLE OF CONTENTS

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. 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 250 automated teller machines ("ATMs") strategically located nationwide as of 31 December 2021.

The Bank's consolidated total assets amounted to ₱170.92 billion, ₱199.71 billion, as of 31 December 2020 and 2021, respectively. Net profit (loss) was ₱784.4 million and ₱1.2 billion for the years ended 31 December 2020 and 2021, respectively.

As at December 31, 2021 and 2020, based on the CAR reports submitted to BSP, the Bank's CAR of 21.57% and 16.60%, 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 the CAR ratio was mainly due to the issuance of preferred shares in August 2021 and the movement in the credit risk weighted amount of loans and other risk assets.

Universal Banking License Application

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.

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.

Impact of COVID-19 on Operations and Strategies

The 2020 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, in 2021 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 this filing, all the Bank's 140 branches nationwide are open for business and fully operational.

In 2021, the Bank recorded a net income of ₱1.2 billion as compared to 31 December 2020 of ₱784.4 million. This was driven by 6% increase in net interest income due to lower funding cost as interest expenses declined. Meanwhile, total operating expenses, including provisions, declined by 24.66% to ₱4.4 billion from ₱5.8 billion mainly due a net reversal of provision for credit losses which was recorded at ₱634.8 million as opposed to the prior year's result of ₱962.5 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 31 December 2021 due to the continuous collection efforts to update non-current accounts.

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 31 December 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 of 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

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 filing, 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:

- Strong support from SMC Group and synergies with the SMC ecosystem;
- Prudent balance sheet management with strong capitalization and liquidity to support a new growthphase;
- 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 whenopportunities 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.

- 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 customerservice 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 theforefront; and

- Shareholder’s commitment to environmental, social, and governance (“**ESG**”) framework andregulatory 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:

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’sbusinesses.
- The Bank's business is highly regulated and government policies could adversely affect the Bank’soperations and profitability.
- The Bank is subject to credit, market, operational and liquidity risks which may have an adverse effecton 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.

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 withCorporate 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
    - Shipside 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

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.

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 andeconomic 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 andboost fee-based income, such as trade-related fees;
- Further expanding its market reach by forging more business partnerships in provincial areas; andadding 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 increased its total deposits by 15% or ₱22.6 billion of which CASA deposits increased 27.7% or ₱34.2 billion.

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.

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.

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 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.

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.
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.

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.

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.

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 31 December 2021, CG's total revenue grew by amounted to ₱152 million. 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 tocreditworthy applicants; and
- Center its distribution among the 140 branches of the Bank, which serve as the nucleus for its productsand 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.

Billings remained healthy 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 31 December 2021, Trust Services Group's (TSG) total revenue grew 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.

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 related party loans (amounts in thousands) are as follows:

	2021		2020	
	DOSRI Loans	Related Party Loans (inclusive of DOSRI)	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	P -	P29,201,574	P -	P21,783,009
Percent of DOSRI/Related Party loans to total loans	0.00%	38.70%	0.00%	29.80%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	49.53%	0.00%	62.71%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.01%	0.00%	0.04%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.06%	0.00%	0.07%

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 31 December 2021, the Bank had a total of 1,873 employees, 905 of which are engaged in a professional management capacity and classified as bank officers, and 968 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 31 December 2021, BCEU has a total of 789 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 filing, 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			
	2018	**2019**	**2020**	**2021**
Rank and File	969	1,000	920	968
Officers	836	897	990	905
Total	**1,805**	**1,897**	**1,910**	**1,873**

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 filing 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 end-December 2021, the Bank has a total branch network of 140 branches nationwide, 62 in Metro Manila and 78 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 2021:

	As of 31 December			
	2018	**2019**	**2020**	**2021**
Metro Manila	61	61	61	62
Luzon	42	43	43	43
Visayas	23	23	23	22
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			
	2018	**2019**	**2020**	**2021**
Metro Manila	110	117	119	108
Luzon	89	92	90	86
Visayas	34	34	34	34
Mindanao	21	21	21	22
Total ATMs	254	264	264	250

Item 2. 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 31 December 2021**
Owned Branches		
Metro Manila	4	4
Luzon	3	3
Visayas	1	1
Mindanao	1	1
TOTAL	**9**	**9**
Leased Branches		
Metro Manila	57	58
Luzon	40	40
Visayas	22	21
Mindanao	12	12
TOTAL	**131**	**131**

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**

Item 3. 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 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 ofvolunteerism 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 curriculumin 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 capitalfor 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.

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

On November 9, 2021, the stockholders of the Bank held a special meeting, where 95.44% of the outstanding capital stock present or represented by proxy approved the following:

1. Minutes of the Special Meeting of Stockholders on July 8, 2021

2. Initial Public Offering of the Common Shares of the Bank

   The stockholders of the Bank approved the proposed initial public offering and the registration of up to 1,403,200,000 common shares of the Bank, including the primary public offer and sale of up to 28,700,000 common shares from its unissued capital stock.

   Further, the stockholders delegated to the management the approval of such other terms and conditions of the Offer Shares to comply with the requirements of the regulatory agencies.

3. Amendment of the Amended Articles of Incorporation of the Bank

   The stockholders of the Bank likewise approved the amendment of Article SEVENTH of the Bank's Amended Articles of Incorporation to include provisions on lock-up requirements prescribed by the rules and regulations of the Philippine Stock Exchange.

4. Amendment of the Amended By-Laws of the Bank

   Finally, the stockholders of the Bank approved the amendment of Sections 1, 3, 5 and 9 of Article II, Sections 1, 7, 8, 9, 10, 11, and 12 of Article III; Section 2 of Article VII; and Sections 1 and 3 of Article VIII of the Bank's Amended By-laws. The various amendments were approved to comply with the requirements of the Revised Corporation Code, as well as the rules and regulations of the Philippine Stock Exchange.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

The authorized common and shares as of December 31, 2021 amounted to ₱17 billion and ₱4.6 billion, respectively.

CORPORATE NAME:	BANK OF COMMERCE			
CAPITAL STRUCTURE				
AUTHORIZED CAPITAL STOCK				
	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (Php) No. of Shares X Par/Stated Value
	Common	1,702,511,470	10.00	17,025,114,700.00
	Preferred	455,000,000	10.00	4,550,000,000.00
TOTAL		**2,157,511,470**		**21,575,114,700.00**

SHAREHOLDERS

The following table sets out the 20 largest shareholders of the Bank as of December 31, 2021:

	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%

Security Ownership of Management

The following table sets out the shareholding interests of the Bank's directors and senior management as of December 31, 2021:

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**	

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.

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

Statement of Income for the Year Ended December 31, 2021 vs December 31, 2020

For the year ending December 31, 2021, Bank of Commerce earned Php1.21 billion in net income. 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 was down by 2.94% at ₱6.10 billion from ₱6.28 billion last year. Interest income on loans and receivables declined by 11.48% to Php4.28 billion mainly due to the lower interest rate environment. On the other hand, interest income on investment securities at fair value through other comprehensive income (FVOCI) and at amortized cost went up by 36.13% to Php1.25 billion primarily from the additional purchases of investment securities at amortized cost. Interest income on interbank loans receivable and securities purchased under resale agreements increased by 32.87% to Php316.28 million, meanwhile interest income on due from BSP and other banks decreased by 13.97% to Php228.43 million. Interest income on financial assets at fair value through profit or loss (FVTPL) declined by 15.13% to Php14.42 million.

Total Interest Expense went down by 40.52% to Php696.99 million from the Php1.17 billion in the same period last year, primarily due to lower interest expense on deposit liabilities which decreased by 42.78% to Php645.26 million. Interest expense on lease liabilities also went down by 18.38% to Php35.03 million. On the other hand, interest expense on bills payable increased to Php16.69 million, mainly due to tax accruals.

Given the more significant decline of Interest Expenses, Net Interest Income for 2021 increased to Php5.40 billion, up 5.67% from the previous year's Php5.11 billion.

Total Other Income was at Php826.34 million, 53.19% lower than the previous year. This is owing to a loss of Php78.71 million in trading and investment securities for 2021, compared to the gain of Php1.15 billion the previous year. Meanwhile, service charges, fees and commissions increased by 19.45% to Php531.13 million. Gains on foreclosure, and sale of property and equipment and foreclosed assets rose by 3.68x to Php274.99 million as a result of higher sale of foreclosed assets. Foreign exchange gains and miscellaneous income fell by 1.04% and 22.7%, respectively, to Php48.37 million and Php50.57 million.

Total Expenses, excluding provision for credit and impairment losses went up by 3.27% to Php5.03 billion. Compensation and fringe benefits slightly went up by 0.09% to Php1.82 billion as a result of the provisions on the collective bargaining agreement (CBA). Taxes and licenses decreased by 3.37% to Php802.19 million from lower documentary stamp taxes. Rent and utilities increased by 11.74% to Php532.28 million. Depreciation and amortization declined by 18.55% to Php462.53 million from lower depreciation expense on foreclosed assets. Insurance, on the other hand, grew by 19.31% to Php334.83 million on account of higher PDIC insurance from higher deposit volume. Service fees and commissions and subscription fees also increased by 25.27% and 11.44%, respectively, to Php229.71 million and Php107.65 million as a result of new subscriptions on systems. Entertainment and recreation expenses declined by 9.24% to Php97.39 million. Management and professional fees and amortization of software costs went up by 7.01% and 16.74%, respectively, to Php85.02 million and Php53.6 million. Miscellaneous expense also increased by 31.45% to Php501.81 million from Php381.76 million.

As a result of the reversal of provisions, the Bank's provision for credit and impairment losses is at negative Php634.82 million for the year 2021.

The Bank recorded its share in the net loss of associate at Php1.04 million in 2021, 38.01% higher than the previous year of Php0.75 million.

Income Tax Expense amounted to Php623.69 million, 142.56% higher from Php257.12 million the previous year.

Statement of Comprehensive Income for the Year Ended December 31, 2021 vs December 31, 2020

The Bank posted a total comprehensive income of Php1.2 billion for 2021, 78.09% higher than Php671.47 million posted in the same period a year ago. This was primarily driven by the higher net income in 2021 which is partially offset by the net change in net unrealized losses of debt securities at FVOCI at Php320.19 million. Remeasurement losses on defined benefit plan increased to Php186.54 million based on actuarial adjustments.

Statement of Condition as of December 31, 2021 vs December 31, 2020

The Bank ended 2021 with total assets amounting to Php199.71 billion, 16.85% higher than previous year's Php170.92 billion mainly from the increase in investment securities at amortized cost alongside with the increase in loans and other receivables, and these were partially offset by the decrease in investment securities at fair value and lower interbank loans receivables.

Cash and Other Cash Items and Due from BSP accounts went up by 13.52% and 14.72%, respectively, to Php2.75 billion and Php45.37 billion. Due from other banks also increased by 1.58% to Php1.04 billion. Interbank loans receivable however went down by 13.25% to Php19.13 billion in 2021.

Financial assets at fair value declined by 63.75% to Php6.05 billion driven by the sale of financial assets at FVTPL and FVOCI which decreased to Php994.61 million and Php5.06 billion, respectively. Investment securities at amortized cost, on the other hand, increased by 3.69x to Php42.91 billion.

Loans and other receivables amounted to Php74.37 billion, 3.83% higher than the same period last year largely driven by increase in corporate loans. The Bank's loan-to-deposit ratio was recorded at 43.9%.

Investment in Associate continued its downtrend to Php39.66 million from Php40.69 million the previous year. Property and Equipment decreased by 11.27% to Php1.47 billion from Php1.66 billion in 2020. Investment Properties also went down to Php3.45 billion from Php3.62 billion. From Php955.38 million in 2020, deferred tax assets fell by 22.18% to Php743.51 million. Other Assets, on the other hand, increased by 12.16% to Php2.39 billion from Php2.13 billion in 2020.

Total liabilities increased to Php176.35 billion as of December 31, 2021, driven by the 15.16% increase in deposit liabilities. Increase in deposit liabilities to Php171.71 billion in 2021 was driven by higher demand and savings volumes which were up by 22.8% and 30.01%, respectively, to Php48.7 billion and Php108.87 billion, respectively. Manager's Checks and Accrued Interest, Taxes and Other Expenses also went up by 9.35% and 14.47%, respectively, to Php951.46 million and Php1.02 billion. Other liabilities, on the other hand, fell by 18.96% to Php2.66 billion from Php3.29 billion the previous year.

The Bank's total capital funds rose by 39.34% to Php23.36 billion as of December 31, 2021 from Php16.77 billion the previous year, owing to a Php5.5 billion capital infusion in 2021.

Key performance indicators of the Bank are as follows:

	2021	2020
Return on Average Assets	0.65%	0.50%
Return on Average Equity	6.01%	4.77%
Cost-to-Income Ratio	80.79%	70.84%
Net Non-Performing Loan Ratio	0.88%	0.89%
Capital Adequacy Ratio	21.57%	16.60%

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

Return on Average Assets:	Net income divided by average total resources for the period indicated
Return on Average Equity:	Net income divided by average total capital funds for the period indicated
Cost-to-Income Ratio:	Total operating expenses divided by the sum of net interest income and other income
Net Non-Performing Loan Ratio:	(Total non-performing loans less specific loan loss reserves for NPL) divided by (total loans inclusive of interbank loans receivables)
Capital Adequacy Ratio:	Total qualifying capital divided by total risk-weighted assets (inclusive of credit, market and operational risk charge)

Statement of Income for the Year Ended December 31, 2020 vs December 31, 2019

As of 31 December 2020, the Bank reported a Net Income after Tax of Php784.43 million or a Php131.71 million or 20.18% increase from Php652.72 million for the same period last year. The increase in net income was mainly driven by higher gains in trading and investment securities. Total Interest Income went down by 3.86% to Php6.28 billion from Php6.53 billion recorded last year.

Interest Income on Loans and Receivables was slightly down by 1.62% to Php4.84 billion. Interest Income on Investment Securities at Fair Value through Other Comprehensive Income and at Amortized Cost was down by 17.70% or Php197.72 million to Php919.37 million mainly due to the sale of Investment Securities. Interest Income from deposits with BSP and Other Banks however went up by 62.45% to Php265.53 million in 2020 as part of the proceeds from the sale of Investment Securities was parked here. Interest earned from Interbank Loans Receivable and SPURA decreased by 24.57% to Php238.04 million in 2020 from Php315.57 million due to the decrease in interest rates. Interest earned from Financial Assets at Fair Value though Profit or Loss marginally increased to Php16.99 million.

Interest Expense on Deposit Liabilities decreased by 51.94% to Php1.13 billion from Php2.35 billion in 2019 due to the lower interest rate environment. Interest incurred from Bills Payable and Others also went down by 77.23% to Php1.11 million from Php4.86 million the same period last year. Interest Expense on Lease Liabilities dropped to Php42.92 million from Php45.36 million in 2019.

The Bank's Net Interest Income grew by 23.52% to Php5.11 billion from Php4.14 billion in 2019 due to the bigger drop in Interest Expenses than Interest Income.

Total Other Operating Income increased by 4.02% to Php1.77 billion from Php1.70 billion in 2019 primarily due to higher Trading and Investment Securities Gains. The increase in Other Operating Income was however tempered by the reduction in most other income sources due to the reduced business activities brought about by the pandemic. Total Other Operating Income contribution to Gross Income decreased from 29.10% to 25.68% as of year-end 2020.

The Bank posted a Php1.15 billion trading and investment securities gains versus a Php355.69 million in 2019 due to the favorable sale of Investment Securities. Service Charges, Fees and Commissions however dropped by 6.84% to Php444.64 million from Php477.27 million in 2019 due to the reduced business activity. Foreign Exchange gains also decreased to Php48.88 million from Php67.99 million in 2019 due to the more difficult operating environment. The Bank's Gain on Foreclosure and Sale of Property and Equipment and Foreclosed Assets significantly dropped by 82.53% to Php58.76M due to limited market opportunities. Miscellaneous Income also went down to Php65.42 million in 2020 from Php459.86 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 Php4.87 billion in 2020 from Php4.66 billion. Compensation and Fringe Benefits went up by 8.01% to Php1.82 billion due to the full year effects of hires from the second half of 2019. Taxes and Licenses rose to Php830.16 million, or 7.27% higher than the Php773.89 million for the same period in the previous year due to Gross Receipt Taxes paid on the higher revenues. Rent and Utilities went down to Php476.34 million in 2020 from Php505.77 million. Depreciation and Amortization increased by 18.19% from Php480.44 million in 2019 due to amortization of additional investments. Service Fees and Commission expenses were lower by 34.16% at Php183.37 million from Php278.52 million in 2019 due to the start of the Covid-19 Pandemic which halted several services from 3rd party providers.

The Bank posted Php280.64 million Insurance expenses while Entertainment and Recreation was at Php107.30 million. Management and Professional Fees increased to Php79.45 million from Php65.80 million in 2019 due to payments of various services rendered by professionals in relation to the issuance of LTNCD while Amortization of Software Costs increased by 34.45% from Php34.14 million the same period last year due to the recognition of additional amortization from various projects which were used in production. Miscellaneous Expense was at Php381.76 million in 2020 from Php399.78 million.

The Bank set aside Php962.51 million in Provision for Credit and Impairment Losses in 2020 mainly due to the increase in the Bank's Non-Performing Loans brought about by the pandemic.

The Bank recorded its share in the net loss of BIC at Php0.75 million, 73.72% lower than the Php2.86 million in 2019.

Statement of Condition as of December 31, 2020 vs December 31, 2019

The Bank's Total Assets as of 31 December 2020 stood at Php170.92 billion, which was 17.85% higher than the Php145.03 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 Php2.11 billion to Php71.63 billion in December 2020 from Php73.74 billion.

Cash and Other Cash Items increased by 36.26% to Php2.42 billion as of 31 December 2020 from Php1.78 billion. Due from BSP, representing 23.14% of total assets, increased to Php39.55 billion from Php21.96 billion in December 2019, and Due from Other Banks increased by 52.62% to Php1.02 billion in December 2020 from Php0.67 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 Php8.63 billion to Php22.06 billion from Php13.43 billion in December 2019.

Investment Securities at Amortized Cost decreased by 59.44% to Php9.15 billion in December 2020 from Php22.55 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 Php1.27 billion as of 31 December 2020. This was 20.09% higher than the Php1.05 billion level in December 2019.

Financial Assets at Fair Value through Other Comprehensive Income increased by Php14.03 billion to Php15.4 billion from Php1.39 billion in December 2019.

Investment in Associate slightly decreased to Php40.69 million from Php41.44 million in December 2019.

Property and Equipment decreased by 4.69% to Php1.66 billion in December 2020 from Php1.74 billion.

Investment Properties went down to Php3.62 billion as of 31 December 2020 from Php3.73 billion in December 2019.

Deferred Tax Assets increased by 8.53% to Php0.96 billion as of 31 December 2020 from Php0.88 billion in December 2019. On the other hand, Other Assets went up to Php2.13 billion as of 31 December 2020 from Php2.03 billion in December 2019.

The Bank's deposit levels, representing 96.72% of total liabilities, went up by 20.39% or Php25.25 billion to Php149.11 billion with the addition of Php5.03B LTNCD, from Php123.86 billion as of 31 December 2019. Savings and Time Deposits increased by 16.28% to Php83.74 billion and 16.92% to Php20.67 billion, respectively, while Demand Deposits grew by 16.10% to Php39.66 billion.

Manager's Checks and Acceptances Payable was recorded at Php0.87 billion as of 31 December 2020 from Php0.92 billion. Accrued Interest, Taxes and Other Expenses went up by 9.50% to Php0.89 billion from Php0.82 billion in December 2019. Other liabilities decreased to Php3.29 billion as of 31 December 2020 from Php3.34 billion.

The Bank's Equity went up by 4.17% to Php16.77 billion from Php16.09 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 Php15.04 million, as compared with December 2019 which posted a gain of Php2.01 million.

Statement of Income for the Year Ended December 31, 2019 vs December 31, 2018

As of 31 December 2019, the Bank reported a Net Income after Tax of Php652.72 million or an increase of Php669.27 million compared to a Php16.54 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. Net Income as a percentage to Gross Income improved to 11.19% as of 2019 compared to -0.38% as of 2018.

Total Interest Income grew by 25.18% or Php1.31 billion mainly due to higher Interest Income from loans. Interest Income on Loans and Receivables grew by 34.11% or Php1.25 billion mainly due to growth in the Bank's loan portfolio. Interest Income from deposits with BSP and Other Banks also went up by 68.76% to Php163.46 million in 2019, while Interest earned from Interbank Loans Receivable and SPURA increased to Php315.57 million in 2019 from Php266.13 million. On the other hand, Interest Income on Investment Securities at Fair Value through Other Comprehensive Income and at Amortized Cost was relatively flat at Php1.12 billion, while Interest earned from Financial Assets at Fair Value though Profit or Loss declined by 74.38% to Php16.06 million mainly due to the lower volume of securities.

Interest Expense on Deposit Liabilities increased by 55.49% to Php2.35 billion from Php1.51 billion in 2018 mainly due to higher interest rates. Interest incurred from Bills Payable and Others went down by 51.56% to Php4.86 million from Php10.02 million due to lower amount of Bills Payable. As a result of the adoption of PFRS 16 Leases, the Bank recognized Php45.36 million Interest Expense on Lease Liabilities in 2019.

The Bank's Net Interest Income grew by 11.80% to Php4.14 billion from Php3.70 billion in 2018 as growth in Interest Income was faster than Interest Expenses. Net Interest Income contribution to Gross Income however decreased to 70.90% as of year-end 2019 compared to 85.15% last year due to the more significant growth in Total Other Operating Income.

Total Other Operating Income increased by 163.58% or Php1.05 billion to Php1.70 billion from Php643.87 million in 2018 mainly due to higher Trading and Investment Securities Gains and Miscellaneous Income compared to the same period last year.

The Bank posted a Php355.69 million trading and investment securities gains versus a Php109.41 million trading and investment securities losses in 2018 due to favorable market condition. Service Charges, Fees and Commissions improved by 21.81% to Php477.27 million from Php391.81 million in 2018 through increased business activities. Foreign Exchange gains also increased to Php67.99 million from Php58.76 million in 2018. Moreover, the Bank recorded Php336.29 million Gains on Foreclosure and Sale of Property and Equipment and Foreclosed Assets, 62.16% higher than the Php207.38 million in 2018 from the sale of its foreclosed properties. Miscellaneous Income went up by 382.36% to Php459.86 million in 2019 from Php95.33 million due to gain on exchange of property.

Other Operating Expenses, excluding provision for credit and impairment losses, increased by 8.81% to Php4.66 billion in 2019 from Php4.28 billion. Compensation and Fringe Benefits went up by 8.14% to Php1.68 billion due to additional hires. Taxes and Licenses rose to Php773.89 million, or 10.09% higher than the Php702.95 million for the same period last year due to GRT on higher revenues. Rent and Utilities went down to Php505.77 million in 2019 from Php683.57 million whereas depreciation and amortization increased by 85.47% or Php221.40 million from Php259.04 million in 2018 due to adoption of PFRS 16 Leases. Service Fees and Commission expenses were higher at Php278.53 million from Php140.65 million in 2018 as various projects kicked off in the year where services from 3rd party providers were rendered.

The Bank posted Php245.45 million Insurance expenses while Entertainment and Recreation was at Php123.34 million. Management and Professional Fees went down to Php65.80 million from Php89.01 million in 2018 due to the decreased payments in various consultancy and professional fees while Amortization of Software Costs declined by 40.50% from Php34.14 million the same period last year due to maturities. Miscellaneous Expense was at Php469.09 million in 2019 from Php421.71 million due to expenses related to the increase in customer deposits and higher subscription fees.

The Bank set aside Php52.10 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 Php181.12 million in 2018.

The Bank recorded its share in the net loss of BIC at Php2.87 million, 55.33% higher than the Php1.84 million in 2018.

Statement of Condition as of December 31, 2019 vs December 31, 2018

The Bank's Total Assets as of 31 December 2019 stood at Php145.03 billion, which was 4.21% lower than the Php151.41 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 Php1.47 billion to Php73.74 billion in December 2019 from Php72.27 billion. Mortgage and Auto Loans grew by 22.06% and 28.79%, respectively.

Cash and Other Cash Items increased by 1.62% to Php1.78 billion as of 31 December 2019 from Php1.75 billion. Due from the BSP, representing 15.14% of total assets, increased to Php21.96 billion from Php21.42 billion in December 2018, while Due from Other Banks decreased by 82.53% to Php670.48 million in December 2019 from Php3.84 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 Php1.45 billion to Php13.43 billion from Php11.98 billion in December 2018.

Investment Securities at Amortized Cost decreased by 2.86% to Php22.55 billion in December 2019 from Php23.21 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 Php6.58 billion to Php1.39 billion from Php7.97 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 Php1.05 billion as of 31 December 2019. This was 42.62% lower than the Php1.84 billion level in December 2018.

Investment in Associate increased to Php41.44 million from Php39.98 million in December 2018.

Property and Equipment increased by 51.42% or Php591.24 million to Php1.74 billion in December 2019 from Php1.15 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 Php550.48 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 Php3.73 billion as of December 31, 2019 from Php3.12 billion in December 2018 due to foreclosure and exchange of real estate properties. Meanwhile, Non-current Assets Held for Sale stood at Php48.12 million both in December 2019 and 2018.

Deferred Tax Assets decreased by 12.25% to Php880.30 million as of 31 December 2019 from Php1.00 billion in December 2018. On the other hand, Other Assets went up to Php2.03 billion as of December 2019 from Php1.76 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 Php7.32 billion to Php123.86 billion from Php131.18 billion as of 31 December 2018. Savings and Time Deposits decreased by 7.21% to Php72.02 billion and 28.52% to Php17.68 billion, respectively, while Demand Deposits grew by 18.47% to Php34.16 billion.

Bills Payable declined by 99.98% to Php0.11 million as of 31 December 2019 from Php557.47 million. This was mainly due to the settlement of securities sold under repurchase agreement transactions.

Manager's Checks and Acceptances Payable was recorded at Php923.46 million as of 31 December 2019 from Php615.50 million. Accrued Interest, Taxes and Other Expenses went down by 14.79% to Php815.03 million from Php956.49 million in December 2018. Other liabilities increased to Php3.43 billion as of 31 December 2019 from Php2.60 billion.

The Bank's Equity went up by 3.79% to Php16.09 billion from Php15.51 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 Php165.87 million to Php36.11 million. Remeasurement Losses on Retirement Liability stood at Php320.00 million as of 31 December 2019 from Php95.31 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 Php2.01 million, as compared with December 2018 which posted a gain of Php12.64 million.

Item 7. Financial Statements

BANK OF COMMERCE
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2021	2020
ASSETS			
Cash and Other Cash Items		P2,747,780,890	P2,420,504,742
Due from Bangko Sentral ng Pilipinas	17, 18	45,367,142,605	39,547,210,722
Due from Other Banks	17	1,039,456,479	1,023,255,562
Interbank Loans Receivable and Securities Purchased under Resale Agreements	8, 17	19,133,505,219	22,055,827,932
Financial Assets at Fair Value through Profit or Loss	9	994,612,772	1,265,419,468
Financial Assets at Fair Value through Other Comprehensive Income	10, 17, 32	5,055,116,576	15,424,248,009
Investment Securities at Amortized Cost	11, 17, 32	42,909,057,404	9,146,277,511
Loans and Receivables	12, 17, 32	74,374,125,167	71,628,349,480
Investment in an Associate	13, 17, 32	39,661,589	40,687,406
Property and Equipment	14, 17	1,472,398,367	1,659,401,337
Investment Properties	15, 17	3,448,314,535	3,624,986,606
Deferred Tax Assets	31	743,505,416	955,379,983
Other Assets	16, 17	2,387,937,153	2,129,132,566
		P199,712,614,172	P170,920,681,324
LIABILITIES AND EQUITY			
Deposit Liabilities	18, 32		
Demand		P48,702,339,755	P39,659,286,077
Savings		108,874,919,612	83,743,820,681
Time		9,107,143,873	20,673,084,328
Long-term negotiable certificates		5,029,420,000	5,029,420,000
		171,713,823,240	149,105,611,086
Bills Payable	19	-	18,675
Manager's Checks		951,460,497	870,079,608
Accrued Interest, Taxes and Other Expenses	20, 32	1,021,625,802	892,463,477
Other Liabilities	21, 32	2,662,971,101	3,286,045,837
Total Liabilities		176,349,880,640	154,154,218,683
Equity			
Capital stock	23	15,390,777,900	11,224,111,200
Paid-in surplus	23	6,776,694,869	5,594,079,646
Surplus reserves	24	755,806,267	395,602,340
Retained earnings (Deficit)	23	852,471,738	(51,156,715)
Remeasurement losses on retirement liability	28	(262,547,387)	(449,088,000)
Net unrealized gains (losses) on financial assets at fair value through other comprehensive income	10	(156,154,761)	69,657,563
Cumulative translation adjustment		7,010,814	(15,404,017)
Share in other comprehensive loss of an associate	13	(1,325,908)	(1,339,376)
Total Equity		23,362,733,532	16,766,462,641
		P199,712,614,172	P170,920,681,324

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF INCOME

		Period Ended December 31		
	Note	2021	2020	2019
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	*12, 32*	P4,284,455,772	P4,840,143,949	P4,920,061,099
Investment securities at fair value through other comprehensive income and at amortized cost	*25, 32*	1,251,563,739	919,374,469	1,117,092,275
Interbank loans receivable and securities purchased under resale agreements	*8*	316,281,375	238,044,191	315,569,692
Due from Bangko Sentral ng Pilipinas and other banks	*18*	228,434,625	265,527,722	163,456,630
Other interest income:				
Financial assets at fair value through profit or loss	*25*	14,420,446	16,991,151	16,058,663
		6,095,155,957	6,280,081,482	6,532,238,359
INTEREST EXPENSE				
Deposit liabilities	*18, 32*	645,260,590	1,127,728,480	2,346,266,843
Lease liabilities	*29*	35,033,242	42,921,243	45,360,536
Bills payable and others	*19*	16,691,365	1,105,699	4,855,994
		696,985,197	1,171,755,422	2,396,483,373
NET INTEREST INCOME		5,398,170,760	5,108,326,060	4,135,754,986
OTHER INCOME				
Service charges, fees and commissions	*26, 32*	531,127,752	444,637,070	477,274,280
Gains on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16, 32*	274,985,810	58,764,927	336,288,436
Trading and investment securities gains (losses) - net	*27*	(78,709,145)	1,147,573,753	355,688,714
Foreign exchange gains - net		48,367,204	48,875,995	67,994,272
Miscellaneous	*30, 32*	50,565,323	65,417,725	459,861,228
		826,336,944	1,765,269,470	1,697,106,930
OTHER EXPENSES				
Compensation and fringe benefits	*28, 32*	1,820,969,091	1,819,392,253	1,684,538,431
Taxes and licenses	*15*	802,193,452	830,158,438	773,892,173
Provision for (reversal of) credit and impairment losses	*17*	(634,819,513)	962,509,599	52,095,015
Rent and utilities	*29*	532,283,906	476,343,471	505,773,088
Depreciation and amortization	*14, 15, 16*	462,532,885	567,850,860	480,444,851
Insurance		334,825,533	280,637,960	245,450,542
Service fees and commissions		229,706,473	183,373,509	278,525,116
Subscription fees		107,646,170	96,595,420	69,302,963
Entertainment and recreation		97,393,528	107,304,726	123,335,716
Management and professional fees	*32*	85,022,359	79,453,000	65,801,182
Amortization of software costs	*16*	53,595,136	45,907,917	34,144,155
Miscellaneous	*30*	501,811,576	381,759,150	399,784,678
		4,393,160,596	5,831,286,303	4,713,087,910

Forward

	Note	Period Ended December 31 2021	2020	2019
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		**P1,831,347,108**	P1,042,309,227	P1,119,774,006
SHARE IN NET LOSS OF AN ASSOCIATE	*13, 32*	**1,039,285**	753,029	2,865,073
INCOME BEFORE INCOME TAX EXPENSE		**1,830,307,823**	1,041,556,198	1,116,908,933
INCOME TAX EXPENSE	*31*	**623,688,658**	257,122,410	464,186,399
NET INCOME		**P1,206,619,165**	P784,433,788	P652,722,534
Earnings Per Share Attributable to Equity Holders of the Bank	*35*			
Basic		**P1.02**	P0.70	P0.58
Diluted		**0.93**	0.70	0.58

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

		Period Ended December 31		
	Note	2021	2020	2019
NET INCOME		**P1,206,619,165**	P784,433,788	P652,722,534
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified to profit or loss				
Net change in remeasurement losses on retirement liability	*28*	**186,540,613**	(129,089,549)	(224,686,360)
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	*10*	**31,555,000**	(412,381)	5,229,000
		218,095,613	(129,501,930)	(219,457,360)
Items that may be reclassified to profit or loss				
Net change in fair value of debt securities at FVOCI	*10*	**(320,194,577)**	314,704,714	359,733,308
Net change in fair value of debt securities at FVOCI taken to profit or loss	*10*	**68,883,753**	(280,743,443)	(198,827,405)
Net movement in cumulative translation adjustment		**22,414,831**	(17,418,897)	(10,624,175)
Share in other comprehensive income (loss) of an associate	*13*	**13,468**	(3,073)	4,326,471
		(228,882,525)	16,539,301	154,608,199
		(10,786,912)	(112,962,629)	(64,849,161)
TOTAL COMPREHENSIVE INCOME		**P1,195,832,253**	P671,471,159	P587,873,373

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock (Note 23)	Paid-in Surplus (Note 23)	Surplus Reserves (Note 24)	Retained Earnings (Deficit) (Note 23)	Remeasurement Losses on Retirement Liability (Note 28)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2020		P11,224,111,200	P5,594,079,646	P395,602,340	(P51,156,715)	(P449,088,000)	P89,657,563	(P15,404,017)	(P1,339,376)	P16,766,462,641
Net income for the year		-	-	-	1,206,619,165	-	-	-	-	1,206,619,165
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		-	-	-	-	186,540,613	-	-	-	186,540,613
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	31,555,000	-	-	31,555,000
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(320,194,577)	-	-	(320,194,577)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	68,883,753	-	-	68,883,753
Net movement in cumulative translation adjustment		-	-	-	-	-	-	22,414,831	-	22,414,831
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	13,468	13,468
Total comprehensive income for the year		-	-	-	1,206,619,165	186,540,613	(219,755,824)	22,414,831	13,468	1,195,832,253
Issuance of preferred stock	23	4,166,666,700	1,233,771,938	-	-	-	-	-	-	5,400,438,638
Transactions within equity:										
Transfer from surplus reserves	24	-	-	360,203,927	(360,203,927)	-	-	-	-	-
Application of paid-in surplus against deficit	23	-	(51,156,715)	-	51,156,715	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	6,056,500	-	(6,056,500)	-	-	-
		4,166,666,700	1,182,615,223	360,203,927	(302,990,712)	-	(6,056,500)	-	-	5,400,438,638
Balance as at December 31, 2021		P15,390,777,900	P6,776,694,869	P755,806,267	P852,471,738	(P262,547,387)	(P156,154,761)	P7,010,814	(P1,325,908)	P23,362,733,532

Forward

	Note	Capital Stock (Note 23)	Paid-in Surplus (Note 23)	Surplus Reserves (Note 24)	Retained Earnings (Deficit) (Note 23)	Remeasurement Losses on Retirement Liability (Note 28)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	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 an 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	24	-	-	(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

	Note	Capital Stock (Note 23)	Paid-in Surplus (Note 23)	Surplus Reserves (Note 24)	Retained Earnings (Deficit) (Note 23)	Remeasurement Losses on Retirement Liability (Note 28)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	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 an 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	24	-	-	(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

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

		Period Ended December 31		
	Note	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax expense		**P1,830,307,823**	P1,041,556,198	P1,116,908,933
Adjustments for:				
Provision for (reversal of) credit and impairment losses	*17*	**(635,185,510)**	958,875,752	52,225,704
Depreciation and amortization	*14, 15, 16*	**462,532,885**	567,850,860	480,444,851
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16, 32*	**(274,985,810)**	(58,764,927)	(336,288,436)
Loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI)	*27*	**68,883,753**	(280,743,443)	(198,827,405)
Amortization of software costs	*16*	**53,595,136**	45,907,917	34,144,155
Unrealized loss (gain) on financial assets at fair value through profit or loss (FVPL)	*27*	**4,189,634**	(69,731,751)	(135,535,224)
Share in net loss of an associate	*13*	**1,039,285**	753,029	2,865,073
Gain on sale of investment securities at amortized cost	*27*	**-**	(767,033,010)	-
Miscellaneous income	*30*	**-**	(6,595,120)	(363,450,000)
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Interbank loans receivables	*8*	**106,515,133**	4,382,274	(110,883,214)
Financial assets at FVPL		**266,617,062**	(141,927,841)	918,184,476
Loans and receivables		**(2,049,407,264)**	1,142,980,036	(1,643,739,447)
Other assets		**(254,234,814)**	(184,442,772)	(202,644,680)
Increase (decrease) in:				
Deposit liabilities		**22,608,212,154**	25,249,423,016	(7,322,035,294)
Manager's checks		**81,380,889**	(53,380,133)	307,963,803
Accrued interest, taxes and other expenses		**90,609,895**	97,234,086	(100,619,502)
Other liabilities		**(386,245,709)**	(207,066,635)	(117,129,826)
Net cash generated from (absorbed by) operations		**21,973,824,542**	27,339,277,536	(7,618,416,033)
Income taxes paid		**(366,872,337)**	(355,090,693)	(338,334,083)
Net cash provided by (used in) operating activities		**21,606,952,205**	26,984,186,843	(7,956,750,116)

Forward

	Note	Period Ended December 31 2021	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of:				
Financial assets at FVOCI		**P17,433,761,770**	P16,022,194,922	P10,024,308,116
Investment securities at amortized cost		**15,166,197,000**	20,043,309,156	1,557,000,000
Investment properties		**308,006,196**	50,090,800	94,051,694
Property and equipment		**45,240,223**	45,448,780	49,150,059
Additions to:				
Investment securities at amortized cost		**(48,933,469,733)**	(5,873,014,288)	(893,626,163)
Financial assets at FVOCI		**(7,358,521,216)**	(29,740,895,892)	(3,071,058,659)
Property and equipment	*14*	**(156,995,689)**	(98,228,754)	(207,302,263)
Software costs	*16*	**(48,972,849)**	(16,158,782)	(131,596,152)
Investment properties		**(1,098,889)**	(2,095,772)	(21,242,574)
Net cash provided by (used in) investing activities		**(23,545,853,187)**	430,650,170	7,399,684,058
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of preferred stock		**5,452,543,902**	-	-
Payment of lease liability		**(188,452,088)**	(177,806,359)	(148,056,647)
Settlement of bills payable		**(18,675)**	(86,420)	(557,366,520)
Net cash provided by (used in) financing activities	*34*	**5,264,073,139**	(177,892,779)	(705,423,167)
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**22,414,831**	(17,418,897)	(10,624,175)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,347,586,988**	27,219,525,337	(1,273,113,400)
CASH AND CASH EQUIVALENTS AT BEGINNING 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		**21,949,327,179**	13,318,396,289	11,983,626,735
		64,940,298,205	37,720,772,868	38,993,886,268
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items		**2,747,780,890**	2,420,504,742	1,776,398,932
Due from Bangko Sentral ng Pilipinas		**45,367,142,605**	39,547,210,722	21,955,496,031
Due from other banks		**1,039,456,479**	1,023,255,562	670,481,616
Interbank loans receivable and securities purchased under resale agreements	*34*	**19,133,505,219**	21,949,327,179	13,318,396,289
		P68,287,885,193	P64,940,298,205	P37,720,772,868

Forward

BUREAU OF INTERNAL
LARGE TAXPAYERS
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	Note	2021	2020	2019
		Period Ended December 31		
CASH FLOWS FROM INTEREST AND DIVIDENDS				
Operating Activities				
Interest received		**P5,013,594,767**	P5,183,736,446	P5,602,826,464
Interest paid		**P659,753,395**	P1,226,602,056	P2,496,181,179
Investing Activities				
Interest received		**P988,560,088**	P1,049,252,946	P1,185,867,090
Dividends received		**P5,709,161**	P12,228,425	P8,201,707
Financing Activities				
Interest paid		**P35,396,571**	P44,027,424	P55,071,532

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, 2021, 2020 and 2019.

San Miguel Properties, Inc. (SMPI) holds 39.89% ownership of the Bank's issued common shares as at December 31, 2021 and 2020. San Miguel Corporation Retirement Plan (SMCRP) holds 38.54% and 39.94% ownership of the Bank's issued common shares as at December 31, 2021 and 2020, respectively. Each of these shareholders have significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank's issued non-voting preferred shares as at December 31, 2021.

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 financial statements of the Bank were approved and authorized for issue by the BOD on April 4, 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.

Basis of Measurement
The financial statements of the Bank have been prepared on a historical cost basis, except for the following items:

Items	Measurement Bases
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 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 22.

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 new disclosures on segment reporting and earning per share which started in 2020. The policies are adopted by the Bank in relation to the Bank's capital market issuance and its listing in the Philippine Stock Exchange (PSE) (see Notes 18 and 36). There is no new standard, amendment or interpretation mandatorily effective starting January 1, 2021 that has a material impact to the Bank's financial statements. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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 reversal of credit and impairment losses, share in net loss of an associate, and income tax expense.

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 to preferred shareholders, by the weighted average number of common share s 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 rece ivable 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 F VPL, 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 financials 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 lif e 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 (losses) - 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 payme nt 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, 2021 and 2020, 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 (losses) on financial assets at FVOCI' account in the equity section of the statements of financial posit ion. 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 (losses) - 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 (losses) 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 "Retained earnings (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 liab ilities 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 ch ange 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:

- 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;

- 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 asse t 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 modificatio n 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 differ ence 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.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
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 f rom 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.

<u>Impairment of Financial Assets</u>
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 ob jective 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) for corporate loans and credit scorecards for consumer loans 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. On the other hand, credit scorecard is a tool used to evaluate the credit risk associated to individual customers. Customer-specific factors and internal data are taken into consideration to calculate a credit score. The credit decision is based on the output of the credit score and policy rules.

Significant Increase in Credit Risk
The definition of a SICR varies by portfolio where the determination of the chan ge 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 over a given time period, either over the next 12 months (12-month PD) or over the remaining life (Lifetime PD) of the loan obligation. In 2021, the Bank uses its ICRRS, credit scorecards and other relevant drivers of default to segment exposures with homogenous risk characteristics. In 2020, only ICRRS was used for segmentation. PD estimate, being one of the fundamental basis for credit risk modelling, plays a vital role in the estimation of ECL for the Bank.

Point-in-Time (PiT) PD calibration was done to reflect the current trends in business and credit cycle. In 2021, macroeconomic forecasts were incorporated to come up with PiT PDs that are unbiased and for ward-looking projections of future default risk.

(b) Loss Given Default (LGD)
In 2020, 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.

In 2021, LGD estimation also considered the present value calculation and cost adjustment in determining the recoveries.

(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. In 2021, the EAD estimate was revised to account for time horizon for which EAD needs to be estimated, projected cash flows until the estimated point of default and remaining loan term. 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 only forward-looking economic variable used in each of the economic scenarios for the ECL calculations in 2020 is GDP growth. In 2021, the Bank enhanced its ECL methodology by incorporating multiple future macroeconomic expectations in order to estimate credit losses on the basis of probability-weighted outcomes. The Bank has performed statistical analysis of historical data to determine which macroeconomic variables (MEVs) are correlated with the performance of specific loan portfolios. The MEVs considered were obtained using publicly available sources such as BSP and Philippine Statistical Association. A broad range of forward looking information are assessed as economic inputs. Based on histo rical data analysis, the Bank found significant relationships between MEVs and credit risk which vary by product type. Forward looking MEVs used include Wholesale Price Index, Interest Rate, Philippine Stock Index, Exchange Rate, Consumer Price Index, and Cash Remittances. The selected MEVs were confirmed using experienced credit judgment.

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.

Refer to Notes 4 and 17 on the changes made in the ECL parameters in the current period.

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 conside rs 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.

<u>'Day 1' Difference</u>
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.

<u>Offsetting</u>
Financial assets and liabilities are offset with the net amount reported in the statements of financial position, if and only if, there is a curr ently 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, 2021 and 2020, 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, ref lecting 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.

As at December 31, 2021 and 2020, the Bank has no outstanding non-current assets 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 depre ciation 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 (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, 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 carry ing 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.

<u>Other Properties Acquired</u>
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 account ing estimates.

The amortization expense on intangible assets with finite lives is recogniz ed 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 c arrying 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 indicatio n 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.

<u>Fair Value Measurement</u>
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 ass ets, at fair value at each reporting date. Also, fair values of financial instruments measu red 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 mar ket 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 mar ket 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 f or 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 standar ds are maintained. Particularly, the external appraisers must hold a recognized and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

Valuation from external appraisers are subject to quality assurance by the Bank to ensure that the minimum requirements and standards for appraisals are met. The minimum requirements and standards entail consistency and accuracy of the information in the appraisal reports. The appraisal undertaking must comply with the provisions of the Philippine Valuation Standards (PVS). Market value is defined by PVS as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably , prudently, and without compulsion.

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.

<u>Revenue Recognition</u>
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 corresp onding 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 f or 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 transf ers 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 imp airment 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".

"Retained Earnings (Deficit)" represents the accumulated earnings (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
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.

<u>Income Tax Expense</u>
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 suf ficient 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, 2021. 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 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 liabilitie s, 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 af ter 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.

Comments on the Exposure Draft was due on March 21, 2022.

- *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 f inancial statements that are subject to measurement uncertainty. The amendments also clarif y 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 af ter 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 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 e stimations, which may have the most significant effect on amounts recognized in the financial statements:

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 14 and 21, respectively.

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 signif icant 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 37).

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 securitie s 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.

In 2021, the ECL methodology of the Bank was optimized to recalibr ate and improve the accuracy of the ECL models using updated data. Significant factors affecting the estimates on the enhanced ECL model include:

- The default and credit impaired financial assets were aligned across all credit portfolios;
- PD segmentation was based on the staging criteria (i.e. delinquency age buckets, internal credit risk ratings and loan status);
- The LGD takes into account post-default relevant information such as cost of recoveries and curing rate. LGD was adjusted to its present value of expected cash flows using risk-adjusted interest rate. The final LGD estimates were pooled by collateral type;
- EAD estimates consider (a) time horizon for which EAD needs to be estimated, (b) projected cash flows until the estimated point of default and (c) remaining loan term;
- The Bank used three economic scenarios to arrive at probability-weighted ECL estimates. These scenarios represent a most likely outcome (that is, the ‘Baseline’ or central scenario) and two less likely scenarios on the either side of the central (that is, the ‘Optimistic’ and ‘Pessimistic’, respectively). The scenario weights were developed based on the relative frequency distribution of historical GDP data. Both the ‘Optimistic’ and ‘Pessimistic’ scenarios reflect the lower and upper levels whereas the ‘Baseline’ scenario represents the central distribution; and
- The impact of Covid-19 has been appropriately incorporated in the impairment allowance calculation using more recent data. The Bank has updated the macroeconomic expectations in the model to consider the effects of Covid-19 pandemic situation.

In 2020, ECL is determined based on the following key factors:

- PD segmentation is mainly driven by the internal risk rating and application scores for corporate loans and consumer finance, respectively;
- LGD varies by the availability and type of collateral;
- EAD is determined as the total amount owed at the time of default;
- The scenarios for forward-looking adjustment is based on a single macroeconomic indicator;
- 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;
- The scenario weights were also adjusted giving a bigger probability to the pessimistic scenario to account for the uncertainties brought by the pandemic; and
- The Bank 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 impact in 2021 of the change in ECL parameters as discussed above and the related allowance for credit losses subject to ECL are disclosed in Note 17.

(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*

<u>Investment in an Associate, Non-current Assets Held for Sale, Property and Equipment, Investment Properties, Other Properties Acquired, and Intangible Assets under "Other Assets"</u>

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 and 16, 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 31.

(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 consiste nt 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 disclose d in Note 28.

(vii) Contingencies

The Bank is currently involved in various legal proceedings. The probable costs for the resolution of these proceedings has been estimated 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 objectiv es 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 f inancial 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 identifi cation 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).

<u>Risk Measurement and Reporting Systems</u>
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 Te chnology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate match ing, 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.

<u>Risk Mitigation</u>
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 sensitivitie s 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, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Maximu m 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	**P58,288,237,487**	**P47,828,341,389**	P55,358,855,966	P49,192,891,513
Housing loans	**8,153,639,607**	**2,876,874,485**	7,924,342,343	3,638,959,697
Auto loans	**3,014,014,009**	**198,131,864**	3,873,064,570	529,309,808
Agri-agra loans	**1,216,852,115**	**1,024,119,022**	293,758,988	256,413,315
Bills purchased, import bills and trust receipts	**386,638,323**	**378,999,050**	634,184,181	634,184,181
Direct advances	**369,416,862**	**-**	428,696,320	29,894,682
Others	**1,666,550,443**	**1,665,970,866**	1,502,363,886	1,490,088,834
	73,095,348,846	**53,972,436,676**	70,015,266,254	55,771,742,030
Sales contract receivables	**351,462,925**	**53,952,557**	398,422,865	53,712,557
	P73,446,811,771	**P54,026,389,233**	P70,413,689,119	P55,825,454,587

For the other financial assets, the carrying amounts represen t the maximum exposure to credit risk as at December 31, 2021 and 2020.

As at December 31, 2021 and 2020, fair value of collateral held for loans and receivables amounted to P85.8 billion and P79.0 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, 2021 and 2020:

	December 31, 2021			
	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	**P643,153,780**	**P180,079,143**	**P463,074,637**	**P623,299,524**
Housing loans	**768,753,530**	**616,516,325**	**152,237,205**	**136,587,297**
Auto loans	**582,133,025**	**565,263,444**	**16,869,581**	**446,901,830**
Direct advances	**163,188,326**	**-**	**163,188,326**	**163,188,326**
Bills purchased, import bills and trust receipts	**76,426,393**	**-**	**76,426,393**	**76,426,393**
Agri-agra loans	**17,663,370**	**14,362,060**	**3,301,310**	**17,663,370**
Others	**618,220,325**	**661,296**	**617,559,029**	**601,570,397**
	2,869,538,749	**1,376,882,268**	**1,492,656,481**	**2,065,637,137**
Sales contract receivables	**130,630,640**	**76,678,083**	**53,952,557**	**54,719,038**
	P3,000,169,389	**P1,453,560,351**	**P1,546,609,038**	**P2,120,356,175**

	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

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2021 and 2020.

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 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 qu antitative 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. The financial condition is assessed by the Bank through financial ratio analysis based on the latest available financial information of the borrower. The Bank performs industry anal ysis by reviewing actual and expected significant changes in the political, regulatory, and technological environment of the borrower or in its business activities. Management quality is assessed by reviewing the experience and quality of management and management's business strategy. In addition, management's business planning and management of banking relationship are also considered. 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 specif ic 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 f orm 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, 2021 and 2020 (amounts in thousands).

	December 31, 2021										
	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	P19,015,644	P -	P -	P367,481	P368,948	P731,487	P -	P20,483,560	P -	P495,969	P20,979,529
Standard grade	38,057,707	-	10,086	19,445	3,885	328,882	-	38,420,005	-	146,767	38,566,772
Unrated	-	6,984,226	2,705,050	-	-	-	1,617,776	11,307,052	262,286	238,419	11,807,757
	57,073,351	6,984,226	2,715,136	386,926	372,833	1,060,369	1,617,776	70,210,617	262,286	881,155	71,354,058
Stage 2											
Neither past due nor impaired:											
Standard grade	1,176,151	-	-	-	-	7,314	-	1,183,465	-	7,642	1,191,107
Substandard grade	13,356	-	-	-	-	142,680	-	156,036	-	338	156,374
Past due but not impaired	4,995	576,085	245,887	-	-	-	47,968	874,935	16,048	46,585	937,568
Impaired	139,244	-	-	-	-	12,950	-	152,194	-	1,278	153,472
	1,333,746	576,085	245,887	-	-	162,944	47,968	2,366,630	16,048	55,843	2,438,521
Stage 3											
Impaired	643,154	768,754	582,133	76,426	163,188	17,663	618,220	2,869,538	130,631	832,998	3,833,167
	643,154	768,754	582,133	76,426	163,188	17,663	618,220	2,869,538	130,631	832,998	3,833,167
	P59,050,251	P8,329,065	P3,543,156	P463,352	P536,021	P1,240,976	P2,283,964	P75,446,785	P408,965	P1,769,996	P77,625,746

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	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
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*

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2021 and 2020 (amounts in thousands).

	December 31, 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	**P3,703,686**	**P -**	**P -**	**P3,703,686**
Standard grade	**11,049,978**	**2,743,350**	**-**	**13,793,328**
Unrated	**3,382,638**	**-**	**-**	**3,382,638**
	P18,136,302	**P2,743,350**	**P -**	**P20,879,652**

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
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
	P9,252,005	P -	P -	P9,252,005

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 other plausible 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 sen sitivity analysis (amounts in thousands). Scenario 1 represents improving conditions that lead to lower ECL for each material asset class while Scenario 2 assumes more unfavorable forward-looking estimates for each material asset class which lead to increasing ECL.

	December 31, 2021			
	Gross	**ECL Allowance**		**Probability-**
	Exposure	**Scenario 1**	**Scenario 2**	**weighted**
Term Loans	**P59,050,251**	**P720,602**	**P801,499**	**P762,014**
Housing Loans	**8,329,065**	**167,586**	**218,604**	**175,426**
Auto Loans	**3,543,156**	**503,884**	**575,357**	**529,142**
Agri-Agra Loans	**1,240,976**	**20,361**	**27,713**	**24,123**
Direct Advances	**536,021**	**166,574**	**166,633**	**166,604**
Bills Purchased, Import Bills and Trust Receipts	**463,352**	**76,705**	**76,723**	**76,714**
Others*	**2,283,964**	**616,903**	**618,784**	**617,413**
	P75,446,785	**P2,272,615**	**P2,485,313**	**P2,351,436**

**Comprised of benefit loans, salary loans and credit cards.*

	December 31, 2020			
	Gross	ECL Allowance		Proba bility -
	Exposure	Scenario 1	Scenario 2	weighted
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
Agri-Agra Loans	314,271	20,509	20,514	20,512
Direct Advances	599,323	170,626	170,627	170,627
Bills Purchased, Import Bills and Trust Receipts	715,295	81,111	81,111	81,111
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.*

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:

	2021	2020
Term loans	**P283,192,322**	P254,866,548
Housing loans	**56,736,908**	14,109,526
Agri-Agra loans	**30,613,524**	35,447,897
Auto loans	**838,456**	-
Others	**40,647,707**	-
	P412,028,917	P304,423,971

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, 2021		
	AA - A	**BBB and Below or Unrated**	**Total**
Loans and advances to banks: **			
Due from BSP	**P45,373,267,996**	**P -**	**P45,373,267,996**
Due from other banks	**601,812,095**	**437,784,729**	**1,039,596,824**
Interbank loans receivable and SPURA	**19,136,088,591**	**-**	**19,136,088,591**
	65,111,168,682	**437,784,729**	**65,548,953,411**
Financial assets at FVPL:			
Private debt securities	**490,887,983**	**-**	**490,887,983**
Government securities held-for-trading	**50,353,544**	**427,871,745**	**478,225,289**
Derivative assets*	**-**	**25,499,500**	**25,499,500**
	541,241,527	**453,371,245**	**994,612,772**
Financial assets at FVOCI:			
Government securities**	**-**	**4,569,700,778**	**4,569,700,778**
Private debt securities**	**303,522,000**	**-**	**303,522,000**
Equity securities	**-**	**181,893,798**	**181,893,798**
	303,522,000	**4,751,594,576**	**5,055,116,576**
Investment securities at amortized cost:			
Government securities**	**-**	**40,331,752,498**	**40,331,752,498**
Private debt securities**	**1,072,193,659**	**1,510,872,599**	**2,583,066,258**
	1,072,193,659	**41,842,625,097**	**42,914,818,756**
Loans and receivables - gross:			
Unquoted debt securities***	**-**	**291,578,204**	**291,578,204**
	P67,028,125,868	**P47,776,953,851**	**P114,805,079,719**

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1 in 2021*
****Accounts are impaired and carried at Stage 3 in 2021*

	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*

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, 2021 and 2020.

	December 31, 2021			
	1 - 30 Days	**31 - 60 Days**	**61 - 90 Days**	**Total**
Receivable from customers (gross):				
Housing loans	**P -**	**P359,915,759**	**P216,169,450**	**P576,085,209**
Auto loans	**-**	**143,710,623**	**102,176,538**	**245,887,161**
Term loans	**-**	**4,995,009**	**-**	**4,995,009**
Others	**-**	**43,123,393**	**4,844,607**	**47,968,000**
Sales contract receivables	**6,996,915**	**8,645,684**	**405,626**	**16,048,225**
Other receivables*	**35,937**	**32,250,983**	**14,298,027**	**46,584,947**
	P7,032,852	**P592,641,451**	**P337,894,248**	**P937,568,551**

** Comprised of accrued interest receivables, accounts receivables, and RCOCI*

	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*

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 exposur es 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, 2021 and 2020 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2021					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Deposit liabilities:						
Demand	**P48,702,340**	**P -**	**P -**	**P -**	**P -**	**P48,702,340**
Savings	**42,109,036**	**62,170,350**	**4,628,431**	**378**	**-**	**108,908,195**
Time	**32,916**	**6,346,781**	**1,559,037**	**1,267,042**	**-**	**9,205,776**
Long-term negotiable certificates	**-**	**55,952**	**170,372**	**5,643,638**	**-**	**5,869,962**
Bills payable	**-**	**-**	**-**	**-**	**-**	**-**
Manager's checks	**-**	**951,460**	**-**	**-**	**-**	**951,460**
Accrued interest and other expenses*	**-**	**541,850**	**-**	**-**	**-**	**541,850**
Lease liabilities	**-**	**36,851**	**167,294**	**351,360**	**37,907**	**593,412**
Other liabilities**	**-**	**373,471**	**1,165,705**	**-**	**280,236**	**1,819,412**
Total Undiscounted Financial Liabilities	**P90,844,292**	**P70,476,715**	**P7,690,839**	**P7,262,418**	**P318,143**	**P176,592,407**

**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, 2020					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
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*

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments (amounts in thousands):

	December 31, 2021				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Commitments	**P3,362,130**	**P1,140,164**	**P8,005,120**	**P6,100,614**	**P18,608,028**
Contingent liabilities	**60,071,070**	**847,512**	**1,408,058**	**4,478,628**	**66,805,268**
	P63,433,200	**P1,987,676**	**P9,413,178**	**P10,579,242**	**P85,413,296**

	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	36,015,914	702,357	1,163,616	3,406,457	41,288,344
	P39,724,276	P984,895	P1,680,234	P6,985,307	P49,374,712

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 generated from 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 fund raisers (e.g., branch deposits). FTP helps units evaluate profitability and calculate returns upon deal origination. Furthermore, the FTP framework insulates them from interest rate risk. The Central Funding Unit (CFU), under the Treasury Management Group, manages the Bank's overall IRRBB. CFU is the first line of defense for both IRRBB and Liquidity Risk. While the Bank does not have intentions to hedge IR RBB via interest rate swaps in the short-term, it actively manages IRRBB by growing its sources of stable funds to match 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 sen sitive 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 BROC 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 ben chmarks 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 vo latile 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 captur es 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, 2021 and 2020.

	December 31, 2021								
In Millions	**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**	**Total**
Resources									
Cash and COCI	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P2,748**	**P2,748**
Due from BSP	**27,135**	**-**	**-**	**-**	**-**	**-**	**-**	**18,232**	**45,367**
Due from other banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,176**	**4,176**
Interbank loans receivable	**15,800**	**113**	**-**	**-**	**-**	**-**	**-**	**(2)**	**15,911**
Financial assets at FVPL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**995**	**995**
Financial assets at FVOCI	**358**	**315**	**1,810**	**1,893**	**689**	**-**	**-**	**(192)**	**4,873**
Investment securities at AC	**1,033**	**95**	**498**	**1,586**	**11,932**	**14,464**	**13,850**	**(337)**	**43,121**
Loans - net	**17,201**	**15,752**	**6,432**	**9,919**	**6,997**	**9,381**	**4,926**	**1,807**	**72,415**
Other resources	**244**	**11**	**-**	**-**	**-**	**-**	**-**	**9,423**	**9,678**
	P61,771	**P16,286**	**P8,740**	**P13,398**	**P19,618**	**P23,845**	**P18,776**	**P36,850**	**P199,284**
Liabilities and Equity									
Deposit liabilities:	**P65,191**	**P31,096**	**P9,259**	**P939**	**P925**	**P64,304**	**P -**	**P -**	**P171,714**
Demand deposits	**7,504**	**6,269**	**2,226**	**-**	**-**	**32,703**	**-**	**-**	**48,702**
Savings deposits	**7,188**	**5,750**	**2,794**	**-**	**-**	**26,340**	**-**	**-**	**42,072**
Time deposits	**50,499**	**19,077**	**4,239**	**939**	**925**	**232**	**-**	**-**	**75,911**
Long-term negotiable certificates	**-**	**-**	**-**	**-**	**-**	**5,029**	**-**	**-**	**5,029**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,414**	**4,414**
	65,191	**31,096**	**9,259**	**939**	**925**	**64,304**	**-**	**4,414**	**176,128**
Capital funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,156**	**23,156**
	P65,191	**P31,096**	**P9,259**	**P939**	**P925**	**P64,304**	**P -**	**P27,570**	**P199,284**
Total periodic gap	**(P3,420)**	**(P14,810)**	**(P519)**	**P12,459**	**P18,693**	**(P40,459)**	**P18,776**	**P9,280**	**P -**

	December 31, 2020								
In Millions	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	Total
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
	56,180	31,044	2,970	1,355	955	56,601	-	4,853	153,958
Capital funds	-	-	-	-	-	-	-	16,286	16,286
	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 -

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:

	December 31, 2021			
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**	**(P42.80)**	**(P17.07)**	**(P440.31)**
USD	**+100**	**0.32**	**(28.85)**	**(100.92)**
PHP	**-200**	**42.80**	**17.07**	**440.31**
USD	**-100**	**(0.32)**	**28.85**	**100.92**

	December 31, 2020			
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	(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

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 , 2021 and 2020.

The sensitivity of “Trading and investment securities gains (losses) - net” and OCI is calculated by revaluing fixed-rate financial assets at FVPL and debt securities at FVOCI, respectively, as at December 31, 2021 and 2020. 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 adver se 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 pric e 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, 2021 and 2020.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
2021				
As at December 31, 2021	**P2,007,233**	**P2,147,907**	**P38,772,700**	**P40,671,327**
Average	**1,333,091**	**3,418,377**	**36,592,519**	**39,975,735**
Highest	**4,880,412**	**7,633,611**	**51,049,930**	**60,384,640**
Lowest	**70,786**	**1,692,119**	**15,273,243**	**18,303,243**
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

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, 2021 and 2020. 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, 2021			
	USD	**Euro**	**Others**	**Total**
Assets				
Due from other banks	**$438**	**$883**	**$406**	**$1,727**
Interbank loans	**5,100**	**-**	**-**	**5,100**
Loans and receivables	**1,254**	**-**	**-**	**1,254**
Total assets	**6,792**	**883**	**406**	**8,081**
Liabilities				
Deposit liabilities	**-**	**1,419**	**-**	**1,419**
Other liabilities	**802**	**5**	**14**	**821**
Total liabilities	**802**	**1,424**	**14**	**2,240**
Net Exposure	**$5,990**	**($541)**	**$392**	**$5,841**
Amount in PHP	**P305,484**	**(P27,590)**	**P19,992**	**P297,885**

	December 31, 2020			
	USD	Euro	Others	Total
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

The table below indicates the currencies which the Bank has significant exposu re to as at December 31, 2021 and 2020 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, 2021				
Currency				
USD	**P1.00**	**(P5.99)**	**(P1.00)**	**P5.99**
Euro	**0.50**	**0.27**	**(0.50)**	**(0.27)**
Others	**0.40**	**(0.16)**	**(0.40)**	**0.16**

	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

Given the nature and amount of the Bank’s equity investments portfolio in 2021 and 2020, 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 2021 and 2020, management believes the Bank’s exposure to equity price r isk 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 ser vices or adjusted quoted market prices of comparable investments or using disco unted 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 and Financial Liabilities 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 f uture 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.

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 f lows 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 u sing 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, 2021				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	P478,225	P283,418	P194,807	P -	P478,225
Private debt securities	490,888	-	-	490,888	490,888
Derivative assets	25,500	-	25,500	-	25,500
Financial assets at FVOCI:					
Government securities	4,569,701	918,851	3,650,850	-	4,569,701
Private debt securities	303,522	303,522	-	-	303,522
Equity securities	181,894	144,565	-	37,329	181,894
	P6,049,730	P1,650,356	P3,871,157	P528,217	P6,049,730
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	P40,326,340	P15,617,463	P24,219,580	P -	P39,837,043
Private debt securities	2,582,717	2,059,920	521,950	-	2,581,870
Loans and receivables:					
Receivables from customers	73,132,658	-	-	95,269,564	95,269,564
Less unearned interest	37,309	-	-	37,309	37,309
	73,095,349	-	-	95,232,255	95,232,255
Sales contract receivables	351,703	-	-	427,310	427,310
	116,356,109	17,677,383	24,741,530	95,659,565	138,078,478
Non-financial Assets					
Investment properties	3,448,315	-	-	9,297,901	9,297,901
	P119,804,424	P17,677,383	P24,741,530	P104,957,466	P147,376,379

Forward

	December 31, 2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	**P9,107,144**	**P -**	**P9,098,652**	**P -**	**P9,098,652**
Long-term negotiable certificates	**5,029,420**	**-**	**5,116,369**	**-**	**5,116,369**
Bills payable	**-**	**-**	**-**	**-**	**-**
	P14,136,564	**P -**	**P14,215,021**	**P -**	**P14,215,021**

	December 31, 2020				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
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					
Financial Assets					
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
	70,015,267	-	-	81,215,648	81,215,648
Sales contract receivables	398,423	-	-	493,875	493,875
	79,559,968	6,510,037	2,798,099	81,709,523	91,017,659
Non-financial Assets					
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					
Financial Liabilities					
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

In 2020, 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, were transferred from Level 1 to Level 2 of the fair value hierarchy.

There have been no transfers from Level 1 to Level 2 of the fair value hierarchy in 2021.

In 2021, the Bank reclassified the fair value level of its private debt securities at FVPL as at December 31, 2020 to Level 3 (see Note 9).

In 2021 and 2020, 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 carrying values of the financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at December 31, 2021 and 2020.

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 Manage ment 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 period ended December 31, 2021, 2020 and 2019 for statement of income items, and as at December 31, 2021 and December 31, 2020 for statement of financial position items follow (amounts in millions):

	December 31, 2021					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Income						
Net interest income:						
Third party	**P1,614**	**P3,328**	**(P560)**	**P896**	**P120**	**P5,398**
Intersegment	**(1,256)**	**(1,321)**	**3,879**	**(629)**	**(673)**	**-**
Net interest income	**358**	**2,007**	**3,319**	**267**	**(553)**	**5,398**
Non-interest income	**(29)**	**40**	**83**	**31**	**702**	**827**
Total revenues	**329**	**2,047**	**3,402**	**298**	**149**	**6,225**
Other expenses	**147**	**199**	**2,040**	**146**	**2,496**	**5,028**
Income (losses) before provision for credit losses and income tax expense	**P182**	**P1,848**	**P1,362**	**P152**	**(P2,347)**	**P1,197**
Reversal of credit and impairment losses						**(P635)**
Share in net loss of an associate						**1**
Income tax expense						**624**
Net income						**P1,207**
Other Segment Information						
Capital expenditures	**P1**	**P7**	**P52**	**P2**	**P53**	**P115**
Depreciation and amortization	**P4**	**P3**	**P63**	**P7**	**P386**	**P463**

	December 31, 2021					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Financial Position						
Total assets	**P93,887**	**P63,564**	**P22,497**	**P12,386**	**P7,379**	**P199,713**
Total Liabilities	**7,845**	**69**	**164,790**	**102**	**3,544**	**176,350**

	December 31, 2020					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
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					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
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					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
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

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	**2021**	2020
SPURA		**P15,800,317,280**	P15,819,273,408
Interbank loans receivable		**3,335,771,311**	6,239,532,463
		19,136,088,591	22,058,805,871
Less allowance for credit losses	*17*	**2,583,372**	2,977,939
		P19,133,505,219	P22,055,827,932

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:

	2021	2020	2019
SPURA	**P316,263,835**	P234,610,084	P272,552,691
Interbank loans receivable	**17,540**	3,434,107	43,017,001
	P316,281,375	P238,044,191	P315,569,692

Peso-denominated interbank loans receivable bear interest rates ranging from 3.5% to 3.9% and from 4.0% to 5.3% in 2020 and 2019, respectively. No short-term peso-denominated loans were granted by the Bank to other banks in 2021. Dollar-denominated interbank loans receivable bear interest rates ranging from 0.1% to 0.5%, from 0.1% to 1.7% and from 1.6% to 2.3% in 2021, 2020 and 2019 , respectively.

SPURA bears interest rate of 2.0% in 2021 and interest rates ranging from 2.0% to 4.0% and from 4.0% to 4.8% in 2020 and 2019, respectively.

9. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2021	2020
Private debt securities	**P490,887,983**	P602,403,847
Government securities held-for-trading	**478,225,289**	639,004,121
Derivative assets	**25,499,500**	24,011,500
	P994,612,772	P1,265,419,468

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, 2021, 2020 and 2019, financial assets at FVPL are adjusted for unrealized loss of P4.2 million, and unrealized gain of P69.7 million and P135.5 million, respectively (see Note 27).

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, 2021 and 2020 and is not indicative of either market risk or credit risk.

	December 31, 2021			December 31, 2020		
	Derivative Assets	**Notional Amount**	**Leverage Exposure**	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	**P25,499,500**	**$50,000**	**$ -**	P24,011,500	$50,000	$ -

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	Note	**2021**	2020
Government securities		**P4,569,700,778**	P14,948,096,972
Private debt securities	*32*	**303,522,000**	314,963,700
Equity securities	*32*	**181,893,798**	161,187,337
		P5,055,116,576	P15,424,248,009

As at December 31, 2021 and 2020, the ECL allowance on debt securities at FVOCI included under "Net unrealized gains (losses) on financial assets at FVOCI" amounted to P0.7 million and P1.8 million, respectively (see Note 17).

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 and 2019 amounted to P3.0 million and P5.5 million, respectively, booked under "Miscellaneous Income" in the statements of income (see Notes 30 and 32). No dividend was received from BANGE in 2021.

In 2021 and 2019, the Bank disposed club shares with carrying value of P10.6 million and P0.03 million, respectively, and transferred to "Retained earnings (Deficit)" account the realized gain of P6.1 million and P0.3 million in 2021 and 2019, respectively. In 2020, there were no disposals of equity securities.

Dividend income in 2021, 2020 and 2019 from equity securities at FVOCI amounted to P5.7 million, P12.2 million and P8.2 million, respectively (see Note 30).

Net Unrealized Gains (Losses) on Financial Assets at FVOCI
The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

	Note	**2021**	2020	2019
Balance at beginning of year		**P69,657,563**	P36,108,673	(P129,757,730)
Net unrealized gains (losses) recognized as OCI		**(293,920,562)**	315,724,110	368,927,255
Realized losses (gains) taken to profit or loss	*27*	**68,883,753**	(280,743,443)	(198,827,405)
Effect of tax	*31*	**6,389,324**	(3,084,165)	(3,305,159)
Realized gains taken to retained earnings		**(6,056,500)**	-	(268,500)
ECL on debt securities at FVOCI	*17*	**(1,108,339)**	1,652,388	(659,788)
Balance at end of year		**(P156,154,761)**	P69,657,563	P36,108,673

11. Investment Securities at Amortized Cost

This account consists of:

	Note	**2021**	2020
Government securities		**P40,331,752,498**	P5,934,456,406
Private debt securities	*32*	**2,583,066,258**	3,213,052,558
		42,914,818,756	9,147,508,964
Less allowance for credit losses	*17*	**5,761,352**	1,231,453
		P42,909,057,404	P9,146,277,511

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 27).

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.

No investment securities at amortized cost were sold in 2021.

12. Loans and Receivables

This account consists of:

	Note	**2021**	2020
Receivables from customers:			
Term loans		**P59,050,250,905**	P56,631,811,377
Housing loans		**8,329,292,292**	8,517,583,659
Auto loans		**3,543,209,363**	4,233,260,023
Agri-agra loans		**1,241,364,426**	314,820,702
Direct advances		**537,504,714**	600,996,331
Bills purchased, import bills and trust receipts	*21*	**463,352,225**	715,294,705
Others		**2,319,120,588**	2,107,327,349
		75,484,094,513	73,121,094,146
Less unearned interest income		**37,309,436**	22,784,328
		75,446,785,077	73,098,309,818
Accrued interest receivable:			
Loans and receivables		**614,200,832**	783,484,965
Trading and investment securities		**358,148,082**	99,472,481
Due from BSP and other banks		**1,429,147**	3,394,000
Interbank loans receivable and SPURA		**702,236**	2,121,071
Accounts receivable		**794,692,800**	1,125,879,319
Sales contract receivables		**408,965,309**	456,157,168
Unquoted debt securities		**291,578,204**	291,578,198
RCOCI		**822,302**	10,500
		77,917,323,989	75,860,407,520
Less allowance for credit losses	*17*	**3,543,198,822**	4,232,058,040
		P74,374,125,167	P71,628,349,480

Bills purchased, import bills and trust receipts include bills pur chased with contra account in “Bills purchased - contra” under “Other Liabilities” amounting to P420.0 million and P684.4 million as at December 31, 2021 and 2020, respectively (see Notes 21 and 32). 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 propertie s, 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. For the period ended December 31, 2021, accretion of loan modification that were recorded in “Interest income” in the statement of income amounted to P7.0 million.

BSP Regulatory Reporting

As at December 31, 2021 and 2020, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2021		2020	
	Amount	**%**	Amount	%
Loans secured by:				
Deposit hold-out	**P5,115,340**	6.8	P620,771	0.9
Real estate	**4,671,629**	6.2	4,109,378	5.6
Continuing surety agreement	**4,448,004**	5.9	3,901,408	5.3
Deed of pledge	**2,667,139**	3.5	3,307,404	4.5
Chattel	**2,650,902**	3.5	3,331,699	4.6
Corporate guaranty	**2,480,565**	3.3	1,083,855	1.5
Deed of assignment	**1,287,561**	1.7	1,609,305	2.2
Mortgage trust indenture	**1,050,200**	1.4	1,263,800	1.7
Certificate of participation	**1,000,000**	1.3	1,000,000	1.4
Others*	**12,611,275**	16.7	5,838,974	8.0
	37,982,615	50.3	26,066,594	35.7
Unsecured	**37,501,480**	49.7	47,054,500	64.3
	P75,484,095	100.0	P73,121,094	100.0

**Others include post-dated checks and various collaterals on omnibus loan and security agreement*

As at December 31, 2021 and 2020, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2021		2020	
	Amount	**%**	Amount	%
Electricity, gas, steam, and air-conditioning supply	**P21,406,795**	**28.4**	P15,331,150	21.0
Real estate activities	**16,058,865**	**21.3**	16,784,796	23.0
Manufacturing	**11,557,523**	**15.3**	9,010,927	12.3
Construction	**9,218,129**	**12.2**	10,328,230	14.1
Wholesale and retail trade, repair of motor vehicles and motorcycles	**4,732,528**	**6.3**	2,791,156	3.8
Financial and insurance activities	**1,823,796**	**2.4**	3,742,904	5.1
Water supply, sewerage, waste management and remediation activities	**1,416,877**	**1.9**	1,401,877	1.9
Accommodation and food service activities	**1,148,574**	**1.5**	943,691	1.3
Agriculture, forestry and fishing	**948,852**	**1.3**	1,064,300	1.5
Transportation and storage	**784,920**	**1.0**	1,353,153	1.9
Administrative and support service activities	**190,625**	**0.2**	185,583	0.2
Arts, entertainment and recreation	**-**	**0.0**	3,500,204	4.8
Others*	**6,196,611**	**8.2**	6,683,123	9.1
	P75,484,095	**100.0**	P73,121,094	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, 2021 and 2020, the Bank does not have credit concentration in any particular industry that exceeds 30.0% of total loan portfolio.

As at December 31, 2021, 10% of Tier 1 capital amounted to P2.1 billion and the table above includes the five industry groups exceeding this level as of that date.

The table also includes the seven industry groups above the 10% of Tier 1 capital (P1.5 billion) as at December 31, 2020. The BROC 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 repayme nt of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if n ot 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, 2021 and 2020, the breakdown of receivables from customers as to status, is as follows (amounts in thousands)

	December 31, 2021		
	Performing	**Non-performing**	**Total**
Corporate	**P60,060,363**	**P810,213**	**P60,870,576**
Consumers	**11,085,873**	**1,425,312**	**12,511,185**
Credit Card	**1,045,892**	**539,477**	**1,585,369**
Others	**428,784**	**50,871**	**479,655**
	P72,620,912	**P2,825,873**	**P75,446,785**

	December 31, 2020		
	Performing	Non-performing	Total
Corporate	P56,763,889	P812,410	P57,576,299
Consumers	12,037,018	1,332,698	13,369,716
Credit Card	899,064	503,353	1,402,417
Others	701,661	48,217	749,878
	P70,401,632	P2,696,678	P73,098,310

As at December 31, 2021 and 2020, the NPLs of the Bank, as reported to BSP, are as follows:

	2021	2020
Gross NPLs	**P2,825,873**	P2,698,793
Less deductions as required by BSP	**2,018,591**	1,908,728
Net NPLs	**P807,282**	P790,065

Gross and net NPL ratios of the Bank are 3.1% and 0.9%, respectively, as at December 31, 2021 and 3.0% and 0.9%, respectively, as at December 31, 2020.

As at December 31, 2021 and 2020, restructured loans amounted to P412.0 million and P304.4 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, 2021 and 2020, restructured receivables from customer s considered as NPLs amounted P218.3 million and P195.8 million, respectively.

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 as follow:

- 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 cred it 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, 2021 and 2020, there has been no availment of the reliefs provided by BSP.

Interest Income on Loans and Receivables

This account consists of:

	2021	2020	2019
Receivables from customers:			
Term loans	**P3,135,826,861**	P3,502,896,604	P3,729,495,585
Housing loans	**551,299,617**	570,443,567	501,280,911
Auto loans	**264,452,515**	351,866,491	327,044,238
Agri-agra loans	**38,283,650**	26,051,159	34,055,163
Direct advances	**18,021,144**	25,320,441	33,414,850
Bills purchased, import bills and trust receipts	**1,008,184**	280,959	5,023,182
Others	**250,289,916**	336,682,833	255,918,893
	4,259,181,887	4,813,542,054	4,886,232,822
Sales contract receivable	**25,273,885**	26,601,895	33,828,277
	P4,284,455,772	P4,840,143,949	P4,920,061,099

**Others pertain to interest income from consumer loans such as benefit loans, salary loans, and credit cards.*

As at December 31, 2021, 2020 and 2019, 48.0%, 44.3% and 44.7%, respectively, of the total receivables from customers were subject to periodic interest repricing. Peso-denominated loans earn annual fixed interest rates ranging from 1.0% to 54.0%, from 1.3% to 54.0% and from 1.6% to 54.0% in 2021, 2020 and 2019, respectively. Dollar-denominated loans earn annual fixed interest rates ranging from 1.2% to 8.0% in 2021 and 2020 and from 2.9% to 8.5% in 2019.

Sales contract receivables bear fixed interest rates ranging from 5.3% to 11.6% in 2021 and from 3.4% to 12.1% in 2020 and 2019.

13. Investment in an Associate

The details of movements of the Bank's equity investment in BIC follow:

	Note	**2021**	2020	2019
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		**(28,782,008)**	(28,025,906)	(29,487,304)
Share in net loss		**(1,039,285)**	(753,029)	(2,865,073)
Share in other comprehensive income (loss)		**13,468**	(3,073)	4,326,471
Balance at end of year		**(29,807,825)**	(28,782,008)	(28,025,906)
Allowance for impairment loss	*17*	**(5,925,786)**	(5,925,786)	(5,925,786)
	32	**P39,661,589**	P40,687,406	P41,443,508

The following table shows the summarized financial information of BIC:

	2021**	2020*	2019*
Assets	**P175,202,382**	P177,630,567	P182,018,232
Liabilities	**(11,716,852)**	(11,733,886)	(11,439,777)
Net assets	**163,485,530**	165,896,681	170,578,455
Revenues	**1,740,041**	956,700	1,168,192
Net loss for the year	**(2,468,943)**	(4,669,104)	(4,039,329)
Other comprehensive loss	**57,793**	(12,670)	(5,106)
Total comprehensive loss	**(2,411,150)**	(4,681,774)	(4,044,435)

** Based on 2019 and 2020 audited financial statements*
*** Based on 2021 unaudited numbers*

As at December 31, 2021 and 2020, the Bank's subscribed capital stock in BIC amounted to P75.8 million out of BIC's outstanding capital stock of P312.5 million.

14. Property and Equipment

The movements in property and equipment follow:

		December 31, 2021					
	Note	**Land**	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-Use Assets** (Note 29)	**Total**
Cost							
Balance at January 1		**P41,569,630**	**P854,170,133**	**P1,540,355,955**	**P829,058,742**	**P940,405,219**	**P4,205,559,679**
Additions		**-**	**18,017,685**	**114,949,628**	**24,028,376**	**45,242,843**	**202,238,532**
Disposals		**-**	**-**	**(85,117,636)**	**-**	**(12,688,642)**	**(97,806,278)**
Reclassification	*16*	**-**	**-**	**189,582**	**-**	**-**	**189,582**
Balance at December 31		**41,569,630**	**872,187,818**	**1,570,377,529**	**853,087,118**	**972,959,420**	**4,310,181,515**
Less Accumulated Depreciation and Amortization							
Balance at January 1		**-**	**242,821,509**	**1,197,935,505**	**775,846,438**	**323,398,988**	**2,540,002,440**
Depreciation and amortization		**-**	**22,717,268**	**104,126,463**	**23,658,730**	**194,007,195**	**344,509,656**
Disposals		**-**	**-**	**(40,196,208)**	**-**	**(12,688,642)**	**(52,884,850)**
Balance at December 31		**-**	**265,538,777**	**1,261,865,760**	**799,505,168**	**504,717,541**	**2,831,627,246**
Allowance for impairment losses	*17*	**5,022,885**	**1,133,017**	**-**	**-**	**-**	**6,155,902**
Net Book Value at December 31		**P36,546,745**	**P605,516,024**	**P308,511,769**	**P53,581,950**	**P468,241,879**	**P1,472,398,367**

		December 31, 2020					
	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 29)	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	*17*	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 29)	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 and others		-	-	(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	*17*	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

In 2021, 2020 and 2019 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 P0.3 million, P0.5 million and P0.4 million, respectively.

As at December 31, 2021 and 2020, the cost of fully depreciated property and equipment still in use amounted to P1.7 billion and P1.6 billion, respectively.

15. Investment Properties

The movements in investment properties follow:

		December 31, 2021		
	Note	**Land**	**Buildings**	**Total**
Balance at January 1		**P3,354,902,161**	**P1,177,252,394**	**P4,532,154,555**
Additions		**6,038,866**	**58,065,161**	**64,104,027**
Disposals		**(137,060,531)**	**(41,185,952)**	**(178,246,483)**
Balance at December 31		**3,223,880,496**	**1,194,131,603**	**4,418,012,099**
Less Accumulated Depreciation				
Balance at January 1		**-**	**727,351,651**	**727,351,651**
Depreciation		**-**	**75,962,263**	**75,962,263**
Disposal		**-**	**(24,892,448)**	**(24,892,448)**
Balance at December 31		**-**	**778,421,466**	**778,421,466**
Less Allowance for Impairment Losses	*17*	**185,103,589**	**6,172,509**	**191,276,098**
		P3,038,776,907	**P409,537,628**	**P3,448,314,535**

	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
Disposals		(39,584,003)	(11,919,235)	(51,503,238)
Reclassification		-	58,930,175	58,930,175
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
Disposal		-	(3,730,338)	(3,730,338)
Reclassification		-	10,808,618	10,808,618
Balance at December 31		-	727,351,651	727,351,651
Less Allowance for Impairment Losses	*17*	172,547,531	7,268,767	179,816,298
		P3,182,354,630	P442,631,976	P3,624,986,606

	Note	December 31, 2019 Land	Buildings	Total
Balance at January 1		P2,892,960,147	P925,714,857	P3,818,675,004
Additions		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)
Balance at December 31		-	595,014,287	595,014,287
Allowance for Impairment Losses	*17*	165,124,070	10,629,048	175,753,118
		P3,217,575,131	P512,194,062	P3,729,769,193

As at December 31, 2021 and 2020, the aggregate market value of investment properties amounted to P9.3 billion and P8.1 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:

	2021	2020	2019
Gain on assets sold	**P258,763,846**	P45,987,545	P134,937,859
Gain on foreclosure	**3,877,212**	1,104,271	193,461,664
	P262,641,058	P47,091,816	P328,399,523

Rental income on investment properties (included in "Miscellaneous income" account in the statements of income) in 2021, 2020 and 2019 amounted to P0.1 million, P0.2 million P1.6 million, respectively (see Note 30).

Direct operating expenses on investment properties that generated rental income (included under “Rent and utilities” account, “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account and “Taxes and licenses” account in the statements of income) amounted to P0.02 million in 2021. No direct operating expenses on investment properties that generated rental income were incurred in 2020 and 2019. Direct operating expenses on investment properties such as security and insurance expenses, included under “Rent and utilities” account, litigation expenses, included under “Litigation and acquired assets-related expenses” 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 2021, 2020 and 2019 amounted to P74.0 million, P68.4 million and P70.2 million, respectively (see Note 30).

16. Other Assets

This account consists of:

	Note	2021	2020
Miscellaneous assets - TRB	*33*	**P4,435,560,125**	P4,435,569,820
Creditable withholding tax		**1,538,203,367**	1,277,486,389
Intangible assets*		**358,695,778**	363,318,065
Sinking fund	*23*	**280,236,108**	279,765,823
Documentary stamps		**124,742,541**	102,095,989
Prepaid expenses		**46,468,703**	21,596,789
Other properties acquired*		**20,415,042**	51,041,236
Others		**199,521,077**	213,982,609
		7,003,842,741	6,744,856,720
Less allowance for impairment losses	*17*	**4,615,905,588**	4,615,724,154
		P2,387,937,153	P2,129,132,566

**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, 2021 and 2020 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 33). Pursuant to the requirements of PFRS, the impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2021 and 2020, 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 Resolu tion 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 2021 and 2020, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million (see Note 33).

Intangible Assets
Intangible assets consist of:

	Note	2021	2020
Software costs*		**P298,695,778**	P303,318,065
Branch licenses		**60,000,000**	60,000,000
		358,695,778	363,318,065
Less allowance for impairment losses	*17*	**90,278,696**	90,278,696
		P268,417,082	P273,039,369

**net of accumulated amortization, gross of allowance for impairment losses*

Movements in software costs follow:

	2021	2020	2019
Cost			
Balance at January 1	**P877,878,810**	P861,720,028	P730,123,876
Additions	**48,972,849**	16,158,782	131,596,152
Balance at end of year	**926,851,659**	877,878,810	861,720,028
Less Accumulated Amortization			
Balance at January 1	**574,560,745**	528,652,828	494,508,673
Amortization for the year	**53,595,136**	45,907,917	34,144,155
Balance at end of year	**628,155,881**	574,560,745	528,652,828
Less Allowance for Impairment Losses	**90,278,696**	90,278,696	90,278,696
Net Book Value	**P208,417,082**	P213,039,369	P242,788,504

Other Properties Acquired
Movements in the other properties acquired follow:

	Note	2021	2020	2019
Cost				
Balance at January 1		**P225,430,172**	P246,655,672	P228,602,522
Additions		**41,210,000**	24,013,000	49,947,500
Disposals		**(44,651,000)**	(45,238,500)	(31,511,000)
Reclassification	*14*	**(1,705,172)**	-	-
Write-off		**-**	-	(383,350)
Balance at end of year		**220,284,000**	225,430,172	246,655,672
Less Accumulated Depreciation				
Balance at January 1		**174,388,936**	106,187,895	38,239,801
Depreciation for the year		**42,060,966**	86,916,796	76,976,250
Disposals		**(15,065,354)**	(18,715,755)	(8,644,806)
Reclassification	*14*	**(1,515,590)**	-	-
Write-off		**-**	-	(383,350)
Balance at end of year		**199,868,958**	174,388,936	106,187,895
Less Allowance for Impairment Losses		**-**	-	25,777
Net Book Value		**P20,415,042**	P51,041,236	P140,442,000

In 2021, 2020 and 2019, gain on foreclosure amounted to P1.2 million, P0.2 million and P1.6 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 P10.3 million, P11.0 million and P5.9 million in 2021, 2020 and 2019, respectively.

17. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2021, 2020 and 2019 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2021					
	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)	**Total**
ECL allowance, January 1, 2021	**P5,340**	**P138**	**P2,978**	**P1,770**	**P1,231**	**P11,457**
Provision for (reversal of) credit and impairment losses for the year	**785**	**(3)**	**(431)**	**(1,138)**	**4,493**	**3,706**
Foreign exchange differences	**-**	**6**	**36**	**30**	**37**	**109**
ECL allowance, December 31, 2021	**P6,125**	**P141**	**P2,583**	**P662**	**P5,761**	**P15,272**

	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)	Total
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					
	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)	Total
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

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2021, 2020 and 2019.

The ECL allowance on financial assets at FVOCI is included in the "Net unrealized gains (losses) on financial assets at FVOCI" account in the statements of financial position (see Note 10).

As at December 31, 2021 and 2020, ECL on off-balance sheet exposures amounted to P70.7 million and P32.2 million, respectively, (see Note 21). In 2021, 2020 and 2019, the Bank recognized reversal of ECL on loan co mmitment and financial guarantees amounting to P38.5 million, P15.7 million and P8.0 million, respectively.

In 2021, the Bank recognized a reversal of allowance for credit losses on loans and receivables amounting to P339.1 million, which is included in the "Reversal of credit and impairment losses" account in the statements of income, as a result of the changes made in the ECL parameters to improve the accuracy of the ECL models (see Notes 3 and 4). The amount of the effect in future periods is not disclosed because estimating the impact is impracticable.

The table below summarizes the movement in ECL allowances on loans and receivables in 2021, 2020 and 2019 (amounts in thousands).

	December 31, 2021										
	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, 2021	P629,890	P199,431	P79,230	P7,401	P380	P1,642	P19,744	P937,718	P2,872	P16,292	P956,882
Provision for credit and impairment losses	(457,085)	(151,063)	35,763	(7,113)	3,029	4,311	17,659	(554,499)	(120)	(8,078)	(562,697)
Transfer from Stage 1	(76,052)	(35,299)	(87,484)	-	-	(4,190)	(25,575)	(228,600)	(253)	(5,856)	(234,709)
Transfer from Stage 2	1,217	2,472	5,437	-	-	-	64	9,190	4	206	9,400
Transfer from Stage 3	-	736	474	-	-	-	2	1,212	120	27	1,359
Foreign exchange differences	1,820	7	-	-	7	26	21	1,881	-	10	1,891
	99,790	16,284	33,420	288	3,416	1,789	11,915	166,902	2,623	2,601	172,126
Stage 2											
ECL Loans, January 1, 2021	49,354	88,482	28,776	-	7,059	1,207	5,714	180,592	153	31,627	212,372
Provision for credit and impairment losses	(47,694)	(58,919)	72,494	-	(7,244)	(726)	(2,641)	(44,730)	(52)	3,309	(41,473)
Transfer from Stage 1	37,999	12,455	28,461	-	-	4,190	1,480	84,585	110	2,048	86,743
Transfer from Stage 2	(1,217)	(22,255)	(82,928)	-	-	-	(676)	(107,076)	(101)	(9,727)	(116,904)
Transfer from Stage 3	-	2,791	2,017	-	-	-	44	4,852	50	176	5,078
Movement due to foreclosure/settlement	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	482	-	-	-	185	-	7	674	-	58	732
	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Stage 3											
ECL Loans, January 1, 2021	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
Provision for credit and impairment losses	(10,209)	(207,100)	73,070	-	-	-	16,410	(127,829)	(60)	43,377	(84,512)
Transfer from Stage 1	38,053	22,844	59,023	-	-	-	24,095	144,015	143	3,808	147,966
Transfer from Stage 2	-	19,783	77,491	-	-	-	612	97,886	97	9,521	107,504
Transfer from Stage 3	-	(3,527)	(2,491)	-	-	-	(46)	(6,064)	(170)	(203)	(6,437)
Movement due to foreclosure/settlement	-	(632)	(12,351)	-	-	-	-	(12,983)	-	(1,080)	(14,063)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	1,745	-	-	2,716	-	-	1,417	5,878	-	5,385	11,263
	623,300	136,588	446,902	76,426	163,188	17,663	601,570	2,065,637	54,719	1,104,169	3,224,525
TOTAL											
ECL Loans, January 1, 2021	1,272,955	593,133	360,166	81,111	170,627	20,512	584,540	3,083,044	57,734	1,091,280	4,232,058
Provision for credit and impairment losses	(514,988)	(417,082)	181,327	(7,113)	(4,215)	3,585	31,428	(727,058)	(232)	38,608	(688,682)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(632)	(12,351)	-	-	-	-	(12,983)	-	(1,080)	(14,063)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	4,047	7	-	2,716	192	26	1,445	8,433	-	5,453	13,886
	P762,014	P175,426	P529,142	P76,714	P166,604	P24,123	P617,413	P2,351,436	P57,502	P1,134,261	P3,543,199

**Comprised of benefit loans, salary loans and credit cards.*

***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	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*

The table below summarizes the movement in the gross carrying amounts of financial assets, other than loans and receivables, in 2021 and 2020 (amounts in thousands).

	December 31, 2021				
	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, 2021	**P39,552,550**	**P1,023,394**	**P22,058,806**	**P15,424,248**	**P9,147,509**
New assets purchased or originated	**3,256,626,243**	**7,809**	**3,826,932,412**	**6,827,432**	**49,388,879**
Assets derecognized or repaid	**(3,253,886,243)**	**(10,151)**	**(3,826,951,339)**	**(17,433,762)**	**(15,166,197)**
Other movements*	**3,080,718**	**18,545**	**(2,903,790)**	**237,199**	**(455,372)**
Gross carrying amount, December 31, 2021	**P45,373,268**	**P1,039,597**	**P19,136,089**	**P5,055,117**	**P42,914,819**

**Includes movements in outstanding balances and foreign exchange differences*

	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*

The table below summarizes the movement in the gross carrying amounts on loans and receivables in 2021 and 2020 (amounts in thousands).

	December 31, 2021										
		Housing		Bills Purchased, Import Bills and				Total Receivables	Sales Contract	Other	
	Term Loans	Loans	Auto Loans	Trust Receipts	Direct Advances	Agri Agra Loans	Others*	from Customers	Receivables	Receivables**	Total
Stage 1											
Gross carrying amount,											
January 1, 2021	P55,303,304	P6,900,837	P2,918,758	P641,585	P399,181	P278,823	P1,416,982	P67,859,470	P287,217	P1,170,690	P69,317,377
New assets purchased or originated	31,008,059	907,420	903,817	15,067	386,811	1,128,509	469,469	34,819,152	121,023	318,734	35,258,909
Assets derecognized or repaid	(24,817,680)	(240,632)	(265,286)	(486,730)	(394,272)	(248,071)	(195,496)	(26,648,167)	(11,512)	(622,693)	(27,282,372)
Transfer from Stage 1	(1,355,663)	(484,351)	(232,962)	-	-	(149,993)	(48,640)	(2,271,609)	(25,256)	(113,111)	(2,409,976)
Transfer from Stage 2	33,872	429,581	308,144	-	-	-	6,784	778,381	357	11,327	790,065
Transfer from Stage 3	-	76,241	12,504	-	-	-	423	89,168	11,993	1,525	102,686
Other movements***	(3,098,541)	(604,870)	(929,839)	217,004	(18,887)	51,101	(31,746)	(4,415,778)	(121,536)	114,683	(4,422,631)
	57,073,351	6,984,226	2,715,136	386,926	372,833	1,060,369	1,617,776	70,210,617	262,286	881,155	71,354,058
Stage 2											
Gross carrying amount, January 1, 2021	726,822	861,790	819,674	-	36,954	17,785	79,137	2,542,162	15,345	78,565	2,636,072
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(655,564)	(42,248)	(79,086)	-	(36,954)	-	(15,054)	(828,906)	(2,885)	(30,103)	(861,894)
Transfer from Stage 1	1,307,997	318,127	144,007	-	-	149,993	20,472	1,940,596	10,989	45,988	1,997,573
Transfer from Stage 2	(33,872)	(563,003)	(419,746)	-	-	-	(8,039)	(1,024,660)	(10,083)	(24,739)	(1,059,482)
Transfer from Stage 3	-	73,184	10,337	-	-	-	579	84,100	5,029	2,083	91,212
Other movements***	(11,637)	(71,765)	(229,299)	-	-	(4,834)	(29,127)	(346,662)	(2,347)	(15,951)	(364,960)
	1,333,746	576,085	245,887	-	-	162,944	47,968	2,366,630	16,048	55,843	2,438,521
Stage 3											
Gross carrying amount, January 1, 2021	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
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(4,039)	(107,696)	(47,665)	-	-	-	(5,873)	(165,273)	(11,789)	(25,662)	(202,724)
Transfer from Stage 1	47,666	166,224	88,955	-	-	-	28,168	331,013	14,267	67,123	412,403
Transfer from Stage 2	-	133,422	111,602	-	-	-	1,255	246,279	9,726	13,412	269,417
Transfer from Stage 3	-	(149,425)	(22,841)	-	-	-	(1,002)	(173,268)	(17,022)	(3,608)	(193,898)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Other movements***	(2,158)	(28,619)	(42,716)	2,716	-	-	4,886	(65,891)	(18,146)	16,626	(67,411)
	643,154	768,754	582,133	76,426	163,188	17,663	618,220	2,869,538	130,631	1,124,576	4,124,745
Total											
Gross carrying amount, January 1, 2021	56,631,811	8,517,475	4,233,230	715,295	599,323	314,271	2,086,905	73,098,310	456,157	2,305,940	75,860,407
New assets purchased or originated	31,008,059	907,420	903,817	15,067	386,811	1,128,509	469,469	34,819,152	121,023	318,734	35,258,909
Assets derecognized or repaid	(25,477,283)	(390,576)	(392,037)	(486,730)	(431,226)	(248,071)	(216,423)	(27,642,346)	(26,186)	(678,458)	(28,346,990)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-	-
Other movements***	(3,112,336)	(705,254)	(1,201,854)	219,720	(18,887)	46,267	(55,987)	(4,828,331)	(142,029)	115,358	(4,855,002)
	P59,050,251	P8,329,065	P3,543,156	P463,352	P536,021	P1,240,976	P2,283,964	P75,446,785	P408,965	P2,061,574	P77,917,324

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, 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	-	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 receiv ables and RCOCI*

****Includes movements in outstanding balances and foreign exchange differences*

Movement in allowance for impairment losses as at December 31, 2021, 2020 and 2019 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

	December 31, 2021				
	Investment in Associate (Note 13)	**Property and Equipment** (Note 14)	**Investment Properties** (Note 15)	**Other Assets** (Note 16)	**Total**
Balance at beginning of year	**P5,926**	**P6,156**	**P179,816**	**P4,615,724**	**P4,807,622**
Provision for impairment losses for the year	**-**	**-**	**11,460**	**181**	**11,641**
Foreign exchange differences	**-**	**-**	**-**	**-**	**-**
Balance at end of year	**P5,926**	**P6,156**	**P191,276**	**P4,615,905**	**P4,819,263**

	December 31, 2020				
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	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 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	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

18. 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 March 31, 2020, the BSP issued Circular No. 1082 reducing the reserve requirement to 12.0% effective on the reserve week starting on April 3, 2020.

As at December 31, 2021 and 2020, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P18.5 billion and P15.4 billion as at December 31, 2021 and 2020, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rate of 1.5% in 2021 and interest rates ranging from 1.5% to 3.5% and from 3.5% to 4.3% in 2020, and 2019, respectively. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 1.7% to 2.0%, from 1.7% to 4.3% and from 4.2% to 5.2% in 2021, 2020, and 2019, respectively. Interest income on Due from BSP amounted to P226.4 million, P255.2 million and P104.9 million in 2021, 2020, and 2019, respectively.

Interest expense on deposit liabilities follows:

	2021	2020	2019
Demand	**P53,357,209**	P44,728,904	P35,708,157
Savings	**276,548,245**	710,148,562	1,912,211,483
Time	**89,031,236**	194,935,281	398,347,203
LTNCTD	**226,323,900**	177,915,733	-
	P645,260,590	P1,127,728,480	P2,346,266,843

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.3% in 2021, 2020 and 2019. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 1.3% in 2021 and from 0.1% to 3.0% in 2020 and 2019.

19. 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, 2021 and 2020, borrowings from rediscounting facility amounted to nil and P0.02 million, respectively. As at December 31, 2020, these borrowings were collateralized by certain receivables from customers amounting to P0.04 million.

As at December 31, 2021 and 2020, 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:

	2021	2020	2019
Local banks	**P223,871**	P272,528	P2,660,677
SSURA	**-**	-	597,709
Other borrowings	**16,467,494**	833,171	1,597,608
	P16,691,365	P1,105,699	P4,855,994

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 1.7% to 2.5%, interest rate of 1.9%, interest rates ranging from 5.0% to 5.3% in 2021, 2020 and 2019, 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 2021 and 2019.

SSURA were subject to annual interest rate of 2.8% in 2019.

Borrowings from rediscounting facility are subject to annual interest rate of 8.0% in 2021 and 2020 and annual interest rates ranging from 8.0% to 12% in 2019.

In 2021, interest expense on other borrowings includes interest expense on tax settlement amounting to P16.3 million.

20. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	Note	**2021**	2020
Interest payable:			
Deposit liabilities	*18*	**P37,146,820**	P51,639,625
Bills payable and others	*19*	**16,329,798**	1,762
		53,476,618	51,641,387
Employee and other benefits		**338,297,519**	338,329,853
Insurance		**168,765,955**	144,295,518
Penalties		**165,383,371**	141,485,559
Taxes payable		**133,568,593**	73,083,225
Fees and commissions		**20,350,249**	22,796,639
Building repairs and maintenance		**16,383,548**	5,531,391
Equipment-related expenses		**14,643,673**	23,502,169
Management and professional fees		**13,022,486**	9,360,289
Security		**10,417,981**	14,942,413
Rent		**7,910,069**	11,201,623
Others		**79,405,740**	56,293,411
		P1,021,625,802	P892,463,477

In 2021, taxes payable includes liability for tax settlement amounting to P33.5 million and others includes accrual of universal banking license fee amounting to P24.5 million.

Other accrued expenses include accruals for marketing and advertising, utilities expenses, janitorial, messengerial, and various expenses attributable to the Bank's operations.

21. Other Liabilities

This account consists of:

	Note	**2021**	2020
Accounts payable		**P757,587,121**	P874,595,629
Lease liability	*29*	**538,398,243**	681,997,064
Bills purchased - contra	*12*	**373,471,093**	640,565,660
Due to preferred shareholders	*23*	**280,236,108**	279,765,823
Other credits-dormant		**193,930,421**	178,948,793
Retirement liability	*28*	**158,547,517**	392,542,958
Due to Treasurer of the Philippines		**139,817,762**	56,618,723
Withholding tax payable		**75,903,545**	49,898,110
ECL on off-balance sheet exposures	*17*	**70,709,667**	32,194,847
Miscellaneous		**74,369,624**	98,918,230
		P2,662,971,101	P3,286,045,837

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 includes long outstanding Managers' Checks that are yet to be encashed by the payees, which have been outstanding for more than one (1) year from the dates of checks.

ECL on off-balance sheet exposures relate to committed credit line, credit card lines, outstanding guarantees and unused commercial letter of credits (see Note 37).

Miscellaneous include deposits for keys of safety deposit boxes, SSS payable and unclaimed salaries of resigned employees.

22. 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):

		2021			2020		
	Note	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Assets - gross							
COCI		P2,747,781	P -	P2,747,781	P2,420,505	P -	P2,420,505
Due from BSP	*18*	45,373,268	-	45,373,268	39,552,550	-	39,552,550
Due from other banks		1,039,597	-	1,039,597	1,023,394	-	1,023,394
Interbank loans receivable and SPURA	*8*	19,136,089	-	19,136,089	22,058,806	-	22,058,806
Financial assets at FVPL:	*9*						
Private debt securities		-	490,888	490,888	-	602,404	602,404
Government securities held-for-trading		478,225	-	478,225	639,004	-	639,004
Derivative assets		-	25,500	25,500	-	24,011	24,011
Financial assets at FVOCI:	*10*						
Government securities		-	4,569,701	4,569,701	10,545,490	4,402,607	14,948,097
Private debt securities		303,522	-	303,522	-	314,964	314,964
Equity securities		-	181,894	181,894	-	161,187	161,187
Investment securities at amortized cost - gross:	*11*						
Government securities		2,938,689	37,393,064	40,331,753	1,794,104	4,140,353	5,934,457
Private debt securities		-	2,583,066	2,583,066	2,358,976	854,076	3,213,052
Loans and receivables - gross:	*12*						
Receivable from customers:							
Term loans		28,703,719	30,346,532	59,050,251	22,498,929	34,132,883	56,631,812
Housing loans		1,400,974	6,928,319	8,329,293	1,673,336	6,844,248	8,517,584
Auto loans		1,017,877	2,525,332	3,543,209	1,499,126	2,734,134	4,233,260
Agri-agra loans		1,121,100	120,264	1,241,364	266,282	48,537	314,819
Direct advances		480,823	56,682	537,505	596,077	4,920	600,997
Bills purchased, import bills and trust receipts		463,352	-	463,352	715,295	-	715,295
Others		1,790,690	528,430	2,319,120	1,635,536	471,791	2,107,327
Accrued interest receivable		974,480	-	974,480	888,473	-	888,473
Accounts receivable		794,693	-	794,693	1,125,879	-	1,125,879
Sales contract receivables		155,905	253,060	408,965	168,409	287,748	456,157
Unquoted debt securities		291,578	-	291,578	291,578	-	291,578
RCOCI		822	-	822	10	-	10
Investment in associate	*13*	-	75,395	75,395	-	75,395	75,395
		109,213,184	86,078,127	195,291,311	111,751,759	55,099,258	166,851,017
Non-financial Assets - gross							
Property and equipment	*14*	-	4,310,182	4,310,182	-	4,205,560	4,205,560
Investment properties	*15*	-	4,418,012	4,418,012	-	4,532,155	4,532,155
Deferred tax assets - net	*31*	-	743,505	743,505	-	955,380	955,380
Other assets	*16*	1,731,011	6,100,857	7,831,868	1,416,804	6,077,002	7,493,806
		1,731,011	15,572,556	17,303,567	1,416,804	15,770,097	17,186,901
		P110,944,195	P101,650,683	P212,594,878	P113,168,563	P70,869,355	P184,037,918
Less:							
Allowance for credit and impairment losses	*17*			8,377,073			P9,049,367
Accumulated depreciation and amortization	*14, 15, 16*			4,438,074			4,016,304
Unearned interest	*12*			37,309			22,784
Accumulated equity in net loss	*13*			29,808			28,782
Total				P199,712,614			P170,920,681

		2021			2020		
		Within	Over		Within	Over	
	Note	12 Months	12 Months	Total	12 Months	12 Months	Total
Financial Liabilities							
Deposit liabilities:	*18*						
Demand		**P48,702,340**	**P -**	**P48,702,340**	P39,659,286	P -	P39,659,286
Savings		**108,874,542**	**378**	**108,874,920**	83,743,821	-	83,743,821
Time		**7,889,178**	**1,217,966**	**9,107,144**	19,162,549	1,510,535	20,673,084
LTNCTD		**-**	**5,029,420**	**5,029,420**	-	5,029,420	5,029,420
Bills payable	*19*	**-**	**-**	**-**	19	-	19
Manager's checks		**951,460**	**-**	**951,460**	870,080	-	870,080
Accrued interest and other expenses*	*20*	**541,850**	**-**	**541,850**	469,849	-	469,849
Other liabilities**	*21*	**1,720,250**	**637,561**	**2,357,811**	2,036,987	774,422	2,811,409
		168,679,620	**6,885,325**	**175,564,945**	145,942,591	7,314,377	153,256,968
Non-financial Liabilities							
Accrued taxes and other expense payable	*20*	**479,776**	**-**	**479,776**	422,615	-	422,615
Other liabilities	*21*	**305,160**	**-**	**305,160**	474,636	-	474,636
		784,936	**-**	**784,936**	897,251	-	897,251
		P169,464,556	**P6,885,325**	**P176,349,881**	P146,839,842	P7,314,377	P154,154,219

**amounts exclude accruals of employee and other benefits, tax es payable and rent*

***amounts exclude withholding tax payable, retirement liability and ECL of loan commitments and financial guarantees*

Refer to Note 5 for the discussions on the Bank's policy on liquidity risk and funding management.

23. Capital

The Bank's capital stock consists of the following as at December 31:

	Shares			Amount		
	2021	2020	2019	**2021**	2020	2019
Authorized Capital Stock						
Common stock, from P100 par value in 2020 to P10 par value in 2021	**1,702,511,470**	170,251,147	212,500,000	**P17,025,114,700**	P17,025,114,700	P21,250,000,000
Preferred stock, from P100 par value in 2020 to P10 par value in 2021	**455,000,000**	45,500,000	7,500,000	**4,550,000,000**	4,550,000,000	750,000,000
	2,157,511,470	215,751,147	220,000,000	**P21,575,114,700**	P21,575,114,700	P22,000,000,000
Issued and Outstanding						
Common stock	**1,122,411,120**	112,241,112	112,241,112	**P11,224,111,200**	P11,224,111,200	P11,224,111,200
Preferred stock	**416,666,670**	-	-	**4,166,666,700**	-	-
	1,539,077,790	112,241,112	112,241,112	**P15,390,777,900**	P11,224,111,200	P11,224,111,200
Paid-in Surplus						
Common stock				**P5,542,922,931**	P5,594,079,646	P5,594,079,646
Preferred stock				**1,233,771,938**	-	-
				P6,776,694,869	P5,594,079,646	P5,594,079,646

Reconciliation of the number of shares outstanding at the beginning and at the end of the periods:

	Common Shares			Preferred Shares		
	2021	2020	2019	**2021**	2020	2019
Balance as of January 1	**112,241,112**	112,241,112	112,241,112	**-**	-	-
Issuance during the year	**-**	-	-	**41,666,667**	-	-
Adjustment for 10-to-1 Stock Split	**1,010,170,008**	-	-	**375,000,003**	-	-
Balance as of December 31	**1,122,411,120**	112,241,112	112,241,112	**416,666,670**	-	-

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 after 5 years from issue date, 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.

The Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P280.2 million and P279.8 million as at December 31, 2021 and 2020, respectively, which is recorded as “Due to preferred shareholders” account under “Other liabilities” in Note 21 to the financial statements. As at December 31, 2021 and 2020, the related sinking fund which is recorded under “Other assets” account amounting to P280.2 million and P279.8 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 16).

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 P21,575,114,700 (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.

On January 26, 2021, the BOD approved the issuance of 41,666,667 preferred shares to San Miguel Corporation at P132.0 per share. These shares will be issued out of the unissued Series 1 Preferred Shares of the Bank. On March 8, 2021, the Bank received from BSP a "No Objection" to the provisions in the indicative terms and conditions of these Preferred Shares, provided that the Bank shall contin uously comply with the regulation for the inclusion of preferred shares as part of Additional Tier 1 capital under Appendix 59, Risk-based Capital Adequacy Framework for the Philippines Banking System, of the Manual Regulations for Banks. On June 29, 2021, the BOD approved the change of investor f or 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. Transaction costs on the issuance of preferred shares amounting to P99.6 million were charged against "Paid-in surplus".

On May 25, 2021 and July 8, 2021, the BOD and the Stockholders, respectively, approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (P100.0) to Ten Pesos (P10.0). 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. This amendment was approved by the BSP on October 4, 2021 and by the SEC on November 2, 2021.

On October 28, 2021 and November 9, 2021, the BOD and Stockholders, respectively, approved the primary public offer and sale of up to 280,700,000 common shares from unissued capital stock. As disclosed in Note 36, the SEC and the PSE approved on February 15 and February 16, 2022, respectively, the Initial Public Offer of the Bank and the listing is scheduled on March 31, 2022.

On the same dates, the BOD and the Stockholders also approved the amendment to the Articles of Incorporate 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 BSP approved the request of the Bank to amend its Articles of Incorporation and By-laws. As disclosed in Note 36, the amendment on the Bank's Articles of Incorporation and By-laws was approved by the SEC on January 28, 2022.

<u>Equity Restructuring</u>
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 of P5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

Capital Management

The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is actively being 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.

On August 5, 2021, SMC Equivest Corporation infused additional capital amounting P5.5 billion in the form of paid-up preferred stock. This is in support of the application of the Bank for an upgrade of its commercial banking license to 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. On December 23, 2021, the BSP approved the upgrade of the Bank's banking license from commercial bank to universal bank (UB) subject to certain regulatory requirements. The minimum capitalization requirement for a UB with more than 100 branches amounted to P20.0 billion. While BSP approval is contingent on the Bank having a successful Initial Public Offer, as at December 31, 2021 and 2020, the reported unimpaired capital of the Bank amounted to P22.7 billion and P16.5 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 f ollowing conditions are met:

- 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;

- 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

- 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, 2021 and 2020, based on the CAR reports submitted to BSP, the Bank's CAR of 21.57% and 16.60%, 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 the CAR ratio was mainly due to the issuance of preferred shares in August 2021 and 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, 2021 and 2020 as reported to BSP follows (amounts in thousands):

	2021	2020
Credit risk-weighted assets	**P92,873,736**	P87,988,590
Operational risk-weighted assets	**9,404,089**	8,310,351
Market-risk weighted assets	**332,908**	733,210
	P102,610,733	P97,032,151

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2021 and 2020 (in millions) which was compiled as per below:

	2021	2020
Tier 1 capital	**P21,199**	P15,120
Tier 2 capital	**930**	984
Total qualifying capital	**P22,129**	P16,104
Risk-weighted assets	**P102,611**	P97,032
Tier 1 capital ratio	**20.66%**	15.58%
Total capital ratio	**21.57%**	16.60%

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;

b) accounting for investment properties.

The recognition of the Bank for prudential reporting is based on the accounting treatment approved by BSP (see Notes 15 and 16).

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 of 5.0% as at December 31, 2021 and 2020 which was complied as per below breakdown (amounts in thousands):

	2021	2020
Capital measure	**P21,199,531**	P15,120,329
Exposure measure	**209,844,649**	174,068,012
Leverage ratio	**10.10%**	8.69%

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, 2021 and 2020, the Bank's LCR were 211.8% and 165.0%, 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, 2021 and 2020, the reported NSFR of 190% and 161%, respectively, exceeded the required minimum of 100%.

This applies to UB/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.

24. Surplus Reserve

	2021	2020	2019
Reserve for general provision - special reserve	**P556,655,007**	P208,882,885	P223,344,419
Reserve for trust business	**139,151,260**	126,719,455	115,918,324
Reserve for self-insurance	**60,000,000**	60,000,000	60,000,000
	P755,806,267	P395,602,340	P399,262,743

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.

25. Interest Income on Debt Securities

This account consists of:

	Note	**2021**	2020	2019
Investment securities at amortized cost:	*11*			
Government securities		**P908,591,924**	P571,132,356	P754,709,801
Private debt securities		**154,337,125**	177,633,500	171,893,382
Financial assets at FVOCI:	*10*			
Government securities		**168,875,905**	150,809,611	162,313,770
Private debt securities		**19,758,785**	19,799,002	28,175,322
		1,251,563,739	919,374,469	1,117,092,275
Financial assets at FVPL:	*9*			
Government securities held for trading		**14,420,446**	16,991,151	16,058,663
		P1,265,984,185	P936,365,620	P1,133,150,938

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 0.9% to 8.6% in 2021, from 0.6% to 9.5% in 2020 and from 0.3% to 8.6% in 2019. Peso-denominated financial assets at FVPL bear annual interest rates ranging from 0.7% to 8.1%, from 0.8% to 8.1% and from 3.6% to 8.1% in 2021, 2020 and 2019, respectively.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 0.02% to 2.9%, from 0.1% to 3.9%, and from 2.0% to 3.9%, respectively, in 2021, 2020 and 2019. Peso-denominated financial assets at FVOCI bear EIRs ranging from 2.1% to 6.6% in 2021, from 1.4% to 7.1% in 2020 and from 6.0% to 7.2% in 2019.

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 3.4% in 2021 and 2020 and from 2.0% to 3.4 in 2019. Peso-denominated investment securities at amortized cost bear EIRs ranging from 1.4% to 8.1% in 2021, from 1.7% to 8.1% in 2020 and from 3.2% to 8.1% in 2019.

26. Service Charges, Fees and Commissions

This account consists of:

	2021	2020	2019
Trust income	**P139,219,456**	P124,291,947	P107,985,620
Service charges	**131,070,951**	123,659,614	142,303,916
Credit card fees	**115,655,338**	90,918,959	114,954,396
Remittance fees	**52,169,552**	42,395,261	41,849,712
Letters of credit fees	**36,248,747**	11,347,102	16,036,627
Fees and commissions	**26,587,398**	2,999,204	3,285,774
Commitment fee	**11,511,432**	26,054,795	2,280,159
Penalty charges	**8,098,809**	8,626,070	19,629,875
Telegraphic transfer fees	**2,480,761**	2,363,815	3,053,339
Others	**8,085,308**	11,980,303	25,894,862
	P531,127,752	P444,637,070	P477,274,280

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 fee and sale of demand drafts.

27. Trading and Investment Securities Gains (Losses) - net

This account consists of realized and unrealized gains (losses) from the following securities:

	Note	**2021**	2020	2019
Financial assets and liabilities at FVPL:				
Debt securities:				
Realized		**(P5,635,758)**	P30,065,549	P21,326,085
Unrealized	*9*	**(4,189,634)**	69,731,751	135,535,224
Financial assets at FVOCI	*10*	**(68,883,753)**	280,743,443	198,827,405
Investment securities at amortized cost	*11*	**-**	767,033,010	-
		(P78,709,145)	P1,147,573,753	P355,688,714

28. 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 co st 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, 2021. Valuations are performed on an annual basis.

As at December 31, 2021, 2020 and 2019, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2021	2020	2019
Average working life	**13.0**	13.0	13.0
Discount rate	**5.0%**	3.9%	5.3%
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**		
	2021	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Balance at January 1	**P1,329,366**	P1,137,202	P822,021	**(P936,823)**	(P822,084)	(P620,813)	**P392,543**	P315,118	P201,208
Included in Profit or Loss									
Current service cost	**129,639**	108,067	76,083	**-**	-	-	**129,639**	108,067	76,083
Interest expense (income)	**51,845**	60,272	62,474	**(36,536)**	(43,570)	(47,182)	**15,309**	16,702	15,292
	181,484	168,339	138,557	**(36,536)**	(43,570)	(47,182)	**144,948**	124,769	91,375
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	**(166,458)**	196,092	234,215	**-**	-	-	**(166,458)**	196,092	234,215
Experience adjustment	**(6,013)**	(87,254)	(5,37 8)	**-**	-	-	**(6,013)**	(87,254)	(5,378)
Return on plan assets excluding interest income	**-**	-	-	**(14,069)**	20,251	(4,151)	**(14,069)**	20,251	(4,151)
	(172,471)	108,838	228,837	**(14,069)**	20,251	(4,151)	**(186,540)**	129,089	224,686
Others									
Contributions paid by the employer	**-**	-	-	**(192,403)**	(176,433)	(202,151)	**(192,403)**	(176,433)	(202,151)
Benefits paid	**(94,223)**	(85,013)	(52,213)	**94,223**	85,013	52,213	**-**	-	-
	(94,223)	(85,013)	(52,213)	**(98,180)**	(91,420)	(149,938)	**(192,403)**	(176,433)	(202,151)
Balance at December 31	**P1,244,156**	P1,329,366	P1,137,202	**(P1,085,608)**	(P936,823)	(P822,084)	**P158,548**	P392,543	P315,118

The movements of the remeasurement losses on retirement liability of the Bank follow:

	2021	2020	2019
Balance at beginning of year	**P449,088,000**	P319,998,451	P95,312,091
Remeasurement losses (gains) on:			
Defined benefits obligation	**(172,472,150)**	108,837,990	228,837,578
Plan assets	**(14,068,463)**	20,251,559	(4,151,218)
	(186,540,613)	129,089,549	224,686,360
Balance at end of year	**P262,547,387**	P449,088,000	P319,998,451

The actual return on plan assets amounted to P50.6 million and P23.3 million in 2021 and 2020, respectively.

The Bank expects to contribute P170.5 million to its defined benefits retirement plan in 2022.

The major categories of the fair value of plan assets as at December 31, 2021 and 2020 follow:

	2021	2020
Investment securities:		
Government and other debt securities	**P601,982,555**	P515,228,053
Quoted equity securities	**219,704,043**	211,844,705
Unquoted equity securities	**11,341,137**	10,986,031
Deposits with the bank	**37,470,693**	69,142,094
Loans receivables	**176,934,431**	122,556,146
Other receivables	**38,175,276**	7,065,856
Total Plan Assets	**P1,085,608,135**	P936,822,885

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, 2021			
	Discount Rate		**Salary Increase Rate**	
	+1.00%	**-1.00%**	**+1.00%**	**-1.00%**
Present value of the defined benefit obligation	**P1,117,210,293**	**P1,394,148,441**	**P1,382,061,451**	**P1,124,589,508**
Fair value of plan assets	**1,085,608,135**	**1,085,608,135**	**1,085,608,135**	**1,085,608,135**
Net retirement liability	**P31,602,158**	**P308,540,306**	**P296,453,316**	**P38,981,373**

	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

The maturity analyses of the undiscounted benefit payments as at December 31, 2021 and 2020 are as follows:

	2021	2020
1 - 5 years	**P380,432,662**	P346,025,220
6 - 10 years	**848,892,576,**	774,482,245
11 - 15 years	**1,114,695,317**	1,108,344,179
16 years and up	**4,417,461,354**	4,353,924,242

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 11 years and 12 years as at December 31, 2021 and 2020, respectively. The expected average remaining working lives as at December 31, 2021 and 2020 is 13 years.

Compensation and Fringe Benefits
The details of the following accounts for the year ended December 31 follow:

	2021	2020	2019
Salaries and allowances	**P988,536,430**	P970,341,304	P939,044,104
Bonuses	**375,320,000**	332,320,000	298,945,157
Employee benefits	**285,629,019**	371,032,809	318,705,457
Retirement benefits	**144,948,491**	124,768,607	91,375,015
Overtime	**26,535,151**	20,929,533	36,468,698
	P1,820,969,091	P1,819,392,253	P1,684,538,431

29. 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 incl ude escalation clauses, most of which bear an annual rent increase ranging from 3.0% to 18.5%.

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 14).

Lease Liabilities
See Note 5 for maturity analysis of lease liabilities as at December 31, 2021 and 2020.

The table below shows the amounts recognized in the statement of income in 2021, 2020 and 2019 related to leases under PFRS 16 (amounts in millions).

	2021	2020	2019
Interest on lease liabilities	**P35.0**	P42.9	P45.4
Expenses relating to short-term leases	**59.4**	44.4	56.0
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	**8.9**	13.2	10.5

Total cash outflow for leases recognized in the statement of cash flows in 2021, 2020 and 2019 amounted to P295.0 million, P280.9 million and P275.9 million, respectively.

Bank as Lessor
The Bank leases out its commercial properties for office space. 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) for the years ended December 31, 2021, 2020 and 2019 were P0.5 million, P0.7 million and P2.6 million, respectively, and includes rental income on investment properties (Note 15). The Bank also recognized income from the use of safety deposit boxes amounting to P3.0 million, P2.8 million and P2.9 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 30).

As at December 31, 2021 and 2020, the Bank has no future rental receivables under non-cancellable operating lease.

30. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Note	**2021**	2020	2019
Passed-on GRT		**P26,542,569**	P33,438,750	P54,649,626
Dividend income	*10*	**5,709,161**	12,228,425	8,201,707
Rent income	*29*	**3,439,978**	3,546,544	5,509,668
Gain on exchange		**-**	-	363,450,000
Others		**14,873,615**	16,204,006	28,050,227
		P50,565,323	P65,417,725	P459,861,228

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 31) 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:

	Note	**2021**	2020	2019
Fines and penalties		**P97,759,614**	P61,931,157	P41,932,646
Communications		**80,744,268**	52,048,887	57,879,402
Supervision and examination fee		**57,535,251**	55,138,108	47,807,051
Messengerial services		**53,659,322**	53,324,266	52,025,020
Marketing		**50,196,110**	51,243,101	73,927,301
Forms and supplies		**37,796,870**	40,537,784	38,009,159
Transportation and travel		**16,446,128**	11,465,185	22,657,826
Membership dues		**16,439,851**	13,307,104	12,670,088
Litigation and acquired assets-related expenses	*15*	**10,166,679**	5,416,646	11,388,756
Others		**81,067,483**	37,346,912	41,487,429
		P501,811,576	P381,759,150	P399,784,678

Others include management fee on deposits, charges on correspondent banks and postage.

In 2021, universal banking license fee amounting to P24.5 million was accrued by the Bank under "Others".

31. 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.

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises Act* (CREATE Law), was signed into law and took effect on April 11, 2021. The following are certain provisions of the National Internal Revenue Code of 1997 that were amended and relevant to the Bank:

- Regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
- Minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- The allowable deduction for interest expense shall be reduced by 20% of interest income subjected to final tax, instead of the previous 33%; and

- The imposition of 10% tax on improperly accumulated retained earnings is repealed.

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 b y 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 OBUs are subject to 15.0% final tax.

Income tax expense consists of:

	2021	2020	2019
Current:			
Final	**P399,293,480**	P278,627,049	P281,701,979
MCIT	**38,840,735**	-	61,363,313
Adjustment for CREATE	**(34,487,630)**	-	-
RCIT	**1,778,182**	136,789,048	1,536,421
Tax benefit	**-**	(80,130,816)	-
	405,424,767	335,285,281	344,601,713
Deferred	**218,263,891**	(78,162,871)	119,584,686
	P623,688,658	P257,122,410	P464,186,399

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. In 2021, this amount includes the impact of CREATE Law, resulting to the remeasurement for items previously measured based on previous tax rate, amounting to P160.3 million and was recognized by the Bank in the current period.

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:

	2021	2020	2019
Income before income tax expense	**P1,830,307,823**	P1,041,556,198	P1,116,908,933
Income tax at statutory rate	**P457,576,956**	P312,466,859	P335,072,680
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	**128,709,952**	340,769,185	319,664,541
Changes in unrecognized deferred tax assets	**59,508,039**	87,538,287	12,565,790
Tax paid income	**(28,047,183)**	(129,117,988)	(142,426,503)
FCDU income	**(25,301,259)**	(71,635,416)	(28,009,350)
Nontaxable income	**21,934,422**	(209,326,488)	(79,941,478)
Others	**9,307,731**	(73,572,029)	47,260,719
Effective income tax	**P623,688,658**	P257,122,410	P464,186,399

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	Beginning Balance (December 31, 2020 Tax Effect)	**Amount (Charged) Credited to Profit or Loss**	**Amount Recognized in OCI**	**Ending Balance (December 31, 2021 Tax Effect)**
Deferred tax assets:				
Allowance for credit and impairment losses	**P1,052,927,615**	**(P334,990,188)**	**P -**	**P717,937,427**
Accumulated depreciation on foreclosed properties	**218,205,495**	**(23,600,128)**	**-**	**194,605,367**
Accrued employee benefits and other expenses	**139,098,172**	**(20,277,393)**	**-**	**118,820,779**
MCIT	**-**	**86,549,744**	**-**	**86,549,744**
Unrealized loss on foreclosed properties	**91,694,600**	**(22,869,200)**	**-**	**68,825,400**
Net lease liability	**19,497,250**	**(1,958,159)**	**-**	**17,539,091**
Accrued rent expense	**3,083,792**	**(1,014,924)**	**-**	**2,068,868**
	1,524,506,924	**(318,160,248)**	**-**	**1,206,346,676**
Deferred tax liability:				
Unrealized gain on foreclosed properties	**(458,952,068)**	**87,766,564**	**-**	**(371,185,504)**
Unrealized foreign exchange gain	**(48,340,734)**	**8,290,594**	**-**	**(40,050,140)**
Retirement benefits	**(16,963,513)**	**(9,036,455)**	**-**	**(25,999,968)**
Gain on investment properties sold under installments	**(34,883,273)**	**9,277,625**	**-**	**(25,605,648)**
Unrealized gain on financial assets at FVOCI	**(6,389,324)**	**-**	**6,389,324**	**-**
Unrealized gain on financial assets at FVPL	**(3,598,029)**	**3,598,029**	**-**	**-**
	(569,126,941)	**99,896,357**	**6,389,324**	**(462,841,260)**
Net Deferred Tax Assets (Liabilities)	**P955,379,983**	**(P218,263,891)**	**P6,389,324**	**P743,505,416**

	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

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:

	2021		2020		2019	
	Deductible Temporary Differences	**Deferred Tax Asset**	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses	**P3,073,627,758**	**P768,406,940**	P3,027,818,815	P908,345,645	P2,280,245,612	P684,073,684
Unrealized loss on financial assets at FVPL	**3,421,893**	**855,473**	-	-	1,556,373	466,912
MCIT	**-**	**-**	91,992,619	91,992,619	172,123,436	172,123,436
NOLCO	**-**	**-**	-	-	207,378,429	62,213,529
Others	**209,107,113**	**52,276,778**	142,823,016	42,846,905	122,564,407	36,769,322
Deferred tax items not recognized in profit or loss	**3,286,156,764**	**821,539,191**	3,262,634,450	1,043,185,169	2,783,868,257	955,646,883
Remeasurement losses on retirement liability	**262,547,387**	**65,636,847**	449,088,000	134,726,400	319,998,451	95,999,535
Deferred tax items not recognized in OCI	**262,547,387**	**65,636,847**	449,088,000	134,726,400	319,998,451	95,999,535
	P3,548,704,151	**P887,176,038**	P3,711,722,450	P1,177,911,569	P3,103,866,708	P1,051,646,418

As at December 31, 2021 and 2020, the Bank has no carryforward NOLCO.

Details of the Bank's RBU excess MCIT over RCIT as at December 31, 2021 follow:

Inception Year	Amount	Expired	Balance	Expiry Year
2018	P30,629,306	P30,629,306	P -	2021
2019	61,363,313	-	61,363,313	2022
2021	25,186,431	-	25,186,431	2024
	P117,179,050	P30,629,306	P86,549,744	

32. 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 subsidiar ies 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):

	2021		2020	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI)**	DOSRI Loans	Related Party Loans (inclusiveof DOSRI)
Total outstanding loans	**P -**	**P29,201,574**	P -	P21,783,009
Percent of DOSRI/Related Party loans to total loans	**0.00%**	**38.70%**	0.00%	29.80%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**49.53%**	0.00%	62.71%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.01%**	0.00%	0.04%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.06%**	0.00%	0.07%

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	*13*			
2021				
Investment in an associate		**P -**	**P39,662**	**24.26% equity interests in BIC which is a stockholder of the Bank**
Share in net loss of an associate		**1,039**	**-**	**Share in net loss of BIC**
2020				
Investment in an associate		-	40,687	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	24.25% 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

Unless otherwise stated, RPTs disclosed are unsecured.

Category	Note	Amount/Volume 2021	2020	2019	Outstanding Balance 2021	2020	Nature, Terms and Conditions
Other Related Parties							
Financial assets at FVOCI:	*10*						
Equity securities		**P -**	P -	P -	**P18,232**	P18,531	8.57% equity interest in BANGE
Private debt securities		**-**	-	-	**303,522**	314,964	Long-term bond with interest rate of 6.6% with maturity in 2022. Matured bond had interest rate of 5.9%
Maturities		**-**	-	558,581	**-**	-	
Investment securities at amortized cost	*11*	**-**	-	-	**381,675**	1,711,696	Long-term bonds with interest rates ranging from 4.5% to 8.1% with maturity years ranging from 2023 to 2025.
Maturities		**1,330,350**	332,380	-	**-**	-	Matured bond had interest rates ranging from 4.0% to 5.5%
Loans and receivables - net:	*12*						
Receivables fromcustomers:		**-**	-	-	**29,151,600**	21,449,789	Term, housing, auto, salary and personal loans with interest rates ranging from 2.4% to 18.1% 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		**63,412,047**	57,727,441	97,558,958	**-**	-	
Settlements		**60,623,795**	60,698,979	100,372,158	**-**	-	
Sales contract receivables and accrued interest receivables:		**-**	-	-	**175,410**	130,863	Sales contract receivables with annual interest rate of 10.5% and with maturity in 2021; accrued interest receivables and accounts receivables on loans, sales contract receivables and long-term bonds;
Availments		**-**	-	-	**-**	-	
Settlements		**194**	998	32,491	**-**	-	
Interest income		**1,830,281**	1,948,698	2,337,264	**-**	-	Interest income on loans, sales contract receivables and long-term bonds;
Deposit liabilities:	*18*	**-**	-	-	**56,884,489**	42,747,440	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Deposits		**4,112,755,092**	3,171,896,515	3,654,227,740	**-**	-	
Withdrawals		**3,631,676,685**	2,570,073,386	2,330,818,579	**-**	-	
Accrued interest payable	*20*	**105,793**	138,076	558,705	**7,660**	2,377	Interest expense and accrued interest payable on deposits;
Accrued other expenses and other liabilities	*21*	**182,914**	144,915	166,865	**2,267**	2,951	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	*26, 30*	**80,923**	49,736	62,269	**-**	-	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	*37*	**-**	-	-	**12,141,560**	1,811,745	Bank guarantees in favor of related party and outstanding letters of credit

Unless otherwise stated, RPTs disclosed are unsecured and balances are net of allowance

As at December 31, 2021 and 2020, outstanding bills purchased of related parties with contra account in “Other liabilities” amounted to P368.4 million and P419.8 million, respectively (see Notes 12 and 21).

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, 2021 and 2020, the allowance for credit losses on outstanding transactions with other related parties amounted to P85.2 million and P361.6 million, respectively. Reversal of credit losses recorded in 2021, 2020 and 2019 on such related party transactions totaled to P276.4 million, P15.5 million and P98.7 million, respectively. Such outstanding transactions include private debt securities at FVOCI, investment securities at amortized cost, receivables from customers, sales contract receivables and accrue d 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 28.

Related information on assets/liabilities as at December 31, 2021 and 2020 and income/expense of the funds for the period ended December 31, 2021, 2020 and 2019 follow:

	2021	2020
Investment securities:		
Government and other debt securities	**P601,982,555**	P515,228,053
Quoted equity securities	**219,704,043**	211,844,705
Unquoted equity securities	**11,341,137**	10,986,031
Loans and other receivables	**215,109,707**	129,622,002
Deposits with the Bank	**37,470,693**	71,106,690
Total Plan Assets	**P1,085,608,135**	P938,787,481
Due to Broker	**P28,619,810**	P1,728,636
Trust fee payable	**1,308,143**	201,974
Other liabilities	**69,048**	33,986
Total Plan Liabilities	**P29,997,001**	P1,964,596

Plan Income	**2021**	2020	2019
Interest income	**P27,713,620**	P26,049,369	P25,325,513
Trading and investment gains (losses) - net	**(30,241,813)**	(10,560,419)	1,742,765
Dividend income and others	**9,477,411**	8,193,257	6,625,221
	P6,949,218	P23,682,207	P33,693,499
Plan Expense			
Trust fees	**P2,461,431**	P2,088,834	P1,755,143
Other expenses	**1,758,759**	647,155	752,211
Provision for credit losses	**11,821,715**	73,991	277,864
	P16,041,905	P2,809,980	P2,785,218

As at December 31, 2021 and 2020, 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 P10.7 million and P11.1 million as at December 31, 2021 and 2020, 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 P4,014, P129,977 and P10,537 in 2021, 2020 and 2019, 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 P192.4 million and P176.4 million in 2021 and 2020, respectively. Benefits paid out of the Bank's plan assets amounted to P94.2 million and P85.0 million in 2021 and 2020, respectively (see Note 28).

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 period ended December 31, 2021, 2020 and 2019 follows:

	2021	2020	2019
Short-term employee benefits	**P544,595,527**	P530,809,650	P536,003,622
Post-employment benefits	**44,934,032**	37,430,582	29,240,005
	P589,529,559	P568,240,232	P565,243,627

33. 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 f acility 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 offic es 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 f ully 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 16). 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, 2021, 2020 and 2019 were charged in full in the period incurred (see Note 16).

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 16).

34. Notes to Statements of Cash Flows

As at December 31, 2021 and 2020, interbank loans receivable amounting to nil and P106.5 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:

	2021	2020	2019
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	**P89,736,152**	P46,108,250	P433,122,836
Increase in sales contract receivables from sale of investment properties	**92,323,023**	43,862,200	118,925,434

The following table shows the reconciliation analysis of liabilities arising from financing liabilities for period ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Beginning balance	**P682,015,739**	P646,104,589	P557,471,615
Lease liabilities	**-**	-	587,782,880
	682,015,739	646,104,589	1,145,254,495
Additions to lease liabilities	**44,853,267**	220,703,671	206,273,261
Interest accretion	**35,033,242**	42,921,243	45,360,536
Cash flows during the year:			
Proceeds	**4,810,000,000**	1,984,184,000	6,554,445,000
Settlements	**(5,033,504,005)**	(2,204,998,022)	(7,305,228,703)
	(223,504,005)	(220,814,022)	(750,783,703)
Other adjustments	**-**	(6,899,742)	-
Ending balance	**P538,398,243**	P682,015,739	P646,104,589

Other adjustments pertain to reductions to lease liabilities due to rent con cessions and pre-termination of lease contracts.

As allowed by PAS 7, short-term borrowings from local banks amounting to P4.8 billion, P2.0 billion and P6.6 billion in 2021, 2020 and 2019, respectively, are presented in statements of cash flows on a net basis.

35. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

	2021	2020	2019
a. Net income	**P1,206,619,165**	P784,433,788	P652,722,534
b. Dividends on preferred shares*	**57,291,667**	-	-
c. Net income to equity holders of the Bank	**1,149,327,498**	784,433,788	652,722,534
d. Weighted average number of outstanding common shares**	**1,122,411,120**	1,122,411,120	1,122,411,120
e. Basic earnings per share (c/d)	**P1.02**	P0.70	P0.58

** potential dividends on preferred shares as these were not assumed to be converted.*
***Weighted average number of common shares in 2020 and 2019 were adjusted retrospectively to reflect the change in par value from P100.0 per share to P10.0 per share.*

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

	2021	2020	2019
a. Net income to equity holders of the Bank	**P1,206,619,165**	P784,433,788	P652,722,534
b. Weighted average number of outstanding common shares and dilutive preferred shares			
Outstanding common shares*	**1,122,411,120**	1,122,411,120	1,122,411,120
Potential common shares from assumed conversion of preferred shares	**173,611,113**	-	-
c. Total weighted average common shares	**1,296,022,233**	1,122,411,120	1,122,411,120
d. Diluted earnings per share (a/c)	**P0.93**	P0.70	P0.58

**Weighted average number of common shares in 2020 and 2019 were adjusted retrospectively to reflect the change in par value from P100.0 per share to P10.0 per share.*

The following basic ratios measure the financial performance of the Bank:

	2021	2020	2019
Return on average equity	**6.01%**	4.77%	4.13%
Return on average assets	**0.65%**	0.50%	0.44%
Net interest margin on average earning assets	**3.42%**	3.87%	3.45%

36. Events after the Reporting Date

On January 28, 2022, the SEC approved the 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 SEC also approved the amendment to the By-laws to update sections on stockholders, the Board of Directors, certificates of stock, and the transfer of shares of stock.

On February 15 and February 16, 2022, the SEC and PSE, approved the Initial Public Offer application of the Bank. The price-settling date was set on March 11, 2022 and the offer period ran from March 16 to March 22. The listing is scheduled on March 31, 2022.

On February 22, 2022, the BOD approved the amendments to the Articles of Incorporation to change its purpose from a Commercial Bank to a Universal Bank pursuant to BSP MB Resolution No. 1798 dated December 23, 2021. The By-laws were also amended to comply with Sections 28 and 52 of the Revised Corporation Code.

37. 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, 2021 and 2020:

	2021	2020
Contingent assets:		
Future/spot exchange bought	**P229,495,500**	P168,080,500
Fixed income securities purchased	**25,218,255**	248,291
Outward bills for collection	**2,999,218**	3,286,476
	P257,712,973	P171,615,267
Commitments and contingent liabilities:		
Trust department accounts	**P63,687,480,988**	P39,422,371,051
Unused commercial letters of credit	**8,417,817,547**	800,505,453
Committed credit line	**6,828,080,056**	3,577,500,000
Credit card lines	**3,362,130,139**	3,708,362,146
Outstanding guarantees	**2,271,624,364**	1,165,637,379
Future/spot exchange sold	**841,483,500**	528,253,000
Late deposits/payments received	**4,636,985**	171,532,610
Fixed income securities sold	**-**	496,582
Items held for safekeeping/securities held as collateral	**42,112**	54,088
	P85,413,295,691	P49,374,712,309

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 co llateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2021 and 2020.

(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 P63.7 billion (unaudited) and P39.4 billion (audited) as at December 31, 2021 and 2020, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P674.0 million and P504.0 million as at December 31, 2021 and 2020, 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, 23, 32 and 35.

38. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in a note to the separate financial statements. The Bank presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

BANK OF COMMERCE

SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68
DECEMBER 31, 2021

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

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 ON 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 financial statements of Bank of Commerce (the "Bank") as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 4, 2022.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company 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, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, 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

April 4, 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)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
BANK OF COMMERCE

AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

RATIO	FORMULA	RATIO 2021	2020
Current Ratio	Total currentassets / Total current liabilities	**0.65**	0.77
Acid Test Ratio	Total current financial assets / Total current liabilities	**0.64**	0.76
Solvency Ratio	Net income before non-cash expenses / Total liabilities	**0.01**	0.02
Debt to Equity Ratio	Total liabilities / Total equity	**7.55**	9.19
Asset to Equity Ratio	Total assets / Total equity	**8.55**	10.19
Interest Rate Coverage Ratio	Net Income before interest and taxes / Interest expense	**3.63**	1.89
Return on Equity	Net income / Average total equity	**6.01%**	4.77%
Return on Asset	Net income / Average total assets	**0.65%**	0.50%
Net Profit Margin	Net income / Total revenues	**19.38%**	11.41%
OTHER RATIOS			
Net Interest Margin	Net interestincome / Average interest-earning assets	**3.42%**	3.87%
Cost to Income Ratio	Total operating expense / Total revenues	**0.81**	0.71
Debt to Assets Ratio	Total liabilities / Total assets	**0.88**	0.90
Loans to Deposit Ratio	Total gross loans* / Total deposits	**0.55**	0.64
Non-performing Loans Cover	Allowance for credit losses on loans / Non-performing loans	**83.21%**	114.24%
Non-performing Loans Ratio**	Non-performingloans / Total gross loans	**3.09%**	3.03%
Net Non-performing Loans Ratio**	Net non-performingloans / Total gross loans	**0.88%**	0.89%
Capital Adequacy Ratio	Total qualifying capital / Total risk-weighted assets	**21.57%**	16.60%

**Gross loans include receivables from customers (loans), interbank loans receivable and securities purchased under resale agreements.*
***Computed based on BSP Circular 941*

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 financial statements of Bank of Commerce (the "Bank") as at December 31, 2021, 2020 and 2019, on which we have rendered our report dated April 4, 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
- Supplementary Schedules of Annex 68-J
- Map of Conglomerate

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
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April 4, 2022
Makati City, Metro Manila

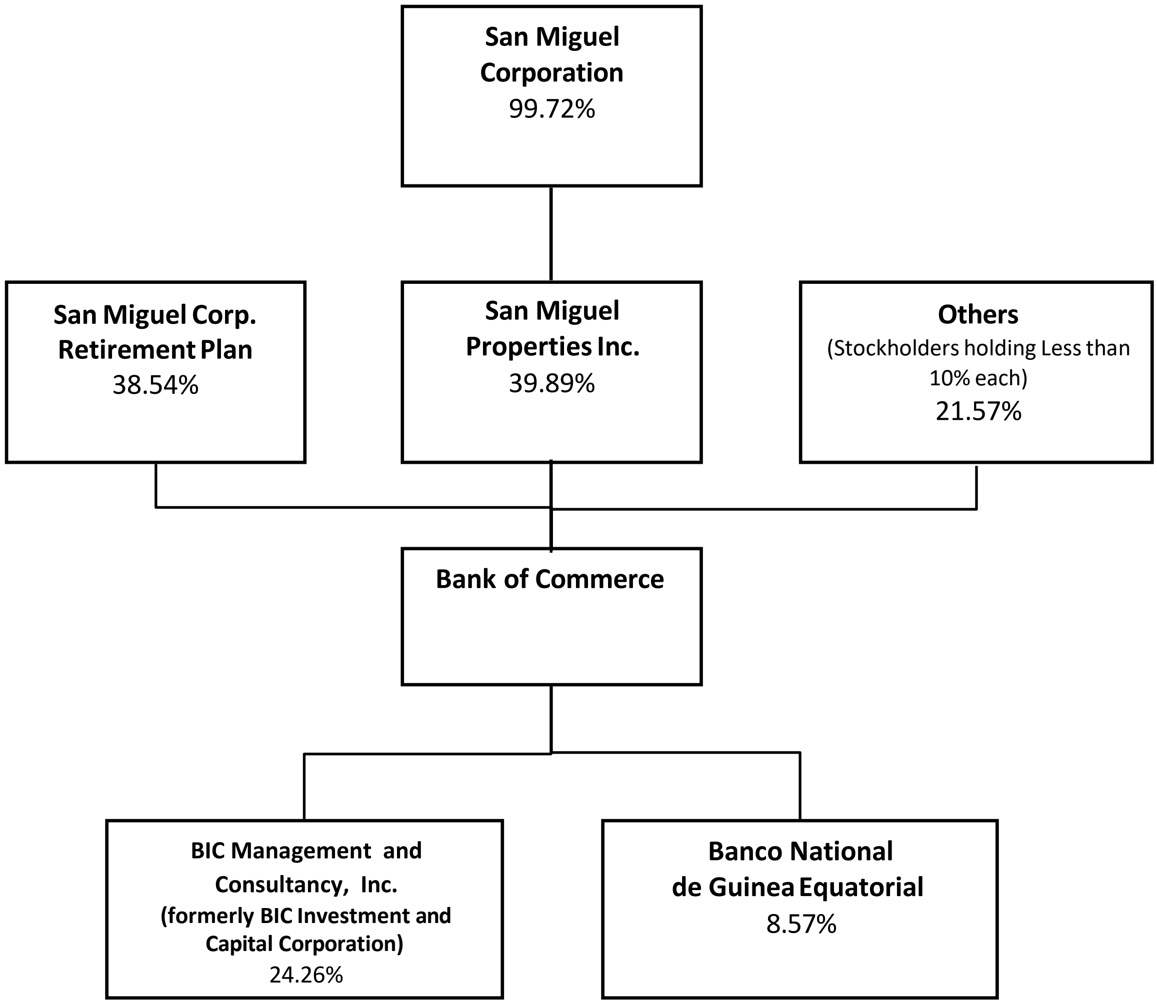
BANK OF COMMERCE

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION DECEMBER 31, 2021

Unappropriated deficit, beginning	**(P51,156,715)**
Adjustments:	
Deferred tax assets recognized	**(1,524,506,924)**
Fair value adjustments on foreclosed properties	**(1,224,191,559)**
Unrealized foreign exchange gain	**(161,135,781)**
Unrealized gain on financial assets at fair value through profit or loss (FVPL)	**(69,731,751)**
Unappropriated deficit, as adjusted to available for dividend declaration, beginning	**(3,030,722,730)**
Net income during the year closed to retained earnings	**1,206,619,165**
Add/Less: Non-actual/unrealized income (expenses)	
Movement on deferred tax asset	**318,160,248**
Unrealized loss on financial assets at FVPL	**4,189,634**
Unrealized foreign exchange loss	**935,223**
Fair value adjustments on foreclosed properties	**14,751,144**
Add: Net income actually earned/realized during the period	**1,544,655,414**
Add: Appropriation to surplus reserves	**(P360,203,927)**
Unappropriated deficit available for dividend declaration, end	**(P1,846,271,243)**

BANK OF COMMERCE

RELATIONSHIP MAP
DECEMBER 31, 2021



BANK OF COMMERCE

SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2021

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amounts Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at Fair Value through Profit of Loss				
Philippine government	P426,552	P427,872	P427,872	P14,129
Other government	50,999	50,353	50,353	291
Private corporations	523,437	490,888	490,888	
Derivatives	2,550	25,500	25,500	
		P994,613	P994,613	P14,420
Financial Assets at Fair Value through Other Comprehensive Income				
Philippine government	P4,668,417	P4,569,701	P4,569,701	P168,876
Private corporations	300,000	303,522	303,522	19,759
Equity securities	159	181,894	181,894	5,709
		P5,055,117	P5,055,117	P194,344
Investment Securities at Amortized Cost				
Philippine government	P38,947,356	P40,326,340	P39,837,043	P908,592
Private corporations	2,434,542	2,582,717	2,581,870	154,337
		P42,909,057	P42,418,913	P1,062,929

BANK OF COMMERCE

SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELAT ED PARTIES)
DECEMBER 31, 2021

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
			NONE TO REPORT				
			Indebtedness arise in the ordinary course of business.				

BANK OF COMMERCE

SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS DECEMBER 31, 2021

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				
			Financial statements are not for consolidation.				

BANK OF COMMERCE

SCHEDULE D – LONG-TERM DEBT
DECEMBER 31, 2021

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, 2021

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year	Nature, Terms and Conditions
NONE TO REPORT			
No long term loans from related companies.			

BANK OF COMMERCE

SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2021

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
No securities were guaranteed.

BANK OF COMMERCE

SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2021

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	1,702,511,470	1,122,411,120	-	70,512,580	6,290	1,051,892,250
Preferred Shares	455,000,000	416,666,670	416,666,670	-	-	416,666,670

Required information is disclosed in Note 23: Capital Stock

PART III – CONTROL AND COMPENSATION INFORMATION

Item 8. 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 incumbent and nominee directors and board advisors of the Bank as of 31 December 2021, their respective ages, periods of service, directorships in other reporting companies and positions held in the last five (5) years:

Name	Position	Years of Service As of 31 December 2021
Board of Directors		
Jose T. Pardo	Chairman, Non-Executive Director	10 yrs & 5 mos. as Chairman; Member of the Board of Directors for 18 years & 2 months since October 21, 2003; Independent Director from April 30, 2010 to December 31, 2020.
Francis C. Chua	Vice-Chairman, Non-Executive Director	13 yrs. & 7 mos.
Michelangelo R. Aguilar	President and CEO, Executive Director	3 yrs. & 6 mos. as Director; 3 yrs. & 8 mos. as President and CEO
Roberto C. Benares	Former President and CEO,	8 yrs. & 8 mos.

	Non-Executive Director	
Benedicta Du-Baladad	Non-Executive Director	7 yrs & 11mos.
Fe B. Barin	Non-Executive Director	7 yrs. & 8mos.
Carolina G. Diangco	Non-Executive Director	9 yrs & 3mos.
Marito L. Platon	Non-Executive Director	11 yrs. & 8 mos.
Mariano T. Katipunan, Jr.	Non-Executive Director	3 yrs & 8 mos. 2nd appointment as Caritas nominee, previously for 2yrs – 1st appointment as Caritas nominee
Alexander R. Magno	Non-Executive Director	7 yrs. & 4mos.
Aniano A. Desierto	Independent Director	8 yrs. & 4mos.
Jose C. Nograles	Independent Director	6 yrs & 8 mos.
Melinda S. Gonzales-Manto	Independent Director	8 yrs & 3mos.
Rebecca Maria A. Ynares	Independent Director	5 yrs. & 5mos
Ricardo D. Fernandez	Independent Director	1yr.
Board Appointees:		
Aurora T. Calderon	Board Advisor	10 yrs. & 5mos
Ferdinand K. Constantino	Board Advisor	3yrs. and 2mos. as Director and 11yrs. and 6mos. as Advisor
Cecile L. Ang	Board Advisor	6 yrs. & 2mos.
Antonio M. Cailao	Board Advisor	3 yrs. & 6mos.
Evita C. Caballa	Corporate Secretary	11 yrs. and 6 mos. as Corporate Secretary and 1yr. & 11mos. as Asst. Corporate Secretary

JOSE T. PARDO
Chairman, Non-Executive 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. CHUA
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, sat as Vice Chairman from 2013 to 2022, and became Chairman effective on 16 February 2022. Mr. Chua used to chair the Executive Committee (ExCom) of the Bank when he was Vice Chairman of the Board. With his 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), and as Consul General conferred by the Honorary Consulate General of the Republic of Peru in Manila since 2006. He was also a 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.

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. She is the Vice Chairperson of the Board of Directors, Chairperson of the Executive Committee and a member of 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'.

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.

FE B. BARIN
Non-Executive Director
Filipino, 87 years old

Mrs. Fe B. Barin has been a member of the Board of Directors since April 24, 2014. Mrs. Barin's career in the government service has been in the regulatory and supervisory agencies. She spent a total of fifty three (53) years of service in the government, forty four of which in the then Central Bank of the Philippines and the Bangko Sentral ng Pilipinas where she served as Member of the Monetary Board from 2002 to 2004. She was the first Chairperson of the Energy Regulatory Commission created under the EPIRA in 2001, which position she occupied from August 2001 to September 2002 prior to her appointment as Monetary Board member. In Sept. 2004, she was appointed Chairperson of the Securities and Exchange Commission for a seven year term ending 2011. As Chairperson of the SEC, she was ex Officio member of the Anti Money Laundering Council and Chairperson of the Credit Information Corporation. She also served as Assistant Legal Counsel in the Philippine Deposit Insurance Corporation on secondment from the then Central Bank.

Mrs. Barin graduated from the College of Law, University of the Philippines, passed the Bar examinations given the same year and admitted to the Philippine Bar in 1957.

She is a Lifetime Fellow of the Institute of Corporate Directors and one of the Institute's Teaching Fellows, a Fellow of the Institute of Solidarity in Asia, a founding member of the Judicial Reform Initiative, a Member of the Board of Trustees of the Philippine Good Works Mission Foundation, Inc., all non stock non profit associations. She is also a member of the Board of Directors of the General Milling Corporation and Executive Vice President, Manila Bulletin Publishing Company.

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.

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.

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.

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 Haris 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.

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.

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.

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 the 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 December 31, 2021:

SENIOR EXECUTIVE TEAM	
Joel T. Carranto 51, Filipino *Senior Vice President* *Branch Banking Group Head*	• Maybank Philippines Inc – *Former Community Distribution Head* • Security Bank – *Former Area Business Manager/Region Head OIC* • Premiere Development Bank – *Former Branch Banking Group Head* • Eastwest Bank – *Former Branch Manager* • AMWAL – *Former Sr. Financial Sales Consultant* • RCBC – *Former Branch Center Manager, Former Account Officer, Former Senior Marketing Assistant, Former Branch Officer-at-Large, Former Branch Operations officer, Former Teller, Former Bookkeeper*
Mary Assumpta Gail C. Bautista 47, Filipino *Senior Vice President* *Transaction Banking Group Head*	• Deutsche Bank - *Former Vice President/Senior Relationship Manager, Former Corporate Cash Management Head* • BDO/Equitable PCI Bank - *Former Cash Management Sales and Marketing Department Head* • Standard Chartered Bank (Singapore) - *Former Regional Product Manager* • Standard Chartered Bank (Philippines) – Former Product Manager • Citibank N.A. Philippines – Assistant Product Manager, Former Program Administrator
Gamalielh Ariel O. Benavides 55, Filipino *Senior Vice President* *Chief Trust Officer*	• Sunlife of Canada Philippines, Inc. – *Former Licensed Insurance Agent* • BDO Private Bank, Inc. - *Former Senior Vice President / Business Development & Marketing Strategy Head, Former Trust Officer* • Banco Santander Philippines, Inc. – *Former Trust & Investment Services Head/ Vice President, Former Product Development, Assistant Vice President* • Abacus Securities Corporation – *Former Operations Head* • Citibank N.A. Philippines Branch – *Former Securities Services Unit Head, Former Official Assistant, Treasury, Treasury Operations* • Citibank N.A. Singapore Branch – *Former Manager*
Manuel A. Castañeda III 51, Filipino *Executive Vice President* *Corporate Banking Group Head*	• Bank of Commerce – Former Corporate Banking Group 1 Head • Producers Savings Bank - *Former President, CEO and Director* • Maybank Philippines - *Former Global Banking Head* • Unionbank of the Philippines - *Former Commercial Banking 1 Head* • International Exchange Bank - *Former Corporate Banking Team 1 and Project Finance Head and Former Relationship Manager & Head of Project Finance*

	• AsiaTrust Development Bank – *Former Unit Head, Investment Banking Group and Former Unit Head Portfolio Management* • BPI Express Card Corp. – *Former Merchant Assistant*
Maria Ana P. dela Paz 47, Filipino *First Vice President* *Credit Group Head*	• Bank of Commerce - *Former Credit Evaluation and Review Division Head* • Planters Development Bank - *Former Department Head, Former Product Officer, Former Account Officer, Former Project Officer*
Ma. Katrina A. Felix 53, Filipino *Senior Vice President* *Credit Card* *Group Head*	• Best Inc- *Former Director* • Finscore Inc (sister company of Cash Credit) - *Former President* • Cash Credit/ CC Mobile Financial Services Phil. – *Former Country Manager* • Prudential Financial Services- *Former President & Managing Director, Former Chief Operating Officer* • Prudential Life Plan, Inc. – *Former Vice President Personnel Department* • Bank of America NT & SA Manila – *Former Operations Manager, MIS Department*
Louella P. Ira 50, Filipino *First Vice President* *Legal Services Division Head*	• Bank of Commerce - *Former Legal Services-Operations Department Head* • Metropolitan Bank & Trust Co- *Former Legal Officer* • Metrobank Card Corporation – *Former Assistant Corporate Secretary* • Insular Life & Assurance Co. – *Former Legal officer* • Padilla Jimenez Kintanar & Asuncion – *Former Associate*
Antonio S. Laquindanum 44, Filipino *Executive Vice President* *Chief Financial Officer*	• Australia and New Zealand Banking Group - *Former CFO Philippines and Acting COO, Former Philippine Head of Finance and Administration* • Ernst & Young, LLP (USA) – *Former Manager* • Accenture – Former *Senior Consultant/Senior Team Lead*
Marie Kristin G. Mayo 53, Filipino *First Vice President* *Human Resource Mgt. and Dev't. Division Head*	• Bank of Commerce - *Former Recruitment Head* • The Royal Bank of Scotland (ABN AMRO Bank, Inc.) - *Former HR Head* • My Resource Solutions - *Former HR and Admin Manager* • Photokina Marketing Corporation - *Former HR Supervisor* • LTS Philippines Corporation – *Former Personnel Specialist* • Phil. Long Distance Tel. Co. – *Former Engineering Assistant*
Reginald C. Nery 64, Filipino *Senior Vice President* *Chief Audit Executive*	• ▪Bank of Commerce – *Former Officer-in-Charge, Compliance Division, Former Chief Audit Executive* • ▪Project Management Institute Philippine Chapter - *Board of Trustee (Treasurer)*

	• ▪Diaz Murillo Dalupan and Company, CPAs - *Former Partner and Head (Technology Performance and Governance)* • ▪RCNERY and Associates - *Former President and Principal Consultant* • ▪KPMG ManabatSanAgustin& Company (Formerly LayaMananghaya& Company) - *Former Partner and Head (Performance and Technology)*
Jeremy H. Reyes 43, Filipino *First Vice President* *Chief Risk Officer*	• Bank of Commerce - *Former Internal Audit Division Quality Assurance Review Dept. Head* • HSBC – *Former Commercial Banking Business Risk & Control Management Head, Former Assistant Vice President, Management Internal, Former Assistant Manager, Credit Administration* • HSBC Savings - *Former Deputy Head of Audit*
Felipe Martin F. Timbol 52, Filipino *Executive Vice President* *Treasurer/ Treasury Management Group Head*	• Bank of Commerce –*Former Treasury Management Sector Head, and Former Treasury & Fee Based Business Sector Head* • Rizal Commercial Banking Corp. – *Former Vice President/Fund Management Group Head* • Eastwest Banking Corporation - *Former Sr. Asst. Vice President/Treasury Department* • Bank of Southeast Asia – Former Assistant Manager/Trust Department • United Coconut Planters Bank – *Former Senior Trader, Former Senior Analyst, and Former General Teller*
Jay S. Velasco 49, Filipino *Senior Vice President* *Operations* *Group Head*	• Bank of Commerce - *Former Loans Operations Division Head and Former Head Office Operations Support Division Head* • Tiaong Rural Bank - *Former Chief Operations Officer* • PS Bank - *Former Head Office Operations Division Head, Former Centralized Branch Operations & Support Division Head, Former Process Services Division Head* • BPI - *Former Funds Transfer Dept. Head, Former Central Clearing Unit Head, Former Central Clearing Unit Officer, Former Transit Center Officer, and Former Verification Officer* • DBS Bank Philippines – *Former Central Clearing Unit Head, Former ATM Center Head, Former Processing Center Head, and Former Centralized Verification Head*
Jose Mari M. Zerna 46, Filipino *First Vice President* *Consumer Banking Group Head*	• Bank of Commerce - *Former Chief Risk Officer and Former Credit Risk Management Dept. Head* • ANZ Banking Group Limited – *Former Account Officer* • BPI Capital Corporation – *Former Corporate Finance Officer* • Bank of the Philippine Islands – *Former Account Officer (Institutional Banking Group)* • Reuters Limited - *Former Treasury Applications Specialist* • Misys Banking Systems Inc - *Former Senior Functional Consultant*

	• Citytrust Bank and Trust – *Former Management Trainee*
Donald Benjamin G. Limcaco 54, Filipino *Senior Vice President Chief Technology Officer/Digital Services Group Head*	• Bank of Commerce – *Former Executive Support Group Head* • Banco de Oro Unibank – *Former Business Strategy Design Head/SVP, Former Digital Development Head/SVP, Former Virtual Banking Operations Head/SVP* • Bank of America- *Former Consumer Marketing & Technology Head* • Countrywide Financial Corporation – *Former Application Development Head* • DRGrace Management – *Former Managing Principal* • ROUNDARCH Isobar- *Former Engagement Director* • Deloitte Consulting – *Former Manager* • Electronic Data Systems – *Former Systems Engineer* • IBM – *Former Channel Marketing Showroom Representative*
Francisco Raymund P. Gonzales 50, Filipino *Assistant Vice President Corporate Communication & Consumer Protection Division Head*	• Bank of Commerce – *Former Product Development & Customer Protection Department Head* • ChinaBank – *Former Product Manager* • Metrobank – *Former Product Manager* • AB Capital and Investment Corp. – *Former Deal Officer* • Citytrust / BPI – *Former CorPlan Officer* • Punongbayan and Araullo – *Former Consulting Staff*
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Item 9. Executive Compensation

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

The following table identifies and summarizes the aggregate compensation of the Bank's executive officers and directors as group for the years ended 31 December 2018, 2019, 2020 and 2021.

Year	Salary	Bonuses	Per Diem	Other Annual Compensation	Total
2018	82,901,052	13,784,717	[·]	6,036,183	102,721,952
2019	110,681,124	15,460,032	[·]	2,947,031	129,088,187
2020	129,489,363	22,368,011	[·]	0	151,857,374
2021	127,037,423	25,311,898	[·]	8,205,954	160,555,275

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.

Item 10. Security Ownership of Certain Beneficial Owners and Management

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 December 31, 2021:

Title of Class of Securities	Name and address of record owners and relationshipwith 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	38.54%
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 ofSMC Equivest	Filipino	68,305,560	6.09%

Item 11. Certain Relationships and Related 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.

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.

Related party transactions are discussed further in the Notes to Financial Statemensts (Note32).

ANNEXES

ANNEX A: LIST OF PROPERTIES OWNED OR LEASED BY THE BANK

I. PROPERTIES OWNED BY THE BANK

NO.	NAME OF BRANCH/ PROPERTY	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 (portion of the building)**	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

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term Start	End
Metro Manila				
Aduana	G/F FEMII Building, A. Soriano St., Brgy. 656, Intramuros, Manila	158,973.02	3/1/2018	2/28/2023
Alabang	Unit-6 El Molito-II Building, Madrigal Avenue cor. Alabang-Zapote Road, Brgy. Ayala Alabang, Muntinlupa City.	376,117.53	3/15/2019	3/14/2022
Banawe	No. 128-B, WAS Building, Banawe Street, Brgy. Tatalon, Quezon City.	167,071.59	4/3/2020	4/2/2025
Bel-Air Petron	363 Sen. Gil Puyat Ave., Brgy. Bel-Air, Makati City.	224,000.00	9/22/2021	9/21/2026
BF Homes	33 President's Ave., Brgy. B.F. Homes, Paranaque City.	332,294.50	4/1/2012	4/3/2022
Bicutan	G/F Filhome Builders Building, No. 68 Dona Soledad Ave., Betterliving Subdivision, Brgy. Don Bosco, Paranaque City.	77,792.40	7/1/2017	6/30/2022
Jupiter	64/66 Jupiter St., Brgy. Bel-Air, Makati City	86,851.82	3/17/2011	3/16/2026
Caloocan	100 8th Avenue cor. A. Del Mundo St., Brgy 058, Caloocan City.	78,440.67	8/1/2020	7/31/2025
Commonwealth	G/F Verde Oro Building, 535 Commonwealth Ave., Matandang Balara, Quezon City.	192,373.14	3/1/2017	2/28/2022
Concepcion	No. 52 A.M. PACLEB Building, Bayan-Bayanan Avenue, Brgy. Concepcion Uno, Marikina City.	151,200.00	8/23/2020	8/22/2025
Cubao	Unit 1, G/F Harvester Corporate Center, P. Tuazon Cor. 7th & 8th Ave., Brgy. Socorro, Cubao, Quezon City	458,332.82	8/1/2017	7/31/2022
Dasmariñas-Binondo	G/F, 304 STP Building, Dasmarinas cor. Marquina Sts., Brgy. 291, Binondo, Manila.	136,136.71	9/1/2020	8/31/2025
Del Monte	G/F Bank of Commerce Building, Del Monte Ave. cor. D. Tuazon St., Brgy. Maharlika, Quezon City	172,872.00	6/18/2019	6/17/2029

Dela Costa-Alfaro	G/F 100 Don Chua Lamko Building, H.V. Dela Costa cor. Leviste St., Salcedo Village, Brgy. Bel-Air, Makati City	227,203.20	11/1/2018	10/31/2023
Diliman	Commonwealth Ave., Cor. Masaya St., Brgy. Old Capitol Site, Quezon City	411,600.00	5/1/2020	4/30/2025
Eastwood-Petron	No. 188 E. Rodriguez Jr. Avenue (C-5), Brgy. Bagumbayan, Quezon City.	192,339.87	2/15/2021	2/14/2024
Sto. Cristo	G/F Kim Siu Ching Foundation Building, 471-483 Sto. Cristo cor. Jaboneros St., Brgy. 281 Binondo Manila	180,754.53	8/1/2018	7/31/2023
Ermita	1312 A. Mabini St., Brgy. 669, Ermita, Manila	179,385.20	10/1/2018	9/30/2023
E. Rodriguez	No. 84 Hemady St., New Manila, Brgy. Mariana, Quezon City.	207,796.77	1/1/2018	12/31/2022
Fort Bonifacio Global City	G/F Kensington Place, Burgos Circle, Brgy. Fort Bonifacio, Taguig City.	412,402.14	10/1/2017	9/30/2022
Grace Park	G/F No. 554 HGL Building, EDSA Cor. Biglang Awa Street, Brgy. 95, Caloocan City.	175,430.65	11/1/2013	10/31/2023
Juan Luna	No. 465 MCU Building, Juan Luna Street, Brgy. 287, Binondo, Manila.	268,019.13	9/19/2020	9/18/2025
Tomas Morato	Tomas Morato Ave., cor. Dr. Lascano St., Brgy. Sacred Heart, Quezon City	281,544.96	10/23/2017	10/22/2022
Katipunan-Petron	Katipunan Ave., cor. Mangyan Road, La Vista, Brgy. Pansol, Quezon City.	197,594.04	10/28/2021	2/14/2024
Las Pinas	G/F Pelayo Building, Alabang-Zapote Road, Manuela Subdivision, Brgy. Pamplona-III, Las Piñas City.	142,296.00	4/1/2018	3/31/2023
Makati Avenue-Zuellig	Unit 2, G/F Zuellig Building, Makati Ave., Cor. Paseo De Roxas & Sta. Potenciana Sts., Brgy. Bel-Air, Makati City.	504,896.00	1/1/2020	12/31/2026
Magallanes	G/F Tritan Plaza Building, San Antonio St., Paseo de Magallanes, Brgy. Magallanes, Makati City.	119,405.47	9/30/2018	9/29/2023
Malabon	29 Gov. Pascual Ave., Brgy. Acacia, Malabon City.	150,000.00	6/1/2016	5/31/2024
Malabon-Gen. Luna	No. 55 Gen. Luna St., Brgy. San Agustin, Malabon City.	100,024.74	5/1/2013	2/28/2023
Marcos Highway	Unit # 10,No. 4 Thaddeus Arcade, Gil Fernando Avenue corner Pitpitan Street, Brgy. San Roque, Marikina City.	176,083.31	9/1/2018	8/31/2023

Marikina	No. 258 J.P. Rizal St., Brgy. Sta. Elena, Marikina City	227,696.00	2/17/2018	2/16/2023
NAIA	IPT Building., Arrival Lobby, Terminal 1, Brgy. Sto. Nino, Pasay City.	19,238.56	1/1/2021	12/31/2021
NAIA Terminal-3	Stall No. 14, Arrival Lobby, NAIA Terminal 3, Brgy. 183, Pasay City.	37,503.02	1/1/2021	12/31/2021
Pasay Road	1006 Cedar Executive Building, A. Arnaiz Ave., San Lorenzo Village, Brgy. San Lorenzo, Makati City	410,052.24	11/1/2019	10/31/2024
Pasig	G/F Renaissance 2000 Tower, Meralco Ave., Brgy. San Antonio, Pasig City.	543,891.14	1/3/2019	1/2/2024
Pasong Tamo Ext.	2295 OPVI Centre, Pasong Tamo Extension, Brgy. Magallanes, Makati City	173,748.21	12/27/2017	12/26/2022
Port Area	G/F/ Mary Bachrach Building, 25th Cor. Delgado Sts., Brgy. 653, Port Area, Manila	113,899.52	9/1/1997	5/31/2012
Quezon Avenue	No. 8 Sto. Domingo Church Compound, Biak-Na-Bato St cor. Quezon Ave., Brgy. Sto. Domingo, Quezon City.	245,537.90	11/28/2019	11/27/2024
Quiapo	No. 609 Sales St., Brgy. 309, Quiapo, Manila.	153,320.55	3/1/2017	8/31/2022
Rockwell	P1 - Concourse Level, The Powerplant Mall, Rockwell Center, Brgy. Poblacion, Makati City	262,617.16	7/1/2021	6/30/2023
Fairview-Petron	G/F Petron Station, Commonwealth Avenue, Brgy. Fairview, Quezon City.	82,096.29	3/1/2012	8/31/2022
Ninoy Aquino Avenue	Unit W & Y, No. 707 Columbia Airfreight Complex, Ninoy Aquino Ave., Brgy. Sto. Nino, Paranaque City.	195,148.80	6/16/2018	6/15/2023
Salcedo	G/F Aguirre Building, Tordesillas cor. H.V. Dela Costa St., Salcedo Village, Brgy. Bel-Air, Makati City.	177,916.35	1/5/2017	1/4/2022
Soler	1004 Reina Regente cor. Soler St., Brgy. 292 Binondo, Manila	151,097.18	3/21/2018	5/20/2022
Resorts World	Unit R3, GF Star Cruises Centre, 100 Andrews Avenue, Newport City Brgy. 183, Pasay City	336,571.20	4/1/2020	1/31/2025
Sucat	8338 Fortuna-II Bldg., Dr. A. Santos Ave., Brgy. San Isidro, Paranaque City.	105,280.00	6/19/2017	6/18/2022
Taft Avenue	G/F Mirasol Building, 854 G. Apacible St., cor. Taft Ave., Brgy. 676, Ermita, Manila	126,489.34	12/21/2021	12/20/2028
Taft-PGH	G/F Mirasol Building, 854 G. Apacible St., cor. Taft Ave., Brgy. 676, Ermita, Manila	153,319.87	8/1/2020	7/31/2025

Tutuban	G/F, Units LS-CM19 & 20, Centermall-II, Tutuban Center, C.M. Recto Ave., Brgy. 248, Binondo, Manila	148,661.27	5/1/2017	12/31/2021
UN Avenue	No. 429 Victoria Building, United Nations Avenue, Brgy. 666, Ermita, Manila.	293,725.02	11/16/2018	11/15/2023
Valenzuela	Units 12 & 13, Puregold Shopping Complex, McArthur Highway,Brgy. Dalandan, Valenzuela City.	98,369.15	1/15/2019	1/14/2024
Visayas Avenue	15 Visayas Avenue Extension, Brgy. Culiat, Quezon City.	112,000.00	6/1/2020	5/31/2025
Wack-Wack Petron	No. 553 Shaw Blvd., Brgy. Wack-Wack, Greenhills East, Mandaluyong City, Manila.	189,249.46	6/1/2011	5/31/2026
West Avenue	68 West Ave., Brgy. West Triangle, Quezon City	123,484.33	4/1/2015	6/30/2023
West Triangle	1451 Quezon Ave., cor. Examiner St., Brgy. West Triangle, Quezon City.	296,055.03	1/1/2019	12/31/2023
Bonifacio High Street	G/F Active Fun Building, 9th Avenue corner 28th Street, Brgy. Fort Bonifacio, Taguig City	665,267.08	5/1/2014	4/30/2024
Pasig Boulevard	152 Pasig Boulevard, Brgy. Bagong Ilog, Pasig City.	142,943.54	10/16/2019	10/15/2024
Dela Rosa	G/F King's Court Building-II, 2129 Chino Roces Ave., Cor. Dela Rosa Street, Pio Del Pilar, Makati City	205,497.63	9/16/2019	9/15/2024

LUZON

Baguio	G/F YMCA Baguio Building, Post Office Loop (Upper Session Road), Brgy. Session Road, Baguio City, Benguet.	206,982.61	6/1/2019	5/31/2024
Laoag	Rizal corner Gen. Hizon St., Brgy. 7-A, Laoag City, Ilocos Norte.	181,109.45	5/16/2016	5/15/2025
Candon	National Highway, Brgy. San Jose, Candon City, Ilocos Sur.	207,774.07	10/1/2021	9/30/2026
Dagupan	Eastgate Plaza Building, A.B. Fernandez Avenue, Dagupan City, Pangasinan.	106,192.80	4/1/2018	3/31/2023
La Union	Northway Plaza, National Highway, Bgy Sevilla, San Fernando City, La Union.	101,461.65	12/1/2019	11/30/2024
Urdaneta	The Pentagon Building, McArthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan.	108,909.36	3/1/2018	2/28/2023

Vigan	G/F Plaza Maestro Commercial Complex, Florentino Cor. Jacinto Streets, Brgy. 1, Vigan City, Ilocos Sur.	183,833.22	2/19/2019	2/18/2024
Tuguegarao	No. 27 Bonifacio Cor. Washington Streets, Brgy. Centro 4, Tuguegarao City, Cagayan.	172,569.48	12/1/2018	11/30/2024
Santiago City, Isabela	G/F Oryza Hotel, Maharlika Highway, Bgy Villasis, Santiago City, Isabela.	117,600.00	9/17/2021	9/16/2026
Cauayan City, Isabela	G/F, Majesty Commercial Building, National Highway, Brgy. San Fermin, Cauayan, Isabela.	68,961.16	9/10/2021	9/8/2026
Angeles	McArthur Highway Cor. B. Aquino Street, Brgy. Lourdes Sur East, Angeles City, Pampanga.	196,363.92	3/18/2021	3/17/2026
Balanga	P. Paterno Street, Brgy. Poblacion, Balanga City, Bataan.	145,948.95	2/23/2021	2/22/2026
Balibago	McArthur Highway Cor. Victor Street, Brgy. Balibago, Angeles City, Pampanga.	145,235.65	2/1/2015	1/31/2025
Baliuag	G/F Doña Victoria Building, Gil Carlos Cor. Año Streets, Brgy. Poblacion, Baliuag, Bulacan.	253,422.40	9/9/2020	9/8/2028
Cabanatuan	G/F V. P Building, Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City, Nueva Ecija.	153,328.82	10/27/2018	10/26/2023
Malolos	Paseo Del Congreso, Brgy. Caingin, Malolos City, Bulacan.	107,207.65	3/20/2012	3/19/2022
San Fernando, Pampanga	G/F Insular Life Building, McArthur Highway, Brgy. Dolores, San Fernando, Pampanga.	240,289.26	6/16/2017	6/15/2022
Sta. Cruz	National Road Cor. Misola St., Brgy. Poblacion South, Sta. Cruz, Zambales.	39,200.00	2/17/2020	2/16/2025
Subic Freeport	G/F, The Venue, Annex Building, Rizal Nighway, Subic Bay Freeport Zone 2222, Olongapo City, Zambales.	96,714.79	8/1/2020	7/31/2025
Tarlac	Block 4, Unit 110-112, G/F, Rising Sun Building, McArthur Highway, Brgy. San Nicolas, Tarlac City.	90,054.43	3/1/2019	2/28/2024
Angeles Nepomart	G/F ENTEC Building, Teresa Avenue, Nepo Mart Complex, Bgy Cutcut, Angeles City, Pampanga	106,171.05	7/15/2021	7/14/2026
Baliuag DRT Highway	3006 Augustine Square Commercial Complex, Doña Remedios Trinidad (DRT) Highway, Brgy. Pinagbarilan, Baliuag, Bulacan.	72,654.75	2/1/2017	3/31/2022

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.	121,874.76	10/1/2017	9/30/2022
Mabalacat	McArthur Highway, Brgy. San Francisco, Mabalacat, Pampanga.	64,890.00	2/24/2018	2/23/2023
Sta. Maria, Bulacan	G/F Jover Building, Narra Street, Bgy Sta. Clara, Sta. Maria, Bulacan.	86,436.00	6/16/2018	6/15/2023
San Fernando Sindalan	Jumbo Jenra, McArthur Highway, Bgy Sindalan, San Fernando City, Pampanga.	132,300.00	4/4/2019	4/3/2027
Batangas-Caedo	G/F Caedo Commercial Complex, Brgy. Calicanto, Batangas City.	112,000.00	4/1/2021	5/31/2026
Cainta	No. 40 Felix Ave., Brgy. San Isidro, Cainta, Rizal.	100,590.34	1/25/2019	1/24/2024
Calamba	Unit 6 & 7, New Parian Business Center, National Road, Brgy. Parian, Calamba City, Laguna.	149,880.02	1/1/2018	12/31/2022
Dasmariñas-Cavite	G/F Veluz-Frances Plaza Building, Aguinaldo Highway, Brgy. Zone 1, Dasmariñas City, Cavite.	98,784.00	7/1/2018	6/30/2023
Lipa	# 7 Bank of Commerce Building, CM Recto Avenue, Bgy 9-A, Lipa City, Batangas.	125,265.22	11/1/2007	10/31/2022
Lucena	G/F Bank of Commerce Building, Quezon Avenue cor. Lakandula Street, Brgy. IX, Lucena City, Quezon.	144,301.25	12/16/2020	12/15/2025
Imus	G/F Lot 3 Block 1, Aguinaldo Highway, Brgy. Anabu 1-B, Imus City, Cavite.	90,757.80	3/1/2017	2/28/2022
San Pedro	G/F Pacita Commercial Complex, National Highway, Brgy. Nueva, San Pedro Laguna.	188,251.41	6/21/2019	6/20/2024
Sta. Rosa	Shop 1-A, Paseo-III, Embarcadero Lane, Paseo De Santa Rosa, Brgy. Don Jose, Sta. Rosa City, Laguna	199,920.00	9/16/2020	9/15/2022
Tanauan	G-04 The Citywalk, No. 2 President Laurel Highway, Brgy. Darasa, Tanauan City, Batangas.	71,090.63	1/1/2022	12/31/2026
Calapan	G/F Leona Yap Ong Building, J.P. Rizal Street, Brgy. San Vicente Central, Calapan City, Oriental Mindoro.	187,998.31	5/20/2018	5/19/2023
Puerto Princesa	J.P. Rizal Avenue, Brgy. Manggahan, Puerto Princesa City, Palawan.	158,733.19	4/1/2018	3/31/2023

Legazpi City	G/F Diabetes One Stop Center, LANDCO Business Park, Brgy. Capantawan, Legazpi City, Albay.	124,073.60	7/1/2018	6/30/2023
Naga	G/F No. 258 Romar Building-1, Elias Angeles Street, Brgy. Dinaga, Naga City, Camarines Sur.	136,136.71	6/13/2017	6/12/2022

VISAYAS

Bacolod-Araneta	G/F Yusay Arcade, Araneta Street, Brgy. 15, Bacolod City, Negros Occidental.	222,606.24	12/5/2018	12/4/2023
Bacolod-Lacson	Corner 12th & Lacson Streets, Brgy. 4, Bacolod City, Negros Occidental.	235,872.00	3/15/2020	3/14/2025
Estancia	Clement Street, Brgy. 25, Estancia, Iloilo City.	58,800.00	1/30/2020	1/29/2025
Iloilo Iznart	G/F TCT Building, Iznart Street, Brgy. Danao, Iloilo City.	169,332.80	6/1/2019	5/31/2024
Iloilo - J.M. Basa	G/F TTW Building J.M. Basa & Mapa Sts., Brgy. Ortiz, Iloilo City.	170,413.88	10/29/2020	10/28/2025
Kalibo	No. 1280 Garcia Building, C. Laserna Street, Brgy. Poblacion, Kalibo, Aklan.	113,805.71	5/26/2017	5/25/2022
Roxas City	G/F Gaisano Arcade, Arnaldo Boulevard, Brgy. Baybay, Roxas City, Capiz.	78,812.44	3/18/2018	3/14/2023
Iloilo Atria	F&B 2, UPMC Building, Atria Park District, Bgy San Rafael, Iloilo City.	95,703.61	4/11/2021	12/31/2021
Bacolod Capitol	GR 04 & 05, 888 Chinatown Premier Mall, Cottage Road corner Gatuslao St., Brgy. 8, Bacolod City, Negros Occidental.	80,826.30	6/1/2021	5/31/2026
Cebu Banilad	First Jomica Realty & Development Bldg., No. 888 A. S. Fortuna St., Bgy Banilad, Mandaue City, Cebu	134,400.00	9/1/2021	8/31/2026
Cebu-Main	Cebu Woman's Club Building, B. Rodriguez St. Cor. Osmeña Blvd., Brgy. Sambag-II, Cebu City.	364,007.40	5/1/2018	4/30/2023
Cebu F. Cabahug	Units 5 & 6 GPH Central, F. Cabahug corner Pres. Roxas Sts., Bgy Kasambagan, Cebu City	96,462.58	12/1/2017	11/30/2022
Cebu Sto. Niño - Magallanes	G/F Unit 2, Martina Sugbo Building, P Burgos corner Magallanes Sts., Bgy Sto. Nino, Cebu City	234,501.72	2/1/2018	1/31/2023

Mandaue-NRA	G/F Mantawe Ave., North Reclamation Area, Brgy. Tipolo, Mandaue	153,334.31	10/16/2019	10/15/2024
Dumaguete	Rusiana Building, North Road, Capitol Area (National Highway), Barangay Daro, Dumaguete City	84,525.00	6/17/2019	6/16/2029
Lapu-Lapu	Unit 3-5 AJS Building, M.L. Quezon National Highway, Brgy. Pusok, Lapu-Lapu City, Mactan, Cebu	113,834.59	9/3/2017	9/2/2022
Mandaue	G/F Entienza Building, National Highway, Brgy. Bakilid, Mandaue City, Cebu.	156,489.13	9/16/2018	9/15/2023
Tagbilaran	G/F 0025 Karan's Building, B. Inting St., 2nd district, Bgy Poblacion 2, Tagbilaran City	108,192.00	2/1/2020	1/31/2025
Cebu Talisay	PCJ Building, National Highway, Bulacao, Talisay City, Metro Cebu	76,477.50	7/18/2018	7/17/2023
Ormoc	G/F H. Serafica Building, Real Street, Brgy. District 24, Ormoc City, Leyte	143,211.54	3/1/2020	1/31/2025
Tacloban	Door Nos. 12 & 13, RUL Building, Justice Romualdez St., Brgy. 15, Tacloban City	94,809.49	12/1/2020	11/30/2025

MINDANAO

Zamboanga Veterans	Veterans Avenue cor. Camachile Street, Brgy. Zone 3, Zamboanga City, Zamboanga Del Sur.	113,555.64	4/1/2018	3/31/2023
Pagadian	F. S. Pajares Avenue, Brgy. Gatas, Pagadian City, Zamboanga del Sur.	75,676.57	4/8/2018	4/7/2028
Cagayan De Oro-Velez	Don A. Velez-Akut Streets, Brgy. 16, Cagayan De Oro City, Misamis Oriental.	267,735.53	9/5/2010	9/4/2025
Cagayan De Oro-Lapasan	Suites 6 & 7, Gateway Tower-1, Limketkai Center, Lapasan Highway, Brgy. Lapasan, Cagayan De Oro City	224,231.98	5/1/2020	4/30/1930
Cagayan De Oro Carmen	Eric Tan Building, Vamenta Boulevard, Brgy. Carmen, Cagayan De Oro City.	95,414.27	3/3/2018	3/2/2023
Iligan City	M. Badelles corner De Leon Street, Barangay Poblacion, Iligan City, Lanao del Norte.	98,000.00	12/31/2016	12/30/2021
Davao-City Hall	G/F Valgoson's Realty Building, City Hall Drive, Brgy. 2-A, Davao City, Davao Del Sur.	172,197.40	8/1/2019	7/31/2029
Davao Lanang	Consuelo Bldg, Km. 7, Lanang, Davao City	182,482.41	7/16/2018	7/15/2023
Davao-Rizal	G/F CAP Development Center Building, Rizal Street, Brgy. 3-A, Davao City, Davao Del Sur.	122,628.66	6/1/2012	5/31/2022

Tagum City	Units 104-105 PLJ Building, Apokon Road, Magugpo Poblacion, Tagum City, Davao del Norte.	81,808.37	6/28/2021	6/27/2026
General Santos	G/F Sunshine Hardware Building, Santiago Blvd., Brgy. East, General Santos City, South Cotabato.	189,342.64	2/1/2018	1/31/2023
Butuan	G/F Cesia Building, Montilla Boulevard, Brgy. Urduja, Butuan City, Agusan Del Norte.	134,690.99	8/1/2019	7/31/2024

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MANDALUYONG CITY on 13 MAY 2022 20__.

BANK OF COMMERCE
Issuer

By:

MICHELANGELO R. AGUILAR
President & CEO

ANTONIO S. LAQUINDANUM
EVP/CFO/CIO

EVITA C. CABALLA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 13 2022 at MANDALUYONG CITY ____ day of ________ 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

Names	Identification No.	Place of Issue	Valid Until
Michelangelo R. Aguilar	Passport No. P8692960A	DFA NCR East	September 9, 2028
Antonio S. Laquindanum	Passport No. P7572781B	DFA Manila	September 9, 2031
Evita C. Caballa	Passport No. P6253175A	DFA NCR East	March 1, 2028

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Series of 2022

EVA Z. BANZON
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0529-19
UNTIL JUNE 30, 2022
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 3067390/01-12-2022/MANDALUYONG CITY
IBP OR No. ~~177161/02-05-2022~~
ROLL OF ATTORNEYS No. 72151
Notary Public