C O V E R   S H E E T
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
17-A		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	8982-6000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	Any day in April	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Antonio S. Laquindanum	ASLaquindanum@bankcom.com.ph	8982-6000	N/A

CONTACT PERSON's ADDRESS

12th Floor, San Miguel Properties Centre, No. 7 St. Francis St., Mandaluyong City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the quarterly period ended **December 31, 2022**

2. Commission identification number **24221**

3. BIR Tax Identification No **000 440 440**

4. Exact name of issuer as specified in its charter **BANK OF COMMERCE**

5. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**

6. Industry Classification Code: (SEC Use Only)

SAN MIGUEL PROPERTIES CENTRE, NO. 7 ST FRANCIS STREET, MANDALUYONG CITY 1550, PH

7. Address of issuer's principal office Postal Code

8. Issuer's telephone number, including area code **+63-2-8982 6000**

9. Former name, former address and former fiscal year, if changed since last report **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stocks	1,403,013,920
Preferred Stocks	416,666,670

11. Are any or all of the securities listed on a Stock Exchange? Yes [**X**] No [ ]

- If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

The Philippine Stock Exchange, Inc: Common Shares

12. Indicate by check mark whether the registrant:

a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports).
Yes [**X**] No [ ]

b) has been subject to such filing requirements for the past ninety (90) days.
Yes [X] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

Total number of shares held by non-affiliates	333,516,300.00
Share Price as of December 31, 2022	7.89
Aggregate value of shares held by non-affiliates	2,631,443,607.00

TABLE OF CONTENTS

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

Bank of Commerce, a universal bank licensed by the Bangko Sentral ng Pilipinas ("BSP"), traces its origins to the Overseas Bank of Manila, established in Binondo. Manila in 1963. In 2008, San Miguel Corporation ("SMC") bought into the Bank and became a major stakeholder through the voting stake of San Miguel Properties, Inc. in the Bank. In December 2020, the Intellectual Property Office (IPO) granted the copyright license for "BankCom" as the Bank's official short name.

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, investment banking, treasury, asset management, trust and investments. In terms of service reach, the Bank has retail and corporate internet banking facilities, 140 branches and 259 automated teller machines ("ATMs") strategically located nationwide as of 31 December 2022.

Consolidated total assets amounted to ₱145.03 billion, ₱170.92 billion, ₱199.71 billion and ₱217.52 billion as of 31 December 2019, 2020, 2021 and 2022 respectively. Net profit (loss) was ₱652.72 million, ₱784.43 million, ₱1.21 billion and ₱1.80 billion for the years ended 31 December 2019, 2020, 2021 and 2022, respectively.

As of 31 December 2022, the Bank's Tier 1 and total capital adequacy ratio of 17.22% and 17.97%, remained well above the minimum regulatory requirement of 7.5% and 10.0%, respectively. For the year ended 31 December 2022, the Bank's return on average equity, return on average assets and cost-to-income ratios were 7.01%, 0.86% and 67.56%, respectively. In 2021, the Bank had a reversal in provisions due to enhancements in its credit loss provisioning methodology.

The Bank recorded a net income of ₱1.80 billion for the year ended 31 December 2022, 49.18% up from it 31 December 2021 Net Income of ₱1.21 billion amid the continuous recovery of the economy from the COVID-19 pandemic. This was driven by the 23.79% higher net interest income of ₱6.68 billion due to higher yields and increased volume in loans and securities. Foreign exchange gains increased more than 3x to Php150.32 million due to increased volume of transactions. Service charges, fees and commissions and revenues from the sale of foreclosed assets increased to ₱857.63 million and ₱340.45 million, respectively, from ₱531.13 million and ₱274.99 million.

Total assets also grew by 8.92% to ₱217.52 billion on account of higher investment securities at amortized cost and loans and receivables.

The Bank's net loans grew by 41.3% to ₱105.09 billion in 2022, from ₱74.37 billion, driven mainly by the growth in corporate loans. Significant loan growth was achieved while maintaining balance sheet strength and asset quality with net NPL ratio of 0.60 %, as of 31 December 2022.

Universal Banking License Application

On November 2022, the Monetary Board of the BSP conferred on the Bank the authority to operate as a universal bank.

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.

RECENT DEVELOPMENTS

Amendment to Article SEVENTH of the Bank's Articles of Incorporation to Increase the Bank's Authorized Capital Stock

Subject to the approval of the stockholders during the Annual Stockholders' Meeting scheduled on April 25, 2023, and thereafter, the relevant government regulatory agencies, the Bank's Board of Directors, during its meeting on February 28, 2023, approved to amend Article SEVENTH of the Banks Articles of Incorporation to increase the Bank's authorized capital stock, as follows:

From
"SEVENTH – The total authorized capital stock of the corporation is PESOS: TWENTY-ONE BILLION FIVE HUNDRED SEVENTY-FIVE MILLION ONE HUNDRED FOURTEEN THOUSAND SEVEN HUNDRED (P21,575,114,700.00) divided into ONE BILLION SEVEN HUNDRED TWO MILLION FIVE HUNDRED ELEVEN THOUSAND FOUR HUNDRED SEVENTY (1,702,511,470) common shares with a par value of PESOS: TEN (P10.00) per share; and FOUR HUNDRED FIFTY-FIVE MILLION (455,000,000) preferred shares with a par value of PESOS: TEN (P10.00) per share." (As amended on 30 January 2020 and further amended on 08 July 2021)

To
*"*SEVENTH – The total authorized capital stock of the corporation is PESOS: TWENTY EIGHT BILLION ONE HUNDRED NINETY EIGHTY MILLION SEVEN HUNDRED SEVENTY THREE THOUSAND EIGHT HUNDRED FORTY (P28,198,773,840.00) divided into TWO BILLION THREE HUNDRED SIXTY FOUR MILLION EIGHT HUNDRED SEVENTY SEVEN THOUSAND THREE HUNDRED EIGHTY FOUR (2,364,877,384) common shares with a par value of PESOS: TEN (P10.00) per share; and FOUR HUNDRED FIFTY FIVE MILLION (455,000,000) preferred shares with a par value of PESOS: TEN (P10.00) per share. (As amended on 30 January 2020 and further amended on 08 July 2021)." (*As amended on 25 April 2023).*

Appointment of Bank Officers

Effective February 16,2023, the Bank appointed Ms. Marie Suzanne Sison Sevilla as Chief Information Officer and Senior Vice President and Head of Digital Services Group. She replaced Mr. Donald Benjamin G. Limcaco. Ms. Sevilla has been tasked with driving the Bank's information technology (IT) projects and roadmap, and ensuring compliance on various aspects of IT.

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 quickly and prudently when opportunities arise.

STRATEGIES

Amid assumptions of continuing elevated interest rates to manage inflation, BankCom remains focused on achieving its goals by sustaining and keeping healthy financial position and results by providing meaningful customer banking experience, operational efficiency, and developing and retaining employees.

As economic activities rebound, the Bank seeks to continue supporting customers' growing needs. Priority strategies include strengthening core business income, optimizing cross-selling activities, ramping up participation in capital markets, innovation of products and services, developing SMC ecosystem and affiliates to support loans expansion and boosting business units' operational efficiency through digitalization.

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

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, trust services and investment banking 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 enumerated below.

Retail Products

- Savings Account with Debit Card (Mastercard)
- Savings Account with Passbook
- Savings Account Plus
- Checking Account
- Complete Checking Account
- Executive Payroll 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
- Future Secure 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 of Time Deposit
- Corporate Savings Account
- Corporate Savings Account Plus
- Corporate Checking Account
- Corporate Checking Account Plus with Corporate Access Number

Corporate Banking

- Working Capital Loan
- Term Loan
- Capital Expenditure Financing
- Project Financing
- Small Business Loan – Term Loan
- Small Business Loan – Business Credit Line
- Foreign Currency Denominated Loan
- Trade Financing
- Letters of Credit
- Export Packing Credit
- Export Bills Purchase
- Domestic Bills Purchase

Consumer Loans

- Home Loan
- Auto Loan
- Salary Loan

Credit Card

- Bank of Commerce Mastercard

- Classic
- Gold
- Platinum
- World

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

Investment Banking Services

- Financial Advisory
- Issue Management, Underwriting and/or Arrangement of Debt and Equity Instruments
- Placement/Selling of Debt and Equity Instruments

Transaction Banking

- Cash Management Solutions
  - BankCom PAY
    - cashPAY
    - directPAY
    - checkPAY
    - govPAY
  - BankCom COLLECT
    - DepositCOLLECT
    - directCOLLECT
- Digital Channels
  - BankCom [Personal] – Retail Online Banking (Web and Mobile App)
  - BancNet Point of Sale
  - Automated Teller Machines (ATM)
  - Cash Deposit Machine (CDM)
  - Payment and Card Solutions
- Remittance Services
  - SikapPinoy OFW Account
  - SikapPinoy Asenso Program
  - SikapPinoy Domestic Remit
    - Cash Pick-up at RD Pawnshop
  - SikapPinoy International Remit
    - 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
    - Credit to Mobile Wallets (GCash, Maya, Coins.ph, GrabPay
    - Cash Home Delivery
    - Cash Pick-up Services via Bank of Commerce Branches from International Remittance Partners*
    - Cash Pick-up Services via Philippine Payout Partners:
      - M Lhuillier
      - Cebuana Lhuillier
      - LBC Express
      - Palawan Pawnshop
      - RD Pawnshop
  - E-Government Payments of OFWs through International Remittance Partners*
    - SSS Contributions / Loan Payments

        - PhilHealth Contributions
        - Pag-IBIG Contributions / Loan Payments
    - International Remittance Partners*
        - Al Ansari Exchange LLC (United Arab Emirates)
        - Arab National Bank – TeleMoney (Kingdom of Saudi Arabia)
        - Bank AlJazira – Fawri (Kingdom of Saudi Arabia)
        - Bank AlBilad – Enjaz (Kingdom of Saudi Arabia)
        - Family Express (Canada)
        - Eastern & Allied Pty Ltd – HaiHa Money Transfer (Australia)
        - MoneyGram (Global)
        - Pacific Ace Forex HK Ltd (Hong Kong)
        - Prabhu Money Transfer (Qatar)
        - TransFast (Global)
        - U Remit International Corp. (Canada)
        - Speed Money Transfer (Japan)
- International Trade Services
    - Import
        - Import Letter of Credit
        - Standby Letter of Credit (SBLC) / Bank Guarantees
        - Import Collections
        - Documents Against Payment (DP)
        - Documents Against Acceptance (DA)
        - Trust Receipt Loan
        - Payment Abstract Secure (PAS6) Enrollment and Bureau of Customs Duties & Taxes Payment
        - Shipside Bond Guarantee
        - Airway Bill Endorsement
        - Foreign Exchange (FX) Purchase for Advance Payment of Importation
        - Direct Remittance (DR)
        - Open Account (OA) Arrangement
    - Export
        - Export Bills for Collection
        - Export Bills Purchased
        - Export Advances
        - Export LC Advising / Confirmation / Transfer
    - Domestic
        - Letter of Credit
        - Standby Letter of Credit / Bank Guarantees
        - Negotiation of Domestic Letter of Credit

- Supply Chain
    - Trade Finance Receivable

Corporate Banking Group

Corporate Banking Group (CBG) grew its assets by a remarkable 47.2%, from Php63.6 billion in 2021 to Php93.6 billion in 2022 or an increase of Php30.0 billion, even while the economy was in a recovery phase due to the effects of the pandemic. Following the same trajectory, loan volume on an average daily balance (ADB) basis rose by 47.5% by the end of 2022. The bulk of this growth came from major deals with highly rated, credit-worthy companies in public infrastructure and real estate, power and renewable energy, engineering and construction, and information technology and telecommunications industries.

The growth in loan volume and fees brought net interest income to Php1.3 billion in 2022. Non-interest income was also a source of strong performance as CBG booked a total of Php154 million - almost four (4) times its fee income of Php40 million in 2021.

Branch Banking Group

Branch Banking Group (BBG) oversees the Bank’s retail banking business and is considered as the “nucleus” or core source of customers for the Bank’s other business units to drive programs for their target markets. With a network of 140 branches, BBG draws from the years of experience of its seasoned leadership and expertise of its individual branch teams to deliver a consistently satisfying and comprehensive financial experience to the Bank’s affluent (“Priority”) and emerging affluent (“Aspire”) customers under the BankCom Experience Program.

Despite a challenging year, BBG reached a double-digit growth in low-cost deposits of 16% or Php13.3 billion, and a 7% increase in high-cost deposits or Php4.7 billion. The growth brought the Bank’s total deposits to Php176.2 billion by the end of 2022.

As physical and mobility restrictions eased, BBG launched tactical customer acquisition campaigns not only in Metro Manila but also in key cities across the country, including client presentations with key members of the Senior Executive Team. Highlights of these campaigns were a roadshow and economic forum that supported the Bank’s key fund-raising activities, both capital and bonds, working together with Treasury Management Group (TMG), Trust Services Group and Investment Banking Group.

To deliver on its key result areas, among which is cross-selling, BBG rolled out a “Star Look” development program for branches and individual branch employees which was supported by capacity building through familiarization with the products of partner business units, certifications for treasury and trust services, compliance awareness, and service quality clinics, among others.

With effective collaboration with Credit Cards Group (CCG), Consumer Group (CG), Trust Services Group (TSG), TMG, and Transaction Banking Group (TBG), BBG referred new credit card holders, raise consumer loans (Auto Loan and Home Loan), Trust Referral Income, and FOREX income. Likewise, BBG continued to promote enrollment to BankCom [Personal] and BankCom [Corporate] among its customers.

Riding on its formula for achieving these key financial results, BBG has placed the following in its immediate horizon:

1. Keener promotion of the BankCom Experience Program
2. Introduction of a new deposit products
3. Technology enhancement
4. Continuous training and development
5. Heightened activity in marketing the BankCom brand
6. Completion and piloting of the "branch of tomorrow" design

Transaction Banking Group

Transaction Banking Group (TBG) runs four businesses, namely, Cash Management, Trade, Remittance, and Digital Channels. Transaction flows which either originate or are fulfilled by these units generate revenue for the Bank in the form of interest income and fee/non-interest income.

In 2022, TBG brought in a total of Php1.407Bn in revenues, consisting of Php1.117Bn in interest income from TBG deals, and Php289.6Mn in fee income. Compared to the previous year, interest income grew by 3.81%. Among the four units, cash management continued to lead TBG's interest income at 77%, followed by digital channels at 22%. These were derived from transaction flows of Php39.5Bn generated by cash management's payment and collection solutions, and Php11.6Bn worth of fund transfer, bills payments and other financial transactions that went through BankCom [Personal], ATMs, point-of-sale and retail transaction channels managed by the group.

Similarly, TBG saw its fee income rise by 44.8% versus 2021, contributed mostly by trade finance (44%), digital channels (35%) and remittance (19%). Issuances of standby letters of credit (SBLCs) was one of its more widely-recognized trade business activities. SBLCs were issued to sellers of goods, on behalf of the bank's clients, who bought the goods for their operations. It was a stellar year for the BankCom's trade finance business as its trade fee income grew by 753% from 2019 to 2022. Likewise, its trade-related contingent liabilities reached Php19.9Bn in average daily balance (ADB), or six times its 2019 level of Php2.7Bn. The remarkable growth mirrored the revival of activity in trade as BankCom's issuance throughput accelerated by more than 20 times from Php3.4Bn issued in 2019—the year its trade finance unit was established—to PHP70 billion in 2022. It also demonstrated the strong partnership of BankCom and SMC in supporting the operational requirements and exigencies of trade-heavy businesses.

BankCom's remittance business, through its Sikappinoy Debit Card and Sikappinoy Asenso program, made notable strides versus industry growth rates in 2022. While Philippine inward remittances grew by 5.76% in December 2022 versus the same period the previous year, BankCom's growth was at 23%. On a full-year basis, BankCom processed 12% more in inward remittances in 2022 compared to the previous year, whereas the total industry was at 3.6%. The key drivers of growth in 2022 were remittances from the Middle East, accounting for over 60% of the business, and remittances through digital channels which grew exponentially by over 600%.

Investment Banking Group

Established in March 2022 following the BSP's approval of the upgrade of the Bank's status from a commercial bank to a universal bank, the Investment Banking Group thrusted forward to a remarkable start, generating Php110 million in revenues from selling fees and underwriting fees within only 6 months. Most of the transaction volume came from selling and underwriting publicly registered securities. These include the Php40 billion corporate bonds issuance of SMC Global Power in July, and San Miguel Corporation's own corporate bonds issuance worth Php60 billion in December, the largest corporate debt issuance in the Philippine bond market to date.

The warm reception and overwhelming demand for IBG's investment offerings from the extensive existing client networks of Branch Banking Group, Treasury Management Group, and Trust Services Group were crucial to the Bank's outstanding performance in investment banking in 2022. With a highly experienced team, structural policies in place, membership in the Investment House Association of the Philippines, and the required equity securities underwriting licenses, IBG is poised to deliver on pipeline deals extending to structuring debt arrangement for several clients involved in IT services and in the construction of large-scale infrastructure projects such as elevated tollways and commuter railways, as well as undertaking transactions in debt arrangement and financial advisory, through 2023.

Treasury Management Group

Fixed Income

Treasury Management Group (Treasury) broke records in fixed income, foreign exchange (FX) distribution, and liquidity management in spite of the demanding environment that struggled to come out of the dampening effects of the pandemic on one hand, as well as inflationary forces created by aggressive interest rate hikes of central banks notably the Federal Reserve of the United States and BSP.

Treasury's cautious approach to purchasing fixed income securities and lodging them in the Bank's Held-to-Collect (HTC) portfolio, coupled with prudence in position sizing, discipline in trading, and diligence in reading the market, enabled it to manage losses to a relatively low level at -P29.2 million. All in all, its security holdings, mostly in HTC portfolio, generated Php1.7 billion in total interest income. In terms of volume, Treasury through its Marketing and Sales team moved a total of Php29 billion in securities, or a massive 1,368% increase versus the previous year, in line with the Bank's investment banking offerings in 2022.

The Bank's successful maiden bond issuance, which Treasury spearheaded, became the year's highlight as it raised an aggregate amount of Php7.5 billion after closing the book on just the 2nd day of the offer at more than 3 times the initially announced minimum issue size of Php3 billion. The 2-year Series A Bonds, which was competitively priced at a coupon rate of 5.0263% per annum due 2024, was met with strong demand and swift traction by both institutional and retail investors, such that the Bank reached Php10.9 billion of orders shortly before deciding to conclude the offering period. The overwhelming response underscored the market's confidence in BankCom's performance, its creditworthiness, and growth potential as a publicly-listed company and an affiliate of SMC, one of the Philippines' largest and diversified conglomerates. Proceeds from this issuance were intended to enable the Bank to match long-term assets with long-term funding to reduce the Bank's interest rate risk, and to provide stability through diversified funding sources in propelling loan growth in the corporate, SME and retail sectors.

As bond yields trend upwards, Treasury continues to work on gaining access to the bond futures market to seize more profitable opportunities. A new system, Fusion OPICS, was procured for this purpose.

FX Distribution

Treasury duplicated its feat with a record-breaking 211% increase in FX gains from Php48.4 million in 2021 to Php150 million in 2022. This was achieved through an expanded FX sales team and a pricing strategy that closely supported clients' needs.

Liquidity Management

At its core, Treasury through its Liquidity and Asset-Liability Management team delivered on its goal of securing funding at optimal rates to keep the Bank's deposit costs at bay at 0.59%, albeit 18 bps more than in 2021, and achieve a remarkable 41% expansion in loans, or Php30.7 billion increase year-on-year, and 19% growth in investment securities, or Php9.43 billion year-on-year. This was achieved by strategically matching assets and liabilities to the extent possible.

This, in spite of unprecedented challenges characterized by sharp interest rate hikes of central banks and elevated market volatility, after more than a decade of abundant liquidity and relative stability in the market.

The efficiency and reduced risk of Treasury's approach to liquidity management enabled the Bank to surpass its targeted net interest margin / net interest income for the year without exposure to undue risks from the interest rate volatility, which largely contributed to achieving a record-high net income in 2022.

Consumer Group

Consumer Group (Consumer) continued with its uptrend in operational results with a strong follow through to the recovery that started in 2021. While the country was still in the midst of the pandemic-related challenges, the 2022 performance reflected better year-end balances than projected for the year, with improved net interest margins at Php354 million, higher fees generated at Php40.4 million, and reversals in provisions at Php93.6 million due to improved delinquency levels. Profit after provisions stood at Php330.1 million.

A key attribute of the performance in 2022 was a strict adherence to an approved risk appetite for lending. Consumer focused on credit-granting parameters that identified the desirable borrowers and which were closely reviewed and calibrated according to the prevailing market conditions. This provided the anchor to the 2022 results. The total consumer loans portfolio not only grew but the composition shifted to a higher percentage of performing loans and lower delinquency levels. The improvement in delinquent accounts was brought about by a combination of more efficient collections and timely remedial activities. As a result, non-performing loan ratios were significantly better at the end of 2022 compared to 2021.

The Group's strategy has enabled the Bank's consumer lending business to remain resilient in the face of global economic headwinds. While Consumer sees 2023 with optimism it remains watchful of the market conditions as it targets to deliver growth while maintaining the quality of its portfolio.

Trust Services Group

BankCom landed a stronger contender on trust business as the Bank rose to 9th place from 10th in the industry in terms of Assets Under Management (AUM). Trust Services Group (TSG) grew AUM by an impressive 12% year-on-year, reaching a total of Php70.3 billion. The combination of TSG's decisiveness, synergy with BBG, and strong support from SMC unlocked numerous opportunities for clients to seek BankCom's trust products and services.

BankCom's Investment Management Account likewise completed a banner year, growing AUM by 12.97% year-on-year to Php66 billion. Other Fiduciary Accounts AUM also yielded double-digit growth at 22.9% and ended the year at Php1.2 billion.

With its sights set on achieving a 20% compounded annual growth rate (CAGR) increase in both AUM and revenues by 2023, TSG has rolled out initiatives to create value for clients and key stakeholders by providing employees, suppliers, distributors, and consumers with well-thought-out programs to protect and grow their savings through prudent and informed investing.

Credit Card Group

The Credit Card Group (CCG) exceeded its 2021 income levels with the full recovery in the cards business in 2022. Credit card billings hit the Php4Bn mark, closing the year with a total of Php4.2B in credit card billings consisting of both local and international spend. Likewise, total credit card revenues exceeded Php300Mn. These figures have been the highest so far, reflecting customers' regained confidence in consumer spending, their more pronounced online and digital transaction lifestyle, and of course, the resurgence of travel.

The Bank through CCG also saw higher activity with its Debit Card, posting more than Php2.2Bn in retail billings, or 24% higher than its 2021 level. Revenues generated from transaction fees reached Php11.5Mn or an increase of 22% over the previous year. This remarkable performance reflected cardholders' readiness and increasing acceptance of it as an innovative, alternative mode of payment. It demonstrated the positive and improved direction of Debit Card usage supported by the awareness and adoption marketing campaigns that CCG launched in 2022 through various channels including social media.

With a seasoned and adaptive team, a constant focus on the customer, and the overall confidence of cardholders, CCG has set plans to further develop strong campaigns while retaining prudent risk controls, customer focus and satisfaction.

CREDIT APPROVALS

Credit Rating/ Scoring System

The Bank's Internal Credit Risk Rating System ("ICRRS") is an established tool used to evaluate the creditworthiness of a company. This rating system consists of a 10-grade rating scale that incorporates both qualitative and quantitative factors, focusing on both borrower and facility dimensions. 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. The ICRRS is a more complex and comprehensive tool that considers factors such as financial statements, industry benchmarking, management quality and other relevant factors.

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 application scorecards for consumer loan applications (including credit cards) in 2015. An application scorecard assigns a numeric score based on factors available at the time of application including loan application characteristics, demographics, credit history, income sources, and other relevant information to determine the likelihood of the applicant repaying the loan or credit. These scorecards together with other credit acceptance criteria are used to determine the Bank's application acceptance.

The Bank continually monitors the performance of its rating models and scorecards to ensure their reliability and accuracy. Regular reviews are conducted to identify any potential issues or weaknesses that may affect the accuracy of these models and scorecards. To provide an objective assessment of the model's performance, the Bank contracts external entities to perform comprehensive review and validation of the different rating and scorecards on a regular basis. Results of these independent 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:

	2022		2021	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI)**	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	**P258**	**P29,909,689**	P -	P29,201,574
Percent of DOSRI/Related Party loans to total loans	**0.00%**	**28.34%**	0.00%	38.70%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**39.98%**	0.00%	49.53%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.01%**	0.00%	0.01%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.03%**	0.00%	0.06%

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 2022, the Bank had a total of 1,865 employees, 906 of which are engaged in a professional management capacity and classified as bank officers, and 959 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 2022, BCEU has a total of 782 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			
	2019	**2020**	**2021**	**2022**
Rank and File	1,000	990	968	959
Officers	897	920	905	906
Total	**1897**	**1910**	**1873**	**1865**

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 2022, the Bank has a total branch network of 140 branches nationwide, 62 in Metro Manila and 78 across various cities and provinces. Five (5) of these were approved for relocation in 2023. 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 2019, 2020, 2021, and 2022:

	As of 31 December			
	2019	2020	2021	2022
Metro Manila	61	61	62	62
Luzon	43	43	43	43
Visayas	23	23	22	22
Mindanao	13	13	13	13
Total Bank branches	**140**	**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			
	2019	2020	2021	2022
Metro Manila	117	119	108	111
Luzon	92	90	86	92
Visayas	34	34	34	34
Mindanao	21	21	22	22
Total ATMs	**264**	**264**	**250**	**259**

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:

- **2022 Meal-packing Event with International Care Ministries (ICM) -** With volunteers finishing to pack 75 boxes in just two hours, this is one of the most highly energized and inspired CSR initiatives that exceeded attendance expectations to be held this year. Employee donations reached a total of P106,900.00. Your participation will result to having fewer families to go hungry this Christmas season and during the course of the Transform and Family Academy programs with our partners International Care Ministries and Rise Against Hunger Philippines.

- **"Stop Hunger Now!" -** BankCom employees were encouraged to support the call for donations to help Filipino families rise above extreme poverty and malnutrition.

- **Masungi Georeserve Tree-Planting Activity -** one of "malasakit" for nature initiatives targeting the Masungi Georeserve at the Upper Marikina River Basin Protected Landscape. With a combined total of 102 planted seedling varying from species acacia mangium, narra, maraluhat, ipil-ipil and mango sinora, BankCom employees contributed to the reforestation efforts of Masungi Georeserve.

- **Better World Tondo Food-feeding Day -** In support of SMFI's community center Better World Tondo (BWT), BankCom held an early Christmas Party with more than 60 beneficiary kids with games, food and gifts. BWT is a center for learning and livelihood for families in Manila and a food bank which plans to serve at least one million meals each year to children in Tondo, Manila for the next 10 years. BankCom employees volunteere to set up the events place with Christmas decors using recycled materials, cooked and served lunch meals, condducted a wide range of relay and parlor games, and distributed gift packs with assorted SMC food products. The gathering was the first post-pandemic event that gave the kids the chance to experience a Christmas party and engage in friendly competition with exciting prizes.

- **CSR Day in Leyte -** Eastern Visayas Area's Ormoc and Tacloban Branches collaborated on diverse corporate social responsibility (CSR) malasakit programs benefitting the town of Brgy. Buho, Tabango, Leyte. In collaboration with the Kiwanis Club of Geo, Ormoc (KCGO) and Kiwanis Club of Sulhog, Tacloban (KCST), Branch officers and staff with third party service providers, headed by Ormoc Branch Manager and KCGO President Bench Tabucanon and Tacloban Branch Manager and KCST member Kiko Barredo, led in providing assistance to hundreds of families through the distribution of slippers, handing out of school supplies and hygiene kit, food-feeding and dissemination of fruits, and donation of cash gifts to the youth.

- **Awesome Pawsome Day with Team Malasakit and Animal Kingdom Foundation -** From tree-planting to animal welfare, BankCom supported malasakit for nature initiatives as employees joined SMFI's CSR activity called Awesome Pawsome Day. In partnership with Animal Kingdom Foundation (AKF), BankCom volunteers from Trust Services Group and Human Resource Management and Development Division visited the Animal Kingdom Center in Capas, Tarlac to conduct feeding, cleaning, bathing and dog socialization. The 2-hectare property devoted for animal rescue and rehabilitation has 17 kennels with 20-25 dogs per each kennel. AKF is a non-profit organization devoted to eliminate the cruel and abusive practices against animals. SMFI is AKF's partner organization in the retrieval, rehabilitation and rehoming of more than hundreds of abandoned dogs and cats in Taliptip, Bulakan, Bulacan. BankCom also implemented a succesful 4-part Financial Literacy Program with relocatees and local residents from the same area.

- **2022 International Coastal Cleanup -** BankCom joined local and international volunteers at the Manila Bay coastline during the International Coastal Cleanup Day on September 17, 2022. Bank volunteers gathered at the Las Pinas-Paranaque Critical Habitat and Ecotourism Area (LPPCHEA) or Las Pinas-Paranaque Wetland Park together with SMFI and SMC subsidiaries and affiliates to be part of this global movement. The volunteers contributed to minimizing the massive amount of pollution in the Manila Bay area. With their participation, SMC managed to collect 14,500 kg. of trash nationwide, together with 1,200 SMC volunteers in other locations. The documented and segregated trash collected by every volunteer would help to identify ways and means to eliminate ocean trash. This CSR activity is organized by the Department of Environment and Natural Resources (DENR).

- **BankCom Financial Literacy Program in Bulacan -** BankCom's Consumer Protection Department held its Financial Literacy (FinLit) Program at Barangay Taliptip in the municipality of Bulakan, Bulacan province. The BankCom FinLit program focused on the concept of savings through various bank products, the factors to consider before borrowing money, and the importance of online banking. Besides the main learning session, a set of games were conducted to determine the participants' understanding of the lessons and its practical application on their day-to-day financial requirements. The FinLit Program was designed to provide guidance on the financial goals of the fishing communities which had ventured into sustainable mushroom farming in line with the CSR program of San Miguel Aerocity, Inc. (SMAI) within the scope of the Aerocity development.

- **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 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 0% 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 2021	As of 31 December 2022
Owned Branches		
Metro Manila	4	4
Luzon	3	3
Visayas	1	1
Mindanao	1	1
TOTAL	**9**	**9**
Leased Branches		
Metro Manila	58	58
Luzon	40	40
Visayas	21	21
Mindanao	12	12
TOTAL	**131**	**131**

In addition, the Bank has a total of 2,570 Real and Other Properties Acquired for settlement of loans through foreclosure or dacion en pago broken down as follows:

Property Type	Count as of As of December 2022
Condominium	168
Condominium and Parking	5
Condominium Parking	53
Land	1,993
Land and Building	340
Townhouse	11
TOTAL	**2,570**

**Memorial lots are counted as 4 (Land), but has 8,500 titles*

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 Supreme Court promulgated a decision affirming the nullity of RR 4-2011, which became final in June 2022.

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 filed a manifestation and motion proposing to avail itself of this benefit under Rule 2 Section 3(e) of the RPAC, that AMLC accepted. AMLC also acknowledged payment from the Bank of the assessed amount of P5,000,000.00 and ordered the case to be stricken off the record.

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 petition for review with the Supreme Court and the bank filed its comment thereto.

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. The Bank received the Supreme Court decision reversing the Court of Appeals and declaring the validity of the release of funds from escrow that was implemented pursuant to the court order. The Bank filed a motion for reconsideration of the Supreme Court's decision. The decision of the Supreme Court will not have a material adverse effect on the Bank's business operation or financial position since this civil action filed by the Bank is for the return of the funds subject of the case that were in escrow and previously released by PVB-Trust.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDINGS

On April 29, 2022, the stockholders of the Bank held a special meeting, where 88.51% of the outstanding capital stock present or represented by proxy approved the following:

1. Minutes of the Special Meeting of Stockholders on November 9, 2021
2. Management Report of the Bank for the Year ended December 31, 2021
3. Ratification of all the acts of the Board of Directors and Officers since the 2021 Annual Stockholders' Meeting
4. Confirmation of the Bank's Significant Transaction with DOSRI and Related Parties
5. Amendment to the Preamble and SECOND Article of the Amended Articles of Incorporation of the Bank to Change its Purpose from a Commercial Bank to a Universal Bank pursuant to MB Resolution No. 1798 dated 23 December 2021
6. Amendments to Sections 2 and 4 of Article III of the Amended By-Laws of the Bank to conform with Sections 28 and 52 of the Revised Corporation Code
7. Appointment of External Auditors; and
8. Election of the Board of Directors

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Stock Price

The Bank's common shares are listed on March 31, 2022 and traded at the Philippine Stock Exchange (PSE). The high and low prices for each quarter from date of listing are as follows:

		Q1 Last Practiceable	Trading Date	Q2 Last Practiceable	Trading Date	Q3 Last Practiceable	Trading Date	Q4 Last Practiceable	Trading Date
2022	High	12.58	3.31.22	12.30	5.2.22	10.18	9.5.22	9.35	10.12.22
	Low	12.10	3.31.22	8.00	6.30.22	7.98	7.7.22	7.75	12.28.22

Source: Philippine Stock Exchange

As of March 31, 2023, the closing price of the Bank's common shares is Php7.86.

HOLDERS OF SECURITIES

The authorized common and shares as of December 31, 2022 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, 2022:

	Title of Class of Securities	Name of Record Owner	Citizenship	Number of Shares Held	% of ownership
1	Common	SMC Equivest Corporation	Filipino	68,305,560	26.6515%
	Preferred			416,666,670	
2	Common	San Miguel Properties, Inc. (SMPI)	Filipino	447,711,800	24.6039%
3	Common	San Miguel Corporation Retirement Plan	Filipino	432,626,860	23.7749%
4	Common	PCD Nominee Corporation	Filipino	143,291,530	7.8745%
5	Common	PCD Nominee Corporation	Non-Filipino	140,189,000	7.7040%
6	Common	Caritas Health Shield, Inc.	Filipino	109,666,640	6.0267%
7	Common	AlexCorp Profits Limited, Inc.	BVI	14,749,100	0.8105%
8	Common	Q-Tech Alliance Holdings, Inc.	Filipino	12,171,660	0.6689%
9	Common	Equitable Banking Corp.	Filipino	8,401,500	0.4617%
10	Common	PVB-TMG as Trustee for Comprehensive Annuity Plan Pension Trust Fund	Filipino	4,980,980	0.2737%
11	Common	PVB-TMG as Trustee for College Assurance Plan Phils., Inc. Retirement Fund	Filipino	3,673,860	0.2019%
12	Common	Comprehensive Annuity Plan Pension Trust Fund	Filipino	3,626,870	0.1993%
13	Common	Cabien Corporation	Filipino	3,600,650	0.1979%
14	Common	RDA Holdings	Filipino	2,163,850	0.1189%
15	Common	JGF Holdings, Inc.	Filipino	2,163,850	0.1189%
16	Common	MV Holdings, Inc.	Filipino	1,941,950	0.1067%
17	Common	BIC Management and Consultancy, Inc.	Filipino	1,476,350	0.0811%
18	Common	Bank of Commerce - Trust Services Group as Trustee for Bank of Commerce Retirement Plan	Filipino	730,670	0.0402%
19	Common	Ester Reyes Querido	Filipino	674,800	0.0371%
20	Common	Rockshed Management, Inc.	Filipino	187,600	0.0103%

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets out the shareholding interests of the Bank's directors and senior management as of December 31, 2022:

DIRECTORS

Title of Class	Name of Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership		% of Total Outstanding Shares
Common	Francis C. Chua	Chairman	Filipino	Direct	10	NIL
Common	Benedicta Du-Baladad	Vice-Chairperson	Filipino	Direct	10	NIL
Common	Michelangelo R. Aguilar	President and CEO / Director	Filipino	Direct	10	NIL
				Indirect	40,100	NIL
Common	Roberto C. Benares	Director	Filipino	Direct	10	NIL
Common	Fe B. Barin	Director	Filipino	Direct	10	NIL
Common	Marito L. Platon	Director	Filipino	Direct	10	NIL
Common	Mariano T. Katipunan, Jr.	Director	Filipino	Direct	10	NIL
Common	Alexander R. Magno	Director	Filipino	Direct	10	NIL
Common	Melinda Gonzales-Manto	Director	Filipino	Direct	10	NIL
				Indirect	83,300	NIL
Common	Jose Carmelo C. Nograles	Independent Director	Filipino	Direct	10	NIL
Common	Rebecca Maria A. Ynares	Independent Director	Filipino	Direct	10	NIL
Common	Ricardo D. Fernandez	Independent Director	Filipino	Direct	10	NIL
Common	Daniel Gabriel M. Montecillo	Independent Director	Filipino	Direct	100	NIL
Common	Winston A. Chan	Independent Director	Filipino	Direct	100	NIL
Common	Simon R. Paterno	Independent Director	Filipino	Direct	100	NIL
	TOTAL				**123,820**	NIL

Key Officers

Title of Class	Name of Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership		% of Total Outstanding Shares
Common	Michelangelo R. Aguilar	-same as above-				
Common	Evita C. Caballa	Corporate Secretary	Filipino	Direct	10	NIL
Common	Felipe Martin F. Timbol	Treasurer / Head, Treasury Management Group	Filipino	Indirect	102,100	NIL
Common	Joel T. Carranto	Head, Branch Banking Group	Filipino	Indirect	20,100	NIL
Common	Mary Assumpta Gail C. Bautista	Head, Transaction Banking Group	Filipino	Indirect	10,100	NIL
Common	Gamalielh Ariel O. Benavides	Chief Trust Officer	Filipino	Indirect	100	NIL
Common	Manuel A. Castaneda III	Head, Corporate Banking Group	Filipino	Indirect	20,100	NIL
Common	Maria Ana P. dela Paz	Head, Credit Group	Filipino	Indirect	8,100	NIL
Common	Ma. Katrina A. Felix	Head, Credit Card Group	Filipino	Indirect	30,100	NIL
Common	Louella P. Ira	Asst. Corporate Secretary / Head, Legal Services Division	Filipino	Indirect	8,500	NIL
Common	Antonio S. Laquindanum	Chief Financial Officer/Head, Finance and Controllership Group	Filipino	Indirect	25,000	NIL
Common	Marie Kristin G. Mayo	Head, Human Resources Management and Development Division	Filipino	Indirect	5,100	NIL
Common	Reginald C. Nery	Chief Audit Executive	Filipino	Indirect	100,100	NIL
Common	Jeremy H. Reyes	Chief Risk Officer	Filipino	Indirect	5,100	NIL
Common	Jay S. Velasco	Head, Operations Group	Filipino	Indirect	8,100	NIL
Common	Jose Mari M. Zerna	Head, Consumer Group	Filipino	Indirect	8,100	NIL
Common	Donald Benjamin G. Limcaco	Chief Technology Officer/Head, Digital Services Group	Filipino	Indirect	1,000	NIL
Common	Francisco Raymund P. Gonzales	Corporate Communication & Consumer Protection Division Head	Filipino	Indirect	20,100	NIL
Common	Gregorio M. Yaranon	Chief Compliance Officer	Filipino	NONE		NIL
Common	Luis Martin E. Villalon	Head, Investment Banking Group	Filipino	Indirect	12,600	NIL
	TOTAL				**384,410**	NIL

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.

Dividends

Since the purchase of Traders Royal Bank assets in 2001, the Bank has been restricted by BSP from declaring dividends until it fully provisions for the various miscellaneous assets acquired from the transaction. These assets have been fully provisioned in the Bank's Audited Financial Statements in the period incurred. For its separate prudential reporting to BSP, the Bank recognized P1.3 billion provisions to fully recognize the impairment losses on the non-performing assets in 2022.

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

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

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

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

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

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Statement of Income for the Year Ended December 31, 2022 vs December 31, 2021

For the year ending December 31, 2022, Bank of Commerce posted a Net Income of Php1.80 billion, 49.18% increase from the Php1.21 billion for the same period last year. The growth was primarily driven by higher net interest income, service charges, fees, and commissions, foreign exchange and gains on foreclosure and sale of property and equipment and foreclosed assets.

Total Interest Income amounted to Php7.97 billion, 30.69% up from Php6.10 billion last year. Interest income on loans and receivables increased by 27.56% or Php1.18 billion to Php5.47 billion amid the rising yields and average volume of loans. Interest income on investment securities went up by 33.21% or Php420.4 million to Php1.69 billion resulting from the additional purchase of securities. Interest income on interbank loans receivable and securities purchased under resale agreements increased to Php539.16 million, 70.47% up from the Php316.28 million. Interest income on due from BSP and other banks likewise grew by 20.32% to Php274.86 million from the Php228.43 million.

Total Interest Expense increased to Php1.28 billion, 84.13% up from the Php696.99 million in the same period last year mainly due to higher interest expense on deposit liabilities, up by 60.30% to Php1.03 billion owing to higher interest rates. Interest on bonds payable amounted to Php173.78 million resulting from the maiden issuance of Php7.5 billion 2-year bonds. Meanwhile interest expense on bills payable and others also rose by 181.83% to Php47.04 million on account of interest expense related to ROPA. On the other hand, interest expense on lease liabilities declined by 19.57% to Php28.18 million.

Net Interest Income for 2022 increased to Php6.68 billion, up 23.79% from last year's Php5.40 billion as the core business performance outpaced the growth in interest expense.

Total Other Income reached Php1.43 billion, 73.58% more than the previous year. The growth is primarily driven by the 61.47% surge in service charges, fees and commissions to Php857.63 million due to higher commission from investment banking fees, income from trade and digital transactions. Foreign exchange gains posted Php150.32 million, 3.11x upgrade from last year's Php48.37 million. This growth was driven primarily by an increased volume of customer foreign exchange transactions as the Bank promoted this service with existing depositors. Gains on foreclosure, and sale of property and equipment and foreclosed assets grew by 23.81% to Php340.45 million arising from higher sales of foreclosed assets. Miscellaneous income increased 2.28x to Php115.18 million on account of higher recovery on charged-off assets. Meanwhile, trading and investment securities registered a loss of Php29.22 million, an improvement from 2021's loss of Php78.71 million.

Total Expenses, excluding provision for credit and impairment losses went up by 9.07% to Php5.48 billion. Compensation and fringe benefits increased 4.6% to Php1.90 billion as the Bank worked to keep its salaries competitive even as the total workforce remained relatively flat at 1,865 (vs 1,873 in 2021). Taxes and licenses went up by 18.07% to Php947.18 million from increased business volume and higher documentary stamp taxes. Rent and utilities increased by18.65% to Php631.55 million arising from higher security, power, light and water expenses. Meanwhile, depreciation and amortization declined by 6.67% to Php431.66 million due to lower depreciation expense on foreclosed assets. Insurance, on the other hand, grew by 4.04% to Php348.36 million from higher PDIC insurance on higher deposit volume. Service fees and commissions and subscription fees also increased by 27.7% and 13.83%, respectively, to Php293.33 million and Php122.54 million due to higher IT fees, commissions and subscriptions. Entertainment and recreation expenses declined by 21.73% to Php76.23 million. Management and professional fees and amortization of software costs went up by 27.7% and 36.33%, respectively, to Php108.57 million and Php73.07 million.

The Bank booked provision for credit and impairment losses of Php166.21 million for the year 2022 to provide adequate reserves for its significant loan portfolio growth.

The Bank's share in the net loss of associate is at Php0.13 million in 2022, 87.18% lower than the prior year's Php1.04 million.

Income Tax Expense amounted to Php666.36 million, 6.84% more than the Php623.69 million the previous year.

Statement of Comprehensive Income for the Year Ended December 31, 2022 vs December 31, 2021

The Bank posted a total comprehensive income of Php1.41 billion for 2022, 17.85% higher than Php1.2 billion recorded in the same period last year. This was primarily driven by the higher net income in 2022, partly offset by the net change in net unrealized losses of debt securities at FVOCI at Php578.94 million due to the interest rate environment. Remeasurement losses on defined benefit plan decreased to Php184.82 million based on actuarial adjustments.

Statement of Condition as of December 31, 2022 vs December 31, 2021

The Bank's Total Assets at end-2022 amounted to Php217.52 billion, 8.92% higher than last year's Php199.71 billion mainly from the increase in loans and other receivables, investment securities and was partially offset by the lower interbank loans receivables.

Loans and Receivables, net of allowance for credit losses and unearned interest income, representing 48.31% of total assets, increased by 41.3% to Php105.09 billion from Php74.37 billion in the same period last year, driven by accelerated growth in corporate loans. The Bank's loan-to-deposit ratio was recorded at 70.3%.

Investment securities at amortized cost, likewise, increased by 21.67% to Php52.21 billion. Financial assets at fair value increased by 2.25% to Php6.19 billion due to higher financial assets at FVOCI which grew by Php749.93 million, tempered by lower financial assets at FVTPL which decreased by Php613.61million.

Cash and Other Cash Items and Due from BSP accounts both went down by 0.46% and 47.81%, respectively, to Php2.74 billion and Php23.68 billion. Interbank loans receivable dropped by 3.94% to Php18.38 billion in 2022. On the other hand, due from other banks marginally increased by 0.46% to Php1.04 billion.

Investment in Associate amounted to Php39.52 million, P0.14 million down from Php39.66 million in the prior year. Property and Equipment declined by 3.19% to Php1.43 billion from Php1.47 billion in 2021. Investment Properties and deferred tax assets also decreased to Php3.40 billion and Php612.09 million, respectively, from Php3.45 billion and Php743.51 million. Other Assets, however, went up by 13.96% to Php2.72 billion from Php2.39 billion in 2021.

Deposit Liabilities, which accounted for 81.04% of the total liabilities, expanded by 2.65% to Php176.27 billion in 2022 boosted mainly by higher time deposits. Accrued Interest, Taxes and Other Expenses and Other Liabilities also rose to Php1.02 billion and Php2.66 billion, respectively, higher by 14.11% and 48.35%. Manager's check, however, dropped by 30.48% to Php661.45 million from Php951.46 million in the prior year.

The Bank's capital base stood at Php28.03 billion as of December 31, 2022, 19.98% higher than the Php23.36 billion last year, spurred by the proceeds from the Initial Public Offering in the first quarter of 2022.

Key performance indicators of the Bank are as follows:

	2022	2021
Return on Average Assets	0.86%	0.65%
Return on Average Equity	7.01%	6.01%
Cost-to-Income Ratio	67.56%	80.79%
Net Non-Performing Loan Ratio	0.60%	0.88%
Capital Adequacy Ratio	17.97%	21.57%

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, 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 expenses 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 expenses 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.

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 increase 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 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.

Item 7. FINANCIAL STATEMENTS

The consolidated financial statements and schedules are filed as part of this Form 17-A. See attachment for further information.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTINGAND FINACIAL DISCLOSURES

There are no disagreements with the Bank's external auditor on accounting and financial disclosure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXEVUTIVE OFFICERS OF THE ISSUER

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 2022, 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 2022
Board of Directors		
Francis C. Chua	Chairman, Non-Executive Director	14 yrs. & 7 mos.
Benedicta Du-Baladad	Vice-Chairperson Non-Executive Director	8 yrs. & 11mos.
Michelangelo R. Aguilar	President and CEO, Executive Director	4 yrs. & 5 mos.
Roberto C. Benares	Former President and CEO, Non-Executive Director	9 yrs. & 8 mos.
Fe B. Barin	Non-Executive Director	8 yrs. & 8 mos.
Marito L. Platon	Non-Executive Director	12 yrs. & 8 mos.
Mariano T. Katipunan, Jr.	Non-Executive Director	4 yrs. & 8 mos. 2nd appointment as Caritas nominee, previously for 2yrs – 1st appointment as Caritas nominee
Alexander R. Magno	Non-Executive Director	8 yrs. & 5 mos.
Melinda S. Gonzales-Manto	Non-Executive Director	9 yrs. as Independent Director; 8 months as Non-Executive Director since elected on April 29, 2022

Jose C. Nograles	Independent Director	7 yrs. & 8 mos.
Rebecca Maria A. Ynares	Independent Director	6 yrs. & 5mos
Ricardo D. Fernandez	Independent Director	2 yrs.
Daniel Gabriel M. Montecillo	Independent Director	8 mos. (elected on April 29, 2022)
Winston A. Chan	Independent Director	8 mos. (elected on April 29, 2022)
Simon R. Paterno	Independent Director	7 mos. (elected on June 1, 2022)
Board Appointees:		
Jose T. Pardo	Chairman of the Board of Advisors	18 yrs. & 4 mos. as Director, 10 yrs. as Chairman of the Board, and 10 months as Chairman of the Board of Advisor since February 16, 2022
Aurora T. Calderon	Board Advisor	11 yrs. & 5mos
Ferdinand K. Constantino	Board Advisor	2 yrs. as Director and 12 yrs. and 7 mos. as Advisor
Cecile L. Ang	Board Advisor	7 yrs. & 2 mos.
Antonio M. Cailao	Board Advisor	4 yrs. & 6 mos.
Evita C. Caballa	Corporate Secretary	2 yrs. as Asst. Corporate Secretary; 12 yrs. & 8 mos. as Corporate Secretary and 3 yrs. & 3 mos. as Director

FRANCIS C. CHUA
Chairman, Non-Executive Director
Filipino, 74 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 as Chairman Emeritus 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 in 1997. He was Honorary Trade and Investment Representative of the Department of Trade and Industry from 2002-2009, appointed Commissioner in the Constitutional Commission from 2005-2006, Board of Trustee of Technical Education and Skills Development Authority (TESDA), and Special Envoy on Trade and Investment (China) of the Office of the President from 2007-2010. He was also Governor (2002) and a member of the Board of Directors of the Philippine Stock Exchange from 2010-2020 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 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
Vice-Chairperson, Non-Executive Director
Filipino, 61 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, 66 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 Bank's Executive Committee (ExCom), Trust and Investment Committee (TIC), and Underwriting Committee (UW), and used to be a member of the Information Technology Steering Committee (ITSC).

Mr. Aguilar has over 39 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, 70 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) and the recently created Underwriting Committee. 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, 88 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 for Solidarity in Asia, and a founding member of the Judicial Reform Initiative, all non-stock nonprofit associations. She is also a member of the Board of Directors of the General Milling Corporation and Chairman of the Board of Directors of Barbor Equity, Inc., a family-owned corporation engaged in Agri business.

MARITO L. PLATON
Non-Executive Director
Filipino, 70 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 Executive Committee (ExCom), Information Technology Steering Committee (ITSC), and Board Risk Oversight Committee (BROC) (former Chairman), , and previously, of the Audit Committee, Corporate Governance Committee (CGCom), and the Related Party Transactions Committee (RPTCom). 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 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, 71 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, 68 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.

MELINDA S. GONZALES-MANTO
Non-Executive Director
Filipino, 70 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 serves as member of the Related Party Transactions Committee (RPTCom) and Audit Committee. She used to chair the Audit Committee and was a member of the 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.

JOSE CARMELO C. NOGRALES
Independent Director
Filipino, 73 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.

REBECCA MARIA A. YNARES
Independent Director
Filipino, 46 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, 69 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.

DANIEL GABRIEL M. MONTECILLO
Independent Director
Filipino, 66 years old

Mr. Montecillo is a consultant, leadership speaker and facilitator, independent board director and executive coach. He currently chairs the Bank's Corporate Governance Committee and the recently created Underwriting Committee. He is also a member of the Audit Committee and Board Risk Oversight Committee.

Mr. Montecillo is currently a senior consultant to the International Finance Corporation. He is a CXO facilitator of Deloitte University Asia Pacific in Singapore and a facilitator in the Leadership Acceleration Program of Ayala University. He has been a guest lecturer at the Asian Institute of Management. He received his certification as an Associate Certified Coach (ACC) from the International Coaching Federation (ICF) and ESG Certification from Competent Boards in Denmark.

He retired as Executive Vice President and Group Head of the Corporate Client Segment of the Bank of the Philippine Islands in 2018, where he was responsible for nationwide banking coverage of the firm's corporate clients and member of its Management, Credit, Asset & Liability, and Investment Management Committees. Immediately prior to this role, he was President of BPI Capital Corporation and Chairman of BPI Securities Corporation, the bank's investment banking and securities subsidiaries. He served for 4 ½ years.

During his time at BPI, he was responsible for the reorganization of the corporate bank into two significant business initiatives: the Corporate Bank for large multinationals and domestic corporates, and the Business Bank, which services the small and medium-sized corporates in the country.

While at BPI Capital, he recast the investment bank into the leading domestic firm in the industry and competed successfully for business with the country's top corporates against the established international investment banking firms in the country. During his tenure, the firm won several international awards for excellence. During his tenure, among the more notable Philippine corporates that the firm took to the public equity capital markets are Max's Group, Store Specialists, and Metro Retail Stores Group.

Prior to returning to the Philippines, he spent 17 years in Hong Kong where he was CEO and founding equity partner of Diamond Dragon Advisors for three years, Asia's first private equity fundraising firm and before that, CEO of Fidelis Holdings for three years. Fidelis was the international real estate investment company of the Ayala Group of Companies.

He has 21 years of international investment banking experience, having worked in New York and Hong Kong at Bankers Trust, Credit Suisse and Morgan Stanley. During this time, he was part of and managed business development and transaction teams in corporate, real estate and leveraged finance, derivatives, private equity, mergers & acquisitions, and equity and debt capital markets.

Dennis is a fellow of the Institute of Corporate Directors (Philippines); a board trustee of the United Nations Global Compact Network (Philippine chapter); a member of the International Coaching Federation (ICF); and an associate member of the Singapore Institute of Directors (SID).

He is an independent director of Metro Pacific Health (MPH), a holding company with interests in 21 hospitals nationwide whose principal shareholders are KKR, GIC and Metro Pacific Investments Corporation; Maybank Investment Banking Group (Philippines), Inc., a subsidiary of Maybank of Malaysia; and RASLAG Corporation, a private renewable energy company. He is chairman of the audit committees of both Maybank Investment Banking Group (Philippines) and RASLAG. He is also a director of the global board of International Care Ministries, an NGO devoted to the rural ultrapoor in the Philippines.

He has an MBA and MA from Stanford University in California, USA and bachelor’s degrees in Management of Financial Institutions and Behavioral Sciences (*magna cum laude*) from De La Salle University in the Philippines.

WINSTON A. CHAN
Independent Director
Filipino, 67 years old

Mr. Chan is currently serving as an Independent Director of a large listed Food & Beverage Company, an Independent Director of a listed Gaming and Leisure Company, an Independent Director of a listed Indonesian Beer Company, an Independent Director of a large Packaging Company, a Regular Director at a privately held Information Technology Services Company, and a privately held Business Process outsourcing Company. He has also served as an IT advisor to the Board of Directors of a listed Logistics Company and a privately held Logistics Company.

He is currently a member of Bank of Commerce’s Executive Committee, Board Risk Oversight Committee, and Nomination Compensation and Remuneration Committee.

Mr. Chan is a retired partner of SGV/EY and the former managing partner of SGV/EY Advisory Service Line. He has more than 34 years of Audit and IT Audit, and Strategic IT and Business Consulting experience.

He led the transformation of what was mainly risk consulting practice in SGV to a broader portfolio of business consulting services with capabilities in customer, finance, supply chain, and IT advisory. The Philippine Advisory practice became the biggest in head count and highest margin in EY ASEAN when he transitioned out his advisory leadership role. He was part of the broader management of the firm as a member of SGV's Management Committee and the EY ASEAN Advisory Leadership Team.

Mr. Chan led the reshaping of the Philippine Advisory Services client portfolio to have more of the large global and local key accounts with multi- year engagements in the revenue mix. He has leveraged on the attractiveness of the Philippines as a BPO and shared services location to help EY teams win global engagements by using Manila as the talent hub for a cost-e!ective service delivery center for finance, supply chain advisory, and internal audit transformation work. He was part of the global account leadership team for several large accounts of EY Global.

He has served the firm in various leadership roles: Asia Pacific lead partner for Global Business Consulting Methodology Development and Deployment, Far East Area lead partner for IT Effectiveness Practice, ASEAN lead partner for Performance Management and Measurement practice, and ASEAN lead partner for Finance Advisory practice.

Mr. Chan completed the Advanced Management Program (AMP) at the Harvard Business School in Boston, MA, The Advanced Business Strategy Course at INSEAD Singapore, and the Management Development Program at the Asian Institute of Management (AIM).

He obtained his Bachelor of Science Degree in Accountancy at Colegio de San Juan de Letran. Mr. Chan is a Certified Information Systems Manager (CISM), a Certified Information Systems Auditor (CISA), and a Certified Public Accountant (CPA).

Mr. Chan is a member of the Management Association of the Philippines (MAP). He is a member of the board of directors of the Harvard Club of the Philippines. He has also served as the Co- president of the Harvard Club of the Philippines from 2014 to 2016, and as Co-president of the Harvard Business School Club of the Philippines from 2012 to 2014. He has also served for 2 terms as a member of the board of directors of the Information Technology Association of the Philippines (ITAP).

SIMON R. PATERNO
Independent Director
Filipino, 64 years old

Mr. Simon Paterno is Founder and CEO of ZQR Corporation, a start-up platform that improves the experience of document exchanges between enterprises and their customers.

Mr. Paterno's immediate previous engagement was EVP and Head of Products and Alternative Channels at Bank of the Philippine Islands from 2014-2019. In that position, he managed all of the bank's profit centers outside of Treasury, including the bank's digital channels. This included supervision of insurance (BPI-MS), merchant acquiring (Chairman of BPI Global Payments), leasing, investment banking, and microfinance (Chairman of BPI BanKo).

Mr. Paterno represented CIMB in the Philippines in its search for a bank investment and in originating investment banking deals. He joined the group in late 2012 as the CEO-designate of Bank of Commerce, which was targeted for acquisition by CIMB. The deal was canceled in 2013.

Mr. Paterno was Managing Director and Country Manager of Credit Suisse from 2004 to 2012. He also founded and served as Chairman of Credit Suisse Securities Philippines, Inc., the firm's securities broker/dealer subsidiary.

Mr. Paterno served as President/CEO of the Development Bank of the Philippines, the government-owned commercial bank, from 2002 to 2004. At the DBP, he pioneered work on the maritime Ro-Ro network that links the archipelago. He was concurrently Chairman of the LGU Guarantee Corporation and other DBP subsidiaries. In 2003, DBP was named 6th Best Employer by Hewitt Associates and Strongest Bank in the Philippines (Based on financial and operational measures, asset quality, and year-on-year improvements in profits and assets) by Asian Banker.

Mr. Paterno spent 18 years with J.P. Morgan & Co., with stints in New York and Hong Kong. In 1997, he was named a Managing Director, with responsibility for coverage of Asian sovereign clients during the Asian financial crisis. He led the project teams that advised the Indonesian Bank Restructuring Agency (IBRA) and its Malaysian counterpart, Danaharta. In mid-1998, he returned to Manila to head J.P. Morgan's Philippine business, and following the merger with Chase Manhattan Bank, worked as Head of Philippine Investment Banking until 2002.

At J.P. Morgan, he worked on some of the most significant sovereign financing transactions including the country's restructuring of its foreign debt in 1991, the return to capital markets in 1992, the Brady exchanges in 1994, and while at Credit Suisse, the Domestic Bond Exchanges and the Debt Exchange Warrants transactions that won Best Liability Management awards for 2006 and 2008. His M&A transaction experience includes mergers that formed the 3 largest Philippine banks in the Philippines, the largest cement company mergers, and the restructuring of San Miguel Corporation's ownership. Under his leadership, J.P. Morgan was named Best Investment Bank in the Philippines by The Asset in 2001 and Credit Suisse was named Best Investment Bank in the Philippines by FinanceAsia in 2009.

In 1999, he received the TOYM (The Outstanding Young Men) Award for his work in Investment Banking. In 2005, he served as President of the Management Association of the Philippines, an organization of the country's top CEO's. He has served on the Board of Directors of the Bankers Association of the Philippines. He serves as Vice Chairman of the Foundation for Economic Freedom, a reform-oriented advocacy group of the country's top economists, as Vice President and Board member of the Ateneo Alumni Association and as Chairman of the Ateneo Scholarship Foundation. He is currently President of the ALFM Family of Mutual Funds. He is also a consultant and adviser to the Board of Directors of Atlantic Gulf and Pacific Company.

He chairs Bank of Commerce's Audit Committee and is a member of the Related Party Transactions Committee (RPTCom) and Information Technology Steering Committee (ITSC).

Mr. Paterno received his MBA from Stanford University in 1984 and his AB Honors Program in Economics, cum laude, from the Ateneo de Manila University in 1980.

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, 2022:

SENIOR EXECUTIVE TEAM	
Joel T. Carranto 52, 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 48, Filipino *Senior Vice President Transaction Banking Group Head*	• AV Santiago Development Corp – Treasurer • 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 56, Filipino *Senior Vice President* *Chief Trust Officer*	• Bacolod Cupcake Café, Inc. – Director • 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 52, 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 48, 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 54, 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 51, 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 45, Filipino *Executive Vice President* *Chief Financial Officer*	• Lake Champlain Holdings - Director • 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 54, 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 65, 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 44, 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 53, 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 50, Filipino	• Bank of Commerce - *Former Loans Operations Division Head and Former Head Office Operations Support Division Head*

Senior Vice President Operations Group 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 47, 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[1] 55, 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 51, 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*

[1] Mr. Limcaco resigned as Chief Technology Officer and Digital Head Services Group effective end of business hours of March 31, 2023. Ms. Marie Suzanne Sevilla-Sison took over as Chief Information Officer effective February 16, 2023, and will be co-Head of the DSG until the effectivity of Mr. Limcaco's resignation on March 31, 2023.

Gregorio M. Yaranon Jr. 52, Filipino Senior Vice President *Chief Compliance Officer*	• City Savings Bank – *Former Chief Compliance Officer* • CIMB Bank Philippines Inc. – *Former Chief Compliance & Legal Officer* • CIMB Bank Berhad (Malaysia) – *Former Consultant for Compliance & Legal* • Maybank Philippines Inc – *Former Chief Compliance Officer* • Unionbank – *Former Security Officer, Former Litigation Lawyer, Former HR Legal Officer/Industrial & Labor Relations Manager, and Former Compliance Officer*
Luis Martin E. Villalon 50, Filipino First Vice President *Investment Banking Group*	• First Metro – *Former Head of Coverage Team 1 and Former Deputy Head of Equity Capital Markets* • Ampersand Capital Incorporated – *Former Head of Capital Markets* • Philippine Commercial Capital Inc – *Former Head of Capital Markets* • SB Capital Investment Corporation - *Former Investment Banking Director* • HSBC (New York Office) - *Former Vice President of Global Corporate Banking* • Citibank (New York Office) - *Former Assistant Vice President of Corporate and Investment Banking* • Houlihan Lokey Howard And Zukin - *Former Technical Assistant*

SIGNIFICANT EMPLOYEE

The Bank has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

FAMILY RELATIONSHIPS

Mr. Roberto C. Benares, a Director and former President of the Bank, is related within the third civil degree of affinity to Mr. Jose T. Pardo, Advisor to the Board of Directors. Mr. Benares is married to Mr. Pardo's niece. Other than this, no other family relationships among the directors or senior executives, either by consanguinity or affinity.

INVOLVEMENT IN LEGAL PROCEEDINGS

To the best of its knowledge, the Bank is not aware of any of the following events having occurred during the past five (5) years up to the date of this Preliminary Information Statement that are material to an evaluation of the ability or integrity of any Director, nominee for election as Director or Senior Executive of the Bank:

a. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
b. any conviction by final judgment, including the nature of the offence, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
c. being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining,

barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;

d. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

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. The Bank is in full compliance with the BSP regulations on DOSRI loans and transactions. As of December 31, 2022, DOSRI loans of the Bank amounted to P0.3 million. The Bank has no outstanding DOSRI loans as of December 31, 2021. Details on related party transactions are further explained in Note 33 of the Audited Financial Statements. The Bank is not a subsidiary of any corporation.

PARENT COMPANIES

As of December 31, 2022, San Miguel Properties, Inc. owns and controls 447,711,800 common shares comprising 31.9107% of the capital stock of the Bank entitled to vote, and San Miguel Corporation Retirement Plan owns and controls 432,626,860 common shares comprising 30.8355% of the capital stock of the Bank entitled to vote.

Item 10. EXECUTIVE COMPENSATION

DISCLOSURE AND TRANSPARENCY

The Bank recognizes the need to report material information in a complete, accurate and timely manner thru easily accessible medium of communications.

SENIOR EXECUTIVE OFFICERS

The following table sets out the Bank's President and Chief Executive Officer and the four (4) most highly compensated executive officers of the Bank for the years ended 31 December 2018 to 2022:

Name	Position	Applicable Fiscal Year
Michelangelo R. Aguilar	President and CEO	2018 to 2022
Roberto C. Benares	President and CEO	2018
Felipe Martin F. Timbol	Executive Vice President	2018 to 2022
Manuel A. Castañeda III	Executive Vice President	2018 to 2022

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 to 2022
Antonio S. Laquindanum	Executive Vice President	2022

The following table identifies and summarizes the aggregate compensation of the Bank's President and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other officers as a group, for the years ended 31 December 2018 to 2022:

	Year	Salary (in ₱)	Bonus (in ₱)	Other Annual Compensation	TOTAL (in ₱)
President and the four (4) most highly compensated executive officers named above	2018	58,613,414	12,321,438	-	70,934,852
	2019	61,488,588	9,222,745	-	70,711,333
	2020	58,988,112	8,184,528	-	67,172,640
	2021	62,768,112	13,650,338	-	76,418,450
	2022	68,198,220	14,206,139	-	82,404,359
Aggregate compensation paid to all Senior Executive Officers as a group	2018	82,901,052	13,784,717	6,036,183	102,721,952
	2019	110,681,124	15,460,032	2,947,031.00	129,088,187
	2020	129,489,363	22,368,011	-	151,857,374
	2021	127,037,423	25,311,898	8,205,954	160,555,275
	2022	139,743,732	25,732,146	9,995,938	175,471,816

The senior executive team officers receive salaries and bonuses that are included in the amounts stated above. The Bank has a salary structure in place that is used in determining the remuneration of all employees. Remuneration of executive officers is determined by their current pay, performance, the Bank's performance, and salary scale. Aside from the foregoing, they have no other compensation plan or arrangement with the Bank.

STANDARD ARRANGEMENTS

Other than payment of a reasonable per diem and bonuses which ranges from P10,000 to P30,000 for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director. In accordance with the By-Laws, the members of the Board of Directors, the Executive Committee, other committees, and the Corporate Secretary shall be entitled to per diem for every attendance in meetings, the amount of which shall be fixed by the stockholders from time to time.

For the last three fiscal years, the following are the aggregate compensations of the directors:

2020	22,675,921.10
2021	23,828,947.55
2022	17,567,836.10

The Directors' Fees are subject to the approval of the stockholders in accordance with the Bank's By-laws.

EMPLOYMENT CONTRACT BETWEEN THE BANK AND KEY MANAGEMENT PERSONNEL

There are no special employment contracts between the Bank and Senior Management.

WARRANTS AND OPTIONS HELD BY THE KEY MANAGEMENT PERSONNEL AND DIRECTORS

There are no outstanding warrants or options held by Key Management Personnel, and all officers and directors as a group.

COMPENSATION PLANS

There is no action to be taken at the 2023 Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

Item 11. 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, 2022:

Title of Class of Securities	Name and Address of Record owners and Relationshipwith the Bank	Name of Beneficial Owner and Relationshipwith the Record Owner	Citizenship	Number of Shares	% of Ownership
Common	SMC Equivest Corporation	San Miguel Corporation – parent company of SMC Equivest Corporation	Filipino	68,305,560	26.6515%
Preferred				416,666,670	
Common	San Miguel Properties, Inc. (SMPI)	San Miguel Corporation – parent company of SMPI	Filipino	447,711,800	24.6039%
Common	San Miguel Corporation Retirement Plan	-	Filipino	432,626,860	23.7749%
Common	PCD Nominee Corporation	-	Filipino	143,291,530	7.8745%
Common	PCD Nominee Corporation	-	Non-Filipino	140,189,000	7.7040%
Common	Caritas Health Shield, Inc.	Record Owner is beneficial owner	Filipino	109,666,640	6.0267%

Item 12. 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 Statements (Note33).

PART IV – CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

On 27 October 2020, the Board adopted the Manual on Corporate Governance (“**Manual**”), which institutionalizes the principles of good corporate governance in the entire organization. The Bank believes that it is a necessary component of sound strategic business management, hence, we undertake efforts to create awareness within the organization. The Manual is reviewed and updated annually to capture current and best practices. Proposed amendments thereof are presented to and approved by the Board as reviewed and endorsed by the Corporate Governance Committee.

In adopting the Manual, the Board and its members acknowledge the responsibility in governing the conduct of the business of the Bank, the Board Committees, in focusing on specific board functions to aid in the optimal performance of its roles and responsibilities, and the officers, in ensuring adherence to corporate principles and best practices.

Board committees have been established with focused oversight on internal control, risk management, and performance monitoring. As of date, the Bank has nine board-level committees: (1) Executive Committee; (2) Trust and Investment Committee; (3) Audit Committee; (4) Board Risk Oversight Committee; (5) Corporate Governance Committee; (6) Nomination, Compensation and Remuneration Committee; (7) Related Party Transactions Committee; (8) Information Technology Steering Committee; and (9) Underwriting Committee. To ensure independent judgment on significant corporate matters, and that key issues and strategies are objectively reviewed and constructively challenged, six (6) of the nine (9) committees are headed by independent directors, namely, Audit, Board Risk Oversight, Corporate Governance, Nomination, Compensation and Remuneration; Related Party Transaction; and Underwriting committees. Board-level committee memberships were also evaluated and calibrated to improve on the committees’ focused oversight and high-level engagement with management. The respective charters stating the committee purpose, membership, structure, operations, reporting processes and other information, are posted in the company website.

Annual performance reviews are conducted by all members of the Board, as follows:

1. Self-assessment
   This is a yearly self-assessment undertaken by each member of the Board.

2. Peer Assessment
   This is a yearly performance evaluation done by each member of the Board on the performance of his peers (BOD members).

3. Board Committee Assessment
   This is a yearly evaluation done by the Chairman of each Board Committee on the Board Committee he presides. Each member of the Board Committee also assesses the performance of said Committee.

4. Board Assessment
   This is a yearly evaluation undertaken by each member of the Board on the performance of the Board.

Results of these assessments are reported to Corporate Governance Committee and the Board and shared with Nomination Compensation Remuneration Committee (NCRC) for consideration in the re-election of each member of the Board. It also serves as basis in the training needs of each member of the Board.

With respect to Board Advisors, annual evaluation is also done by the members of the Board on the performance of the Board Advisors. The same is reported to the Corporate Governance Committee and the Board and shared with the NCRC for consideration in the renewal of the Board Advisors.

Moreover, the Bank's Internal Audit Division performs periodic corporate governance audit to review and evaluate the Bank's adherence to the guiding principles of the *Bangko Sentral ng Pilipinas* (BSP), and alignment with international best practices on Corporate Governance Principles for Banks by Basel Committee on Banking Supervision (BCBS) every three (3) years. Another audit of corporate governance is included in the 2023 Audit Plan, which was approved by the Audit Committee.

The Bank has fully complied with the requirement on Corporate Governance consistent with the best practices. It has been responsive to newly issued circulars and memos by BSP as well as the comments and suggestions of BSP examiners with respect to governance structures, policies, procedures and practices.

The are no known deviations or recorded deviations from the Corporate Governance framework of the Bank. The last two internal audit reports on corporate governance undertaken yielded an "Outstanding" audit rating, which means that no significant risks and concerns were noted, and controls were functioning as intended.

MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS

There is no action to be taken at the 2023 Annual Stockholders' Meeting with respect to any transaction involving mergers, consolidations, acquisitions and similar matters.

ACQUISITION OR DISPOSITION OF PROPERTY

There is no action to be taken at the 2023 Annual Stockholders' Meeting with respect to the acquisition or disposition of any property.

RESTATEMENT OF ACCOUNTS

There is no action to be taken at the 2023 Annual Stockholders' Meeting with respect to the restatement of any asset, capital or surplus account of the Bank.

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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, 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 15th day of March 2023.

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 05 2023
ROSE MARCIANO

MAR 2 0 2023 at MANDALUYONG CITY

SUBSCRIBED AND SWORN to before me this __________________, affiants exhibiting their 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. 92
Page No. 20
Book No. VI
Series of 2023

FULGENCIO A. ESTILLORE
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0440-22
UNTIL DECEMBER 31,2023
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5109325/01-03-2023/MANDALUYONG CITY
IBP LIFETIME NO. 08943
ROLL OF ATTORNEYS NO. 46466

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 05 2023
ROSE MARCIANO

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 4 2 2 1

COMPANY NAME

B A N K   O F   C O M M E R C E

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

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)
157	Any day in April	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Antonio S. Laquindanum	ASLaquindanum@bankcom.com.ph	8982-6000	N/A

CONTACT PERSON's ADDRESS

12th Floor, San Miguel Properties Centre, No. 7 St. Francis St., Mandaluyong City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

BUREAU OF INTERNAL REVENUE
LT DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 05 2023
ROSE MARCIANO

BANK OF COMMERCE

FINANCIAL STATEMENTS
As of December 31, 2022 and 2021 and
For the Years Ended December 31, 2022, 2021 and 2020

With Independent Auditors' Report

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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December31, 2022, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 05 2023
ROSE MARCIANO

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 recognition of allowance for 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, rising interest rates, and inflation, among others.

Loans and receivables and the corresponding allowance for credit losses as at December 31, 2022 amounted to P108.55 billion and P3.46 billion, respectively. Provision for credit losses in 2022 amounted to P199.48 million. 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 evaluated 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 credit review in order to evaluate the appropriateness and adequacy of the risk rating review and credit review processes done by the Bank including its documentation. Accounts selected for review were based on a set of criteria designed to capture the items with a high risk of material misstatement in the Bank's loan portfolios;

- We assessed the appropriateness and adequacy of the inputs and assumptions as well as the formulas used in the development of the ECL models, 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 models;

- 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 calculations;

- We have assessed the completeness and appropriateness of the disclosures made in the financial statements; and

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 38 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Vanessa P. Macamos.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 102309-SEC, Group A, valid for five (5) years
covering the audit of 2022 to 2026 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563832
Issued January 3, 2023 at Makati City

March 15, 2023
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 05 2023
ROSE MARCIANO

BANK OF COMMERCE
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2022	2021
ASSETS			
Cash and Other Cash Items		**P2,735,170,691**	P2,747,780,890
Due from Bangko Sentral ng Pilipinas	*17, 18*	**23,675,469,821**	45,367,142,605
Due from Other Banks	*17*	**1,044,255,360**	1,039,456,479
Interbank Loans Receivable and Securities Purchased under Resale Agreements	*8, 17*	**18,378,744,387**	19,133,505,219
Financial Assets at Fair Value through Profit or Loss	*9*	**381,001,468**	994,612,772
Financial Assets at Fair Value through Other Comprehensive Income	*10, 17*	**5,805,050,520**	5,055,116,576
Investment Securities at Amortized Cost	*11, 17*	**52,208,769,061**	42,909,057,404
Loans and Receivables	*12, 17*	**105,091,228,764**	74,374,125,167
Investment in an Associate	*13, 17*	**39,522,627**	39,661,589
Property, Equipment and Right-of-Use Assets	*14, 17*	**1,425,418,610**	1,472,398,367
Investment Properties	*15, 17*	**3,399,986,749**	3,448,314,535
Deferred Tax Assets	*32*	**612,090,088**	743,505,416
Other Assets	*16, 17*	**2,721,190,526**	2,387,937,153
		P217,517,898,672	P199,712,614,172
LIABILITIES AND EQUITY			
Deposit Liabilities	*18*		
Demand		**P51,792,969,578**	P48,702,339,755
Savings		**101,651,552,858**	108,874,919,612
Time		**17,793,297,530**	9,107,143,873
Long-term negotiable certificates		**5,029,420,000**	5,029,420,000
		176,267,239,966	171,713,823,240
Financial Liabilities at Fair Value through Profit or Loss	*9*	**283,329**	-
Bonds Payable	*20*	**7,442,251,269**	-
Manager's Checks		**661,453,914**	951,460,497
Accrued Interest, Taxes and Other Expenses	*21*	**1,165,765,820**	1,021,625,802
Other Liabilities	*22*	**3,950,329,366**	2,662,971,101
Total Liabilities		**189,487,323,664**	176,349,880,640
Equity			
Capital stock	*24*	**18,196,805,900**	15,390,777,900
Paid-in surplus	*24*	**7,229,275,360**	6,776,694,869
Surplus reserves	*25*	**983,407,496**	755,806,267
Retained earnings	*24*	**2,425,229,109**	852,471,738
Net unrealized losses on financial assets at fair value through other comprehensive income	*10*	**(730,966,925)**	(156,154,761)
Remeasurement losses on retirement liability	*29*	**(77,723,200)**	(262,547,387)
Cumulative translation adjustment		**5,878,953**	7,010,814
Share in other comprehensive loss of an associate	*13*	**(1,331,685)**	(1,325,908)
Total Equity		**28,030,575,008**	23,362,733,532
		P217,517,898,672	P199,712,614,172

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 05 2023
ROSE MARCIANO

BANK OF COMMERCE
STATEMENTS OF INCOME

		Years Ended December 31		
	Note	**2022**	2021	2020
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	*12*	**P5,465,228,886**	P4,284,455,772	P4,840,143,949
Investment securities at fair value through other comprehensive income and at amortized cost	*26*	**1,681,784,534**	1,251,563,739	919,374,469
Interbank loans receivable and securities purchased under resale agreements	*8*	**539,158,895**	316,281,375	238,044,191
Due from Bangko Sentral ng Pilipinas and other banks	*18*	**274,855,345**	228,434,625	265,527,722
Other interest income:				
Financial assets at fair value through profit or loss	*26*	**4,603,469**	14,420,446	16,991,151
		7,965,631,129	6,095,155,957	6,280,081,482
INTEREST EXPENSE				
Deposit liabilities	*18*	**1,034,350,259**	645,260,590	1,127,728,480
Bonds payable	*20*	**173,783,546**	-	-
Lease liabilities	*30*	**28,177,821**	35,033,242	42,921,243
Bills payable and others	*19*	**47,041,557**	16,691,365	1,105,699
		1,283,353,183	696,985,197	1,171,755,422
NET INTEREST INCOME		**6,682,277,946**	5,398,170,760	5,108,326,060
Service charges, fees and commissions	*27*	**857,631,877**	531,127,752	444,637,070
Gains on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16*	**340,449,070**	274,985,810	58,764,927
Foreign exchange gains - net		**150,319,774**	48,367,204	48,875,995
Trading and investment securities gains (losses) - net	*28*	**(29,216,561)**	(78,709,145)	1,147,573,753
Miscellaneous	*31*	**115,179,381**	50,565,323	65,417,725
TOTAL OPERATING INCOME		**8,116,641,487**	6,224,507,704	6,873,595,530
Compensation and fringe benefits	*29*	**1,904,811,525**	1,820,969,091	1,819,392,253
Taxes and licenses	*32*	**947,182,470**	802,193,452	830,158,438
Rent and utilities	*30*	**631,549,967**	532,283,906	476,343,471
Depreciation and amortization	*14, 15, 16*	**431,663,464**	462,532,885	567,850,860
Insurance	*18*	**348,354,755**	334,825,533	280,637,960
Service fees and commissions	*27*	**293,329,555**	229,706,473	183,373,509
Provision for (reversal of) credit and impairment losses	*17*	**166,210,318**	(634,819,513)	962,509,599
Subscription fees		**122,534,992**	107,646,170	96,595,420
Management and professional fees		**108,572,826**	85,022,359	79,453,000
Entertainment and recreation		**76,226,795**	97,393,528	107,304,726
Amortization of software costs	*16*	**73,068,105**	53,595,136	45,907,917
Miscellaneous	*31*	**546,579,681**	501,811,576	381,759,150
TOTAL OPERATING EXPENSES		**5,650,084,453**	4,393,160,596	5,831,286,303

Forward

	Note	2022	2021	2020
				Years Ended December 31
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		**P2,466,557,034**	P1,831,347,108	P1,042,309,227
SHARE IN NET LOSS OF AN ASSOCIATE	*13*	**133,185**	1,039,285	753,029
INCOME BEFORE INCOME TAX EXPENSE		**2,466,423,849**	1,830,307,823	1,041,556,198
INCOME TAX EXPENSE	*32*	**666,355,249**	623,688,658	257,122,410
NET INCOME		**P1,800,068,600**	P1,206,619,165	P784,433,788
Earnings Per Share Attributable to Equity Holders of the Bank	*36*			
Basic		**P1.24**	P1.02	P0.70
Diluted		**1.03**	0.93	0.70

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

	Note	2022	2021	2020
			Years Ended December 31	
NET INCOME		**P1,800,068,600**	P1,206,619,165	P784,433,788
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified to profit or loss				
Net change in remeasurement losses on retirement liability	*29*	**184,824,187**	186,540,613	(129,089,549)
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	*10*	**4,413,992**	31,555,000	(412,381)
		189,238,179	218,095,613	(129,501,930)
Items that may be reclassified to profit or loss				
Net change in fair value of debt securities at FVOCI	*10*	**(578,936,156)**	(320,194,577)	314,704,714
Net change in fair value of debt securities at FVOCI taken to profit or loss	*10*	**-**	68,883,753	(280,743,443)
Net movement in cumulative translation adjustment		**(1,131,861)**	22,414,831	(17,418,897)
Share in other comprehensive income (loss) of an associate	*13*	**(5,777)**	13,468	(3,073)
		(580,073,794)	(228,882,525)	16,539,301
		(390,835,615)	(10,786,912)	(112,962,629)
TOTAL COMPREHENSIVE INCOME		**P1,409,232,985**	P1,195,832,253	P671,471,159

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 05 2023
ROSE MARCIANO

BANK OF COMMERCE
STATEMENTS OF CHANGES IN EQUITY

										Years Ended December 31
	Note	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized 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, 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
Net income for the year					1,800,068,600	-	-	-	-	1,800,068,600
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		-	-	-	-	184,824,187	-	-	-	184,824,187
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	4,413,992	-	-	4,413,992
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(578,936,156)	-	-	(578,936,156)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	-	-	-	-
Net movement in cumulative translation adjustment		-	-	-	-	-	-	(1,131,861)	-	(1,131,861)
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	(5,777)	(5,777)
Total comprehensive income for the year		-	-	-	1,800,068,600	184,824,187	(574,522,164)	(1,131,861)	(5,777)	1,409,232,985
Issuance of common stock	24	2,806,028,000	452,580,491	-	-	-	-	-	-	3,258,608,491
Transactions within equity:										
Transfer from surplus reserves	25	-	-	227,601,229	(227,601,229)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	290,000	-	(290,000)	-	-	-
		2,806,028,000	452,580,491	227,601,229	(227,311,229)	-	(290,000)	-	-	3,258,608,491
Balance as at December 31, 2022		P18,196,805,900	P7,229,275,360	P983,407,496	P2,425,229,109	(P77,723,200)	(P730,966,925)	P5,878,953	(P1,331,685)	P28,030,575,008

Forward

Years Ended December 31

	Note	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized 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)	P69,657,563	(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	24	4,166,666,700	1,233,771,938	-	-	-	-	-	-	5,400,438,638
Transactions within equity:										
Transfer from surplus reserves	25	-	-	360,203,927	(360,203,927)	-	-	-	-	-
Application of paid-in surplus against deficit	24	-	(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

Years Ended December 31

	Note	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Deficit) (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	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	25	-	-	(3,660,403)	3,660,403	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	-	-	-	-	-	-
		-	-	(3,660,403)	3,660,403	-	-	-	-	-
Balance as at December 31, 2020		P11,224,111,200	P5,594,079,646	P395,602,340	(P51,156,715)	(P449,088,000)	P69,657,563	(P15,404,017)	(P1,339,376)	P16,766,462,641

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 05 2023
ROSE MARCIANO

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

	Note	2022	2021	2020
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax expense		**P2,466,423,849**	P1,830,307,823	P1,041,556,198
Adjustments for:				
Depreciation and amortization	*14, 15, 16*	**431,663,464**	462,532,885	567,850,860
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	*14, 15, 16*	**(340,449,070)**	(274,985,810)	(58,764,927)
Interest expense on bonds payable	*20*	**173,783,546**	-	-
Provision for (reversal of) credit and impairment losses	*17*	**166,210,318**	(634,819,513)	962,509,599
Amortization of software costs	*16*	**73,068,105**	53,595,136	45,907,917
Interest expense on lease liabilities	*30*	**28,177,821**	35,033,242	42,921,243
Unrealized loss (gain) on financial assets at fair value through profit or loss (FVPL)	*28*	**(3,032,696)**	4,189,634	(69,731,751)
Share in net loss of an associate	*13*	**133,185**	1,039,285	753,029
Gain on sale of investment securities at amortized cost	*28*	**-**	-	(767,033,010)
Loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI)	*28*	**-**	68,883,753	(280,743,443)
Miscellaneous income	*31*	**-**	-	(6,595,120)
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Interbank loans receivables	*8*	**-**	106,515,133	4,382,274
Financial assets at FVPL		**616,927,329**	266,617,062	(141,927,841)
Loans and receivables		**(31,013,170,773)**	(2,049,407,264)	1,142,980,036
Other assets		**(147,949,840)**	(254,234,814)	(184,442,772)
Increase (decrease) in:				
Deposit liabilities		**4,553,416,726**	22,608,212,154	25,249,423,016
Manager's checks		**(290,006,583)**	81,380,889	(53,380,133)
Accrued interest, taxes and other expenses		**130,239,910**	90,609,895	97,234,086
Other liabilities		**1,483,681,802**	(386,245,709)	(207,066,635)
Net cash generated from (absorbed by) operations		**(21,670,882,907)**	22,009,223,781	27,385,832,626
Income taxes paid		**(573,609,991)**	(366,872,337)	(355,090,693)
Net cash provided by (used in) operating activities		**(22,244,492,898)**	21,642,351,444	27,030,741,933

Forward

	Note	2022	2021	2020
			Years Ended December 31	
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of:				
Investment securities at amortized cost		**P59,895,050,000**	P15,166,197,000	P20,043,309,156
Financial assets at FVOCI		**578,775,000**	17,433,761,770	16,022,194,922
Investment properties		**299,555,213**	308,006,196	50,090,800
Property and equipment		**52,892,081**	45,240,223	45,448,780
Additions to:				
Investment securities at amortized cost		**(69,194,981,330)**	(48,933,469,733)	(5,873,014,288)
Financial assets at FVOCI		**(1,903,195,601)**	(7,358,521,216)	(29,740,895,892)
Property and equipment	14	**(182,356,128)**	(156,995,689)	(98,228,754)
Software costs	16	**(100,896,635)**	(48,972,849)	(16,158,782)
Investment properties		**(4,932,730)**	(1,098,889)	(2,095,772)
Net cash provided by (used in) investing activities		**(10,560,090,130)**	(23,545,853,187)	430,650,170
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of bonds payable	35	**7,427,633,892**	-	-
Issuance of common stock		**3,258,608,491**	-	-
Payment of lease liability	35	**(231,255,989)**	(223,485,330)	(220,727,602)
Payment of Interest on bonds	20	**(106,595,991)**	-	-
Issuance of preferred stock		**-**	5,452,543,902	-
Settlement of bills payable	35	**-**	(18,675)	(86,420)
Net cash provided by (used in) financing activities		**10,348,390,403**	5,229,039,897	(220,814,022)
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**(1,082,325)**	22,456,631	(17,460,891)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(22,457,274,950)**	3,347,994,785	27,223,117,190
CASH AND CASH EQUIVALENTS - GROSS AT BEGINNING 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		**45,373,267,996**	39,552,550,316	21,958,460,423
Due from other banks		**1,039,596,824**	1,023,393,720	670,568,456
Interbank loans receivable and securities purchased under resale agreements		**19,136,088,591**	21,952,290,738	13,320,194,515
		68,296,734,301	64,948,739,516	37,725,622,326
CASH AND CASH EQUIVALENTS - GROSS AT END OF YEAR				
Cash and other cash items		**2,735,170,691**	2,747,780,890	2,420,504,742
Due from Bangko Sentral ng Pilipinas		**23,678,666,441**	45,373,267,996	39,552,550,316
Due from other banks		**1,044,396,366**	1,039,596,824	1,023,393,720
Interbank loans receivable and securities purchased under resale agreements	35	**18,381,225,853**	19,136,088,591	21,952,290,738
		P45,839,459,351	P68,296,734,301	P64,948,739,516

Forward

	2022	2021	2020
			Years Ended December 31
CASH FLOWS FROM INTEREST AND DIVIDENDS			
Operating Activities			
Interest received	**P6,152,214,757**	P5,013,594,767	P5,183,736,446
Interest paid	**978,496,764**	659,753,395	1,226,602,056
Investing Activities			
Interest received	**P1,614,378,153**	P988,560,088	P1,049,252,946
Dividends received	**1,612,352**	5,709,161	12,228,425
Financing Activities			
Interest paid	**P135,099,012**	P35,396,571	P44,027,424

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 Securities and Exchange Commission (SEC) on December 16, 1963. The Bank's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on March 31, 2022, as approved by the SEC on February 15, 2022. The Bangko Sentral ng Pilipinas (BSP) approved the upgrade of the Bank's banking license from commercial bank to universal bank on December 23, 2021. On August 11, 2022, the SEC approved the application of the Bank to act as underwriter of securities engaged in dealing government securities. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. On November 2, 2022, the Bank officially started operations as a universal bank.

The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, credit card 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, 2022, 2021 and 2020.

San Miguel Properties, Inc. (SMPI) holds 31.91% and 39.89% ownership of the Bank's issued common shares as at December 31, 2022 and 2021, respectively. San Miguel Corporation Retirement Plan (SMCRP) holds 30.84% and 38.54% ownership of the Bank's issued common shares as at December 31, 2022 and 2021, respectively. Each of these shareholders has significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank's issued non-voting preferred shares as at December 31, 2022 and 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.

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 March 15, 2023.

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 23.

3. Summary of Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the adoption of the following amended standards and framework, which became effective beginning January 1, 2022. Unless otherwise indicated, the adoption of these amended standards and framework did not have an impact on the financial statements of the Bank. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- *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 statements of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statements of comprehensive income.

- *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.

- *Annual Improvements to PFRS Standards 2018-2020.*

  - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9).* The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - *Lease Incentives (Amendment to Illustrative Examples AccompanyingPFRS 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.

- *Reference to the Conceptual Framework (Amendment to PFRS 3 Business Combinations).* The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

- added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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 statements 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 themarketplace are recognized on settlement date. Settlement date accountingrefers 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 theBank or advanced to the borrowers.

Derivatives are recognized on trade date basis. Trade date is the date when an entity commits itself to purchase or sell an asset. Trade date accounting refers to: (a) the recognition of an asset to be received or the liability to be paid on the trade date, and (b) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on trade date.

- *Initial Recognition of Financial Instruments*
  All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, initial measurement includes transaction costs.

<u>Financial Instruments - Classification and Subsequent Measurement</u>
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 thefinancial asset on initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount). 'Interest' is defined as consideration for the time value of money and forthe 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 investmentsecurities 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 payment has beenestablished.

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, 2022 and 2021, theBank 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 losses on financial assets at FVOCI' account in the equity section of the statements of financial position. Interest income and foreign exchange gains and losses are recognized in the statements ofincome in the same manner as for financial assets measured at amortized cost. The ECL arising from impairment of such investments are recognized inthe statements of income with a corresponding charge to "Provision for creditand impairment losses" account if the resulting ECL is impairment losses andto "Reversal of credit and impairment losses" if the resulting ECL is reversalof 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 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 neverrecycled to profit or loss, but the cumulative gain or loss previously recognized in OCI is reclassified to "Retained earnings" account in the equity section of the statements of financial position. Equity securities designated atFVOCI 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, bonds payable, manager's checks, lease liabilities, accrued interest and other expenses (except accrued employee and other benefits and accrued taxes payable) and other liabilities (except withholding tax payable, retirement liability and ECL on off-balance sheet exposures).

Financial liabilities at FVPL include derivative liabilities held-for-trading arising from cross-currency swap and forward contracts. Similar to derivative assets, any gains or losses arising from changes in fair values of derivative liabilities are taken directly to "Foreign exchange gains - net" in the statements of income. Derivatives are carried as liabilities when the fair value is negative.

Reclassification of Financial Assets and Liabilities
The Bank can reclassify financial assets if the objective of its business model for managing the financial asset changes. Reclassification of financial assets designated at FVPL or equity securities at FVOCI at initial recognition is not permitted.

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

Financial liabilities are not reclassified.

Modifications of Financial Assets and Financial Liabilities

Financial Assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expire. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in the 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 shouldbe written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

To determine whether a modification of a financial asset is substantial or non-substantial, the guidance set out in this policy should be applied. Where it is not clear whether a "substantial modification" has occurred based on the application of this guidance, a 10.0% net present value change (equivalent to the PFRS 9 - test for financial liabilities) should be applied as a backstop.

In some cases, whether or not a modification is substantial will be clear with little or no analysis while in others a high degree of judgment may be required.

The modification of a financial asset could involve one or both of the following:

(a) Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;

(b) Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

Based on the Bank's policy, the delineation between substantial andnon-substantial modifications should focus on category (a) modifications, specifically changes in credit limit, tenor, currency or SPPI characteristics.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original EIR of the asset and recognizes the resulting adjustment as a modification gain or loss in the statements of income.

For floating-rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such modification is carried out because of the financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial Liabilities
The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in the statements of income. Consideration paid included non- financial assets transferred, if any, and the assumption of liabilities, including the newmodified 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 the statementsof 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 from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or

- the Bank has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of ownership of the asset; or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of theasset 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 ofa new liability. The difference in the respective carrying amounts is recognized in the statements of income.

Impairment of Financial Assets
The Bank recognizes ECL for loan and other debt financial assets at amortized cost and at FVOCI, together with loans commitments and financial guarantee contracts. No impairment loss is recognized on equity securities.

Expected Credit Loss Methodology
The Bank measures ECL in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. PFRS 9 requires a loss allowance to be recognized at an amount equal to either the 12-month ECL or lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. Lifetime ECLs are the ECLsthat result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

Staging Assessment
For non-impaired financial instruments:

- Stage 1: Comprised of performing financial instruments which have not experienced SICR since initial recognition or have low credit risk as of reporting date. This stage recognizes a 12-month ECL for the financial instruments categorized under this group.

- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

  For credit-impaired financial instruments:

- Stage 3: Comprised of non-performing financial instruments with one or more loss events occurring since the original recognition or assets with objective evidence of impairment at reporting date. Financial instruments falling within this stage have objective evidence of impairment thus requiring the recognition of lifetime ECL.

Definition of “Default” and “Cure”
The Bank generally classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (i.e., breach of covenant) and quantitative (i.e., overdue status and non-payment on another obligation of the same borrower/issuer to the Bank).An instrument is considered to be no longer in default (i.e., to have cured) whenthere 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 the 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 atool 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 change in credit risk includes both the quantitative and qualitative factors.

The Bank applies the movement in its Corporate Loan account's credit risk rating and assessment of breach in watchlist triggers to indicate a possible significant credit downgrade or upgrade through a risk rating matrix. For the remaining portfolios, the Bank considers that a SICR occurs no later than when an asset is more than 30 days past due. The total number of days past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Furthermore, the Bank’s internal credit assessment may consider a counterparty to have a SICR since initial recognition if it is identified to have well-defined credit weaknesses. These may include adverse changes in the financial, managerial, economic and/or political nature of a business. Credit weakness can be established by an unsatisfactory track record that merits close monitoring and attention from management.

If there is evidence that there is no longer a SICR relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. For unrated financial instruments, the SICR is measured using the number of days past due which is also consistent with the staging criteria presented above.

ECL Parameters and Methodologies
ECL is a function of the following credit risk parameters:

(a) Probability of Default (PD)
The PD is the measure of likelihood that a borrower will be unable to settle his obligation/s on time and in full 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. The Bank currently uses its ICRRS, credit scorecards and otherrelevant drivers of default to segment exposures with homogenous risk characteristics.

Point-in-Time (PiT) PD calibration is done to reflect the current trends in business and credit cycle. Macroeconomic forecasts are incorporated to come up with PiT PDs that are unbiased and forward-looking projections of future default risk.

(b) Loss Given Default (LGD)
LGD measures the percentage amount of credit losses incurred and not recovered at the time of default. LGD estimation is based on historical cash flow recoveries. Calculation of the LGD is adjusted for some assets to considercashflow recoveries on collateral. For some financial assets, the Bank supplemented internal assessments with regulatory thresholds to arrive at the LGD assumption.

LGD estimation also considers 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. When estimating EAD,several factors are taken into account, including the length of time for which the estimation is being made, the predicted cash flows until the point of default, and the remaining duration of the loan. 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 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 historical data analysis, the Bank found significant relationships between MEVs and credit risk which vary by product type. Forward looking MEVs usedinclude 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.

Restructured Loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. When the loan has been restructured but not derecognized, the Bank also reassesses whether there has been a SICR and considers whether the assetsshould be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Write-offs
Financial assets are written off either partially or in full when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included under "Miscellaneous income" in the statements of income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

'Day 1' Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank recognizes the difference between the transaction price and fair value(a 'Day 1' difference) as part of current operations in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized as part of current operations in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Offsetting
Financial assets and liabilities are offset with the net amount reported in the statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, as the related assets and liabilities are presented gross in the statements of financial position.

As at December 31, 2022 and 2021, the Bank did not have any financial instrument that qualified for offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include COCI, amounts due from BSP and other banks and interbank loans receivable and SPURA with original maturities of three months or less from dates of placement and that are subject to insignificant risk of changes in value.

COCI consist of cash on hand and checks and other cash items. Cash on hand refers to the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATMs).

Repurchase and Reverse Repurchase Agreements
Securities sold under repurchase agreements (SSURA) at a specified future date ("repos") are not derecognized from the statements of financial position. The corresponding cash received, including accrued interest, is recognized in the statements of financial position as liability of the Bank, reflecting the economic substance of such transaction.

Conversely, SPURA to resell at a specified future date ("reverse repos") are not recognized in the statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Bank is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the statements of income and is amortized over the life of the agreement using the effective interest method.

Financial Guarantees and Undrawn Loan Commitments
Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual values of undrawn loan commitments, where the loans agreed to be provided are on market terms, are not recorded in the statements of financial position. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to loan commitments is recognized under "Other liabilities" in the statements of financial position.

In the ordinary course of business, the Bank issues financial guarantees in favor of other parties. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee in accordance with PFRS 15. The financial guarantee is subsequently carried at the higher of the amount of loss allowance determined in accordance with the ECL model and the amount initially recognized, less when appropriate, thecumulative amount of income recognized in accordance with PFRS 15.

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 invalue.

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 resultedin the increase in the future economic benefits to be obtained from the use of an itemof property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the terms of the related lease, whichever is shorter.

Estimated useful lives of property and equipment are as follows:

	Years
Building	50
Furniture, fixtures and equipment	3 - 7
Leasehold improvements	5 - 15

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period the asset is derecognized.

The asset's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each reporting date.

Investment Properties

Investment properties are composed of assets acquired from foreclosure or *dacion en pago* and land and building that are vacant and no longer used for administrative purposes (previously owner-occupied property), and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is initially recognized at the fair value of the asset acquired unless (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 carrying amount of the asset given up is recorded as "Gain on foreclosure" under "Gain on foreclosure and sale of property and equipment and foreclosed assets - net" in the statements of income. Foreclosed properties are classified under "Investment properties" upon:

- entry of judgment in case of judicial foreclosure;

- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or

- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

The Bank applies the cost model in subsequently measuring its investment properties. Land is carried at cost less any impairment in value and depreciable properties acquired are carried at cost. Cost is the fair value of the asset at acquisition date, less any accumulated depreciation and any impairment in value. Transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of cost of the investment properties.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or 10 years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the start of owner-occupation or of development with a view to sell.

Repairs and maintenance costs relating to investment properties are normally charged to statements of income in the period in which the costs are incurred.

An investment property is derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Other Properties Acquired

Other properties acquired, included under "Other assets" account in the statements of financial position, include chattel mortgage properties foreclosed in settlement of loan receivables. The Bank applies the cost model of accounting for these assets. Under the cost model, these assets are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or three years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of the other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Intangible Assets

Intangible assets consist of software costs and branch licenses. Intangible assets acquired separately, included under "Other assets" account in the statements of financial position, are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less anyaccumulated amortization and impairment losses. Internally generated intangibleassets are not capitalized but recognized in the statements of income in the period when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statements of income under the expense category consistent with the function of the intangible asset. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of income in the period when the asset is derecognized.

Branch Licenses

Branch licenses are granted by the BSP and capitalized on the basis of the costs incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

Software Costs

Software costs include costs incurred relative to the purchase of the Bank's software and are amortized on a straight-line basis over 5 years. Software costs are carried at cost less accumulated amortization and any impairment in value.

Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Property, Equipment and Right-of-Use Assets,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, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

The net recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or cash-generating unit) exceeds its net recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged against operations in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income.

After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurement

The Bank measures financial instruments, such as, financial assets and liabilities at FVPL, financial assets at FVOCI and net retirement liability which is measured at present value of the defined benefit obligation less fair value of plan assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 6.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactionto sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair Value Hierarchy

The majority of valuation models deploys only observable market data as inputs. This has not changed as a result of COVID-19, however the Bank has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

The Bank evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the reporting date.

For certain financial instruments, the Bank may use data that is not readily observable in current markets. If the Bank uses unobservable market data, then the Bank needs to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, the Bank derives unobservable inputs from other relevant market data and compares them to observed transaction prices where available.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred betweenLevels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are involved for valuation of significant assets such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. In particular, 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 can be exchanged 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.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable.

Determining whether the Bank is acting as a Principal or an Agent

The Bank assesses its revenue arrangements against the following indicators to determine whether it is acting as a principal or an agent:

- whether the Bank has primary responsibility for providing the services;
- whether the Bank has discretion in establishing prices; and
- whether the Bank has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.

The Bank has determined that it is acting as a principal in its revenue arrangements except for activities where the Bank acts in a fiduciary or custodian capacity such as nominee, trustee, or agent. Income from fiduciary and custodianship activities are included 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 financialservices it provides to its customers. Fee and commission income is recognized atan 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 fromdeposit-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 is 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 underwriting fees and brokerage fees for the arrangement of the acquisition of shares or other securities are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statements ofincome when the syndication has been completed and the Bank retains no partof the loans for itself or retains a part of the loan at the same EIR as 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 fromthe amounts remitted to the member establishments. These also include interchangeincome from transactions processed by Mastercard, a card network, and fees from cash advance transactions of cardholders.

The amount allocated to the loyalty program 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 program are accounted for as a separately identifiable component of the transaction in which theyare granted. The fair value of the consideration received in respect of the initial saleis allocated based on the estimated stand-alone selling prices. Income generated from customer loyalty program is included under ‘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 transfersto 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 EIRis established on initial recognition of the financial asset and liability and is notrevised subsequently, except for repricing loans. The carrying amount of the financialasset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in the 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 asStage 3 (as discussed in "Impairment of Financial Assets" above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statements of financial position. The unearned discount is taken up to interest income over the installment term and is computed using the effective interest method.

Trading and Investment Securities Gains or Losses
Trading and investment securities gains or losses represent results arising from disposal of debt securities at FVOCI and trading activities (realized gains and losses) and from the changes in fair value of financial assets and liabilities at FVPL (unrealized gains or losses).

Dividends
Dividends are recognized when received or when the Bank's right to receive the dividends is established.

Rental Income
Payments received under operating lease arrangements are recognized in the statements of income on a straight-line basis over the term of the lease.

Recovery on Charged-off Assets
Income arising from collections on accounts or recoveries from impairment of items previously written off is recognized in the statement of income in the year of recovery.

Expense Recognition
Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen to the Bank and can be measured reliably.

Interest Expense
Interest expense for all interest-bearing financial liabilities is recognized in “Interest expense” in the statements of income using the EIR of the financial liabilities to which they relate.

Other Expenses
Other expenses include losses and expenses that arise in the ordinary course of business of the Bank and are recognized when incurred.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has presented legal or constructive obligation to pay this amount as a result of past service provided by the employer and the obligation can be estimated reliably.

Retirement Benefits
The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

The retirement benefits liability recognized in the statements of financial position in respect of the defined benefits retirement plan is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary usingthe 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 thestatements 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 the commencement or upon 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 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 isreasonably 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 lossif the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents the right-of-use assets in “Property, Equipment and Right-of-Use Assets” while lease liabilities are included under “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 the inception or upon 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.

Income Tax Expense

Current Tax

Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however,is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. These reflect uncertainty related to income taxes, if there is any.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate 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 anda 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 insurancecontract, 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 financialand 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, 2022. 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, 2023

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

▪ *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12 Income Taxes).* The amendments clarify that 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

Effective January 1, 2024

▪ *Classification of Liabilities as Current or Non-current - 2020 Amendments and Non-Current Liabilities with Covenants - 2022 Amendments (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 only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non- current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; 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, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

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, theresults of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant Judgments
In the process of applying the Bank's accounting policies, management has made the following significant judgments, apart from those involving estimations, which may have the most significant effect on amounts recognized in the financial statements:

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 22, 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 significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

In determining whether or not a lease should be treated as an operating lease, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer ofexecutory costs, among others, are considered.

b) *Business Model Assessment*

The Bank manages its financial assets based on the business models thatmaintain 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 relevantfactors 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.

c) *Testing the Cash Flow Characteristics of Financial Assets*

In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e., cash flows that are non-SPPI, does not meet the amortized cost and FVOCI criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified(the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

d) *Functional Currency*

PAS 21, *The Effects of Changes in Foreign Exchange Rates* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- the currency that mainly influences sales prices for financial instruments and services;
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstance relevant to the Bank, the functional currency of the Bank's RBU book of accounts and FCDU book of accounts have been determined to be PHP and USD, respectively.

PHP and USD are the currencies of the primary economic environment in which the Bank operates. These are the currencies that mainly influence the income and costs arising from the Bank operations.

e) *Provisions and Contingencies*

The Bank, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between provisions and contingencies (see Note 38).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(i) Expected Credit Losses on Financial Assets, Loan Commitments and Financial Guarantees

The Bank reviews its financial assets at amortized cost and debt securities at FVOCI, loan commitments and financial guarantees to assess the amount of credit losses to be recognized in the statements of financial position at least on an annual basis or more frequently, as deemed necessary. The measurement of ECL under PFRS 9 requires judgment, in particular, the estimation of the amountand 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.

The ECL methodology of the Bank was optimized to recalibrate 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 2022, the ECL methodology of the Bank was validated by an external validator. Changes brought upon by the model validation are the following:

- The PD calculation template was aligned with the model documentation;
- The migration rates used for the LGD calculation of the Corporate, Auto, Housing, Salary, Personal and Benefit loans were also aligned with themodel documentation; and
- Aligned the logical trend of Optimistic, Baseline, and Pessimistic scenarios using historical data.

Refer to Notes 3 and 5 for the detailed discussions of the inputs, assumptions and estimation uncertainty used in measuring ECL under PFRS 9. The related allowance for credit losses subject to ECL are disclosed in Note 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

Investment in an Associate, Property, Equipment and Right-of-Use Asset, Investment Properties, Other Properties Acquired, and Intangible Assets under "Other Assets"

The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

a) significant underperformance relative to expected historical or projected future operating results;

b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and

c) significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its net recoverable amount. Net recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unitto which the asset belongs.

The carrying values of investment in an associate, property, equipment and right-of-use assets, 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 32.

(vi) Present Value of Retirement Benefit Obligation

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date. The present value of the Bank's retirement obligation and the fair value of plan assets are disclosed in Note 29.

(vii) Contingencies

The Bank is currently involved in various legal proceedings. The 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 38).

5. Financial Risk Management Objectives and Policies

Introduction

The business of banking involves financial risks which must be measured, monitored and managed by an effective risk management system embedded throughout the whole organization. Effective risk management ensures that financial risks are properly identified, assessed, measured and managed. The diligent monitoring and management of all financial risks, notably credit, interest rate risk in the banking book (IRRBB), market and liquidity risk require the development of a risk-conscious culture that will influence daily business activities and decision-making.

The Bank believes that effective risk management will not only minimize potential or actual losses but will also optimize earnings by correctly pricing its products and services commensurate to the risks taken. Its risk mission and objectives are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

Risk Management Structure
The BOD is ultimately responsible for identifying and controlling risks. However, there are separate independent units at the BOD and management levels, which are responsible for managing and monitoring financial risk.

Board of Directors
The BOD is primarily responsible for the sound governance of the Bank, promotion of the highest standards of ethics and integrity. It approves and oversees the implementation of the Bank's strategic objectives and establishes and maintains sound risk management system for the whole institution. The BOD approves and reviews the institutional tolerance for risks, business strategies and risk philosophy.

Corporate Governance Committee
The Corporate Governance Committee is tasked to assist the BOD in fulfilling its corporate governance responsibilities and in providing oversight in theimplementation of the Bank's Compliance System. It is responsible for ensuring due observance of corporate governance principles and guidelines across the Bank.

Related Party Transactions Committee (RPTCom)
The RPTCom assists the BOD in fulfilling its responsibility of ensuring that transactions with related parties are arm's length. It covers proper identification of related parties, recording and vetting of transactions with them including disclosures in financial reports, which must be consistent with relevant legal and regulatory requirements, and Bank policies.

Audit Committee
The Audit Committee represents and assists the BOD in its general oversight of the Bank's financial reporting policies, practices and control and internal and external audit functions. It oversees the relationship with the independent external auditors, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditors, and the experience of the Committee's members in business, financial and accounting matters.

Board Risk Oversight Committee (BROC)
The BROC, a sub-committee of the BOD, oversees the Bank's risk management system. It has the power to approve procedures for implementing risk and capital management policies. The BROC shall assist the BOD with its oversight function to identify and evaluate risk exposures, develop risk management strategies, implement and periodically review the risk management framework and promote a risk management culture in the Bank.

Risk Management Division (RSK)
The RSK is responsible for the creation and oversight of the Bank's corporate risk policy. It is responsible for making recommendations to the BOD on corporatepolicies and guidelines for risk measurement, management and reporting. It also reviews the system of risk limits, compliance to said limits and validates the reportsof 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 existingones or to offer new loan products or programs, prior to endorsement to the Senior Executive Team and Excom for approval.

Internal Audit Division
Internal Audit Division is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to examine, evaluate and improve the effectiveness of risk management, internal control and governance processes of the Bank. The Internal Audit Division reports to the Audit Committee.

Legal Services Division
The primary functions of the Bank's Legal Services Division are composed of rendering legal advice and document review to ensure that relevant laws are disseminated and complied with, the Bank's interest is duly protected, and identified risks are either eliminated or minimized and imparted to responsible units of the Bank. The Division also handles cases filed for and against the Bank.

Compliance Division
The Compliance Division is responsible for coordinating, monitoring and facilitating the Bank's compliance with regulatory requirements. It is responsible for implementing the Bank's Compliance Program and the Money Laundering and Terrorist Financing Prevention Program (MTPP).

Risk Measurement and Reporting Systems
The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by the RSK.

Market risks are measured by mark-to-market and Value-at-Risk (VAR) analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit risks are measured via risk classifications of accounts using ICRRS together with BSP risk classification of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowance for losses including changes thereon, when necessary. All risk information is processed, analyzed and consolidated for proper reporting to the BOD through the BROC and Audit Committee, as well as the Senior Executive Team and various management committees of the Bank.

Actual and estimated risk exposures/losses at Treasury, Corporate, Consumer Business and Credit Cards, Operations and Information Technology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and back-testing results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, service level of major information technology systems and ATMs.

Risk Mitigation

To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency and interest rate risk. The Bank also observes limits on positions, losses, and market sensitivities to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes.

Risk Concentration

The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposurestatus 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 themonitoring 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, 2022 and 2021:

	December 31, 2022		December 31, 2021	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	**After Financial Effect of Collateral or Credit Enhancement**	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	**P85,853,607,701**	**P80,428,467,579**	P58,288,237,487	P47,828,341,389
Housing loans	**8,050,636,414**	**2,971,809,373**	8,153,639,607	2,876,874,485
Auto loans	**3,248,375,385**	**1,559,773,409**	3,014,014,009	198,131,864
Agri-agra loans	**2,508,188,756**	**2,422,186,023**	1,216,852,115	1,024,119,022
Bills purchased, import bills and trust receipts	**1,293,445,667**	**1,293,445,667**	386,638,323	378,999,050
Direct advances	**468,677,985**	**-**	369,416,862	-
Others	**1,874,451,667**	**1,874,451,667**	1,666,550,443	1,665,970,866
	103,297,383,575	**90,550,133,718**	73,095,348,846	53,972,436,676
Sales contract receivables	**325,652,637**	**53,682,557**	351,462,925	53,952,557
	P103,623,036,212	**P90,603,816,275**	P73,446,811,771	P54,026,389,233

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2022 and 2021.

As at December 31, 2022 and 2021, fair value of collateral held for loans and receivables amounted to P78.5 billion and P85.8 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, 2022 and 2021:

	December 31, 2022			
	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	**P470,461,970**	**P128,734,453**	**P341,727,517**	**P465,848,155**
Housing loans	**746,112,810**	**593,276,797**	**152,836,013**	**144,275,644**
Auto loans	**409,506,693**	**395,813,302**	**13,693,391**	**341,667,642**
Direct advances	**133,007,418**	**-**	**133,007,418**	**133,007,418**
Bills purchased, import bills and trust receipts	**88,174,014**	**7,656,284**	**80,517,730**	**88,174,014**
Agri-agra loans	**17,663,370**	**14,362,060**	**3,301,310**	**17,663,370**
Others	**684,459,703**	**183,895**	**684,275,808**	**612,085,091**
	2,549,385,978	**1,140,026,791**	**1,409,359,187**	**1,802,721,334**
Sales contract receivables	**115,356,863**	**61,674,306**	**53,682,557**	**54,296,300**
	P2,664,742,841	**P1,201,701,097**	**P1,463,041,744**	**P1,857,017,634**

	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

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2022 and 2021.

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 down payment 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 quantitative and qualitative factors. The scores assigned to each obligor is equivalent to the risk associated to each individual. The scoring model is reviewed and validated by external parties regularly to ensure that the model is risk ranking properly. The risk rating is used as one of the measures of the Bank's risk appetite and as a factor in impairment calculation.

Based on the evaluation of the facility risk factor (FRF), the borrower risk rating (BRR) can be upgraded or downgraded to come up with the final credit risk rating (CRR). Such CRR is eventually used in the determination of the ECL.

BRR Disclosure
In compliance with BSP, the Bank implemented in 2007 a credit risk classification that is compliant with global rating standards. The BRR is the evaluation of the credit worthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. The BRR measures the borrower's credit quality by looking into three major aspects, namely, financial condition, industry analysis and management quality. 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 analysis 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 specific factor, a rating of "Poor" will be given.

The BRR is used to determine the credit quality of the Bank’s corporate accounts. Loan accounts are classified according to a 1 -10 rating scale based on BRR results, as follows:

	Final Score	Equivalent Risk Rating	Calculated BRR
High Grade	>177	Excellent	1
	150 - 176	Strong	2
	123 - 149	Good	3
Standard Grade	96 - 122	Satisfactory	4
	68 - 95	Acceptable	5
	<68	Watchlist	6
Substandard Grade		Special Mention	7
Impaired		Substandard	8
		Doubtful	9
		Loss	10

High Grade or accounts with BRR of 1-3 are loans where the risk of the Bank are good to excellent in terms of risk quality and where the likelihood of the non-paymentof obligation is less likely to happen.

Standard Grade or accounts with BRR of 4-6 are loans where the risk of the Bank ranges from satisfactory to acceptable with some form of weakness and where repayment capacity needs to be watched.

Substandard Grade or accounts with BRR of 7 are loans observed to have potential weaknesses and require a closer observation than the accounts under the Standard rating since if weaknesses are uncorrected, repayment of the loan may be affected increasing the credit risk to the Bank.

Past due but not impaired are those accounts for which contractual principal and interest payments were past due but that the Bank still believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Impaired accounts are loans classified by the Bank as Substandard, Doubtful and Loss where there are experiences of past due accounts and there are well-defined weaknesses where collection or liquidation of obligation may be or is already jeopardized.

Unrated accounts include consumer loans portfolio, credit card receivables, benefit loans, accounts receivables, sales contract receivables and returned checks and other cash items (RCOCI). The Bank is currently building a separate credit rating system for these accounts to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment.

The BRR can be subject to an upgrade/downgrade on the basis of the following:

Group Affiliation:

(a) When a borrower belongs to a group of companies, it can be upgraded up to the rating of the parent company provided that the parent company has a BRR of 4 or better.

(b) However, if the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.

(c) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.

(d) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.

(e) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

FRF:

(a) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.

(b) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

The adjustment on the BRR based on the FRF will be based on the following:

Upgrade	The facility is cash collateralized or covered by marketable securities
	Full collateralization of other assets
	3rd party guarantees in accordance with the BRR of the guarantor an upgrade should be set to the BRR of the guarantor
Downgrade	Borrower is a potential candidate for a downgrade if the facility is clean or a major part of the facilities are pledged to other creditors

The following table shows the credit quality of loans and receivables, excluding unquoted debt securities (gross of allowance for credit losses and net of unearned interest income) as at December 31, 2022 and 2021 (amounts in thousands).

	December 31, 2022										
	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	**P32,370,341**	**P -**	**P1,099**	**P979,105**	**P466,443**	**P346,095**	**P -**	**P34,163,083**	**P -**	**P719,404**	**P34,882,487**
Standard grade	**52,782,106**	**-**	**24,605**	**219,323**	**-**	**2,032,048**	**-**	**55,058,082**	**-**	**277,124**	**55,335,206**
Unrated	**-**	**7,294,257**	**3,089,406**	**97,976**	**-**	**-**	**1,808,374**	**12,290,013**	**263,227**	**450,648**	**13,003,888**
	85,152,447	**7,294,257**	**3,115,110**	**1,296,404**	**466,443**	**2,378,143**	**1,808,374**	**101,511,178**	**263,227**	**1,447,176**	**103,221,581**
Stage 2											
Neither past due nor impaired:											
Standard grade	**329,863**	**-**	**-**	**-**	**-**	**-**	**-**	**329,863**	**-**	**4,196**	**334,059**
Substandard grade	**81,637**	**-**	**-**	**-**	**2,641**	**134,258**	**-**	**218,536**	**-**	**962**	**219,498**
Past due but not impaired	**-**	**182,084**	**127,407**	**-**	**-**	**-**	**65,034**	**374,525**	**4,038**	**27,341**	**405,904**
Impaired	**548,625**	**-**	**-**	**-**	**-**	**7,818**	**-**	**556,443**	**-**	**3,464**	**559,907**
	960,125	**182,084**	**127,407**	**-**	**2,641**	**142,076**	**65,034**	**1,479,367**	**4,038**	**35,963**	**1,519,368**
Stage 3											
Impaired	**470,462**	**746,113**	**409,507**	**88,174**	**133,007**	**17,663**	**684,460**	**2,549,386**	**115,357**	**854,554**	**3,519,297**
	470,462	**746,113**	**409,507**	**88,174**	**133,007**	**17,663**	**684,460**	**2,549,386**	**115,357**	**854,554**	**3,519,297**
	P86,583,034	**P8,222,454**	**P3,652,024**	**P1,384,578**	**P602,091**	**P2,537,882**	**P2,557,868**	**P105,539,931**	**P382,622**	**P2,337,693**	**P108,260,246**

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

	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*

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2022 and 2021 (amounts in thousands).

	December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	**P1,437,698**	**P -**	**P -**	**P1,437,698**
Standard grade	**24,942,120**	**-**	**-**	**24,942,120**
Unrated	**3,768,630**	**-**	**-**	**3,768,630**
	P30,148,448	**P -**	**P -**	**P30,148,448**

	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

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 sensitivity 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, 2022			
	Gross	**ECL Allowance**		**Probability-**
	Exposure	**Scenario 1**	**Scenario 2**	**weighted**
Term loans	**P86,583,034**	**P553,846**	**P841,015**	**P729,426**
Housing loans	**8,222,454**	**158,857**	**185,601**	**171,818**
Auto loans	**3,652,024**	**386,644**	**421,028**	**403,649**
Agri-Agra loans	**2,537,882**	**21,258**	**32,815**	**29,693**
Bills purchased, import bills and trust receipts	**1,384,578**	**91,070**	**91,194**	**91,132**
Direct advances	**602,091**	**133,115**	**133,468**	**133,413**
Others*	**2,557,868**	**681,860**	**685,140**	**683,416**
	P105,539,931	**P2,026,650**	**P2,390,261**	**P2,242,547**

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

	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.*

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:

	2022	2021
Term loans	**P774,912,259**	P283,192,322
Agri-Agra loans	**159,738,819**	30,613,524
Housing loans	**47,758,907**	56,736,908
Auto loans	**617,479**	838,456
Others	**75,456,193**	40,647,707
	P1,058,483,657	P412,028,917

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, 2022		
	AA - A	**BBB and Below or Unrated**	**Total**
Loans and advances to banks: **			
Due from BSP	**P23,678,666,441**	**P -**	**P23,678,666,441**
Due from other banks	**562,517,326**	**481,879,040**	**1,044,396,366**
Interbank loans receivable and SPURA	**18,381,225,853**	**-**	**18,381,225,853**
	42,622,409,620	**481,879,040**	**43,104,288,660**
Financial assets at FVPL:			
Private debt securities	**-**	**344,809,237**	**344,809,237**
Government securities held-for-trading	**-**	**7,258,797**	**7,258,797**
Derivative assets*	**-**	**28,933,434**	**28,933,434**
	-	**381,001,468**	**381,001,468**
Financial assets at FVOCI:			
Government securities**	**-**	**5,619,271,980**	**5,619,271,980**
Equity securities	**-**	**185,778,540**	**185,778,540**
	-	**5,805,050,520**	**5,805,050,520**
Investment securities at amortized cost:			
Government securities**	**5,573,045,203**	**43,877,476,613**	**49,450,521,816**
Private debt securities**	**1,131,471,358**	**1,632,844,687**	**2,764,316,045**
	6,704,516,561	**45,510,321,300**	**52,214,837,861**
Loans and receivables - gross:			
Unquoted debt securities***	**-**	**291,578,213**	**291,578,213**
	P49,326,926,181	**P52,469,830,541**	**P101,796,756,722**

**Unrated derivatives pertain to warrants*
***Accounts are neither past due nor impaired and carried at Stage 1 in 2022*
****Accounts are impaired and carried at Stage 3 in 2022*

	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*

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, 2022 and 2021.

	December 31, 2022			
	1 - 30 Days	**31 - 60 Days**	**61 - 90 Days**	**Total**
Receivable from customers (gross):				
Housing loans	**P7,502,766**	**P117,540,395**	**P57,041,326**	**P182,084,487**
Auto loans	**304,994**	**82,232,033**	**44,870,404**	**127,407,431**
Term loans	**-**	**-**	**-**	**-**
Others	**27,455,097**	**30,326,359**	**7,252,677**	**65,034,133**
Sales contract receivables	**-**	**1,077,598**	**2,959,821**	**4,037,419**
Other receivables*	**111,258**	**21,429,780**	**5,800,524**	**27,341,562**
	P35,374,115	**P252,606,165**	**P117,924,752**	**P405,905,032**

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

	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*

Impairment Assessment

The Bank recognizes credit losses on financial assets at amortized cost and debt securities at FVOCI based on whether it has had a significant increase in credit risk since initial recognition. ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default(a lifetime ECL).

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general andto 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, 2022 and 2021 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2022					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Deposit liabilities:						
Demand	**P51,792,970**	**P -**	**P -**	**P -**	**P -**	**P51,792,970**
Savings	**44,346,299**	**55,343,320**	**2,080,915**	**-**	**-**	**101,770,534**
Time	**18,985**	**15,249,042**	**1,777,238**	**847,661**	**-**	**17,892,926**
Long-term negotiable certificates	**-**	**55,952**	**170,372**	**5,417,314**	**-**	**5,643,638**
Financial liabilities at FVPL	**-**	**283**	**-**	**-**	**-**	**283**
Bonds payable	**-**	**93,196**	**283,777**	**7,718,853**	**-**	**8,095,826**
Manager's checks	**-**	**661,454**	**-**	**-**	**-**	**661,454**
Accrued interest and other expenses*	**-**	**791,326**	**-**	**-**	**-**	**791,326**
Lease liabilities	**-**	**37,862**	**159,856**	**315,455**	**25,397**	**538,570**
Other liabilities**	**-**	**1,251,721**	**1,760,517**	**-**	**282,393**	**3,294,631**
Total Undiscounted Financial Liabilities	**P96,158,254**	**P73,484,156**	**P6,232,675**	**P14,299,283**	**P307,790**	**P190,482,158**

**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, 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
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*

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

	December 31, 2022				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Commitments	**P3,601,178**	**P12,598,713**	**P8,447,129**	**P2,062,875**	**P26,709,895**
Contingent liabilities	**67,274,952**	**2,192,776**	**3,343,696**	**3,060,378**	**75,871,802**
	P70,876,130	**P14,791,489**	**P11,790,825**	**P5,123,253**	**P102,581,697**

	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	59,798,249	847,512	1,408,058	4,338,027	66,391,846
	P63,160,379	P1,987,676	P9,413,178	P10,438,641	P84,999,874

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 IRRBB 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 Treasury Yield Curve Rates and USD-denominated bonds issued by the Philippines for USD. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

The NII, and ultimately earnings and capital, is vulnerable to adverse fluctuations interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into varioustime 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 benchmarks such as BVAL for PHP and US Treasury Yield Curve Rates for USD. The balance sheet size andshape are assumed to remain static for the next 12 months. Non-maturity deposits (NMD) or current-savings accounts (CASA) are split into two classifications, core deposits and volatile deposits.

The volatile or non-core portion of the NMD/CASA is spread over short-term buckets based on behavioral average life. Core deposits are slotted in the 3 - 5 years bucket. Interest rate option risk embedded in loans and time deposits that alter the timing of balance sheet items are incorporated in the model. The model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario simulated by the model impacts the exercise of the interest rate option. More prepayment is expected if interest rates decline while more pre-termination is expected as interest rates increase.

The table below sets forth the Bank's interest rate repricing gap as at December 31, 2022 and 2021.

In Millions	December 31, 2022 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 -	P2,735	P2,735
Due from BSP	6,096	-	-	-	-	-	-	17,579	23,675
Due from other banks	-	-	-	-	-	-	-	4,761	4,761
Interbank loans receivable	14,664	-	-	-	-	-	-	(2)	14,662
Financial assets at FVPL	-	-	-	-	-	-	-	381	381
Financial assets at FVOCI	369	430	1,998	2,250	1,355	-	-	(783)	5,619
Investment securities at AC	6,697	2,040	3,051	3,616	9,625	15,299	12,392	(346)	52,374
Loans - net	34,468	15,534	8,479	11,592	13,484	12,281	4,732	2,727	103,297
Other resources	247	5	-	-	-	-	-	8,687	8,939
	P62,541	P18,009	P13,528	P17,458	P24,464	P27,580	P17,124	P35,739	P216,443
Liabilities and Equity									
Deposit liabilities:	P69,553	P14,024	P18,688	P1,289	P5,648	P67,065	P -	P -	P176,267
Demand deposits	7,521	-	7,025	-	-	37,247	-	-	51,793
Savings deposits	5,194	-	9,475	-	-	29,674	-	-	44,343
Time deposits	56,838	14,024	2,188	1,289	619	144	-	-	75,102
Long-term negotiable certificates	-	-	-	-	5,029	-	-	-	5,029
Bonds payable	-	-	-	-	7,442	-	-	-	7,442
Other liabilities	-	-	-	-	-	-	-	5,930	5,930
	69,553	14,024	18,688	1,289	13,090	67,065	-	5,930	189,639
Capital funds	-	-	-	-	-	-	-	26,804	26,804
	P69,553	P14,024	P18,688	P1,289	P13,090	P67,065	P -	P32,734	P216,443
Total periodic gap	(P7,012)	P3,985	(P5,160)	P16,169	P11,374	(P39,485)	P17,124	P3,005	P -

In Millions	December 31, 2021 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 -

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 ininterest rates, with all other variables held constant, of the Bank's results of operations and OCI:

	December 31, 2022			
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**	**P201.26**	**(P0.25)**	**(P490.44)**
USD	**+100**	**1.76**	**(3.38)**	**(73.93)**
PHP	**-200**	**(201.26)**	**0.25**	**490.44**
USD	**-100**	**(1.76)**	**3.38**	**73.93**

	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

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, 2022 and 2021.

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, 2022 and 2021. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Market Risk

Market risk arises from the potential decline in earnings and capital due to adverse changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to two sources of market risk, namely: 1) market price risk in the trading book; and 2) foreign exchange risk from open foreign currency exposures. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first two.

There has been no material change to the Bank's exposure to market risk or the manner in which it manages and measures the risk since prior financial year.

Market Price Risk in the Trading Book
The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank's RSKsimulates 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, 2022 and 2021.

	FX Exposures	**HFT Securities**	**FVOCI Securities**	**Aggregate VAR**
2022				
As at December 31, 2022	**P944,454**	**P84,887**	**P55,262,009**	**P55,452,704**
Average	**2,381,036**	**1,147,342**	**48,111,020**	**48,504,463**
Highest	**12,183,300**	**2,585,544**	**73,264,380**	**72,311,569**
Lowest	**140,229**	**83,357**	**37,230,085**	**36,648,881**
2021				
As at December 31, 2021	2,007,233	2,147,907	38,772,700	40,671,327
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

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, 2022 and 2021. 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, 2022			
	USD	**Euro**	**Others**	**Total**
Assets				
Due from other banks	**$614**	**$530**	**$388**	**$1,532**
Interbank loans	**9,449**	**-**	**-**	**9,449**
Loans and receivables	**1,764**	**-**	**-**	**1,764**
Total Assets	**11,827**	**530**	**388**	**12,745**
Liabilities				
Deposit liabilities	**-**	**1,260**	**-**	**1,260**
Other liabilities	**1,573**	**55**	**9**	**1,637**
Total Liabilities	**1,573**	**1,315**	**9**	**2,897**
Net Exposure	**$10,254**	**($785)**	**$379**	**$9,848**
Amount in PHP	**P571,712**	**(P43,768)**	**P21,131**	**P549,075**

	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	P297,886

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2022 and 2021 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, 2022				
Currency:				
USD	**P1.00**	**(P10.25)**	**(P1.00)**	**P10.25**
Euro	**0.50**	**0.39**	**(0.50)**	**(0.39)**
Others	**0.40**	**(0.15)**	**(0.40)**	**0.15**

	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

Given the nature and amount of the Bank's equity investments portfolio in 2022 and 2021, 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 2022 and 2021, management believes the Bank's exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

COCI, Due from BSP and Other Banks and Interbank Loans Receivable and SPURA - Fair values approximate carrying amounts given the short-term nature of the instruments.

Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost) - Fair values are generally based onquoted market prices. If not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using discounted cash flow methodology.

Equity Securities (Financial Assets at FVOCI) - Fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers.

Derivative Instruments (Financial Assets 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 future cash flows expected to be received which are discounted using current market rates (i.e., BVAL and US Treasury Yield Curve Rates). 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 flows are discounted using the current market rate (i.e., BVAL and US Treasury Yield Curve Rates) 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.

Bonds and Bills Payable - For long-term bonds and bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bonds and 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, 2022				
	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	P7,259	P3,569	P3,690	P -	P7,259
Private debt securities	344,809	-	-	344,809	344,809
Derivative assets	28,933	-	28,933	-	28,933
Financial assets at FVOCI:					
Government securities	5,619,272	511,282	5,107,990	-	5,619,272
Equity securities	185,779	147,253	-	38,526	185,779
	P6,186,052	P662,104	P5,140,613	P383,335	P6,186,052
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	P283	P -	P283	P -	P283
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	P49,444,750	P12,626,246	P34,050,746	P -	P46,676,992
Private debt securities	2,764,019	375,615	2,035,004	-	2,410,619
Loans and receivables:					
Receivables from customers	103,340,539	-	-	102,468,646	102,468,646
Less unearned interest	43,155	-	-	43,155	43,155
	103,297,384	-	-	102,425,491	102,425,491
Sales contract receivables	325,653	-	-	380,020	380,020
	155,831,806	13,001,861	36,085,750	102,805,511	151,893,122
Non-financial Assets					
Investment properties	3,399,987	-	-	9,969,666	9,969,666
	P159,231,793	P13,001,861	P36,085,750	P112,775,177	P161,862,788
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	P17,793,298	P -	P17,735,829	P -	P17,735,829
Long-term negotiable certificates	5,029,420	-	4,787,902	-	4,787,902
Bonds payable	7,442,251	-	7,386,764	-	7,386,764
	P30,264,969	P -	P29,910,495	P -	P29,910,495

	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
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
	P14,136,564	P -	P14,215,021	P -	P14,215,021

In 2022, due to changes in market conditions for certain government securities measured at 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 FVOCI, with carrying amounts of P306.1 million in 2022, 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 for government securities measured at FVPL in 2022.

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

In 2022 and 2021, 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, 2022 and 2021.

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 eachsegment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to Senior Management who is responsible for allocating resources to the segments and assessing their performance. Segment performance is evaluated based on net income before provision/reversal of credit and impairment losses, share in net loss of an associate, and income tax expense. 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 revenuesand 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 years ended December 31, 2022, 2021 and 2020 for statements of income items, and as at December 31, 2022 and December 31, 2021 for statements of financial position items follow (amounts in millions):

	December 31, 2022					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Income						
Net interest income:						
Third party	**P2,171**	**P4,448**	**(P880)**	**P896**	**P47**	**P6,682**
Intersegment	**(1,602)**	**(3,157)**	**5,306**	**(542)**	**(5)**	**-**
Net interest income	**569**	**1,291**	**4,426**	**354**	**42**	**6,682**
Non-interest income	**116**	**154**	**89**	**40**	**1,035**	**1,434**
Total revenues	**685**	**1,445**	**4,515**	**394**	**1,077**	**8,116**
Other expenses	**222**	**258**	**2,098**	**157**	**2,749**	**5,484**
Income (losses) before provision for credit losses and income tax expense	**P463**	**P1,187**	**P2,417**	**P237**	**(P1,672)**	**P2,632**
Provision for credit and impairment losses						**P166**
Share in net loss of an associate						**-**
Income tax expense						**666**
Net income						**P1,800**
Other Segment Information						
Capital expenditures	**P6**	**P6**	**P57**	**P7**	**P86**	**P162**
Depreciation and amortization	**P4**	**P3**	**P53**	**P7**	**P365**	**P432**

	December 31, 2022					
	Treasury Management Group	**Corporate Banking Group**	**Branch Banking Group**	**Consumer Group**	**Others**	**Total**
Statement of Financial Position						
Total assets	**P80,035**	**P93,631**	**P23,810**	**P12,063**	**P7,979**	**P217,518**
Total liabilities	**9,995**	**35**	**172,912**	**116**	**6,429**	**189,487**

	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

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 andprofessional 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	**2022**	2021
SPURA		**P14,538,857,444**	P15,800,317,280
Interbank loans receivable		**3,842,368,409**	3,335,771,311
		18,381,225,853	19,136,088,591
Less allowance for credit losses	*17*	**2,481,466**	2,583,372
		P18,378,744,387	P19,133,505,219

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

Interbank loans receivable consists of short-term loans granted to other banks.

Interest income on SPURA and interbank loans receivable follows:

	2022	2021	2020
SPURA	**P475,286,408**	P316,263,835	P234,610,084
Interbank loans receivable	**63,872,487**	17,540	3,434,107
	P539,158,895	P316,281,375	P238,044,191

SPURA bears interest rates ranging from 2.0% to 5.5% in 2022, interest rate of 2.0% in 2021 and interest rates ranging from 2.0% to 4.0% in 2020.

Peso-denominated interbank loans receivable bear interest rates ranging from 1.8% to 5.0% in 2022 and 3.5% to 3.9% in 2020. 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 0.5% to 3.8%, from 0.1% to 0.5%, and from 0.1% to 1.7% in 2022, 2021 and 2020, respectively.

9. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2022	2021
Private debt securities	**P344,809,237**	P490,887,983
Government securities held-for-trading	**7,258,797**	478,225,289
Derivative assets	**28,933,434**	25,499,500
	P381,001,468	P994,612,772

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, 2022, 2021 and 2020, financial assets at FVPL are adjusted for unrealized gain of P3.0 million, unrealized loss of P4.2 million and unrealized gain of P69.7 million, respectively (see Note 28).

<u>Derivative Financial Instruments</u>
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 ofcertain 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.

Forward swaps refer to spot purchase of sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future. As at December 31, 2022, these pertain to one contract with notional amount of $1.0 million and three contracts with notional amount of $0.5 million each. The Bank has no forward swaps as at December 31, 2021.

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, 2022 and 2021 and is not indicative of either market risk or credit risk.

	December 31, 2022			December 31, 2021		
	Derivative Assets	**Notional Amount**	**Leverage Exposure**	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	**P27,877,500**	**$50,000**	**$ -**	P25,499,500	$50,000	$ -
Forwards	**1,055,934**	**1,000,000**	**-**	-	-	-
	P28,933,434	**$1,050,000**	**$ -**	P25,499,500	$50,000	$ -

	December 31, 2022			December 31, 2021		
	Derivative Liabilities	**Notional Amount**	**Leverage Exposure**	Derivative Liabilities	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Forwards	**P283,329**	**$1,500,000**	**$ -**	P -	$ -	$ -

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	Note	**2022**	2021
Government securities		**P5,619,271,980**	P4,569,700,778
Equity securities		**185,778,540**	181,893,798
Private debt securities	*33*	**-**	303,522,000
		P5,805,050,520	P5,055,116,576

As at December 31, 2022 and 2021, the ECL allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P0.6 million and P0.7 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 theseequity 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. The carrying amount of the equity securities amounted to P18.8 million as at December 31, 2022 and 2021. Dividend income received from BANGE in 2020 amounted to P3.0 million, booked under "Miscellaneous Income" in the statements of income (see Note 31). No dividend was received from BANGE in 2022 and 2021.

In 2022 and 2021, the Bank disposed club shares with carrying value of P0.8 million and P10.6 million, respectively, and transferred to "Retained earnings" account the realized gain of P0.3 million and P6.1 million in 2022 and 2021, respectively. There were no disposals of equity securities in 2020.

Dividend income from equity securities at FVOCI amounted to P1.6 million, P5.7 million and P12.2 million in 2022, 2021 and 2020, respectively (see Note 31).

Net Unrealized Losses on Financial Assets at FVOCI

The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

	Note	**2022**	2021	2020
Balance at beginning of year		**(P156,154,761)**	P69,657,563	P36,108,673
Net unrealized gains (losses) recognized as OCI		**(574,495,027)**	(293,920,562)	315,724,110
ECL on debt securities at FVOCI	*17*	**(27,137)**	(1,108,339)	1,652,388
Realized losses (gains) taken to profit or loss	*28*	**-**	68,883,753	(280,743,443)
Effect of tax	*32*	**-**	6,389,324	(3,084,165)
Net change in unrealized gains (losses) recorded in OCI		**(574,522,164)**	(219,755,824)	33,548,890
Realized gains taken to retained earnings		**(290,000)**	(6,056,500)	-
Balance at end of year		**(P730,966,925)**	(P156,154,761)	P69,657,563

11. Investment Securities at Amortized Cost

This account consists of:

	Note	**2022**	2021
Government securities		**P49,450,521,816**	P40,331,752,498
Private debt securities	*33*	**2,764,316,045**	2,583,066,258
		52,214,837,861	42,914,818,756
Less allowance for credit losses	*17*	**6,068,800**	5,761,352
		P52,208,769,061	P42,909,057,404

No investment securities at amortized cost were sold in 2022 and 2021.

In September and October 2020, the Bank sold government securities classified as Investment securities at amortized cost with total carrying value of P11.8 billion for peso denominated government securities and $51.3 million for dollar denominated government securities. The Bank realized gain from the sale of these securities amounting to P570.5 million and $4.0 million (P196.6 million) for peso and dollar denominated government securities, respectively (see Note 28).

The sales were made as part of the Bank's initiatives to preserve its capital and provide a buffer over regulatory minimum levels. The capital of the Bank was directly threatened by the increasing past due and NPL brought by the unforeseen and historical COVID-19 pandemic which required a significant increase in provision for credit losses on loans. The Bank assessed that the sale did not result in changes to the objectives of the hold-to-collect business model as the sale was infrequent. The remaining investment securities continue to be measured at amortized cost.

12. Loans and Receivables

This account consists of:

	Note	**2022**	2021
Receivables from customers:			
Term loans		**P86,583,033,586**	P59,050,250,905
Housing loans		**8,222,608,912**	8,329,292,292
Auto loans		**3,652,024,507**	3,543,209,363
Agri-agra loans		**2,537,887,089**	1,241,364,426
Bills purchased, import bills and trust receipts	*22*	**1,384,577,563**	463,352,225
Direct advances		**605,327,618**	537,504,714
Others		**2,597,626,608**	2,319,120,588
		105,583,085,883	75,484,094,513
Less unearned interest income		**43,154,930**	37,309,436
		105,539,930,953	75,446,785,077
Accrued interest receivable:			
Loans and receivables		**848,790,235**	614,200,832
Trading and investment securities		**422,998,451**	358,148,082
Interbank loans receivable and SPURA		**5,715,175**	702,236
Due from BSP and other banks		**2,193,333**	1,429,147
Accounts receivable		**1,057,747,032**	794,692,800
Sales contract receivables		**382,621,585**	408,965,309
Unquoted debt securities		**291,578,213**	291,578,204
RCOCI		**249,146**	822,302
		108,551,824,123	77,917,323,989
Less allowance for credit losses	*17*	**3,460,595,359**	3,543,198,822
		P105,091,228,764	P74,374,125,167

Bills purchased, import bills and trust receipts include bills purchased with contra account in “Bills purchased - contra” under “Other Liabilities” amounting toP1.3 billion and P420.0 million as at December 31, 2022 and 2021, respectively (see Notes 22 and 33). Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the Bank to its clients.

Other receivables from customers pertain to consumer loans such as benefit loans, salary loans, and credit cards.

Accounts receivable mainly consist of amounts due from customers and other parties under open-account arrangements, advances for buyers of foreclosed properties, receivables from employees and other miscellaneous receivables.

Sales contract receivables arise mainly from the sale of foreclosed properties booked under “Investment properties” 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 periodwithout 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 was recorded in "Interest income" in the statements of income. For the years ended December 31, 2022 and 2021, accretion of loan modification that were recorded in "Interest income" in the statements of income amounted to P5.1 million and P7.0 million, respectively.

BSP Regulatory Reporting

As at December 31, 2022 and 2021, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2022		2021	
	Amount	**%**	Amount	%
Loans secured by:				
Deed of pledge	**P7,905,090**	**7.5**	P2,667,139	3.5
Real estate	**5,345,891**	**5.1**	4,671,629	6.2
Deposit hold-out	**5,283,140**	**5.0**	5,115,340	6.8
Continuing surety agreement	**4,754,637**	**4.5**	4,448,004	5.9
Chattel	**2,314,566**	**2.2**	2,650,902	3.5
Corporate guaranty	**1,564,374**	**1.5**	2,480,565	3.3
Deed of assignment	**1,136,920**	**1.1**	1,287,561	1.7
Mortgage trust indenture	**809,900**	**0.8**	1,050,200	1.4
Certificate of participation	**800,000**	**0.7**	1,000,000	1.3
Others*	**17,756,186**	**16.8**	12,611,275	16.7
	47,670,704	**45.2**	37,982,615	50.3
Unsecured	**57,912,382**	**54.8**	37,501,480	49.7
	P105,583,086	**100.0**	P75,484,095	100.0

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

As at December 31, 2022 and 2021, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2022		2021	
	Amount	**%**	Amount	%
Electricity, gas, steam, and air-conditioning supply	**P30,518,493**	**28.9**	P21,406,795	28.4
Real estate activities	**24,139,201**	**22.9**	16,058,865	21.3
Manufacturing	**13,275,801**	**12.6**	11,557,523	15.3
Information and communication	**9,528,617**	**9.0**	53,550	0.1
Construction	**6,278,239**	**5.9**	9,218,129	12.2
Wholesale and retail trade, repair of motor vehicles and motorcycles	**4,889,646**	**4.6**	4,732,528	6.3
Agriculture, forestry and fishing	**2,394,508**	**2.3**	948,852	1.3
Water supply, sewerage, waste management and remediation activities	**1,401,877**	**1.3**	1,416,877	1.9
Transportation and storage	**1,372,692**	**1.3**	784,920	1.0
Financial and insurance activities	**1,311,410**	**1.3**	1,823,796	2.4
Accommodation and food service activities	**1,285,650**	**1.2**	1,148,574	1.5
Administrative and support service activities	**711,460**	**0.7**	190,625	0.2
Others*	**8,475,492**	**8.0**	6,143,061	8.1
	P105,583,086	**100.0**	P75,484,095	100.0

**Others include 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, 2022 and 2021, the Bank does not have credit concentration in any particular industry that exceeds 30.0% of total loan portfolio.

As at December 31, 2022, 10% of Tier 1 capital amounted to P2.5 billion and the table above includes the six industry groups exceeding this level as of that date.

The table also includes the five industry groups above the 10% of Tier 1 capital (P2.1 billion) as at December 31, 2021. The BROC and CRECOM constantlymonitor 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, whenit is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/orinterest 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, 2022 and 2021, the breakdown of receivables from customers as to status, is as follows (amounts in thousands)

	December 31, 2022		
	Performing	**Non-performing**	**Total**
Corporate	**P89,160,116**	**P644,853**	**P89,804,969**
Consumers	**11,338,496**	**1,221,937**	**12,560,433**
Credit card	**1,216,190**	**596,107**	**1,812,297**
Others	**1,306,849**	**55,383**	**1,362,232**
	P103,021,651	**P2,518,280**	**P105,539,931**

	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

As at December 31, 2022 and 2021, the NPLs of the Bank, as reported to BSP, are as follows:

	2022	2021
Gross NPLs	**P2,518,280**	P2,825,873
Less deductions as required by BSP	**1,793,731**	2,018,591
Net NPLs	**P724,549**	P807,282

Gross and net NPL ratios of the Bank are 2.1% and 0.6%, respectively, as at December 31, 2022 and 3.1% and 0.9%, respectively, as at December 31, 2021.

As at December 31, 2022 and 2021, restructured loans amounted to P1.1 billion and P412.0 million, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2022 and 2021, restructured receivables from customers considered as NPLs amounted P340.9 million and P218.3 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 requirementsfor restructuring of loans may be waived provided that the Bank will adoptappropriate and prudent operational control measures;

- Non-imposition of monetary policies for delays incurred in the submission of all supervisory reports to BSP due to be submitted from March 8, 2020 up to six months thereafter;

- Non-imposition of penalties on legal reserve deficiencies computed under Section 255 of the MORB starting from reserve week following March 8, 2020 up to six months thereafter, subject to prior approval of the BSP;

- Increase in the Single Borrower's Limit (SBL) from 25.0% to 30.0% until March 31, 2021;

- Allowance of (a) loans to Micro, Small and Medium Enterprises (MSMEs) and (b) loans to critically-impacted large enterprises as alternative mode of compliance with reserve requirements until December 31, 2021; and

- Provision of financial assistance to officers affected by the present health emergency, for the grant of loans, advances or any other forms of credit accommodations, subject to the submission by the Bank of a request for BSP approval within 30 calendar days from the approval thereof of the BOD.

As of December 31, 2022 and 2021, there has been no availment of the reliefs provided by BSP.

Interest Income on Loans and Receivables
This account consists of:

	2022	2021	2020
Receivables from customers:			
Term loans	**P4,258,299,628**	P3,135,826,861	P3,502,896,604
Housing loans	**533,304,245**	551,299,617	570,443,567
Auto loans	**247,631,545**	264,452,515	351,866,491
Agri-agra loans	**117,546,235**	38,283,650	26,051,159
Direct advances	**15,944,868**	18,021,144	25,320,441
Bills purchased, import bills and trust receipts	**5,908,431**	1,008,184	280,959
Others	**264,901,980**	250,289,916	336,682,833
	5,443,536,932	4,259,181,887	4,813,542,054
Sales contract receivable	**21,691,954**	25,273,885	26,601,895
	P5,465,228,886	P4,284,455,772	P4,840,143,949

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

As at December 31, 2022, 2021 and 2020, 55.7%, 48.0% and 44.3%, respectively, of the total receivables from customers were subject to periodic interest repricing.

Peso-denominated loans earn annual fixed interest rates ranging from 1.6% to54.0% in 2022, from 1.0% to 54% in 2021 and from 1.3% to 54.0% in 2020. Dollar-denominated loans earn annual fixed interest rates ranging from 3.3% to 8.7% in 2022 and 1.2% to 8.0% in 2021 and 2020.

Sales contract receivables bear fixed interest rates ranging from 5.3% to 11.6% in 2022 and 2021 and from 3.4% to 12.1% in 2020.

13. Investment in an Associate

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

	Note	**2022**	2021	2020
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		**(29,807,825)**	(28,782,008)	(28,025,906)
Share in net loss		**(133,185)**	(1,039,285)	(753,029)
Share in other comprehensive income (loss)		**(5,777)**	13,468	(3,073)
Balance at end of year		**(29,946,787)**	(29,807,825)	(28,782,008)
Allowance for impairment loss	*17*	**(5,925,786)**	(5,925,786)	(5,925,786)
	33	**P39,522,627**	P39,661,589	P40,687,406

The following table shows the summarized financial information of BIC:

	2022	2021*	2020*
Assets	**P175,587,810**	P175,203,784	P177,630,567
Liabilities	**(12,241,573)**	(12,041,307)	(11,733,886)
Net assets	**163,346,237**	163,162,477	165,896,681
Revenues	**3,677,273**	1,740,041	956,700
Net income/(loss) for the year	**(225,937)**	(2,791,998)	(4,669,104)
Other comprehensive loss	**(23,816)**	57,793	(12,670)
Total comprehensive income/(loss)	**(249,753)**	(2,734,205)	(4,681,774)

** Based on 2020 and 2021 audited financial statements*
*** Based on 2022 unaudited financial information*

As at December 31, 2022 and 2021, 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, Equipment and Right-of-Use Assets

The movements in property and equipment follow:

		December 31, 2022					
	Note	**Land**	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-Use Assets** (Note 30)	**Total**
Cost							
Balance at January 1		**P41,569,630**	**P872,187,818**	**P1,570,377,529**	**P853,087,118**	**P972,959,420**	**P4,310,181,515**
Additions		**-**	**3,561,570**	**162,015,036**	**16,779,522**	**159,277,079**	**341,633,207**
Disposals		**-**	**-**	**(103,416,400)**	**-**	**(96,701,381)**	**(200,117,781)**
Balance at December 31		**41,569,630**	**875,749,388**	**1,628,976,165**	**869,866,640**	**1,035,535,118**	**4,451,696,941**
Less Accumulated Depreciation and Amortization							
Balance at January 1		**-**	**265,538,777**	**1,261,865,760**	**799,505,168**	**504,717,541**	**2,831,627,246**
Depreciation and amortization		**-**	**23,171,377**	**96,886,118**	**21,719,160**	**194,086,444**	**335,863,099**
Disposals		**-**	**-**	**(50,666,535)**	**-**	**(96,701,381)**	**(147,367,916)**
Balance at December 31		**-**	**288,710,154**	**1,308,085,343**	**821,224,328**	**602,102,604**	**3,020,122,429**
Allowance for impairment losses	*17*	**5,022,885**	**1,133,017**	**-**	**-**	**-**	**6,155,902**
Net Book Value at December 31		**P36,546,745**	**P585,906,217**	**P320,890,822**	**P48,642,312**	**P433,432,514**	**P1,425,418,610**

		December 31, 2021					
	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	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 30)	Total
Cost							
Balance at January 1		P41,569,630	P852,916,703	P1,535,856,312	P818,750,027	P762,476,355	P4,011,569,027
Additions		-	1,253,430	86,666,609	10,308,715	220,979,671	319,208,425
Disposals		-	-	(82,166,966)	-	(43,050,807)	(125,217,773)
Balance at December 31		41,569,630	854,170,133	1,540,355,955	829,058,742	940,405,219	4,205,559,679
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	220,640,955	1,122,019,787	751,645,607	170,031,581	2,264,337,930
Depreciation and amortization		-	22,180,554	113,180,003	24,200,831	196,113,592	355,674,980
Disposals		-	-	(37,264,285)	-	(42,746,185)	(80,010,470)
Balance at December 31		-	242,821,509	1,197,935,505	775,846,438	323,398,988	2,540,002,440
Allowance for impairment losses	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

In 2022, 2021 and 2020, the net gains on sale of property and equipment included under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income amounted to P0.1 million, P0.3 million and P0.5 million, respectively.

As at December 31, 2022 and 2021, the cost of fully depreciated property and equipment still in use amounted to P1.8 billion and P1.7 billion, respectively.

15. Investment Properties

The movements in investment properties follow:

		December 31, 2022		
	Note	**Land**	**Buildings**	**Total**
Balance at January 1		**P3,223,880,496**	**P1,194,131,603**	**P4,418,012,099**
Additions		**84,976,590**	**84,393,604**	**169,370,194**
Disposals		**(114,755,508)**	**(45,819,314)**	**(160,574,822)**
Balance at December 31		**3,194,101,578**	**1,232,705,893**	**4,426,807,471**
Less Accumulated Depreciation				
Balance at January 1		**-**	**778,421,466**	**778,421,466**
Depreciation		**-**	**81,156,976**	**81,156,976**
Disposal		**-**	**(34,661,412)**	**(34,661,412)**
Balance at December 31		**-**	**824,917,030**	**824,917,030**
Less Allowance for Impairment Losses	*17*	**198,932,553**	**2,971,139**	**201,903,692**
		P2,995,169,025	**P404,817,724**	**P3,399,986,749**

		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

		December 31, 2020		
	Note	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

As at December 31, 2022 and 2021, the aggregate market value of investment properties amounted to P10.0 billion and P9.3 billion, respectively. Information about the fair value measurement of investment properties is presented in Note 6.

Gain on foreclosure and sale of investment properties included under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" consists of the following:

	2022	2021	2020
Gain on assets sold	**P262,092,188**	P258,763,846	P45,987,545
Gain on foreclosure	**63,491,307**	3,877,212	1,104,271
	P325,583,495	P262,641,058	P47,091,816

Rental income on investment properties (included in "Miscellaneous income" account in the statements of income) in 2022, 2021 and 2020 amounted to P0.6 million, P0.1 million and P0.2 million, respectively (see Note 31).

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 P0.01 million and P0.02 million in 2022 and 2021, respectively. No direct operating expenses on investment properties that generated rental income were incurred in 2020. 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, andreal estate taxes, included under “Taxes and licenses” account in the statements of income, that did not generate rental income in 2022, 2021 and 2020 amounted to P91.6 million, P74.0 million and P68.4 million, respectively (see Note 31).

16. Other Assets

This account consists of:

	Note	**2022**	2021
Miscellaneous assets - TRB	*34*	**P4,431,521,641**	P4,435,560,125
Creditable withholding tax		**1,773,453,565**	1,538,203,367
Intangible assets*		**386,524,308**	358,695,778
Sinking fund	*24*	**282,393,274**	280,236,108
Documentary stamps		**99,711,061**	124,742,541
Retirement assets	*29*	**73,147,902**	-
Prepaid expenses		**48,103,886**	46,468,703
Other properties acquired*		**43,126,160**	20,415,042
Others		**195,037,847**	199,521,077
		7,333,019,644	7,003,842,741
Less allowance for impairment losses	*17*	**4,611,829,118**	4,615,905,588
		P2,721,190,526	P2,387,937,153

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

Miscellaneous Assets - TRB
This account includes non-performing assets (NPAs) amounting to P4.4 billion as at December 31, 2022 and 2021 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 34). Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2022 and 2021, were charged in full in the period incurred.

For its separate prudential reporting to BSP, the Bank was allowed under the MB Resolution No. 1751, dated November 8, 2001, as further amended by MB Resolution No. 489, dated April 3, 2003 and pursuant to MB Resolution No. 1950, dated November 21, 2013, to defer the full recognition of the impairment losses. The Bank annually recognizes provisions for impairment losses to gradually meet the foregoing provisioning requirement based on the net yield earned by the Bank from the Financial Assistance Agreement (FAA) with Philippine Deposit Insurance Corporation (PDIC) until November 29, 2013 when the collateralized government securities was sold and the obligation was fully settled. In 2022, the Bank recognizedP1.3 billion provisions for prudential reporting to BSP to fully recognize the impairment losses on the NPAs. In 2021, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million (see Note 34).

Intangible Assets
Intangible assets consist of:

	Note	2022	2021
Software costs*		**P326,524,308**	P298,695,778
Branch licenses		**60,000,000**	60,000,000
		386,524,308	358,695,778
Less allowance for impairment losses	*17*	**90,278,696**	90,278,696
		P296,245,612	P268,417,082

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

Movements in software costs follow:

	2022	2021	2020
Cost			
Balance at January 1	**P926,851,659**	P877,878,810	P861,720,028
Additions	**100,896,635**	48,972,849	16,158,782
Balance at end of year	**1,027,748,294**	926,851,659	877,878,810
Less Accumulated Amortization			
Balance at January 1	**628,155,881**	574,560,745	528,652,828
Amortization for the year	**73,068,105**	53,595,136	45,907,917
Balance at end of year	**701,223,986**	628,155,881	574,560,745
Less Allowance for Impairment Losses	**90,278,696**	90,278,696	90,278,696
Net Book Value	**P236,245,612**	P208,417,082	P213,039,369

Other Properties Acquired
Movements in the other properties acquired follow:

	Note	2022	2021	2020
Cost				
Balance at January 1		**P220,284,000**	P225,430,172	P246,655,672
Additions		**87,394,500**	41,210,000	24,013,000
Disposals		**(62,570,500)**	(44,651,000)	(45,238,500)
Reclassification	*14*	**-**	(1,705,172)	-
Balance at end of year		**245,108,000**	220,284,000	225,430,172
Less Accumulated Depreciation				
Balance at January 1		**199,868,958**	174,388,936	106,187,895
Depreciation for the year		**14,643,389**	42,060,966	86,916,796
Disposals		**(12,530,507)**	(15,065,354)	(18,715,755)
Reclassification	*14*	**-**	(1,515,590)	-
Balance at end of year		**201,981,840**	199,868,958	174,388,936
Less Allowance for Impairment Losses		**96,485**	-	-
Net Book Value		**P43,029,675**	P20,415,042	P51,041,236

In 2022, 2021 and 2020, gain on foreclosure amounted to P3.5 million, P1.2 million and P0.2 million, respectively. Gain on sale of other properties acquired under"Gains on foreclosure and sale of property and equipment and foreclosed assets - net" amounted to P11.2 million, P10.3 million and P11.0 million in 2022, 2021 and 2020, respectively.

Others include security deposit, unused supplies and forms and petty cash fund.

17. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2022, 2021 and 2020 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2022					
	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, 2022	**P6,125**	**P141**	**P2,583**	**P662**	**P5,761**	**P15,272**
Provision for (reversal of) credit and impairment losses for the year	**(2,928)**	**(7)**	**(144)**	**(37)**	**220**	**(2,896)**
Foreign exchange differences	**-**	**7**	**42**	**9**	**88**	**146**
ECL allowance, December 31, 2022	**P3,197**	**P141**	**P2,481**	**P634**	**P6,069**	**P12,522**

	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

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2022, 2021 and 2020.

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

As at December 31, 2022 and 2021, ECL on off-balance sheet exposures amounted to P33.8 million and P70.7 million, respectively, (see Note 22). In 2022, 2021 and 2020, the Bank recognized provision for (reversal of) ECL on loan commitment and financial guarantees amounting to (P36.9 million), P38.5 million and (P15.7 million), respectively.

In 2022 and 2021, the Bank recognized a provision (reversal) of allowance for credit losses on loans and receivables amounting to P74.6 million and (P339.1 million), which is included under "Provision for (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 movements in ECL allowances on loans and receivables in 2022, 2021 and 2020 (amounts in thousands).

	December 31, 2022										
	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, 2022	P99,790	P16,284	P33,420	P288	P3,416	P1,789	P11,915	P166,902	P2,623	P2,601	P172,126
Provision for credit and impairment losses	129,550	19,453	25,643	10,326	(3,024)	9,156	50,053	241,157	(5)	7,680	248,832
Transfer from Stage 1	(51,207)	(19,948)	(26,590)	(7,656)	(286)	(5,967)	(4,064)	(115,718)	(147)	(4,107)	(119,972)
Transfer from Stage 2	1,775	2,100	2,685	-	-	-	20	6,580	71	153	6,804
Transfer from Stage 3	-	530	577	-	-	-	2	1,109	90	28	1,227
Foreign exchange differences	731	2	-	-	14	148	44	939	-	5	944
	180,639	18,421	35,735	2,958	120	5,126	57,970	300,969	2,632	6,360	309,961
Stage 2											
ECL Loans, January 1, 2022	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Provision for credit and impairment losses	61,651	(1,163)	(23,883)	-	-	(3,734)	9,063	41,934	(35)	(2,516)	39,383
Transfer from Stage 1	51,207	5,830	16,608	-	286	5,967	764	80,662	31	1,456	82,149
Transfer from Stage 2	(69,829)	(18,530)	(17,918)	-	-	-	(473)	(106,750)	(125)	(5,936)	(112,811)
Transfer from Stage 3	-	430	2,619	-	-	-	64	3,113	8	165	3,286
Movement due to foreclosure/settlement	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	986	-	-	-	-	-	15	1,001	-	42	1,043
	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Stage 3											
ECL Loans, January 1, 2022	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
Provision for credit and impairment losses	10,624	(19,544)	(100,930)	(249)	(30,181)	-	22,215	(118,065)	(493)	29,822	(88,736)
Transfer from Stage 1	-	14,118	9,982	7,656	-	-	3,300	35,056	116	2,651	37,823
Transfer from Stage 2	68,054	16,430	15,233	-	-	-	453	100,170	54	5,783	106,007
Transfer from Stage 3	-	(960)	(3,196)	-	-	-	(66)	(4,222)	(98)	(193)	(4,513)
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	3,751	80	-	4,341	-	-	1,969	10,141	-	8,728	18,869
	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Total											
ECL Loans, January 1, 2022	762,014	175,426	529,142	76,714	166,604	24,123	617,413	2,351,436	57,502	1,134,261	3,543,199
Provision for credit and impairment losses	201,825	(1,254)	(99,170)	10,077	(33,205)	5,422	81,331	165,026	(533)	34,986	199,479
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	5,468	82	-	4,341	14	148	2,028	12,081	-	8,775	20,856
	P729,426	P171,818	P403,649	P91,132	P133,413	P29,693	P683,416	P2,242,547	P56,969	P1,161,079	P3,460,595

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

	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*

The table below summarizes the movements in the gross carrying amounts offinancial assets, other than loans and receivables, in 2022 and 2021 (amounts in thousands).

	December 31, 2022				
	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, 2022	**P45,373,268**	**P1,039,597**	**P19,136,089**	**P5,055,117**	**P42,914,819**
New assets purchased or originated	**2,091,303,161**	**9,000**	**3,857,811,621**	**1,851,124**	**68,974,516**
Assets derecognized or repaid	**(2,113,643,161)**	**(17,460)**	**(3,859,072,152)**	**(578,775)**	**(59,895,050)**
Other movements*	**645,398**	**13,259**	**505,668**	**(522,415)**	**220,553**
Gross carrying amount, December 31, 2022	**P23,678,666**	**P1,044,396**	**P18,381,226**	**P5,805,051**	**P52,214,838**

Includes movements in outstanding balances and foreign exchange differences

	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

The table below summarizes the movements in the gross carrying amounts on loans and receivables in 2022 and 2021 (amounts in thousands).

	December 31, 2022										
	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, 2022	P57,073,351	P6,984,226	P2,715,136	P386,926	P372,833	P1,060,369	P1,617,776	P70,210,617	P262,286	P881,155	P71,354,058
New assets purchased or originated	59,565,438	1,055,254	1,561,940	55,882	440,427	2,511,679	495,969	65,686,589	111,117	858,580	66,656,286
Assets derecognized or repaid	(29,147,125)	(334,957)	(302,838)	(23,532)	(317,000)	(960,369)	(200,211)	(31,286,032)	(37,124)	(233,131)	(31,556,287)
Transfer from Stage 1	(709,377)	(218,605)	(95,866)	(7,656)	(2,641)	(128,187)	(15,008)	(1,177,340)	(14,709)	(116,537)	(1,308,586)
Transfer from Stage 2	800,000	348,743	83,342	-	-	-	1,893	1,233,978	7,053	12,578	1,253,609
Transfer from Stage 3	-	83,204	16,981	-	-	-	412	100,597	9,047	1,603	111,247
Other movements***	(2,429,840)	(623,608)	(863,585)	884,784	(27,176)	(105,349)	(92,457)	(3,257,231)	(74,443)	42,928	(3,288,746)
	85,152,447	7,294,257	3,115,110	1,296,404	466,443	2,378,143	1,808,374	101,511,178	263,227	1,447,176	103,221,581
Stage 2											
Gross carrying amount, January 1, 2022	1,333,746	576,085	245,887	-	-	162,944	47,968	2,366,630	16,048	55,843	2,438,521
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(14,805)	(23,119)	(29,703)	-	-	(142,679)	(8,050)	(218,356)	(1,664)	(23,316)	(243,336)
Transfer from Stage 1	709,377	117,357	81,360	-	2,641	128,187	8,870	1,047,792	3,051	30,459	1,081,302
Transfer from Stage 2	(868,053)	(451,978)	(104,322)	-	-	-	(2,638)	(1,426,991)	(12,421)	(19,678)	(1,459,090)
Transfer from Stage 3	-	8,865	12,573	-	-	-	639	22,077	798	911	23,786
Other movements***	(200,140)	(45,126)	(78,388)	-	-	(6,376)	18,245	(311,785)	(1,774)	(8,256)	(321,815)
	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
Stage 3											
Gross carrying amount, January 1, 2022	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
New assets purchased or originated	-	-	-	-	-	-	-	-	-		
Assets derecognized or repaid	(26,831)	(112,509)	(133,647)	-	-	-	(8,818)	(281,805)	(15,430)	(61,187)	(358,422)
Transfer from Stage 1	-	101,248	14,506	7,656	-	-	6,138	129,548	11,658	86,078	227,284
Transfer from Stage 2	68,053	103,235	20,980	-	-	-	745	193,013	5,368	7,100	205,481
Transfer from Stage 3	-	(92,069)	(29,554)	-	-	-	(1,051)	(122,674)	(9,845)	(2,514)	(135,033)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Other movements***	25,967	(22,546)	(44,911)	4,092	(30,181)	-	86,582	19,003	(7,025)	7,373	19,351
	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	1,146,132	3,810,875
Total											
Gross carrying amount, January 1, 2022	59,050,251	8,329,065	3,543,156	463,352	536,021	1,240,976	2,283,964	75,446,785	408,965	2,061,574	77,917,324
New assets purchased or originated	59,565,438	1,055,254	1,561,940	55,882	440,427	2,511,679	495,969	65,686,589	111,117	858,580	66,656,286
Assets derecognized or repaid	(29,188,761)	(470,585)	(466,188)	(23,532)	(317,000)	(1,103,048)	(217,079)	(31,786,193)	(54,218)	(317,634)	(32,158,045)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Other movements***	(2,604,013)	(691,280)	(986,884)	888,876	(57,357)	(111,725)	12,370	(3,550,013)	(83,242)	42,045	(3,591,210)
	P86,583,034	P8,222,454	P3,652,024	P1,384,578	P602,091	P2,537,882	P2,557,868	P105,539,931	P382,622	P2,629,271	P108,551,824

**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, 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											
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*

Movements in allowance for impairment losses as at December 31, 2022, 2021 and 2020 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

	December 31, 2022				
	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**	**P191,276**	**P4,615,905**	**P4,819,263**
Provision for impairment losses for the year	**-**	**-**	**10,628**	**(4,076)**	**6,552**
Balance at end of year	**P5,926**	**P6,156**	**P201,904**	**P4,611,829**	**P4,825,815**

	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
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

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, 2022 and 2021, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P18.7 billion and P18.5 billion as at December 31, 2022 and 2021, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rates ranging from 1.5% to 5.0% in 2022, interest rate of 1.5% in 2021 and interest rates ranging from 1.5% to 3.5% in 2020. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 1.7% to 6.4%, from 1.7% to 2.0% and from 1.7% to 4.3% in 2022, 2021, and 2020, respectively. Interest income on Due from BSP amountedto P264.7 million, P226.4 million and P255.2 million in 2022, 2021, and 2020,respectively.

Interest expense on deposit liabilities follows:

	2022	2021	2020
Demand	**P58,010,393**	P53,357,209	P44,728,904
Savings	**631,899,858**	276,548,245	710,148,562
Time	**118,116,108**	89,031,236	194,935,281
LTNCTD	**226,323,900**	226,323,900	177,915,733
	P1,034,350,259	P645,260,590	P1,127,728,480

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.5% in 2022 and from 0.1% to 5.3% in 2021 and 2020. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 4.5% in 2022, 0.1% to 1.3% in 2021 and from 0.1% to 3.0% in 2020.

Insurance Expense

This account pertains to the PDIC insurance on deposits amounting to P348.4 million, P334.8 million, and P280.6 million in 2022, 2021, and 2020, respectively.

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 TRB in 2002. As at December 31, 2021, borrowings from rediscounting facility were fully paid.

As at December 31, 2022 and 2021, there are no financial assets pledged and transferred under SSURA transactions and no short-term borrowings from localbanks.

Interest expense consists of:

	2022	2021	2020
Local banks	**P325,200**	P223,871	P272,528
Other borrowings	**46,716,357**	16,467,494	833,171
	P47,041,557	P16,691,365	P1,105,699

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 1.9% to 2.5%, from 1.7% to 2.5%, and interest rate of 1.9% in 2022, 2021 and 2020, respectively. Foreign currency denominated short- term borrowings from local banks are subject to annual interest rates ranging from 0.2% to 0.5% and interest rate of 1.3% in 2022 and 2020, respectively. No foreign currency denominated short-term borrowings in 2021.

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

In 2022 and 2021, interest expense on other borrowings includes interest expense on tax settlement amounting to P46.7 million and P16.3 million, respectively.

20. Bonds Payable

On July 29, 2022, the Bank issued P7.5 billion fixed rate bonds due on July 29, 2024. The bonds were priced at par with a coupon rate of 5.0263% payable on a quarterly basis commencing on October 29, 2022. The bonds were listed in Philippine Dealing and Exchange Corporation (PDEx). Transaction costs on the issuance of bonds amounted to P72.4 million.

Interest expense on bonds payable amounted to P173.8 million in 2022. As at December 31, 2022, unamortized bond transaction costs amounted to P57.7 million.

21. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	Note	2022	2021
Interest payable:			
Deposit liabilities	*18*	**P208,616,647**	P37,146,820
Bills payable and others	*19*	**-**	16,329,798
		208,616,647	53,476,618
Employee and other benefits		**262,586,345**	338,297,519
Insurance		**172,000,614**	168,765,955
Penalties		**171,456,762**	165,383,371
Taxes payable		**107,084,855**	133,568,593
Fees and commissions		**60,261,523**	20,350,249
Utilities expenses		**32,496,501**	13,349,651
Management and professional fees		**25,378,186**	13,022,486
Equipment-related expenses		**22,162,515**	14,643,673
Building repairs and maintenance		**20,775,993**	16,383,548
Security		**11,425,088**	10,417,981
Rent		**4,768,149**	7,910,069
Others		**66,752,642**	66,056,089
		P1,165,765,820	P1,021,625,802

In 2021, taxes payable includes liability for tax settlement amounting to P33.5 million.

Other accrued expenses include accrual for universal banking license fee amounting to P24.5 million and accruals for marketing and advertising, janitorial, messengerial, and various expenses attributable to the Bank's operations.

22. Other Liabilities

This account consists of:

	Note	**2022**	2021
Bills purchased - contra	*12, 33*	**P1,251,721,161**	P373,471,093
Accounts payable		**1,195,861,619**	757,587,121
Lease liability	*30*	**490,913,094**	538,398,243
Other credits-dormant		**221,250,979**	193,930,421
Due to preferred shareholders	*24*	**282,393,274**	280,236,108
Due to Treasurer of the Philippines		**141,524,444**	139,817,762
Withholding tax payable		**130,999,174**	75,903,545
Unclaimed balances		**77,021,937**	18,065,236
ECL on off-balance sheet exposures	*17*	**33,785,184**	70,709,667
Retirement liability	*29*	**-**	158,547,517
Miscellaneous		**124,858,500**	56,304,388
		P3,950,329,366	P2,662,971,101

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 38).

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

23. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled within and/or after more than 12 months after the reporting period (amounts in thousands):

		2022			2021		
	Note	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Assets - gross							
COCI		P2,735,171	P -	P2,735,171	P2,747,781	P -	P2,747,781
Due from BSP	18	23,678,666	-	23,678,666	45,373,268	-	45,373,268
Due from other banks		1,044,396	-	1,044,396	1,039,597	-	1,039,597
Interbank loans receivable and SPURA	8	18,381,226	-	18,381,226	19,136,089	-	19,136,089
Financial assets at FVPL:	9						
Private debt securities		-	344,809	344,809	-	490,888	490,888
Government securities held-for-trading		7,259	-	7,259	478,225	-	478,225
Derivative assets		1,056	27,877	28,933	-	25,500	25,500
Financial assets at FVOCI:	10						
Government securities		-	5,619,272	5,619,272	-	4,569,701	4,569,701
Private debt securities		-	-	-	303,522	-	303,522
Equity securities		-	185,779	185,779	-	181,894	181,894
Investment securities at amortized cost - gross:	11						
Government securities		14,565,715	34,884,807	49,450,522	2,938,689	37,393,064	40,331,753
Private debt securities		569,353	2,194,963	2,764,316	-	2,583,066	2,583,066
Loans and receivables - gross:	12						
Receivable from customers:							
Term loans		35,186,203	51,396,830	86,583,033	28,703,719	30,346,532	59,050,251
Housing loans		947,248	7,275,361	8,222,609	1,400,974	6,928,319	8,329,293
Auto loans		705,361	2,946,664	3,652,025	1,017,877	2,525,332	3,543,209
Agri-agra loans		622,163	1,915,724	2,537,887	1,121,100	120,264	1,241,364
Bills purchased, import bills and trust receipts		1,384,578	-	1,384,578	463,352	-	463,352
Direct advances		506,857	98,471	605,328	480,823	56,682	537,505
Others		1,998,214	599,413	2,597,626	1,790,690	528,430	2,319,120
Accrued interest receivable		1,279,697	-	1,279,697	974,480	-	974,480
Accounts receivable		1,057,747	-	1,057,747	794,693	-	794,693
Sales contract receivables		121,467	261,155	382,622	155,905	253,060	408,965
Unquoted debt securities		291,578	-	291,578	291,578	-	291,578
RCOCI		249	-	249	822	-	822
Investment in associate	13	-	75,395	75,395	-	75,395	75,395
		105,084,204	107,826,520	212,910,724	109,213,184	86,078,127	195,291,311
Non-financial Assets - gross							
Property and equipment	14	-	4,451,697	4,451,697	-	4,310,182	4,310,182
Investment properties	15	-	4,426,807	4,426,807	-	4,418,012	4,418,012
Deferred tax assets	32	-	612,090	612,090	-	743,505	743,505
Other assets	16	1,943,017	6,293,209	8,236,226	1,731,011	6,100,857	7,831,868
		1,943,017	15,783,803	17,726,820	1,731,011	15,572,556	17,303,567
		P107,027,221	P123,610,323	P230,637,544	P110,944,195	P101,650,683	P212,594,878
Less:							
Allowance for credit and impairment losses	17			P8,298,298			P8,377,073
Accumulated depreciation and amortization	14, 15, 16			4,748,245			4,438,074
Unearned interest	12			43,155			37,309
Accumulated equity in net loss	13			29,947			29,808
Total				P217,517,899			P199,712,614

		2022			2021		
	Note	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Liabilities							
Deposit liabilities:	18						
Demand		P51,792,970	P -	P51,792,970	P48,702,340	P -	P48,702,340
Savings		101,651,553	-	101,651,553	108,874,542	378	108,874,920
Time		16,973,625	819,672	17,793,297	7,889,178	1,217,966	9,107,144
LTNCTD		-	5,029,420	5,029,420	-	5,029,420	5,029,420
Financial liabilities at FVPL	9	283	-	283	-	-	-
Bonds payable	20	-	7,442,251	7,442,251	-	-	-
Manager's checks		661,454	-	661,454	951,460	-	951,460
Accrued interest and other expenses*	21	791,326	-	791,326	541,850	-	541,850
Other liabilities**	22	3,189,842	595,704	3,785,546	1,720,250	637,561	2,357,811
		175,061,053	13,887,047	188,948,100	168,679,620	6,885,325	175,564,945
Non-financial Liabilities							
Accrued taxes and other expense payable	21	374,440	-	374,440	479,776	-	479,776
Other liabilities	22	164,784	-	164,784	305,160	-	305,160
		539,224	-	539,224	784,936	-	784,936
		P175,600,277	P13,887,047	P189,487,324	P169,464,556	P6,885,325	P176,349,881

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable, retirement liability and ECL of loan commitments and financial guarantees*

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

24. Capital

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

	Shares			Amount		
	2022	2021	2020	**2022**	2021	2020
Authorized Capital Stock						
Common stock, from P100 par value in 2020 to P10 par value in 2021	**1,702,511,470**	1,702,511,470	170,251,147	**P17,025,114,700**	P17,025,114,700	P17,025,114,700
Preferred stock, from P100 par value in 2020 to P10 par value in 2021	**455,000,000**	455,000,000	45,500,000	**4,550,000,000**	4,550,000,000	4,550,000,000
	2,157,511,470	2,157,511,470	215,751,147	**P21,575,114,700**	P21,575,114,700	P21,575,114,700
Issued and Outstanding						
Common stock	**1,403,013,920**	1,122,411,120	112,241,112	**P14,030,139,200**	P11,224,111,200	P11,224,111,200
Preferred stock	**416,666,670**	416,666,670	-	**4,166,666,700**	4,166,666,700	-
	1,819,680,590	1,539,077,790	112,241,112	**P18,196,805,900**	P15,390,777,900	P11,224,111,200
Paid-in Surplus						
Common stock				**P5,995,503,421**	P5,542,922,930	P5,594,079,646
Preferred stock				**1,233,771,939**	1,233,771,939	-
				P7,229,275,360	P6,776,694,869	P5,594,079,646

The reconciliation of the number of shares outstanding at the beginning and at the end of the years follow:

	Common Shares			Preferred Shares		
	2022	2021	2020	**2022**	2021	2020
Balance as of January 1	**1,122,411,120**	112,241,112	112,241,112	**416,666,670**	-	-
Issuance during the year	**280,602,800**	-	-	**-**	41,666,667	-
Adjustment for 10-to-1 stock split	**-**	1,010,170,008	-	**-**	375,000,003	-
Balance as of December 31	**1,403,013,920**	1,122,411,120	112,241,112	**416,666,670**	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 P282.4 million and P280.2 million as at December 31, 2022 and 2021, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 22 to the financial statements. As at December 31, 2022 and 2021, the related sinking fund which is recorded under"Other assets" account amounting to P282.4 million and P280.2 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 onMarch 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 connection to this, 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 mandatedin 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 termsand conditions of these Preferred Shares, provided that the Bank shall continuously 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 for preferred shares from SanMiguel 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. On February 15 and February 16,2022, the SEC and the PSE, respectively, approved the application for the Initial Public Offer of the Bank. On March 31, 2022, the Bank listed its common shares withthe PSE. The Bank offered and issued new common shares to the public up to 280,602,800 at P12.0 per share. Transaction costs on the issuance of common shares amounting to P108.6 million were charged against “Paid-in surplus”.

On October 28, 2021 and November 9, 2021, 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. The amendment on the Bank’s Articles of Incorporation and By-laws was approved by the SEC on January 28, 2022.

On February 22, 2022 and April 29, 2022, the BOD and the Stockholders, respectively, 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. The amendment on the Bank’s Articles of Incorporation and By-laws was approved by the BSP on June 29, 2022 and by the SEC on August 9, 2022.

Equity Restructuring
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-insurplus 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 auniversal banking license. On March 31, 2022, the Bank listed its common shares with the PSE and raised P3.4 billion in additional capital as part of the requirements for the upgrade.

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. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. The minimum capitalization requirement for a UB with more than 100 branches amounted to P20.0 billion. As at December 31, 2022 and 2021, the reported unimpaired capital of the Bank amounted to P26.9 billion and P22.7 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 asregulatory edicts. The deadline for submission of ICAAP documents is March 31 of each year.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles which differ from PFRSs in some respects.

The BSP sets and monitors compliance to minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 538, *Revised Risk-Based Capital Adequacy Framework for Universal and Commercial Banks and their Subsidiary Banks and Quasi-Banks,* which implemented the Revised Risk-Based Capital Adequacy Framework under Basel II effective July 1, 2007. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0%.

Under Section 125 and Appendix 59 of the MORB, the regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprised common stock, additional paid-in capital and surplus. Tier 2 composed upper tier 2 and lower tier 2. Upper tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision and deposit for common stock subscription. Lower tier 2 consists of the unsecured subordinated debt.

The following are the minimum capital requirements for UBs and KBs and their subsidiary banks and quasi-banks (QBs):

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs)
- 7.5% Tier 1 Capital/RWAs, and
- 10.0% Total Qualifying Capital (Tier1 plus Tier2)/RWAs

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-'going concern' [CET1 plus Additional Tier 1(ATI)] and Tier 2 -'gone concern.' A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.5% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and quasi-banks. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress.

The CET1 capital requirement includes as an additional capital buffer, the Countercyclical capital buffer (CcyB) of zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increases in the CcyB rate shall be effective 12 months after announcement while decreases shall be effective immediately.

The countercyclical buffer requirement will extend the size of the capital conservation buffer. A bank shall not be subject to any restriction on distribution if the following conditions are met:

- 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, 2022 and 2021, based on the CAR reports submitted to BSP, the Bank's CAR of 17.97% and 21.57%, 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 decrease in the CAR ratio was primarily due to the increase in the credit risk weighted amount of loans and held-to-collect securities.

The breakdown of the Bank's risk-weighted assets as at December 31, 2022 and 2021 as reported to BSP follows (amounts in thousands):

	2022	2021
Credit risk-weighted assets	**P132,556,255**	P92,873,736
Operational risk-weighted assets	**10,450,670**	9,404,089
Market-risk weighted assets	**120,664**	332,908
	P143,127,589	P102,610,733

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2022 and 2021 (in millions) as reported to BSP which was compiled as per below:

	2022	2021
Tier 1 capital	**P24,646**	P21,199
Tier 2 capital	**1,076**	930
Total qualifying capital	**P25,722**	P22,129
Risk-weighted assets	**P143,128**	P102,611
Tier 1 capital ratio	**17.22%**	20.66%
Total capital ratio	**17.97%**	21.57%

Certain adjustments are made to PFRSs results and reserves to calculate CARwhich 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, 2022 and 2021 which was complied as per below breakdown (amounts in thousands):

	2022	2021
Capital measure	**P24,645,529**	P21,199,531
Exposure measure	**235,849,588**	209,844,649
Leverage ratio	**10.45%**	10.10%

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 theprescribed 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, 2022 and 2021, the Bank's LCR were 182.7% and 211.8%, 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, 2022 and 2021, the reported NSFR of 154% and 190%, 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.

25. Surplus Reserve

	2022	2021	2020
Reserve for general provision - special reserve	**P775,206,634**	P556,655,007	P208,882,885
Reserve for trust business	**148,200,862**	139,151,260	126,719,455
Reserve for self-insurance	**60,000,000**	60,000,000	60,000,000
	P983,407,496	P755,806,267	P395,602,340

Reserve for General Provision - Special Reserve
The BSP, through Circular No. 1011, *Guidelines on the Adoption of thePFRS 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. Additional appropriation for reserve for general provision amounted to P218.6 million, P347.8 million, and (P14.5 million) in 2022, 2021 and 2020, respectively.

Reserve for Trust Business
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. Additional appropriation for reserve for trust business amounted to P9.0 million, P12.4 million, and P10.8 million in 2022, 2021 and 2020, respectively.

Reserve for Self-insurance
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. No additional appropriation for Reserve for self-insurance in 2022, 2021, and 2020.

26. Interest Income on Debt Securities

This account consists of:

	Note	**2022**	2021	2020
Investment securities at amortized cost:	*11*			
Government securities		**P1,370,841,465**	P908,591,924	P571,132,356
Private debt securities		**100,869,054**	154,337,125	177,633,500
Financial assets at FVOCI:	*10*			
Government securities		**204,988,977**	168,875,905	150,809,611
Private debt securities		**5,085,038**	19,758,785	19,799,002
		1,681,784,534	1,251,563,739	919,374,469
Financial assets at FVPL:	*9*			
Government securities held for trading		**4,603,469**	14,420,446	16,991,151
		P1,686,388,003	P1,265,984,185	P936,365,620

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 0.2% to 8.6% in 2022, from 0.9% to 8.6% in 2021 and from 0.6% to 9.5% in 2020. Peso-denominated financial assets at FVPL bear annual interest ratesranging from 0.6% to 8.1%, from 0.7% to 8.1% and from 0.8% to 8.1% in 2022, 2021 and 2020, respectively.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 0.9% to 2.8%, from 0.02% to 2.9% and from 0.1% to 3.9%, respectively, in 2022, 2021 and 2020. Peso-denominated financial assets at FVOCI bear EIRs rangingfrom 3.6% to 6.7% in 2022, from 2.1% to 6.6% in 2021 and from 1.4% to 7.1% in 2020.

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 3.7% in 2022 and from 0.8% to 3.4% in 2021 and 2020. Peso-denominated investment securities at amortized cost bear EIRs ranging from 1.4% to 8.1% in 2022 and 2021 and from 1.7% to 8.1% in 2020.

27. Service Charges, Fees and Commissions

Service Charges, Fees and Commissions - Income
This account consists of:

	2022	2021	2020
Trust income	**P152,971,718**	P139,219,456	P124,291,947
Service charges	**148,551,460**	131,070,951	123,659,614
Credit card fees	**147,516,114**	115,655,338	90,918,959
Letters of credit fees	**122,780,721**	36,248,747	11,347,102
Underwriter’s fee	**95,900,297**	-	-
Commitment fee	**55,783,132**	11,511,432	26,054,795
Fees and commissions	**48,792,533**	26,587,398	2,999,204
Remittance fees	**41,087,314**	52,169,552	42,395,261
Penalty charges	**31,346,781**	8,098,809	8,626,070
Telegraphic transfer fees	**2,715,963**	2,480,761	2,363,815
Others	**10,185,844**	8,085,308	11,980,303
	P857,631,877	P531,127,752	P444,637,070

Service charges include charges on loans, ATM fees and deposit taking-related activities.

Underwriting fee earned by the Bank as compensation for underwriting a public offering or placing an issue in the market.

Others include commission on acceptance fee, insurance, auto and housing loans processing fee and sale of demand drafts.

Service Fees and Commissions - Expenses
This account consists of:

	2022	2021	2020
Transaction and service fees	**P187,294,357**	P141,375,266	P104,926,425
Mastercard fees	**59,034,910**	48,134,742	44,801,027
Fees and commissions	**43,533,852**	36,997,921	29,130,836
Others	**3,466,436**	3,198,544	4,515,221
	P293,329,555	P229,706,473	P183,373,509

Others include processing fee, handling fee and other various charges.

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

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

	Note	**2022**	2021	2020
Financial assets and liabilities at FVPL:				
Debt securities:				
Realized		**(P32,249,257)**	(P5,635,758)	P30,065,549
Unrealized	*9*	**3,032,696**	(4,189,634)	69,731,751
Financial assets at FVOCI	*10*	**-**	(68,883,753)	280,743,443
Investment securities at amortized cost	*11*	**-**	-	767,033,010
		(P29,216,561)	(P78,709,145)	P1,147,573,753

29. Employee Benefits

Compensation and Fringe Benefits
The details of the following accounts in 2022, 2021 and 2020 follow:

	2022	2021	2020
Salaries and allowances	**P1,097,273,510**	P988,536,430	P970,341,304
Bonuses	**349,320,000**	375,320,000	332,320,000
Employee benefits	**293,658,369**	285,629,019	371,032,809
Retirement benefits	**123,585,814**	144,948,491	124,768,607
Overtime	**40,973,832**	26,535,151	20,929,533
	P1,904,811,525	P1,820,969,091	P1,819,392,253

Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using projected unit credit method.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than 10 years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least 10 years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits but such retirement benefit shall be subject to the pertinent requirements of the BIR.

The Bank's retirement plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended, and complies with the minimum retirement benefitspecified under RA No. 7641, the "New Retirement Law."

The date of the last actuarial valuation is December 31, 2022. Valuations are performed on an annual basis.

As at December 31, 2022, 2021 and 2020, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2022	2021	2020
Average working life	**13.0**	13.0	13.0
Discount rate	**7.6%**	5.0%	3.9%
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 (assets) and its components(in thousands).

	Defined Benefits Obligation			**Fair Value of Plan Assets**			**Net Retirement Benefit Liability (Asset)**		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Balance at January 1	**P1,244,156**	P1,329,366	P1,137,202	**(P1,085,608)**	(P936,823)	(P822,084)	**P158,548**	P392,543	P315,118
Included in Profit or Loss									
Current service cost	**115,658**	129,639	108,067	**-**	-	-	**115,658**	129,639	108,067
Interest expense (income)	**62,208**	51,845	60,272	**(54,280)**	(36,536)	(43,570)	**7,928**	15,309	16,702
	177,866	181,484	168,339	**(54,280)**	(36,536)	(43,570)	**123,586**	144,948	124,769
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	**(299,036)**	(166,458)	196,092	**-**	-	-	**(299,036)**	(166,458)	196,092
Experience adjustment	**18,033**	(6,013)	(87,254)	**-**	-	-	**18,033**	(6,013)	(87,254)
Return on plan assets excluding interest income	**-**	-	-	**96,178**	(14,069)	20,251	**96,178**	(14,069)	20,251
	(281,003)	(172,471)	108,838	**96,178**	(14,069)	20,251	**(184,825)**	(186,540)	129,089
Others									
Contributions paid by the employer	**-**	-	-	**(170,457)**	(192,403)	(176,433)	**(170,457)**	(192,403)	(176,433)
Benefits paid	**(113,413)**	(94,223)	(85,013)	**113,413**	94,223	85,013	**-**	-	-
	(113,413)	(94,223)	(85,013)	**(57,044)**	(98,180)	(91,420)	**(170,457)**	(192,403)	(176,433)
Balance at December 31	**P1,027,606**	P1,244,156	P1,329,366	**(P1,100,754)**	(P1,085,608)	(P936,823)	**(P73,148)**	P158,548	P392,543

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

	2022	2021	2020
Balance at beginning of year	**P262,547,387**	P449,088,000	P319,998,451
Remeasurement losses (gains) on:			
Defined benefits obligation	**(281,002,208)**	(172,472,150)	108,837,990
Plan assets	**96,178,021**	(14,068,463)	20,251,559
Net change in remeasurement losses (gains) recorded in OCI	**(184,824,187)**	(186,540,613)	129,089,549
Balance at end of year	**P77,723,200**	P262,547,387	P449,088,000

The actual return (loss) on plan assets amounted to (P41.9) million and P50.6 million in 2022 and 2021, respectively.

The Bank expects to contribute P180.5 million to its defined benefits retirement plan in 2023.

The major categories of the fair value of plan assets as at December 31, 2022 and 2021 follow:

	2022	2021
Investment securities:		
Government and other debt securities	**P614,885,776**	P601,982,555
Quoted equity securities	**270,829,395**	219,704,043
Unquoted equity securities	**2,600**	11,341,137
Deposits with the bank	**30,747,112**	37,470,693
Loans receivables	**170,241,796**	176,934,431
Other receivables	**14,047,453**	38,175,276
Total Plan Assets	**P1,100,754,132**	P1,085,608,135

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, 2022			
	Discount Rate		**Salary Increase Rate**	
	+1.00%	**-1.00%**	**+1.00%**	**-1.00%**
Present value of the defined benefit obligation	**P940,049,711**	**P1,128,828,588**	**P1,122,198,314**	**P944,152,299**
Fair value of plan assets	**(1,100,754,132)**	**(1,100,754,132)**	**(1,100,754,132)**	**(1,100,754,132)**
Net retirement liability (assets)	**(P160,704,421)**	**P28,074,456**	**P21,444,182**	**(P156,601,833)**

	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

The maturity analyses of the undiscounted benefit payments as at December 31, 2022 and 2021 are as follows:

	2022	2021
1 - 5 years	**P443,062,358**	P380,432,662
6 - 10 years	**922,629,278**	848,892,576
11 - 15 years	**1,068,594,031**	1,114,695,317
16 years and up	**4,581,346,511**	4,417,461,354
	P7,015,632,178	P6,761,481,909

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 9 years and 11 years as at December 31, 2022 and 2021, respectively. The expected average remaining working lives as at December 31, 2022 and 2021 is 13 years.

30. Rent and Utilities

The table below shows the breakdown of rent and utilities in 2022, 2021, and 2020.

	2022	2021	2020
Security services	**P220,318,339**	P180,368,900	P162,691,712
Repairs and maintenance	**187,630,410**	170,656,204	139,740,996
Power, light, water	**105,967,062**	71,469,631	59,612,389
Rent expense	**68,792,512**	59,358,776	68,607,055
Janitorial services	**38,559,704**	35,909,859	32,464,605
Insurance	**10,281,940**	14,520,536	13,226,714
Total	**P631,549,967**	P532,283,906	P476,343,471

Insurance refers to the insurance for the Bank's property and equipment.

<u>Bank as Lessee</u>
The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase ranging from 2.8% to18.5%.

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, 2022 and 2021.

The table below shows the amounts recognized in the statements of income in 2022, 2021 and 2020 related to leases under PFRS 16 (amounts in millions).

	2022	2021	2020
Interest on lease liabilities	**P28.2**	P35.0	P42.9
Expenses relating to short-term leases	**59.1**	59.4	44.4
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	**9.7**	8.9	13.2

Total cash outflow for leases recognized in 2022, 2021 and 2020 amounted to P303.2 million, P295.0 million and P280.9 million, respectively.

Bank as Lessor
The Bank leases out its commercial properties for office space. The Bank hasclassified these leases as operating leases because they do not transfersubstantially 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, 2022, 2021 and 2020 were P1.8 million, P0.5 million and P0.7 million, respectively, and includes rental income on investment properties (Note 15). The Bank alsorecognized income from the use of safety deposit boxes amounting to P3.0 million for years ended December 31, 2022 and 2021, and P2.8 million for the years ended December 31, 2020, respectively (see Note 31).

As at December 31, 2022 and 2021, the Bank has no future rental receivables under non-cancellable operating lease.

31. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Note	**2022**	2021	2020
Passed-on GRT		**P40,574,554**	P26,542,569	P33,438,750
Dividend income	*10*	**1,612,352**	5,709,161	12,228,425
Rent income	*30*	**4,834,797**	3,439,978	3,546,544
Others		**68,157,678**	14,873,615	16,204,006
		P115,179,381	P50,565,323	P65,417,725

Others include gain due to rent concessions, recovery from charged-off assets and excess chattel fees. Recovery from charged-off assets amounted to P56.1 million, P0.2 million and P0.6 million, respectively, in 2022, 2021 and 2022.

Miscellaneous Expense
This account consists of:

	2022	2021	2020
Communications	**P77,156,091**	80,744,268	52,048,887
Fines and penalties	**71,713,640**	P97,759,614	P61,931,157
Supervision and examination fee	**67,926,910**	57,535,251	55,138,108
Marketing	**57,421,253**	50,196,110	51,243,101
Forms and supplies	**45,915,052**	37,796,870	40,537,784
Messengerial services	**36,985,834**	53,659,322	53,324,266
Transportation and travel	**26,500,086**	16,446,128	11,465,185
Membership dues	**20,809,127**	16,439,851	13,307,104
Litigation and acquired assets-related expenses	**16,391,828**	10,166,679	5,416,646
Others	**125,759,860**	81,067,483	37,346,912
	P546,579,681	P501,811,576	P381,759,150

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

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

32. Income and Other Taxes

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

Regular Banking Unit
Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented under "Taxes and licenses" account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income tax expense include corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

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 maybe authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.

- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and

- Interest income derived by resident individual or corporation on deposits with FCDUs and OBUs are subject to 15.0% final tax.

Income tax expense consists of:

	2022	2021	2020
Current:			
Final	**P523,060,497**	P399,293,480	P278,627,049
RCIT	**73,242,737**	1,778,182	136,789,048
Tax benefit	**(61,363,313)**	-	(80,130,816)
MCIT	**-**	38,840,735	-
Adjustment for CREATE	**-**	(34,487,630)	-
	534,939,921	405,424,767	335,285,281
Deferred	**131,415,328**	218,263,891	(78,162,871)
	P666,355,249	P623,688,658	P257,122,410

The amount of tax benefit relates to 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 taxrate, 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:

	2022	2021	2020
Income before income tax expense	**P2,466,423,849**	P1,830,307,823	P1,041,556,198
Income tax at statutory rate at 25% in 2022 and 2021 and 30% in 2020	**P616,605,962**	P457,576,956	P312,466,859
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	**114,721,794**	128,709,952	340,769,185
Changes in unrecognized deferred tax assets	**26,098,741**	59,508,039	87,538,287
Tax paid income	**(56,603,094)**	(28,047,183)	(129,117,988)
FCDU income	**(23,316,140)**	(25,301,259)	(71,635,416)
Nontaxable income	**(6,127,328)**	21,934,422	(209,326,488)
Others	**(5,024,686)**	9,307,731	(73,572,029)
Effective income tax	**P666,355,249**	P623,688,658	P257,122,410

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

	Beginning Balance (December 31, 2021 Tax Effect)	**Amount (Charged) Credited to Profit or Loss**	**Amount Recognized in OCI**	**Ending Balance (December 31, 2022 Tax Effect)**
Deferred tax assets:				
Allowance for credit and impairment losses	**P717,937,427**	**(P68,134,673)**	**P -**	**P649,802,754**
Accumulated depreciation on foreclosed properties	**194,605,367**	**11,623,890**	**-**	**206,229,257**
Accrued employee benefits and other expenses	**118,820,779**	**27,405,840**	**-**	**146,226,619**
MCIT	**86,549,744**	**(61,363,313)**	**-**	**25,186,431**
Unrealized loss on foreclosed properties	**68,825,400**	**(5,098,758)**	**-**	**63,726,642**
Net lease liability	**17,539,091**	**(3,168,637)**	**-**	**14,370,454**
Accrued rent expense	**2,068,868**	**(601,706)**	**-**	**1,467,162**
	1,206,346,676	**(99,337,357)**	**-**	**1,107,009,319**
Deferred tax liability:				
Unrealized gain on foreclosed properties	**(371,185,504)**	**(10,334,942)**	**-**	**(381,520,446)**
Unrealized foreign exchange gain	**(40,050,140)**	**(12,924,659)**	**-**	**(52,974,799)**
Retirement benefits	**(25,999,968)**	**(11,717,808)**	**-**	**(37,717,776)**
Gain on investment properties sold under installments	**(25,605,648)**	**2,899,438**	**-**	**(22,706,210)**
	(462,841,260)	**(32,077,971)**	**-**	**(494,919,231)**
Net Deferred Tax Assets (Liabilities)	**P743,505,416**	**(P131,415,328)**	**P -**	**P612,090,088**

	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

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:

	2022		2021		2020	
	Deductible Temporary Differences	**Deferred Tax Asset**	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses	**P3,169,422,869**	**P792,355,717**	P3,073,627,758	P768,406,940	P3,027,818,815	P908,345,645
Unrealized loss on financial assets at FVPL	**4,539,344**	**1,134,836**	3,421,893	855,473	-	-
MCIT	**-**	**-**	-	-	91,992,619	91,992,619
Others	**216,589,515**	**54,147,379**	209,107,113	52,276,778	142,823,016	42,846,905
Deferred tax items not recognized in profit or loss	**3,390,551,728**	**847,637,932**	3,286,156,764	821,539,191	3,262,634,450	1,043,185,169
Remeasurement losses on retirement liability	**77,723,200**	**19,430,800**	262,547,387	65,636,847	449,088,000	134,726,400
Deferred tax items not recognized in OCI	**77,723,200**	**19,430,800**	262,547,387	65,636,847	449,088,000	134,726,400
	P3,468,274,928	**P867,068,732**	P3,548,704,151	P887,176,038	P3,711,722,450	P1,177,911,569

As at December 31, 2022 and 2021, the Bank has no carryforward NOLCO.

Details of the Bank's RBU excess MCIT over RCIT as at December 31, 2022 follow:

Inception Year	Amount	Used	Balance	Expiry Year
2019	P61,363,313	(P61,363,313)	P -	2022
2021	25,186,431	-	25,186,431	2024
	P86,549,744	(P61,363,313)	P25,186,431	

33. Related Party Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usuallyarise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank: Provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed 30.0% of their respective total loans, other accommodations and guarantees. Loans, other credit accommodations, and guarantees granted by the Bank to its DOSRI for the purpose of project finance, shall be exempted from the 30.0% unsecured individual ceiling during the project gestation phase: Provided, That: the Bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

Except with the prior approval of the Monetary Board, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the bank or 100.0% of net worth whichever is lower: Provided, That in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank: Provided, That the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed 5.0% of such net worth: Provided, further, That the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank: Provided, finally, That these subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending bank.

The following table shows information on related party loans (amounts in thousands, except percentages):

	2022		2021	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI)**	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	**P258**	**P29,909,689**	P -	P29,201,574
Percent of DOSRI/Related Party loans to total loans	**0.00%**	**28.34%**	0.00%	38.70%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**39.98%**	0.00%	49.53%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.01%**	0.00%	0.01%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.03%**	0.00%	0.06%

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*			
2022				
Investment in an associate		**P -**	**P39,523**	**24.26% equity interests in BIC which is a stockholder of the Bank**
Share in net loss of an associate		**133**	**-**	**Share in net loss of BIC**
2021				
Investment in an associate		-	39,662	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	24.25% 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

Unless otherwise stated, RPTs disclosed are unsecured.

Category	Note	Amount/Volume 2022	2021	2020	Outstanding Balance 2022	2021	Nature, Terms and Conditions
Other Related Parties							
Financial assets at FVOCI:	*10*						
Equity securities		**P -**	P -	P -	**P18,823**	P18,232	8.57% equity interest in BANGE
Private debt securities		**-**	-	-	**-**	303,522	Matured bond with interest rate of 6.6%.
Maturities		**300,000**	-	-		-	
Investment securities at amortized cost	*11*	**-**	-	-	**381,680**	381,675	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 from customers:		**-**	-	-	**29,820,614**	29,151,600	Term, housing, auto, salary and personal loans with interest rates ranging from 2.4% to 19.1% 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		**49,176,944**	63,412,047	57,727,441	**-**	-	
Settlements		**40,503,492**	60,623,795	60,698,979	**-**	-	
Sales contract receivables and accrued interest receivables:		**-**	-	-	**177,332**	175,410	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	**-**	-	
Interest income		**1,560,266**	1,830,281	1,948,698	**-**	-	Interest income on loans, sales contract receivables and long-term bonds;
Deposit liabilities:	*18*	**-**	-	-	**52,293,651**	56,884,489	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Deposits		**5,689,342,609**	4,112,755,092	3,171,896,515	**-**	-	
Withdrawals		**4,888,848,456**	3,631,676,685	2,570,073,386	**-**	-	
Accrued interest payable	*21*	**260,241**	105,793	138,076	**39,391**	7,660	Interest expense and accrued interest payable on deposits;
Accrued other expenses and other liabilities	*21, 22*	**186,621**	182,914	144,915	**6,699**	2,267	Accrued other expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing; Other liabilities consists of accounts payable to Bank's officers; On demand, unsecured and non-interest bearing.
Fees and other income	*27, 31*	**292,932**	80,923	49,736	**-**	-	Loan, underwriting, 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	*38*	**-**	-	-	**21,644,130**	12,141,560	Bank guarantees in favor of related party, outstanding letters of credit, and committed credit line

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

As at December 31, 2022 and 2021, outstanding bills purchased of related parties with contra account in "Other liabilities" amounted to P1.1 billion and P368.4 million, respectively (see Notes 12 and 22).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash. As of December 31, 2022 and 2021, the allowance for credit losses on outstanding transactions with other related parties amounted to P89.7 million and P85.2 million, respectively. Provision for credit losses recorded in 2022 on such related party transactions totaled to P4.5 million. Reversal of credit losses recorded in 2021 and 2020 on such related party transactions totaled to P276.4 million and P15.5 million, respectively. Such outstanding transactions include private debt securities at FVOCI, investment securities at amortized cost, receivables from customers, sales contract receivables and accrued interest receivable under the "Loans and receivables - net" account in the statements of financial position and commitment and contingent liabilities.

Transactions with Retirement Plan

The Bank's retirement plan is managed and administered by the Bank's Trust Services Group which is covered by an IMA Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 29.

Related unaudited financial information on assets/liabilities as at December 31, 2022 and 2021 and income/expense of the funds for the period ended December 31, 2022, 2021 and 2020 follow:

	2022	2021
Investment securities:		
Government and other debt securities	**P614,885,776**	P601,982,555
Quoted equity securities	**270,829,395**	219,704,043
Unquoted equity securities	**2,600**	11,341,137
Loans and other receivables	**184,289,249**	215,109,707
Deposits with the bank	**35,626,380**	37,470,693
Total Plan Assets	**P1,105,633,400**	P1,085,608,135
Due to broker	**P4,639,308**	P28,619,810
Trust fee payable	**224,016**	1,308,143
Other liabilities	**15,944**	69,048
Total Plan Liabilities	**4,879,268**	29,997,001
Net Plan Assets	**P1,100,754,132**	P1,055,611,134

Plan Income	**2022**	2021	2020
Interest income	**P35,630,193**	P27,713,620	P26,049,369
Trading and investment gains (losses) - net	**(30,901,624)**	(30,241,813)	(10,560,419)
Dividend income and others	**8,901,291**	9,477,411	8,193,257
	P13,629,860	P6,949,218	P23,682,207
Plan Expense			
Trust fees	**P2,775,610**	P2,461,431	P2,088,834
Other expenses	**2,134,774**	1,758,759	647,155
Provision for credit losses	**2,258,204**	11,821,715	73,991
	P7,168,588	P16,041,905	P2,809,980

As at December 31, 2022 and 2021, the retirement plan assets of the Bank include 730,670 shares of the Bank classified under financial assets at FVOCI. The shares of the Bank were listed in the PSE on March 31, 2022. As at December 31, 2022 and 2021, the fair market value of the shares amounted to P5.8 million and P11.3 million, 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 P4,257, P4,014, and P129,977 in 2022, 2021 and 2020, 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 P170.5 million and P192.4 million in 2022 and 2021, respectively. Benefits paid outof the Bank's plan assets amounted to P113.4 million and P94.2 million in 2022 and 2021, respectively (see Note 29).

Compensation of Key Management Personnel of the Bank

The remuneration of directors and other members of key management under "Compensation and fringe benefits" account in the statements of income for the years ended December 31, 2022, 2021 and 2020 follows:

	2022	2021	2020
Short-term employee benefits	**P555,082,001**	P544,595,527	P530,809,650
Post-employment benefits	**37,075,744**	44,934,032	37,430,582
	P592,157,745	P589,529,559	P568,240,232

34. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001. The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, orrendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.

b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.

c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).

d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subjectto 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. Expensesincurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a "White Knight" by agreeing to the terms and conditions of the PSA with TRB, follows:

a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year government securities with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year government securities (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB's unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as "Miscellaneous assets".

   On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP's pertinent regulations on minimum capital requirement.

c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC's written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.

d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within 5 years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;

b. Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and

c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRSs. These transactions and their effects are described below:

Assumption of NPAs of TRB
In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 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 allowance for impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2022, 2021 and 2020 were charged in full in the period incurred (see Note 16).

For its separate prudential reporting to BSP, the Bank recognized P1.3 billion provisions to fully recognize the impairment losses on the NPAs in 2022. In 2021, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million (see Note 16).

35. Notes to Statements of Cash Flows

The following is a summary of noncash activities of the Bank:

	2022	2021	2020
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	**P251,831,964**	P89,736,152	P46,108,250
Additions to ROU assets	**159,277,079**	45,242,843	220,979,671
Increase in sales contract receivables from sale of investment properties	**88,212,765**	92,323,023	43,862,200

The following table shows the reconciliation analysis of liabilities arising from financing activities for period ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Beginning balance	**P538,398,243**	P682,015,739	P646,104,589
Additions to lease liabilities	**155,593,019**	44,853,267	220,703,671
Interest accretion	**42,795,198**	35,033,242	42,921,243
Cash flows during the year:			
Proceeds	**15,004,528,892**	4,810,000,000	1,984,184,000
Settlements	**(7,808,150,989)**	(5,033,504,005)	(2,204,998,022)
	7,196,377,903	(223,504,005)	(220,814,022)
Other adjustments	**-**	-	(6,899,742)
Ending balance	**P7,933,164,363**	P538,398,243	P682,015,739

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

As allowed by PAS 7, short-term borrowings from local banks amounting to P7.6 billion, P4.8 billion and P2.0 billion in 2022, 2021 and 2020, respectively, are presented in the statements of cash flows on a net basis. In 2022, cash proceeds include issuance of bonds payable amounting to P7.5 billion.

36. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

	2022	2021	2020
a. Net income	**P1,800,068,600**	P1,206,619,165	P784,433,788
b. Dividends on preferred shares*	**148,958,335**	57,291,667	-
c. Net income to equity holders of the Bank	**1,651,110,265**	1,149,327,498	784,433,788
d. Weighted average number of outstanding common shares**	**1,334,592,963**	1,122,411,120	1,122,411,120
e. Basic earnings per share (c/d)	**P1.24**	P1.02	P0.70

** potential dividends on preferred shares as these were not assumed to be converted.*
***Weighted average number of common shares in 2020 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:

	2022	2021	2020
a. Net income to equity holders of the Bank	**P1,800,068,600**	P1,206,619,165	P784,433,788
b. Weighted average number of outstanding common shares and dilutive preferred shares:			
Outstanding common shares*	**1,334,592,963**	1,122,411,120	1,122,411,120
Potential common shares from assumed conversion of preferred shares	**416,666,670**	173,611,113	-
c. Total weighted average common shares	**1,751,259,633**	1,296,022,233	1,122,411,120
d. Diluted earnings per share (a/c)	**P1.03**	P0.93	P0.70

**Weighted average number of common shares in 2020 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:

	2022	2021	2020
Return on average equity	**7.01%**	6.01%	4.77%
Return on average assets	**0.86%**	0.65%	0.50%
Net interest margin on average earning assets	**3.73%**	3.42%	3.87%

37. Events After the Reporting Date

Subject to the approval of the Stockholders and the relevant government regulatory agencies, the BOD approved on February 28, 2023 the amendment of the Articles of Incorporation to increase the Bank's authorized capital stock from P21,575,114,700 (divided into 1,702,511,470 common shares and 455,000,000 preferred shares) to P28,198,773,840 (divided into 2,364,877,384 common shares and 455,000,000 preferred shares).

On the same date, the BOD also approved the amendment to the By-laws to (a) change the schedule of the annual stockholders' meeting from April to May, and (b) comply with Section 132 of the MORB, Section 29 and 34 of the Revised Corporation Code and Section 3 of the SEC Memorandum Circular No. 20 series of 2020.

38. Supplementary Information Required under BSP Circular No. 1074

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074, *Amendment to Regulations on Financial Audit of Banks.*

(a) Notes to the Financial Statements

a. *Capital Position* - please refer to Note 24.

b. *Leverage Ratio and Total Exposure Measure* - please refer to Note 24.

c. *Liquidity Position* (Liquidity Coverage Ratio and Net Stable Funding Ratio) - please refer to Note 24.

d. *Provisioning Methodology and Key Assumptions Used in Determining Allowance for Credit Losses* - please refer to Notes 3 and 5.

e. *Accounting Policies - please refer to Note 3.*

(b) Supplemental Information

- *Financial Performance Indicators - please refer to Note 36.*

- *Description of Capital Instruments Issued* - please refer to Note 24.

- *Significant Credit Exposures* - please refer to Note 5.

- *Breakdown of Total Loans* as to:
  i. Security - please refer to Note 12
  ii. Status - please refer to Note 12

- *Information on Related Party Loans* - please refer to Note 33.

- 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, 2022 and 2021:

	2022	2021
Contingent assets:		
Future/spot exchange bought	**P1,146,547,214**	P229,495,500
Fixed income securities purchased	**5,074,247**	25,218,255
Outward bills for collection	**255,590**	2,999,218
	P1,151,877,051	P257,712,973
Commitments and contingent liabilities:		
Trust department accounts	**P70,335,329,532**	P63,274,059,479
Unused commercial letters of credit	**15,638,084,869**	8,417,817,547
Committed credit line	**7,470,632,437**	6,828,080,056
Credit card lines	**3,601,177,914**	3,362,130,139
Outstanding guarantees	**3,438,552,342**	2,271,624,364
Future/spot exchange sold	**1,954,996,944**	841,483,500
Late deposits/payments received	**137,803,664**	4,636,985
Fixed income securities sold	**5,074,247**	-
Items held for safekeeping/securities held as collateral	**44,835**	42,112
	P102,581,696,784	P84,999,874,182

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

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

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2022 and 2021.

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 P70.3 billion(unaudited) and P63.3 billion (audited) as at December 31, 2022 and 2021, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P743.0 million and P674.0 million as at December 31, 2022 and 2021, 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.

39. 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, 2022

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

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 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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 15, 2023.

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 Company'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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and no material exceptions were noted.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 102309-SEC, Group A, valid for five (5) years covering the audit of 2022 to 2026 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563832
Issued January 3, 2023 at Makati City

March 15, 2023
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

BANK OF COMMERCE

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2022 AND DECEMBER 31, 2021

RATIO	FORMULA	RATIO 2022	RATIO 2021
Current Ratio	Total current assets / Total current liabilities	**0.61**	0.65
Acid Test Ratio	Total current financial assets / Total current liabilities	**0.60**	0.64
Solvency Ratio	Net income before non-cash expenses / Total liabilities	**0.01**	0.01
Debt to Equity Ratio	Total liabilities / Total equity	**6.76**	7.55
Asset to Equity Ratio	Total assets / Total equity	**7.76**	8.55
Interest Rate Coverage Ratio	Net Income before interest and taxes / Interest expense	**2.92**	3.63
Return on Equity	Net income / Average total equity	**7.01%**	6.01%
Return on Asset	Net income / Average total assets	**0.86%**	0.65%
Net Profit Margin	Net income / Total revenues	**22.18%**	19.38%
OTHER RATIOS			
Net Interest Margin	Net interest income / Average interest-earning assets	**3.73%**	3.42%
Cost to Income Ratio	Total operating expense / Total revenues	**0.68**	0.81
Debt to Assets Ratio	Total liabilities / Total assets	**0.87**	0.88
Loans to Deposit Ratio	Total gross loans* / Total deposits	**0.70**	0.55
Non-performing Loans Cover	Allowance for credit losses on loans / Non-performing loans	**89.05%**	83.21%
Non-performing Loans Ratio**	Non-performing loans / Total gross loans	**2.10%**	3.09%
Net Non-performing Loans Ratio**	Net non-performingloans / Total gross loans	**0.60%**	0.88%
Capital Adequacy Ratio	Total qualifying capital / Total risk-weighted assets	**17.97%**	21.57%

**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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, on which we have rendered our report dated March 15, 2023.

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
- Schedules Required by Annex 68-J of the Revised SRC Rule 68
- Relationship Map

KPMG

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.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 102309-SEC, Group A, valid for five (5) years covering the audit of 2022 to 2026 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563832
Issued January 3, 2023 at Makati City

March 15, 2023
Makati City, Metro Manila

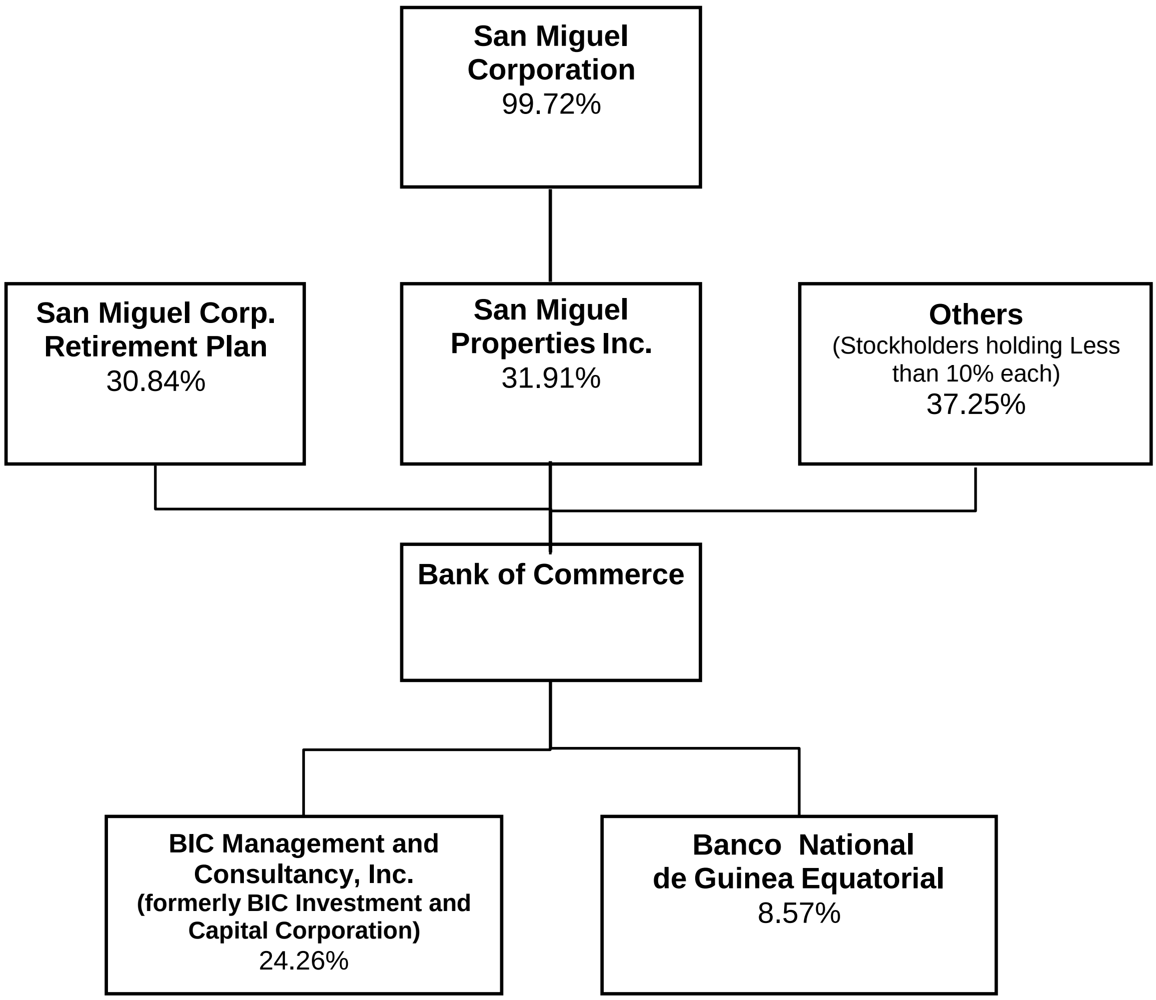
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2022

BANK OF COMMERCE
San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City

Unappropriated retained earnings, beginning		**P852,471,738**
Adjustments:		
Deferred tax assets recognized	(P1,206,346,676)	
Fair value adjustments on foreclosed properties	(1,209,440,415)	
Unrealized foreign exchange gain	(160,200,558)	
Unrealized gain on financial assets at fair value through profit or loss (FVPL)	(65,542,117)	
Unappropriated deficit available for dividend declaration, beginning as adjusted		**(1,789,058,028)**
Net income during the year closed to retained earnings	1,800,068,600	
Add/Less: Non-actual/unrealized income (expenses)		
Movement on deferred tax asset	99,337,357	
Unrealized gain on financial assets at FVPL	(3,032,696)	
Unrealized foreign exchange gain	(51,698,638)	
Fair value adjustments on foreclosed properties	(61,734,803)	
Add: Net income actually earned/realized during the year		**1,782,939,820**
Add: Appropriation to surplus reserves		**(227,311,229)**
Unappropriated deficit available for dividend declaration, end		**(P233,429,437)**

BANK OF COMMERCE

RELATIONSHIP MAP
DECEMBER 31, 2022



BANK OF COMMERCE

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2022
(in thousands)

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	**P7,302**	**P7,259**	**P7,259**	**P4,502**
Other government	**-**	**-**	**-**	**101**
Private corporations	**373,971**	**344,809**	**344,809**	**-**
Derivatives	**58,543**	**28,933**	**28,933**	**-**
		P381,001	**P381,001**	**P4,603**
Financial Assets at Fair Value through Other Comprehensive Income				
Philippine government	**P6,230,245**	**P5,619,272**	**P5,619,272**	**P204,822**
Other government	**-**	**-**	**-**	**167**
Private corporations	**-**	**-**	**-**	**5,085**
Equity securities	**159**	**185,779**	**185,779**	**1,612**
		P5,805,051	**P5,805,051**	**P211,686**
Investment Securities at Amortized Cost				
Philippine government	**P42,656,458**	**P43,872,457**	**P41,104,643**	**P1,341,896**
Other government	**5,575,500**	**5,572,293**	**5,572,349**	**28,946**
Private corporations	**2,625,980**	**2,764,019**	**2,410,619**	**100,869**
		P52,208,769	**P49,087,611**	**P1,471,711**

BANK OF COMMERCE

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2022

Name and Designation of Debtor	Balance at Beginning of 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, 2022

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, 2022

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	4.5000%	Quarterly interest payment	September 17, 2025
Bonds payable	7,500,000,000	-	7,442,251,269	5.0263%	Quarterly interest payment	July 29, 2024

BANK OF COMMERCE

SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2022

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, 2022

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount of Guaranteed and Outstanding	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, 2022

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	1,403,013,920	-	1,060,517,880	578,240	341,917,800
Preferred Shares	455,000,000	416,666,670	416,666,670	416,666,670	-	-

* Include shares held by Principal/Substantial Stockholders
Required information is disclosed in Note 24: Capital Stock

PART V – 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	Lease Term End
METRO MANILA				
Aduana	G/F FEMII Building, A. Soriano St., Brgy. 656, Intramuros, Manila	166,921.67	03/01/2018	02/28/2023
Alabang	Unit-6 El Molito-II Building, Madrigal Avenue cor. Alabang-Zapote Road, Brgy. Ayala Alabang, Muntinlupa City.	394,922.04	03/15/2022	03/14/2025
Banawe	No. 128-B, WAS Building, Banawe Street, Brgy. Tatalon, Quezon City.	167,071.59	04/03/2020	04/02/2025
Bel-Air Petron	363 Sen. Gil Puyat Ave., Brgy. Bel-Air, Makati City.	224,000.00	09/22/2021	09/21/2026
BF Homes	33 President's Ave., Brgy. B.F. Homes, Paranaque City.	211,849.68	04/04/2022	04/03/2027
Bicutan	G/F Filhome Builders Building, No. 68 Dona Soledad Ave., Betterliving Subdivision, Brgy. Don Bosco, Paranaque City.	77,792.40	07/01/2022	06/30/2027
Jupiter	64/66 Jupiter St., Brgy. Bel-Air, Makati City	86,851.82	03/17/2011	03/16/2026
Caloocan	100 8th Avenue cor. A. Del Mundo St., Brgy 058, Caloocan City.	78,440.67	08/01/2020	07/31/2025
Commonwealth	G/F Verde Oro Building, 535 Commonwealth Ave., Matandang Balara, Quezon City.	171,207.12	03/01/2022	02/28/2027
Concepcion	No. 52 A.M. PACLEB Building, Bayan-Bayanan Avenue, Brgy. Concepcion Uno, Marikina City.	151,200.00	08/23/2020	08/22/2025
Cubao	Unit 1, G/F Harvester Corporate Center, P. Tuazon Cor. 7th & 8th Ave., Brgy. Socorro, Cubao, Quezon City	436,800.00	08/01/2022	07/31/2027
Dasmariñas-Binondo	G/F, 304 STP Building, Dasmarinas cor. Marquina Sts., Brgy. 291, Binondo, Manila.	142,943.54	09/01/2020	08/31/2025
Del Monte	G/F Bank of Commerce Building, Del Monte Ave. cor. D. Tuazon St., Brgy. Maharlika, Quezon City	181,515.60	06/18/2019	06/17/2029
Dela Costa-Alfaro	G/F 100 Don Chua Lamko Building, H.V. Dela Costa cor. Leviste St., Salcedo Village, Brgy. Bel-Air, Makati City	238,563.36	11/01/2018	10/31/2023
Diliman	Commonwealth Ave., Cor. Masaya St., Brgy. Old Capitol Site, Quezon City	432,180.00	05/01/2020	04/30/2025
Eastwood-Petron	No. 188 E. Rodriguez Jr. Avenue (C-5), Brgy. Bagumbayan, Quezon City.	192,339.87	02/15/2021	02/14/2024
Sto. Cristo	G/F Kim Siu Ching Foundation Building, 471-483 Sto. Cristo cor. Jaboneros St., Brgy. 281 Binondo Manila	189,792.25	08/01/2018	07/31/2023
Ermita	1312 A. Mabini St., Brgy. 669, Ermita, Manila	184,766.75	10/01/2018	09/30/2023
E. Rodriguez	No. 84 Hemady St., New Manila, Brgy. Mariana, Quezon City.	218,186.60	01/01/2018	12/31/2022
Fort Bonifacio Global City	G/F Kensington Place, Burgos Circle, Brgy. Fort Bonifacio, Taguig City.	392,763.95	10/01/2022	09/30/2027
Grace Park	G/F No. 554 HGL Building, EDSA Cor. Biglang Awa Street, Brgy. 95, Caloocan City.	185,956.49	11/01/2013	10/31/2023
Juan Luna	No. 465 MCU Building, Juan Luna Street, Brgy. 287, Binondo, Manila.	315,190.49	09/19/2020	09/18/2025

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term Start	End
Tomas Morato	Tomas Morato Ave., cor. Dr. Lascano St., Brgy. Sacred Heart, Quezon City	240,000.00	10/23/2022	10/22/2027
Katipunan-Petron	Katipunan Ave., cor. Mangyan Road, La Vista, Brgy. Pansol, Quezon City.	197,594.04	10/28/2021	02/14/2024
Las Pinas	G/F Pelayo Building, Alabang-Zapote Road, Manuela Subdivision, Brgy. Pamplona-III, Las Piñas City.	149,410.80	04/01/2018	03/31/2023
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	01/01/2020	12/31/2026
Magallanes	G/F Tritan Plaza Building, San Antonio St., Paseo de Magallanes, Brgy. Magallanes, Makati City.	125,375.75	09/30/2018	09/29/2023
Malabon	29 Gov. Pascual Ave., Brgy. Acacia, Malabon City.	165,000.00	06/01/2016	05/31/2024
Malabon-Gen. Luna	No. 55 Gen. Luna St., Brgy. San Agustin, Malabon City.	105,025.98	03/01/2013	02/28/2023
Marcos Highway	Unit # 10, No. 4 Thaddeus Arcade, Gil Fernando Avenue corner Pitpitan Street, Brgy. San Roque, Marikina City.	188,409.14	09/01/2018	08/31/2023
Marikina	No. 258 J.P. Rizal St., Brgy. Sta. Elena, Marikina City	243,634.72	02/17/2018	02/16/2023
NAIA	IPT Building., Arrival Lobby, Terminal 1, Brgy. Sto. Nino, Pasay City.	19,238.56	01/01/2022	12/31/2022
NAIA Terminal-3	Stall No. 14, Arrival Lobby, NAIA Terminal 3, Brgy. 183, Pasay City.	35,569.22	01/01/2022	12/31/2022
Pasay Road	1006 Cedar Executive Building, A. Arnaiz Ave., San Lorenzo Village, Brgy. San Lorenzo, Makati City	451,057.47	11/01/2019	10/31/2024
Pasig	G/F Renaissance 2000 Tower, Meralco Ave., Brgy. San Antonio, Pasig City.	598,278.03	01/03/2019	01/02/2024
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	09/01/1997	05/31/2012
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.	168,652.61	09/01/2022	08/31/2027
Rockwell	P1 - Concourse Level, The Powerplant Mall, Rockwell Center, Brgy. Poblacion, Makati City	284,467.68	07/01/2021	06/30/2023
Fairview-Petron	G/F Petron Station, Commonwealth Avenue, Brgy. Fairview, Quezon City.	86,201.10	09/01/2022	08/31/2025
Ninoy Aquino Avenue	Unit W & Y, No. 707 Columbia Airfreight Complex, Ninoy Aquino Ave., Brgy. Sto. Nino, Paranaque City.	214,663.68	06/16/2018	06/15/2023
Salcedo	G/F Aguirre Building, Tordesillas cor. H.V. Dela Costa St., Salcedo Village, Brgy. Bel-Air, Makati City.	177,916.35	01/05/2022	01/04/2024
Soler	1004 Reina Regente cor. Soler St., Brgy. 292 Binondo, Manila	168,000.00	05/21/2022	05/20/2027
Resorts World	Unit R3, GF Star Cruises Centre, 100 Andrews Avenue, Newport City Brgy. 183, Pasay City	353,399.76	04/01/2020	01/31/2025
Sucat	8338 Fortuna-II Bldg., Dr. A. Santos Ave., Brgy. San Isidro, Paranaque City.	110,544.00	06/19/2022	06/18/2027
Taft Avenue	G/F Endriga Building, 2270 Taft Ave., Brgy. 725, Malate, Manila	126,489.34	12/21/2021	12/20/2028

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term	
			Start	End
Taft-PGH	G/F Mirasol Building, 854 G. Apacible St., cor. Taft Ave., Brgy. 676, Ermita, Manila	160,985.87	08/01/2020	07/31/2025
Tutuban	G/F, Units LS-CM19 & 20, Centermall-II, Tutuban Center, C.M. Recto Ave., Brgy. 248, Binondo, Manila	128,419.20	01/01/2022	12/31/2022
UN Avenue	No. 429 Victoria Building, United Nations Avenue, Brgy. 666, Ermita, Manila.	302,536.76	11/16/2018	11/15/2023
Valenzuela	Units 12 & 13, Puregold Shopping Complex, McArthur Highway, Brgy. Dalandan, Valenzuela City.	103,287.61	01/15/2019	01/14/2024
Visayas Avenue	15 Visayas Avenue Extension, Brgy. Culiat, Quezon City.	105,000.00	06/01/2020	05/31/2025
Wack-Wack Petron	No. 553 Shaw Blvd., Brgy. Wack-Wack, Greenhills East, Mandaluyong City, Manila.	189,249.46	06/01/2011	05/31/2026
West Avenue	68 West Ave., Brgy. West Triangle, Quezon City	123,484.33	07/01/2015	06/30/2023
West Triangle	1451 Quezon Ave., cor. Examiner St., Brgy. West Triangle, Quezon City.	310,857.78	01/01/2019	12/31/2023
Bonifacio High Street	G/F Active Fun Building, 9th Avenue corner 28th Street, Brgy. Fort Bonifacio, Taguig City	731,793.78	05/01/2014	04/30/2024
Pasig Boulevard	152 Pasig Boulevard, Brgy. Bagong Ilog, Pasig City.	150,090.71	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	236,322.55	09/16/2019	09/15/2024

LUZON

Baguio	G/F YMCA Baguio Building, Post Office Loop (Upper Session Road), Brgy. Session Road, Baguio City, Benguet.	213,192.09	06/01/2019	05/31/2024
Laoag	Rizal corner Gen. Hizon St., Brgy. 7-A, Laoag City, Ilocos Norte.	143,877.35	05/16/2016	05/15/2025
Candon	National Highway, Brgy. San Jose, Candon City, Ilocos Sur.	207,774.07	10/01/2021	09/30/2026
Dagupan	Eastgate Plaza Building, A.B. Fernandez Avenue, Dagupan City, Pangasinan.	103,723.20	04/01/2018	03/31/2023
La Union	Northway Plaza, National Highway, Brgy Sevilla, San Fernando City, La Union.	106,534.35	12/01/2019	11/30/2024
Urdaneta	The Pentagon Building, McArthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan.	114,354.83	03/01/2018	02/28/2023
Vigan	G/F Plaza Maestro Commercial Complex, Florentino Cor. Jacinto Streets, Brgy. 1, Vigan City, Ilocos Sur.	193,024.87	02/19/2019	02/18/2024
Tuguegarao	No. 27 Bonifacio Cor. Washington Streets, Brgy. Centro 4, Tuguegarao City, Cagayan.	189,826.42	12/01/2018	11/30/2024
Santiago City, Isabela	G/F Oryza Hotel, Maharlika Highway, Brgy Villasis, Santiago City, Isabela.	117,600.00	09/17/2021	09/16/2026
Cauayan City, Isabela	G/F, Majesty Commercial Building, National Highway, Brgy. San Fermin, Cauayan, Isabela.	68,961.16	09/10/2021	09/08/2026
Angeles	McArthur Highway Cor. B. Aquino Street, Brgy. Lourdes Sur East, Angeles City, Pampanga.	196,363.92	03/18/2021	03/17/2026
Balanga	P. Paterno Street, Brgy. Poblacion, Balanga City, Bataan.	153,246.83	02/23/2021	02/22/2026
Balibago	McArthur Highway Cor. Victor Street, Brgy. Balibago, Angeles City, Pampanga.	152,497.43	02/01/2015	01/31/2025

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term Start	Lease Term End
Baliuag	G/F Doña Victoria Building, Gil Carlos Cor. Año Streets, Brgy. Poblacion, Baliuag, Bulacan.	278,764.64	09/09/2020	09/08/2028
Cabanatuan	G/F V. P Building, Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City, Nueva Ecija.	160,995.26	10/27/2018	10/26/2023
Malolos	Paseo Del Congreso, Brgy. Caingin, Malolos City, Bulacan.	100,800.00	03/20/2022	03/19/2027
San Fernando, Pampanga	G/F Insular Life Building, McArthur Highway, Brgy. Dolores, San Fernando, Pampanga.	252,304.68	06/16/2022	06/15/2027
Sta. Cruz	National Road Cor. Misola St., Brgy. Poblacion South, Sta. Cruz, Zambales.	41,160.00	02/17/2020	02/16/2030
Subic Freeport	G/F, The Venue, Annex Building, Rizal Highway, Subic Bay Freeport Zone 2222, Olongapo City, Zambales.	99,616.24	08/01/2020	07/31/2025
Tarlac	Block 4, Unit 110-112, G/F, Rising Sun Building, McArthur Highway, Brgy. San Nicolas, Tarlac City.	94,557.15	03/01/2019	02/28/2024
Angeles Nepomart	G/F ENTEC Building, Teresa Avenue, Nepo Mart Complex, Bgy Cutcut, Angeles City, Pampanga	111,478.80	07/15/2021	07/14/2026
Baliuag DRT Highway	3006 Augustine Square Commercial Complex, Doña Remedios Trinidad (DRT) Highway, Brgy. Pinagbarilan, Baliuag, Bulacan.	72,654.75	06/01/2021	05/31/2026
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	10/01/2022	09/30/2027
Mabalacat	McArthur Highway, Brgy. San Francisco, Mabalacat, Pampanga.	66,836.70	02/24/2023	02/23/2024
Sta. Maria, Bulacan	G/F Jover Building, Narra Street, Bgy Sta. Clara, Sta. Maria, Bulacan.	81,033.75	06/16/2018	06/15/2023
San Fernando Sindalan	Jumbo Jenra, McArthur Highway, Bgy Sindalan, San Fernando City, Pampanga.	145,860.74	04/04/2019	04/03/2027
Batangas-Caedo	G/F Caedo Commercial Complex, Brgy. Calicanto, Batangas City.	112,000.00	04/01/2021	05/31/2026
Cainta	No. 40 Felix Ave., Brgy. San Isidro, Cainta, Rizal.	108,637.55	01/25/2019	01/24/2024
Calamba	Unit 6 & 7, New Parian Business Center, National Road, Brgy. Parian, Calamba City, Laguna.	157,374.03	01/01/2018	12/31/2022
Dasmariñas-Cavite	G/F Veluz-Frances Plaza Building, Aguinaldo Highway, Brgy. Zone 1, Dasmariñas City, Cavite.	103,723.20	07/01/2018	06/30/2023
Lipa	# 7 Bank of Commerce Building, CM Recto Avenue, Bgy 9-A, Lipa City, Batangas.	125,265.22	11/01/2022	10/31/2027
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.	80,000.00	03/01/2022	02/28/2027
San Pedro	G/F Pacita Commercial Complex, National Highway, Brgy. Nueva, San Pedro Laguna.	201,429.02	06/21/2019	06/20/2024
Sta. Rosa	Shop 1-A, Paseo-III, Embarcadero Lane, Paseo De Santa Rosa, Brgy. Don Jose, Sta. Rosa City, Laguna	209,916.00	09/16/2020	09/15/2023
Tanauan	G-04 The Citywalk, No. 2 President Laurel Highway, Brgy. Darasa, Tanauan City, Batangas.	71,090.63	01/01/2022	12/31/2026

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term Start	Lease Term End
Calapan	G/F Leona Yap Ong Building, J.P. Rizal Street, Brgy. San Vicente Central, Calapan City, Oriental Mindoro.	181,535.86	05/20/2018	05/19/2023
Puerto Princesa	J.P. Rizal Avenue, Brgy. Manggahan, Puerto Princesa City, Palawan.	166,669.85	04/01/2018	03/31/2023
Legazpi City	G/F Diabetes One Stop Center, LANDCO Business Park, Brgy. Capantawan, Legazpi City, Albay.	130,277.28	07/01/2018	06/30/2023
Naga	G/F No. 258 Romar Building-1, Elias Angeles Street, Brgy. Dinaga, Naga City, Camarines Sur.	127,008.00	06/13/2022	06/12/2027

VISAYAS

Bacolod-Araneta	G/F Yusay Arcade, Araneta Street, Brgy. 15, Bacolod City, Negros Occidental.	244,866.86	12/05/2018	12/4/2023
Bacolod-Lacson	Corner 12th & Lacson Streets, Brgy. 4, Bacolod City, Negros Occidental.	247,665.60	03/15/2020	03/14/2025
Estancia	Clement Street, Brgy. 25, Estancia, Iloilo City.	58,800.00	01/30/2020	01/29/2025
Iloilo Iznart	G/F TCT Building, Iznart Street, Brgy. Danao, Iloilo City.	169,332.80	06/01/2019	05/31/2024
Iloilo - J.M. Basa	G/F TTW Building J.M. Basa & Mapa Sts., Brgy. Ortiz, Iloilo City.	178,934.57	10/29/2020	10/28/2025
Kalibo	No. 1280 Garcia Building, C. Laserna Street, Brgy. Poblacion, Kalibo, Aklan.	125,186.96	05/26/2022	05/25/2027
Roxas City	G/F Gaisano Arcade, Arnaldo Boulevard, Brgy. Baybay, Roxas City, Capiz.	82,753.06	03/18/2018	03/14/2023
Iloilo Atria	F&B 2, UPMC Building, Atria Park District, Bgy San Rafael, Iloilo City.	100,517.38	04/11/2021	12/31/2022
Bacolod Capitol	GR 04 & 05, 888 Chinatown Premier Mall, Cottage Road corner Gatuslao St., Brgy. 8, Bacolod City, Negros Occidental.	80,826.30	06/01/2021	05/31/2026
Cebu Banilad	First Jomica Realty & Development Bldg., No. 888 A. S. Fortuna St., Bgy Banilad, Mandaue City, Cebu	138,432.00	09/01/2021	08/31/2026
Cebu-Main	Cebu Woman's Club Building, B. Rodriguez St. Cor. Osmeña Blvd., Brgy. Sambag-II, Cebu City.	389,487.92	05/01/2018	04/30/2023
Cebu F. Cabahug	Units 5 & 6 GPH Central, F. Cabahug corner Pres. Roxas Sts., Bgy Kasambagan, Cebu City	96,462.58	02/01/2018	01/31/2023
Cebu Sto. Niño - Magallanes	G/F Unit 2, Martina Sugbo Building, P Burgos corner Magallanes Sts., Bgy Sto. Nino, Cebu City	246,226.80	02/01/2018	01/31/2023
Mandaue-NRA	G/F Mantawe Ave., North Reclamation Area, Brgy. Tipolo, Mandaue	168,667.73	10/16/2019	10/15/2024
Dumaguete	Rusiana Building, North Road, Capitol Area (National Highway), Barangay Daro, Dumaguete City	88,751.82	06/17/2019	06/16/2029
Lapu-Lapu	Unit 3-5 AJS Building, M.L. Quezon National Highway, Brgy. Pusok, Lapu-Lapu City, Mactan, Cebu	113,835.28	09/03/2022	09/2/2027

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term	
			Start	End
Mandaue	G/F Entienza Building, National Highway, Brgy. Bakilid, Mandaue City, Cebu.	163,570.39	09/16/2018	09/15/2023
Tagbilaran	G/F 0025 Karan's Building, B. Inting St., 2nd district, Bgy Poblacion 2, Tagbilaran City	109,971.48	02/01/2020	01/31/2025
Cebu Talisay	PCJ Building, National Highway, Bulacao, Talisay City, Metro Cebu	84,125.25	07/18/2018	07/17/2023
Ormoc	G/F H. Serafica Building, Real Street, Brgy. District 24, Ormoc City, Leyte	151,804.24	03/01/2020	01/31/2025
Tacloban	Door Nos. 12 & 13, RUL Building, Justice Romualdez St., Brgy. 15, Tacloban City	92,913.30	12/01/2020	11/30/2025

MINDANAO

Zamboanga Veterans	Veterans Avenue cor. Camachile Street, Brgy. Zone 3, Zamboanga City, Zamboanga Del Sur.	119,233.42	04/01/2018	03/31/2023
Pagadian	F. S. Pajares Avenue, Brgy. Gatas, Pagadian City, Zamboanga del Sur.	79,460.39	04/08/2018	04/07/2028
Cagayan De Oro-Velez	Don A. Velez-Akut Streets, Brgy. 16, Cagayan De Oro City, Misamis Oriental.	294,516.01	09/05/2010	09/04/2025
Cagayan De Oro-Lapasan	Suites 6 & 7, Gateway Tower-1, Limketkai Center, Lapasan Highway, Brgy. Lapasan, Cagayan De Oro City	235,440.77	05/01/2020	04/30/2030
Cagayan De Oro Carmen	Eric Tan Building, Vamenta Boulevard, Brgy. Carmen, Cagayan De Oro City.	103,064.26	03/03/2018	03/02/2023
Iligan City	M. Badelles corner De Leon Street, Barangay Poblacion, Iligan City, Lanao del Norte.	98,000.00	12/31/2021	12/30/2026
Davao-City Hall	G/F Valgoson's Realty Building, City Hall Drive, Brgy. 2-A, Davao City, Davao Del Sur.	185,112.21	08/01/2019	07/31/2029
Davao Lanang	Consuelo Bldg, Km. 7, Lanang, Davao City	195,256.17	07/16/2018	07/15/2023
Davao-Rizal	G/F CAP Development Center Building, Rizal Street, Brgy. 3-A, Davao City, Davao Del Sur.	122,629.02	06/01/2022	05/31/2032
Tagum City	Units 104-105 PLJ Building, Apokon Road, Magugpo Poblacion, Tagum City, Davao del Norte.	85,898.79	06/28/2021	06/27/2026
General Santos	G/F Sunshine Hardware Building, Santiago Blvd., Brgy. East, General Santos City, South Cotabato.	202,596.63	02/01/2018	01/31/2023
Butuan	G/F Cesia Building, Montilla Boulevard, Brgy. Urduja, Butuan City, Agusan Del Norte.	148,160.09	08/01/2019	07/31/2024

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 APR 17 2023.

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 _____ day of APR 17 2023 20__ affiant(s) exhibiting to me their evidence of identity 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

JOYSHA D. MAGMANLAC
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0483-22
UNTIL DECEMBER 31,2023
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5109324/01.03 2023/MANDALUYONG CITY
IBP LIFETIME NO. 09035
ROLL OF ATTORNEYS NO. 58611
Notary Public

Doc. No.: 491
Page No.: 100
Book No.: IX
Series: 2023

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	BANK OF COMMERCE
Location of Headquarters	San Miguel Properties Centre, 7 St. Francis Street, 1550 Mandaluyong City
Report Boundary: Legal entities (e.g., subsidiaries) included in this report	Bank of Commerce has no subsidiaries. As such, this Report discloses the Sustainability performance indicators limited to Bank of Commerce.
Business Model, including Primary Activities, Brands, Products, and Services	BankCom is a publicly listed Universal bank, licensed by the BSP. The Bank has been operating since 1963 and traces its origins to the Overseas Bank of Manila with headquarters in Binondo, Manila. In 2008, BankCom became an affiliate of SMC and introduced its new logo bearing the SMC escudo. In December 2020, the Intellectual Property Office (IPO) granted the copyright license for "BankCom" as the Bank's official short name. The Bank has a network of 140 branches and 261 automated teller machines (ATMs) strategically located nationwide. As one of the country's growing banks, now armed with it a Universal Banking authority, BankCom will now be able to provide a wider range of products and services essential to individual Filipinos, corporations and small- and medium-scale enterprises (SMEs), particularly those expanding as the economy recovers from the pandemic.
Reporting Period	January 1 to December 31, 2022
Highest Ranking Person responsible for this report	Antonio S. Laquindanum, EVP & Chief Financial Officer

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.
Bank of Commerce (BankCom or "the Bank") has identified topics which it has determined to be material because of its impact on the Bank's operations. Among major factors that contribute to BankCom's success are economic performance, environmental, human resources and service delivery, technological development, third party engagement practices, and customer management. Information on anti-corruption practices, customer privacy and data security, are also discussed as part of its legal obligations. These topics also directly affect the Bank's relationships with employees, shareholders, customers, counterparties, financial regulators, government, and communities. The projects and initiatives that align with the Sustainable Finance Framework and related circulars issued by the Bangko Sentral ng Pilipinas (BSP), as well as the United Nations (UN) Sustainable Development Goals have also been included, as these reinforce the Bank's values which highlight social contributions and not just financial performance. The Bank is providing disclosures for the first time having been listed in the Philippine Stock Exchange on March 31, 2022. The Bank ran a project led by the teams of Risk Management, Corporate Communications and Consumer Protection, and Compliance to achieve the objectives of a transition plan approved by the Board of Directors (BOD) in compliance with the transitory requirements under the BSP Circular 1085. The outcome of the project included the completion of the Bank's Environmental, Social, Governance (ESG) and Sustainability Framework Manual, and its approval by the BOD. To assist in determining material topics, the Bank also reviewed relevant standards for disclosure such as prescribed under BSP Memo M-022-042 or "Guidance on the Implementation of the Environmental and Social Risk Management (ESRM) System."

After arriving at an initial set of material topics, BankCom's ESG project heads compared them against the Philippine indicators, the ASEAN Sustainability-Linked Bond Standards, and the Bank's strategic targets and risk appetite to come out with a table of economic sectors, and their corresponding materiality and key performance indicators. As BankCom continues to improve its processes, enhance its policies and develop responsive products and services, the Bank's materiality process and topics will be reviewed and updated accordingly. The Securities and Exchange Commission requires reporting on impacts, risks, opportunities, and the management approach. These are evaluated on a topical level, and disclosures cut across several metrics.

ECONOMIC

<u>Economic Performance</u>

<u>Direct Economic Value Generated and Distributed</u>

Disclosure	2022 Amount (in million Pesos)	Units
Direct economic value generated (revenue)	8,117	Php M
Direct economic value distributed:		
(a) Operating costs, including payments to suppliers and third party service providers	5,484	Php M
(b) Employee wages and benefits	1,905	Php M
(c) Interest payments to depositors	1,034	Php M
(d) Taxes paid/remitted to the government	666	Php M
(e) Investments to community (e.g., donations, corporate social responsibility (CSR))	9	Php M

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
As a universal bank, BankCom has been instrumental to the viability and continued expansion of small- and medium-scale industries, middle market establishments, and large corporates and conglomerates in various sectors, including beverages, food, packaging, energy, fuel and oil, infrastructure, property development and leasing, cement, car distributorship, and related financial services. Through its deposit, consumer credit, and corporate lending, trade, investment banking, trust, treasury management and remittance facilities, the Bank has enabled Filipino individuals and companies to achieve their financial goals and meet day-to-day transactional requirements. With a network of 140 branches located nationwide and online banking channels, BankCom provides retail and institutional financial consumers secure and efficient access to professionally designed and executed financial products.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	**BankCom's Vision, Mission and Service Promise** **<u>Vision</u>** Provider of exceptional financial services and solutions connecting consumer and business ecosystems that contribute to building the nation. **<u>Mission</u>** Our Mission is to deliver excellent banking experiences through competent and attentive professionals who put customers' needs first. **<u>Service Promise</u>** With integrity and financial stability, we commit to deliver superior service to you, our discerning customers. Through competent and warm professionals who understand, anticipate, and fulfil your needs with a sense of urgency in a safe and guest-friendly environment,

For the year ended December 31, 2022, BankCom's gross revenue and net income were Php 8,117M and Php 1,800M respectively.		we promise you a meaningful banking experience. **<u>BankCom's 5 ESG Priority Areas</u>** 1. Business Model & Innovation – Guided by our core values and service promise, we commit to deliver banking services through competent and attentive individuals, innovative digital solutions and segment-driven programs that put customers' needs first. 2. Human Capital – We provide skills training and focus on employee engagement so we can develop and nurture an innovative, customer-focused and resilient team. 3. Leadership & Governance – We remain vigilant in maintaining sound banking practices and methods through a rigorous system of checks and balances based on risk management programs that are continually reassessed and updated. 4. Environment – We responsibly manage resources and continue to improve our operational efficiency. With our improved operational efficiency, we minimize the impact to the environment of our internal processes. 5. Social – We strive to make banking inclusive, fair and accessible to financial consumers while ensuring that our products and services are developed and operated in the best interest of our depositors and other stakeholders.
What are the risk/s identified?	**Which stakeholders are affected?**	**Management approach**
The following risks may have adverse impacts on BankCom's business operations and may affect the Bank's financial performance: • COVID-19 pandemic • Disruption of operations • Digital banking technologies including expansion of fintechs	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	BankCom follows an institutionalized risk management framework for identifying, assessing, and addressing risk factors that affect or may affect its core businesses. The Bank's Risk Management Manual embodies this framework and the specific policies and procedures to execute the prescribed

• Changes in financial consumer preferences, income level, and purchasing power • Demand for credit, whether new or top-up • Ability of the largest shareholders to influence corporate actions • Cost of funds for lending activities • Increases and changes in applicable taxes, taxation laws, tax incentives • Increases and changes in BSP reserve requirement ratio (RRR), ceiling on credit card interest rate, fund transfer fees, and other service fees • Exposure to safety, health and environmental costs and liabilities • Greater competition within the financial services sector (banking, trust, non-bank financial institutions, fintechs) • Ability to distribute dividends • Fluctuations in foreign currency exchange rates and interbank interest rates (Fed and BSP) • Loss of experienced, skilled and qualified personnel and senior management if BankCom is unable to retain their services • Failure to comply with relevant regulations of BSP and other regulators, as well as national and local laws resulting in financial penalties or administrative or legal proceedings against the Bank, which may result in suspension or revocation of license or operation of its facilities • Continued compliance with safety, health, environmental, and zoning laws and regulations may affect the Bank's operations and financial condition. • Significant capital expenditures (e.g., IT projects), long-term investments, and expansion of distribution network (physical or virtual), which are subject to a number of risks and uncertainties • Arrangements with outsourced service providers (local and foreign), IT partners, remittance partners,		methodologies therein are incorporated in the operating policies of the concerned units and are reviewed by a Risk Management Officer. Every year or as may be required, the Bank formulates its Risk Appetite Statement to guide the decision-making on various transactions of the Bank. For each type of risk—credit, market, liquidity, operational, information technology—a dashboard showing the current risk exposure against approved limits or risk appetite is presented to the Board Risk Oversight Committee (BROC) and the BOD. Any mandates or directives from the BROC or the BOD are further tackled by the responsible Risk Management unit with the affected business or support unit. The outcome of these discussions may be further escalated to the Senior Executive Team (SET) if certain decisions are required. BankCom has a Business Continuity Management (BCM) Committee headed by the Branch Banking Group Head and composed of BankCom senior executives, managers, and employees in critical positions. The BCM Committee provides direction and decision-making on proposals for new or amended business continuity facilities and policies, disaster recovery (DR) testing activities, and IT infrastructure requirements. The Bank maintains and implements a Business Continuity Plan through its Risk Management Division (RSK) and Digital Services Group (DSG). The Bank constantly reviews its business impact analysis, risk assessments, and business continuity plans, and identifies opportunities for operational and policy improvements. For 2022, the accomplishment of the following BCP exercises was reported to the BCM Committee: A. Call Tree Activity/Testing – two test scenarios B. DR Testing – 14 times involving 14 systems

and other counterparties, which are subject to the economic, health, financial and other risks in the country of their home base		Rapid exchanges of information on weather disturbances which occurred during the second half of the year were also done by the BCM team and BCM Committee representatives. DR Testing is performed for the applications and frequency indicated as follows: A. Major Criticality Applications – Annually as required by BSP Circular No. 808 Series of 2013 on "Guidelines on Information Technology Risk Management for All Banks and Other BSP Supervised Institutions"; B. New Application Promoted to Production – within six (6) to eight (8) months from Go-Live date or as specified by its Project Charter; C. Other Applications with provisioned DR components – as approved by the BCM Committee Likewise, the Bank's Human Resources Management and Development Division (HRMDD) regularly reports to the SET the level of vaccination of employees. In its last report for December 2022, HRMDD reported that 99.9% of employees had been fully vaccinated, 84.8% had received the first booster, and 12% the second booster.[1] BankCom continues to schedule its employees for free onsite COVID-19 antigen surveillance testing in coordination with San Miguel Corporation (SMC).
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
In addition to revenues generated by BankCom, shareholder value creation is derived from many sources which include the development and roll-out of new products and services especially on its mobile app BankCom [Personal] and corporate internet banking or BankCom [Business] platform;	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	While the COVID-19 pandemic continues to affect the Bank's customers and its own operations, good treasury management and effective execution of credit policies, collection activities, business continuity plans, operational and logistical improvements,

[1] The percentages on vaccination are based on HRMDD's report as compiled in the SET Minutes of November 7, 2022.

efficiency improvements in its operations, growing brand and product visibility, enhancement of its branch and account management networks, expanding remittance partnerships, and technology transfers from its IT and payment network partners. The Bank also saw opportunities to further expand its relief and rehabilitation efforts targeted at helping communities affected by calamities and the pandemic. Through its CSR partners, the Bank has contributed to the professional implementation of community development activities targeting health management, sustainable livelihood, and financial literacy. With the expansion of the digital economy in response to pandemic-induced limitations, BankCom saw the opportunity to deploy virtual means to interact with customers, expand its customer contact points to Facebook, and release new security features in its mobile app BankCom [Personal] together with advisories to protect customers' accounts and transactions against rising cyber fraud.		and IT cost management helped mitigate its impact on the Bank's performance. BankCom continues to identify and develop new ways to enhance shareholder value and maintain significant and sustainable profitability and growth.

Climate-related risks and opportunities

Governance	Strategy	Risk Management	Metrics and Targets
The BOD determines the overall ESG direction, implementation, and strategies of the Bank. This involves institutionalizing the adoption of sustainability principles, including those covering Environmental and Social (E&S) risk areas in the Bank, by incorporating the same in the corporate governance and risk management frameworks as well as in the Bank's strategic objectives and operations, risk strategy, risk appetite and risk management policies and procedure.	BankCom recognizes that due to climate change, its business and operations are subject to physical and transition risks which redound to financial risks. First, the risk of financial loss due to structural damage caused by flooding, extreme weather disturbances and earthquake is multiplied by 140 times, corresponding to its number of branches. Second, as a lending institution, its financial condition is at risk when borrowing clients and/or their collaterals are	The ESG TWG, with the guidance of the BOD, CGCOM and BROC, is working on the application of the ESRMS guidelines and methodology in loan application, credit evaluation and risk rating processes under corporate and consumer lending, evaluation of potential branch sites by BBG using hazard mapping, criteria for supplier accreditation, and selection of ESG-related projects such as on managing the Bank's consumption of paper, water and energy, among others.	BankCom has aligned its own sustainability approach to the United Nations Sustainable Development Goals, the national goals as provided by the Philippine Statistics Authority (PSA), and the sustainability agenda of the SMC Group. In the energy sector in particular, the Philippine National Government (NG) has declared that its targeted share of renewable energy in the power generation mix will be 35% by 2030 and 50% by 2040.

The BROC and the Corporate Governance Committee (CGCOM) are the two Board-level committees that oversee the Bank's implementation of ESG regulations issued by the Securities and Exchange Commission (SEC) and the BSP. The status of the ESG Project, vis-à-vis the Board-approved Transition Plan in compliance to BSP Circular 1085, is reported monthly to the CGCOM. Likewise, the Bank's Chief Risk Officer (CRO) reports to the BROC matters concerning the Bank's Environmental and Social Risk Management System (ESRMS). The SET is responsible for the overall implementation of the Board-approved strategies and policies in relation to the sustainability objectives of the Bank. The ESG Technical Working Group (TWG) composed of heads and representatives of Risk Management Division, Corporate Communications and Consumer Protection Division, and Compliance Division executes the approved direction and strategies as well as develops and implement tactical plans to achieve objectives through the functional teams. Furthermore, Internal Audit Division and Compliance Division have embedded the Bank's ESG Framework in their audit and compliance program, respectively, for the year.	affected by environmental risk. To mitigate these risks, the Bank is in the process of incorporating hazard mapping tools in its policy documents relating to branch site selection as well as credit assessment. The Bank is also requiring its borrowers, whose projects have material environmental impact, to provide a copy of the Environmental Clearance Certificate (ECC) as one of the requirements to secure a loan facility with the Bank.	The Bank's Occupational Safety and Health (OSH) Program affirms the Bank's commitment to provide for the orientation and training of its employees on OSH, provision and dissemination of prescribed materials on safety and health, provision of Personal Protective Equipment (PPE) when necessary and other OSH-related requirements and activities, to ensure protection for the Bank's employees against injuries, illnesses and death through safe and healthy working conditions and environment. BankCom believes that mitigating climate change will deliver favorable impacts to its stakeholders and result in operational excellence.	Guided by its core values, BankCom shall embed ESG principles by: 1) Establishing policies, standards, guidelines, procedures and a roadmap to support the bank's commitment to sustainable development; 2) Developing and implementing risk measurement tools and systems that shall help the bank in ESG-related decision making; 3) Incorporating a governance structure to drive ESG in the organization; 4) Providing products and services which integrate ESG criteria; 5) Building internal capability of employees to promote a culture that fosters environmentally and socially responsible business decisions throughout support units and operations; 6) Communicating our sustainability efforts and initiatives with transparency and consistency across all channels.
Recommended Disclosures			

	(a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term In line with the NG's target of 35% share of renewable energy in the power generation mix, since 2021, BankCom has already been providing financing for non-coal power generation projects such as hydropower, bio-ethanol, natural gas, and other clean and renewable power projects.		
(b) Describe management's role in assessing and managing climate-related risks and opportunities	*b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning*	*b) Describe the organization's processes for managing climate-related risks*	*b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets*
The role of management in assessing and managing climate-related risks and opportunities is captured in the Bank's ESG and Sustainability Framework Manual ("ESG Manual"). The ESRMS, which is embedded in the ESG Manual, aligns with the BankCom's existing enterprise risk management framework. The ESRMS is composed of 1) Board and senior management oversight, 2) processes, policies and procedures, 3) monitoring and management information system, and 4) internal controls and audit. The ESRMS adheres to the guidelines prescribed by the BSP under BSP Circular No. 1128 on "Environmental and Social Risk Management Framework" issued in 2021, and BSP Memorandum No. M-	The Philippines has experienced a number of climate-related catastrophes in recent years, including typhoons, tsunamis, mudslides, fires, droughts and floods. BankCom recognizes that climate change and environmental hazards could pose significant risks to the continued viability of its core businesses and its financial soundness in general. BankCom is cognizant that environmental risks, i.e., physical and transition risks, translate to financial risks, as both transition and physical risks affect businesses, households and the economy. This will ultimately affect the level of exposure of the Bank to financial, operational, and other types of risks.	The Bank is currently integrating hazard mapping methodology in assessing potential branch sites, and climate-related risk evaluation procedure in credit rating. These procedures are in the process of being integrated in existing operating policy and procedures manuals.	The Bank's approach to target-setting uses a combination of NG's targets, SMC Group priorities, and the Bank's chosen UN SDGs. For one, the Bank is currently reviewing NG's targets on the share of renewable energy in the power generation mix and is studying how to align its annual targets for affected business or support units. These specific targets should fall within the SMC Group's sustainability targets as prescribed by its Core Sustainability Office (CSO). The targets are further fine-tuned according to the economic sectors identified as "high risk" based on their materiality level as provided in the "Illustrative KPIs Registry" of the International Capital

2022-042 on "Guidance on the Implementation of the Environmental and Social Risk Management (ESRM) System."			Market Association (ICMA) cited in the Draft "Guidelines on the Issuance of Sustainability-Linked Bonds under the ASEAN Sustainability-Linked Bond Standards in the Philippines" from SEC.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers		
(a) Construction	67%	%
(b) Consumables	100%	%

The procurement budget covers both capital expenditure such as for branch renovations/repairs including updating of signages and other branding elements, and operating expenses such as replenishment of pre-printed forms and other transaction media used in branch over-the-counter transactions.

In general, furniture, fixtures and equipment (FFEs) for new and newly-renovated branches are from NCR. For other branches, the replacement of minor FFEs (chairs, lateral cabinets) that does not affect the overall look and feel standards are purchased locally. Consumables for branches are also purchased locally. For construction, the Bank has started engaging local contractors. Two out of three on-going renovation projects were awarded to a local contractor.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
BankCom's branches operate in strategic locations nationwide. In order to ensure the safety and convenience of its customers, proper, timely and cost-effective maintenance of these facilities is essential. This requires a dependable source of construction services and materials that meet the Bank's standards and criteria. Moreover, in the course of fulfilling over-the-counter transactions at these branches, certain consumables need to be constantly replenished, such as account opening forms, transaction media, passbooks, and checkbooks. Particularly for materials which have stringent security requirements, such as checks, these require sourcing from local suppliers which are already accredited within the banking industry.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	BankCom has an established procurement process as well as an accreditation process for new suppliers. This ensures that the sourcing of services and materials is fair, cost-effective, and consistent with standards for quality and track record. In particular, proposals for branch repairs, renovations, and relocations are presented to the SET for approval. Depending on the total cost, the proposal may be endorsed further to the BOD for approval. On a yearly basis, third party service providers undergo a performance evaluation conducted by the concerned business or support unit. The results of the performance evaluation are used in making decisions when new requests for materials or services are submitted for canvassing.
What are the risk/s identified?	**Which stakeholders are affected?**	**Management approach**
Any material deviation from policy in so far as supplier selection, negotiation, and delivery of materials and services are concerned may severely affect the Bank's reputation and profits. The use of substandard materials and contractors or service providers with documentary deficiency (e.g., updated licenses) or known history of poor performance will negatively impact workmanship and actual cost, timeliness and quality of deliverables, and the Bank's reputation or compliance. These may affect the safety of the Bank's customers and employees, assessment of investors and stock analysts, and the image of its brand. In addition, failure to meet quality standards may result to requiring rework which entails additional time and cost. This may result to customer dissatisfaction, increase in customer complaints and potential negative publicity. In turn, this may result to customer attrition.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	BankCom has a Bid and Awards Committee (BAC) which executes the Bank's standards and policies on vendor accreditation and selection. The Bank's procurement and third party service provider evaluation process are documented in operating manuals and desk manuals which are reviewed regularly and updated accordingly. The approval process is documented in these manuals as well.

What are the opportunities identified?	Which stakeholders are affected?	Management approach
BankCom continues to explore qualified local contractors and third party service providers who have track record with other banks or banking associations, which can provide the Bank's requirements according to its standards. The Bank also sees opportunities to enhance its ESG accountability through: ● Integrating ESG criteria in supplier/vendor evaluation; ● Embedding ethical values in procurement processes; ● Promoting the use of technology to streamline branch transactions and reduce paper usage; and ● Increased participation of stakeholders in determining optimal and efficient procurement strategies.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	The Bank's Operating Policies Committee (OPCOM) reviews and renders decisions on proposals for new or amended provisions in the Bank's operating policy manuals, process improvements, and related matters. OPCOM's decisions are formally minuted and routed to its Members for review and sign-off. For proper documentation of the approved new or amended provisions in the pertinent manuals, the Methods and Standards Department manages an established process of drafting, review, finalization and official issuance of the new or amended manual or circular. The process of review covers all affected units, be they business or support, and is completed with the sign-offs from these reviewers and concurrence or notation from the control units. In particular, the Bank's General Services Division is currently consolidating comments and inputs from concerned units on the enhancement of the existing vendor/supplier evaluation form, whereby ESG criteria are to be considered.

Anti-Corruption

Training on anti-corruption policies and procedures

Elements of anti-corruption or anti-bribery e.g., on conflict of interest, are included in the Bank's current training programs delving on anti-money laundering, financial consumer protection, and corporate governance.

Disclosure	Participants	2022 Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been cascaded	1920 qualified employees	100	%
Percentage of directors and management that have received anti-corruption training	18 SET 15 BOD	100	%
Percentage of employees that have received anti-corruption training	1920 qualified employees	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been cascaded*		100	%

*Note: Advisory on the No Gift Policy is communicated verbally to existing/active suppliers and service providers (for couriers, record safekeeping, maintenance, messengerial and contractors).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Banking is a public trust. The lifeblood of a bank flows from individuals who entrust money and property because of their confidence that the institution will keep faith with them. BankCom therefore upholds the interest of its publics as the primary reason for its existence. Believing that public trust requires the highest degree of integrity, tested skills, and best effort, the Bank's foundation and focus are anchored on values, which enhance the lives of its publics. Thus, BankCom roots its basic relationships as persons on dignity; with others on trust; towards work on excellence, and resources on prudence.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	Anti-corruption is essentially included in trainings on Corporate Governance, Anti-Money Laundering, New Employees Orientation (NEO), and those intended for branch officers and staff members. The Bank has in place the following policies which touch on the anti-corruption and anti-bribery: • Whistleblowing Policy • Conflict of Interest Policy • Insider Trading Policy • Related Party Transactions Policy • Financial Consumer Protection Manual
What are the risk/s identified?	**Which stakeholders are affected?**	**Management approach**
Corruption can occur during interactions or transactions between the Bank's employees and the parties they deal with, be they fellow employees, customers, or vendors/service providers.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	The Bank's abovementioned policies are implemented to ensure transactions are arms-length and situations of conflict of interest are avoided. The Bank's policies also enable the protection of "whistleblowers" and conduct of due process in case of reports by employees and third parties on the commission of fraud, criminal offenses, corruption and bribery, serious danger, disregard of Bank policy, or deliberate concealment of the foregoing, by an employee or unit of the Bank. Training on Anti-Money Laundering is implemented bankwide and on a regular basis. It comes with an examination and a minimum score of 80% to be considered "Passed".
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Further training on anti-corruption and anti-corruption, supplemented by more frequent advisories and awareness campaigns about the Bank's policies related to anti-corruption and anti-bribery can be developed and rolled out.	• Employees • Shareholders • Customers • Counterparties • Financial regulators • Government • Communities	The Bank continues to promote awareness and accountability on anti-corruption and anti-bribery through its E-Learning Training Program and NEO for employees, and Corporate Governance training for the BOD and SET.

ENVIRONMENT

Resource Management

Energy consumption within the organization

Disclosure	2022 Quantity	Units
Energy consumption (electricity):	6,162,541.00	kWh
(a) Head Office	1,600,987.00	kWh
(b) Manila TAT Building	499,314.00	kWh
(c) Branches	4,062,240.00	kWh
Percentage of LED, CFL, and other energy-saving lamps to total electric lighting devices		
(a) Head Office	LED (20%); CFL (80%)	%
(b) Manila TAT Building	LED (10%); CFL (90%)	%
(c) Branches	LED/CFL (29%); Other (71%)	%
Energy consumption (gasoline and diesel)	28,420.25	Liters
(a) Head Office	17,871.45	Liters
(b) Manila TAT Building	2,300.00	Liters
(c) Branches	8,248.80	Liters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
BankCom uses grid electricity in its head office units and branches and other physical facilities. The Bank also maintains a fleet of vehicles to transport frontliners to clients, branches, business facilities, government offices, and the like. Some vehicles are assigned directly to senior officers while others are leased to junior and middle managers. Depending on the position, an officer may be entitled to fuel allowance availed through Petron stations. The country's supply of power is highly dependent on non-renewable energy sources, which can deplete. Non-renewable energy sources generate air pollutants that have a negative impact on people and the environment, as well as greenhouse gasses responsible for global warming.	• Employees • Shareholders • Customers • Communities	The Bank's General Services Division, which is part of the Operations Group, monitors the energy consumption of all the Bank's physical facilities. They are empowered to present recommendations to SET on ways and means to manage energy consumption or contribute to the achievement of NG goals in terms of shifting to LED lights, solar panels, and similar devices. As early as 2005, BankCom had already issued its policy on Cost Management. This policy manual prescribes specific measures to manage the usage of the lighting system, airconditioning system, electric fans and office appliances, and water conservation. Updating of the policy manual is ongoing.
What are the risk/s identified?	**Which stakeholders are affected?**	**Management approach**
Non-renewable energy sources are associated with the following risks: • Erratic price movements in the world market due to geopolitical dynamics and conflicts	• Employees • Shareholders • Customers • Communities	BankCom's approach begins with setting policy and direction on resource management. Alongside the updating of its cost management policy, the Bank is currently enhancing its vendor/ supplier evaluation criteria to include ESG. On a larger scale, the Bank through its OPCOM continues

• Expected depletion of the Malampaya gas fields by 2024, which accounts for 30% of Luzon's energy supply. • Ban on coal as fuel in compliance with the Montreal Protocol.		to review proposals on improving various branch and transacting banking processes, which bring about streamlining and better management of working hours and physical facilities. ESG education started in 2022 for employees and will continue in 2023 for external audiences. Subsequent to the issuance of the abovementioned policy amendments, infographic materials are planned to be released to echo the principles behind these policies and enjoin employees towards greater consciousness on resource management.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
The Bank sees the adoption of modern technologies and energy-saving designs for branch and head office operations. These include replacing desktops and old servers to more efficient laptops and IT hardware, hard phones with virtual IP phones, designing branches with LED fixtures, right-sized airconditioning systems, and readiness for possible installation of net metering systems in the future.	• Employees • Shareholders • Customers • Communities	The Bank through its GSD and Digital Services Group (DSG) continues to monitor and assess technologies and workflow designs to improve the efficiency of the Bank's head office and branch facilities and 24-hour network operations. The Bank also evaluates options for outsourcing certain processes, such as in the first level maintenance (FLM) and second level maintenance (SLM) of its ATM network to, in order to streamline its operations and reduce the need for prolonged working hours in the branches or head office. As a lender, the Bank continues to support clients who have funding requirements in the renewable energy sector.

Water consumption within the organization

Disclosure	2022 Quantity	Units
Water consumption	23,733.40	m^3
(a) Head Office	7,206.00	m^3
(b) Manila TAT Building	2,533.00	m^3
(c) Branches	13,994.40	m^3

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
As a financial services entity with physical offices, BankCom uses water for typical applications of employees, clients, and visitors in	• Employees • Shareholders • Customers	Water conservation has been in the management's agenda since 2005. An operations memorandum is in place

within a corporate facility. Due to the population of employees based in the head office, the combined utilization of water within a single location is highest in the head office and therefore has the highest impact to a community. However, the number of branches, currently at 140, also contributes to the wider geographical area in which the impact of the Bank's water consumption can be felt.	• Counterparties • Communities	which prescribes measures alongside other initiatives. These measures include immediately reporting to the building maintenance or GSD any faucet and other water fixtures found to be defective. Reminders on water conservation are also placed in washrooms and pantries with water facilities.
What are the risk/s identified?	**Which stakeholders are affected?**	**Management approach**
Among the risks are: • Water shortage when the rise in population and commercial establishments is not matched by the development of new water sources; and • Climate change, including prolonged drought, extreme weather disturbances, and flooding.	• Employees • Shareholders • Customers • Counterparties • Communities	The Bank's GSD and BBG will continue to make concerted efforts to identify and launch projects to manage water consumption of its branches and head office. This will include selecting building contractors with good track record in terms of the durability and appropriateness of materials used for installing the water connection, plumbing, and water fixtures in branches and head office facilities. The Bank will ensure its water conservation measures embedded in the cost management policy is continually updated.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
The continuing risk of a water shortage gives justification to the procurement and installation of water-saving fixtures, such as self-closing faucets and urinals that automatically flush after use.	• Employees • Shareholders • Customers • Counterparties • Communities	Water conservation continues to be a part of the agenda for designing and constructing new branches and other physical facilities with water connection. On the part of employees, adherence to the Bank's policy on cost management which tackles water conservation among others, is expected.

SOCIAL

<u>Employee Management</u>

<u>Employee Hiring and Benefits</u>

<u>Employee Data</u>

Disclosure	2022 Quantity	Units
Total number of employees	1,865	#
a. Number of female employees	1,160	#
b. Number of male employees	705	#
c. Percentage of female workers in the workforce	37.80%	%
d. Percentage of male workers in the workforce	62.20%	%
Attrition rate	17.28%	%
Ratio of lowest paid employee against minimum wage		Ratio
a. Probationary employee	111% versus Minimum Wage	Ratio
b. Regular employee	120% versus Minimum Wage	Ratio

Employee Benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	49%	30%
PhilHealth	Y	6%	4%
Pag-Ibig (loans)	Y	11%	9%
Parental leaves	Y	7%	5%
Vacation leaves	Y	97%	96%
Sick leaves	Y	63%	61%
Medical benefits (aside from PhilHealth)	Y	97%	97%
Housing assistance (aside from Pag-IBIG)	Y	43%	40%
Retirement fund (aside from SSS)	Y	17%	16%
Further education support	Y	2%	3%
Company stock options	N		
Telecommuting	N		
Flexible-working Hours	N		
(Others)			
Life Insurance	Y	0%	0%
Accident Insurance	Y	0%	0%
Emergency Leaves	Y	50%	46%
Rice Subsidy	Y	48%	45%
Clothing Allowance (in Kind / in Cash)	Y	96%	95%
Burial Assistance (Employees / Dependents)	Y	3%	3%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
As BankCom continues to grow its core businesses under a universal bank environment, ensuring that properly skilled human resources are continually provided while implementing policies and programs become even more challenging. <u>Talent retention</u> Due to the high level of sophistication of banking functions, talent acquisition and retention are critical to the Bank's success. Ensuring that the Bank attracts the right talent equipped with the appropriate skill sets, as well as retaining employees who are already experienced in its processes and systems, and whose loyalty and service are a major advantage, is a continuing challenge. <u>Compensation and benefits</u> BankCom provides its employees competitive remuneration—with base pay, healthcare benefits and bonuses comprising its overall compensation package. Staff (rank-and-file) compensation is aligned to the collective bargaining agreement. In spite of this, attrition remains a risk due to a number of factors, some of which go beyond the Bank's control. Two reasons for attrition which were often cited in 2022 were the higher compensation and option for working from home (WFH) offered by another organization. <u>Disruption of operations due to loss of key personnel</u>	The Bank's Human Resources Management and Development Division (HRMDD) works together with the SET and the Nominations and Compensation Review Committee (NCRCom). The NCRCom is responsible for the selection process for vacancies in Senior Officer positions and the review of the Bank's compensation policies, succession plan and HR-related manpower outsourcing activities. BankCom's benefits package, depending on position and rank, includes various affordable financing programs; health management organization (HMO) program for employees and extended dependents; fringe benefits; continued supply of free hygiene products, PPE and surveillance antigen testing. The Bank maintains a retirement program which is managed professionally. Flexi-time work arrangements had been accommodated by HRMDD based on meritorious cases since the past. During the pandemic and until last year, the Bank had put in place guidelines for WFH arrangement and travel expense-related requests. DSG ensured that qualified employees had laptops for WFH or stable access connections if they chose to work at the branch nearest their residence.

Attrition is a constant concern, especially for positions that are specialized or are in short supply in the market, as it can cause significant disruption of operations.	
What are the risk/s identified?	**Management approach**
Attrition of employees is tied to a number of reasons including: • dissatisfaction with their current compensation package vis-à-vis the attractiveness of an offer they received from another organization; • perception of lack of career growth; • workplace conflicts, etc. • option for a hybrid work arrangement Those conditions or situations pose the following risks: • Resignation of trained and tenured key personnel and, along with it, the shift of clients loyal to the individual; • Redistribution of work to the remaining employees, while a vacancy is not yet filled up, who may not necessarily be exposed to or fit for the job; and • Spread of dissatisfaction sentiment among peers of the resigned employees, leading to further attrition.	HRMDD has been launching programs aimed at employee development and retention including free virtual, onsite, and offsite training for all levels of employees; management development programs for senior executives at the country's prestigious business-oriented academies; tuition reimbursements for employees taking up masteral education; regular job evaluation to recognize expanded roles; employee engagement activities such as appreciation month; and various medical and mental health awareness programs. The Bank also cultivates a strong company culture that aligns to the core value of *malasakit* of the SMC Group. In cooperation with the Bank's Corporate Communications and Consumer Protection Division (CCCPD) and San Miguel Foundation (SMF), BankCom employees were provided opportunities to participate in life-enriching corporate social responsibility (CSR) activities conducted at various locations during the year, including reforestation and coastal cleanup drives. For its part, HRMDD together with the SMC CAO have brought in participants to workshops that deal with development of corporate programs catering to upliftment of the poor, inculcating greater awareness of gender-related issues and diversity within the workforce, and sustainability simulation sessions, to name a few. BankCom maintains a professional recruitment process expected of any financial institution supervised by the BSP. Besides onsite recruitment activities, the Bank also utilizes online platforms including its own website and Facebook Page to generate applicants for job postings. The Bank allows applicants to come from within the organization as a way to develop one's abilities in other areas of the Bank. Internal candidates, if qualified, are prioritized over external candidates. Meanwhile, for branch postings, local hiring is preferred. However, in cases where identified personnel with specific skills need to be relocated, the employee is given the option to decide and is provided additional assistance.
What are the opportunities identified?	**Management approach**
Aligned to the guidelines set forth by SMC's Corporate Human Resources group (CHR) and in light of the continuing health risks and rising concerns about traffic congestion in major urban areas as more and more workers need to physically report for work, the Bank can conduct regular reviews of existing policies as regards allowing qualified employees to extend their stay in branches and other offices of the Bank located near their residence; encouraging flexi-time work arrangements for employees whose functions are not required to be fixed to trading hours or other schedules or who need to attend masteral classes; and expanding available loan	BankCom continues to adopt the standard health safety protocols within its premises to ensure the protection of its employees and clients against COVID-19 infection. Through SMC's facilities, the Bank continues to provide free surveillance antigen testing to its employees, monitors any movement in cases of infection among its own employees and those of its third party service providers. HRMDD will also continue to implement its various programs catering to employees' medical and mental health, mastery of skills, future-readiness, compliance

amounts for employees to purchase or acquire their own residential units within proximity to their work base.	to regulations, and overall career advancement within the organization.

Employee Training and Development

Disclosure	2022 Quantity	Units
Percentage of Employees Offered E-Learning Training on:		
a. Information Security Awareness	100%	%
b. Financial Consumer Protection	100%	%
c. Business Continuity Management	100%	%
d. Anti-Money Laundering	100%	%
Percentage of Employees who Completed Executive Management Development Program		
a. Female senior officers	40%	%
b. Male senior officers	60%	%
Percentage of Employees who were Enlisted in Executive Management Development Program (new batch)		
c. Female senior officers	25%	%
d. Male senior officers	75%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
BankCom advocates training and employee development to meet the two-pronged objectives of providing employees with skills and competencies to be future-ready, and at the same enabling the Bank as a whole to deliver on its mission and purpose for its customers and other stakeholders. Training and employee development require tools, content, and platforms or channels wherein employees can learn and communicate freely, whether studying as a group or individually.	High-potential and high-performing employees are determined through an appraisal system that measures performance in the areas of achieving financial goals, strengthening internal business processes, and enhancing visibility and relevance to customers. Based on these areas, an employee's strengths and potentials are identified and matched against a career path to determine gaps that can be addressed through external training, on-the-job mentoring, and other forms of management interventions. These are articulated in a Development Action Plan (DAP). Examples of external trainings are those which touch on areas of operations, compliance and all other relevant areas of knowledge in Banking which are offered through the Bank Administration Institute of the Philippines (BAIPHIL). For the Senior Executive Team and selected officers, the Bank through HRMDD has also arranged leadership programs as well as executive training such as the Executive Management and Development Program of the Asian Institute of Management through the auspices of San Miguel Corporation's Corporate Human Resources (SMC Corporate HR). Besides skills training, HRMDD also rolled out an online program targeting employees' mental wellness, dubbed "Mindfulness Talks". For mandatory trainings required by BSP, such as on anti-money laundering, information security risk, financial consumer protection, and data privacy, HRMDD has rolled out the E-Learning Module, a browser-based training platform with post-training exam. The Bank through HRMDD also invests in online training platforms such as LinkedIn Learning and Udemy to provide employees identified through the DAP a wealth of banking and non-banking related

	training courses prepared by professionals from around the world.
What are the risk/s identified?	**Management approach**
Without continuous efforts to engage employees and upgrade their competencies through training: ● Skills may stagnate, and motivation may plateau, leading to a decline in productivity. ● Employees have low morale due to lack of employee development. ● Employees may feel unhappy and dissatisfied, which can result in reduced productivity and increased staff turnover. ● Lack of employee development or training can also result in an unsafe working environment.	BankCom has launched the following targeted training programs and continues to roll them out. A. STAFF TRAININGS • Presentation Skills Workshop (3 offerings) • Intentional Communication: An Effective Business Writing Workshop B. OFFICER TRAININGS • Presentation Skills Workshop (3 offerings) • Coaching for Managers Workshop (3 offerings) • Managing the Multigenerational Workforce Workshop (3 offerings) • Intentional Communication: An Effective Business Writing Workshop (2 offerings) C. DEPARTMENT AND DIVISION HEAD TRAINING • Communicating with Confidence: An Effective Presentation Skills Workshop] • Ateneo Leadership and Management Development Program • Developing the GM Mindset in the New Normal D. SENIOR EXECUTIVE TEAM TRAINING • Basic Corporate Governance (BAIPHIL) • AML/CFT/CPF (BSP Cir. No. 1022) for Directors & Senior Management (BAIPHIL) • Basic Business Finance (FINEX) • Leadership Mindset Series E. ALL EMPLOYEE AUDIENCES • Data Analytics for Business and Finance (De La Salle University) • Intermediate Excel Training for Bankers • Go Further with Excel (Advanced Functions, Pivot Tables) • IT Security in Banking Operations (BAIPHIL) • Accounting for Non-accountants with FS Analysis (BAIPHIL) • Enterprise Risk Management (BAIPHIL) • Accounting, Valuation and Risk Management (BAIPHIL) F. SESSIONS TARGETING SOCIAL* • Tipon & Tugon: A Conversation on Gender • Tai-Chi and Qi-Gong Class • Mindfulness Talk *in partnership with SMC CHR Responding to the spread of the Omicron variant of COVID-19 in the early part of the year, HRMDD ensured that standard health and safety protocols were observed in the workplace. The Omicron risk did not deter its efforts in advancing employees' skills and fulfilling its Learning and Development objectives. Throughout the year, HRMDD enabled employees through the Bank's proprietary E-Learning online facility to attend anti-money laundering, information security risk, business continuity, financial consumer protection, and data privacy training programs which the BSP requires. HRMDD also partnered with Branch Banking Group to conduct

	specialized programs through online facilities such as Zoom and Microsoft Teams. These provided essential training on Bank operating policies, regulations and customer requirements.
What are the opportunities identified?	**Management approach**
With the existing health safety protocols and realizing the cost effectiveness and efficiency of conducting training online for large audiences or for participants from different geographical locations, such as branches, the Bank foresees training using online platforms to continue to be relevant both for employees as well as for the Bank as a whole. Opportunities to conduct hybrid training and to develop better presentation materials using software and tools coming out in the market will enable the Bank to more effectively roll out professional development campaigns and strategies.	BankCom continues to update its E-Learning Module and explore tools available in Microsoft Office 365 to disseminate relevant information. HRMDD manages subscriptions of identified employees in LinkedIn Learning and Udemy, and engages these learners to discover what these facilities have to offer. In partnership with the project team leads for Environmental, Social and Governance (ESG), HRMDD shall be rolling out the Bank's first hybrid training using these tools.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Transform and Family Academy Programs with Meal-packing Activity (International Care Ministries Foundation)	**Goal No. 2** **ZERO HUNGER** This corporate social responsibility (CSR) project in partnership with International Care Ministries (ICM) Foundation strengthens families living in ultrapoverty—empowering them to make measurable progress in their struggle out of ultrapoverty and establishing them on trajectories of success. The Family Academy is aimed to provide educational, sanitary, parent-child coaching, and livelihood trainings. The Family Academy runs for 4-8 months. Transform is an intensive 16-week, adult life-skills capacity-building course for families living in ultrapoverty. BankCom employees are invited to volunteer in a Meal-packing Activity wherein employee-volunteers repack the dry, uncooked ingredients of the nutritious meals for distribution to our beneficiary communities. **This program also supports**	Reach may become limited to communities identified by partner institution which implements the program.	Starting with the meal-packing event, the Bank is exploring organizing the same across the country, in line with its branch-based sales activities.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	UN SDG 8: Decent Work and Economic Growth		
Masungi Georeserve Scholarship Fund	**<u>Goal No. 4</u>** **<u>QUALITY EDUCATION</u>** Masungi Georeserve is a protected landscape in the Upper Marikina Watershed in Rizal. The foundation behind the conservation and rehabilitation of this area employed nearby communities to serve as forest rangers, gardeners, security personnel and tour guides. The suspension of donation-generating tree-planting and mountaineering activities affected the household income of these employees. Children, studying at surrounding public elementary schools, are in need of financial assistance to sustain their education. The Bank provides financial assistance to the said foundation for the abovestated purpose **This program also supports** **UN SDG 15:** Life on Land	Assistance for higher education may still be needed as the children graduate from elementary education.	Corporate Communications and Consumer Protection Division (CCCPD) is preparing a new set of CSR criteria based on certain parameters.
BankCom Education Refund Program	**<u>Goal No. 5</u>** **<u>GENDER EQUALITY</u>** The Education Refund Program of BankCom supports employees, regardless of gender and whether rank-and-file or officer, to pursue masteral education in a university of choice, both for personal development and in order to achieve a higher level of proficiency in his/her chosen career in the Bank. Each semester or trimester as the case may be, the employee may accomplish a form to request for reimbursement of tuition and/or purchase of textbooks.	An employee with very little financial means may find it difficult to enroll, since the program is on a reimbursement basis, not advance support.	The Bank can provide financial assistance through an affordable multi-purpose loan facility based on certain criteria.
Operation Quench	**<u>Goal No. 6</u>** **<u>CLEAN WATER AND SANITATION</u>** In partnership with AISEC Alumni Philippines (AAP), the	The set of filters is enough to last for only 12 months and thus, they need to be replaced with a new set afterwards. Without continuous	CCCPD is preparing a new set of CSR criteria based on certain parameters.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	Bank through one of its Board Advisers extended financial assistance to Operation Quench for sets of water purifiers and filters to be provided to families in Olango Island in Cebu whose community was among those severely affected by calamity. Families in the said community were in dire need of potable water for drinking, cooking and for other basic requirements. **This program also supports** **UN SDG 11:** Sustainable Cities and Communities	financial support to purchase new filters, the purifiers may not be usable and the community will not have potable water.	
Project Finance	**Goal No. 7** **AFFORDABLE AND CLEAN ENERGY** In terms of sustainable finance, besides providing financing to a number of companies dealing in non-coal power generation projects such as hydropower, bio-ethanol, natural gas, and other clean or renewable power projects, BankCom is now also into solar power.	The Bank's Risk Appetite Statement for ESG, which has been recently approved, may impact on future credit evaluations depending on the limits it will set based on Philippine targets.	The Bank is in the process of formulating the limits and guidelines to operationalize the envisioned new ESG-linked credit processes.
WEAVEE (WE Assist Villages towards Economic Empowerment) Project (World Vision)	**Goal No. 9** **INDUSTRY, INNOVATION AND INFRASTRUCTURE** The Bank through its CSR program has partnered with World Vision Development Foundation, Inc. to support a project managed by SOGOD Inc (Sustainable Opportunities for Genuine Optimistic Development Inc.). In order to scale-up the project reach and beneficiaries, Sogod Inc. and World Vision work closely with the Municipal Local Government of Tabogon, Cebu in order to train local residents in basket weaving. This provides alternative livelihood opportunities for families, especially the most vulnerable.	As handicraft manufacturing relies heavily on market demand for indigenous products, the risk of customers shifting preferences to another type of native product may affect the long-term viability of this livelihood program.	CCCPD is preparing a new set of CSR criteria based on certain parameters.
BankCom [Personal] online banking	**Goal No. 12** **RESPONSIBLE CONSUMPTION AND PRODUCTION**	Cyber threats are a risk when using any online or internet-based platform.	BankCom has integrated several security features into the BankCom [Personal] mobile and

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	BankCom [Personal] is an online banking platform for individual clients of Bankcom to manage their bank accounts and perform various routine banking transactions such as fund transfer, bills payment, balance inquiry, or transaction history without using paper bank forms, checks, and manual procedures. BankCom [Personal] can be accessed through a mobile phone or personal computer.		web versions, aside from stringent password policies, to protect its users against cyber threats.
BankCom's policies on anti-corruption and anti-bribery: • Whistleblowing Policy • Conflict of Interest Policy • Insider Trading Policy • Related Party Transactions Policy • Financial Consumer Protection Framework	**Goal No. 16** **PEACE, JUSTICE AND STRONG INSTITUTIONS** As an institution of trust, the Bank ensures that its employees, service providers and counterparties are aware of its policies which touch on anti-corruption and anti-bribery. Through trainings on Corporate Governance, Anti-Money Laundering, Financial Consumer Protection, New Employees Orientation (NEO), HRMDD together with Compliance, Risk and Audit divisions provide employees with the information to identify situations that could lead to corruption and integrity issues.	When new suppliers or service providers are engaged, there's a risk that not all of their staff members are fully aware of the Bank's anti-bribery policies.	The Bank has designed a Supplier Sustainability Questionnaire which will be used for both accreditation of new suppliers as well as evaluation of existing suppliers' performance. This will contribute to keeping these suppliers aware of the Bank's policy.