

**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 fiscal year ended **December 31, 2023**
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 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 No
- b) has been subject to such filing requirements for the past ninety (90) days.
Yes No

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

Total number of shares held by non-affiliates	333,470,860.00
Share Price as of December 31, 2023	7.27
Aggregate value of shares held by non-affiliates	2,424,333,152.20

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

An affiliate of San Miguel Corporation (SMC) since 2008, Bank of Commerce is a publicly-listed universal bank focused on helping its clients, communities and conglomerate partners by delivering the best choice of financial services harnessing the strengths of the SMC Group. Bank of Commerce is identified by its logo bearing the SMC symbols of escudo and cloverleaf, and by the trademark license short name "BankCom" granted by the Intellectual Property Office (IPO) in 2020. BankCom traces its origins to the Overseas Bank of Manila which opened in Binondo, Manila in 1963.

The Bank provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit cards, 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 242 automated teller machines (“ATMs”) strategically located nationwide as of 31 December 2023.

Consolidated total assets amounted to Php199.71 billion, Php217.52 billion and Php231.67 billion as of 31 December 2021, 2022 and 2023 respectively. Net profit was Php1.21 billion, Php1.80 billion and ₱2.80 billion for the years ended 31 December 2021, 2022 and 2023, respectively.

BankCom, marked its 60th anniversary with a record high net income of ₱2.8 billion for the year ended 31 December 2023, outperforming the full-year 2022 profit of ₱1.8 billion by 56%. This historic high performance translated to an ROE of 9.52%, marking an improvement from the previous year's 7.01% and more than double the Bank's IPO prospectus ROE of 4.22%. The notable increase in profit was driven by the 24.37% higher net interest income of ₱8.31 billion due to higher yields and increased volume in loans and securities. Trading and investment securities gains increased by ₱39.82 million to ₱10.60 million, a turnaround from (₱29.22) million last year. Service charges, fees and commissions and revenues from the sale of foreclosed assets also increased to ₱886.38 million and ₱495.40 million, respectively, from ₱857.63 million and ₱340.45 million.

As of 31 December 2023, the Bank's Tier 1 and total capital adequacy ratio of 19.09% and 19.88%, remained well above the minimum regulatory requirement of 7.5% and 10.0%, respectively. For the year ended 31 December 2023, the Bank's return on average assets and cost-to-income ratios were 1.25% and 61.75%, respectively.

Total assets also grew by 6.51% to ₱231.68 billion at end-2023 due to higher investment securities and loans and receivables.

The Bank's net loans grew by 4.26% or ₱4.47 billion to ₱109.57 billion in 2023, from ₱105.09 billion, on account of higher corporate loans. Net NPL ratio was at 0.44% from 0.60% as of 31 December 2022, reflecting strength in asset quality due to the Bank's focused risk appetite.

RECENT DEVELOPMENTS

Subject to the approval of the stockholders during the Annual Stockholders' Meeting scheduled on April 30, 2024, and thereafter, the relevant government regulatory agencies, the Bank's Board of Directors, during its meeting on February 27, 2024, approved to amend the following provisions of the Bank's By-laws:

1. Amendment to Section 2 Article II of the Amended By-Laws of the Bank to change the schedule of annual stockholders' meeting from April to May to give the Bank ample time to

comply with the requirements prior to holding an annual stockholders' meeting following the completion of its audited financial statements.

From	To
ARTICLE II STOCKHOLDERS	ARTICLE II STOCKHOLDERS
Section 2. Annual Meeting. – The annual meeting of the stockholders shall be held in the month of April on such day and at such time and place as the Board of Directors may determine. (As amended on 22 September 1988.)	*Section 2. Annual Meeting. – The annual meeting of the stockholders shall be held <u>on the last Tuesday of May of each year, if not a legal holiday; otherwise, the next business day following</u> , at such time and place as the Board of Directors may determine. (As amended on 22 September 1988.) <u>(*As amended on 30 April 2024).</u>

2. Amendment of Section 5 Article III of the Amended By-laws of the Bank to rationalize the process of determining the directors' compensation and per diem per Section 29 of the Revised Corporation Code:

From	To
ARTICLE III DIRECTORS	ARTICLE III DIRECTORS
Section 5. Compensation and Per Diems – The members of the Board of Directors, as such directors, shall be entitled to compensation the amount of which shall be fixed by the stockholders from time to time but in no case shall their total yearly compensation, as such directors, exceed ten (10%) percent of the net income before income tax of the Corporation during the preceding year. 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 (As amended on 22 September 1988)	Section 5. Compensation and Per Diems – The members of the Board of Directors, as such directors, shall be entitled to compensation the amount of which shall be fixed by the stockholders from time to time but in no case shall their total yearly compensation, as such directors, exceed <u>two (2%)</u> percent of the net income before income tax of the Corporation during the preceding year. The members of the Board of Directors, the Executive Committee, <u>the Board Committees</u> , 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. <u>Officers of the Corporation who are members of Board Committees are not entitled to per diem.</u> (As amended on 22 September 1988) <u>(*As amended on 30 April 2024).</u>

3. Amendment to Section 2 of Article VII and Section 1 of Article VIII of the Amended By-Laws of the Bank to correct typographical errors

From	To
ARTICLE VII CERTIFICATE OF STOCK	ARTICLE VII CERTIFICATE OF STOCK

<p>Section 2. Form – The Certificate of Stock shall be in such form and design as may be determined by the Board of Directors. Every certificate shall be signed by the President and countersigned by the Corporate Secretary and sealed with the corporate seal and shall state on its surface the number, date of issue, and the name of persons I whose favor it was issued; provided that, in case any stock certificate is countersigned by a duly appointed stock transfer agent, transfer clerk, or registrar, the signatures of the President, and Corporate Secretary or Assistant Corporate Secretary, upon such certificate, may be facsimiles, which can be engraved or printed on the same. In connection with the listing of the Corporation’s shares on the Philippine Stock Exchange, Inc. (“PSE”), unless subsequently certificated, all the issued and outstanding shares of the Corporation will be in scripless form through the electronic book-entry system of the Corporation’s stock transfer agent and lodged with the depository agent as required by the PSE. Legal title to uncertificated shares will be shown in an electronic register of shareholders which shall be maintained by the stock transfer agent of the Corporation. (As amended on 22 September 1988) (As amended on 09 November 2021)</p>	<p>Section 2. Form – The Certificate of Stock shall be in such form and design as may be determined by the Board of Directors. Every certificate shall be signed by the President and countersigned by the Corporate Secretary and sealed with the corporate seal and shall state on its surface the number, date of issue, and the name of persons <u>in</u> whose favor it was issued; provided that, in case any stock certificate is countersigned by a duly appointed stock transfer agent, transfer clerk, or registrar, the signatures of the President, and Corporate Secretary or Assistant Corporate Secretary, upon such certificate, may be facsimiles, which can be engraved or printed on the same. In connection with the listing of the Corporation’s shares on the Philippine Stock Exchange, Inc. (“PSE”), unless subsequently certificated, all the issued and outstanding shares of the Corporation will be in scripless form through the electronic book-entry system of the Corporation’s stock transfer agent and lodged with the depository agent as required by the PSE. Legal title to uncertificated shares will be shown in an electronic register of shareholders which shall be maintained by the stock transfer agent of the Corporation. (As amended on 22 September 1988) (As amended on 09 November 2021) (<u><i>*As amended on 30 April 2024.</i></u>)</p>
<p style="text-align: center;">ARTICLE VIII TRANSFER OF SHARES OF STOCK</p> <p>Section 1. Mode of Transfer – Share of stock shall be transferred by delivery of the Certificate endorsed by the power or his attorney-in-fact or other persons legally authorized to make the transfer or by written instructions to the Corporate Secretary in case of uncertificated shares, but no transfer shall be valid as against the Corporation until the transfer is recorded in the Books of the Corporation (as amended on 09 November 2021.)</p>	<p style="text-align: center;">ARTICLE VIII TRANSFER OF SHARES OF STOCK</p> <p>Section 1. Mode of Transfer – Shares of stock shall be transferred by delivery of the Certificate endorsed by the <u>person</u> or his attorney-in-fact or other persons legally authorized to make the transfer or by written instructions to the Corporate Secretary in case of uncertificated shares, but no transfer shall be valid as against the Corporation until the transfer is recorded in the Books of the Corporation (as amended on 09 November 2021.) (<u><i>*As amended on 30 April 2024.</i></u>)</p>

4. Amendment to Section 1 of Article XI of the Amended By-Laws of the Bank to include the delegation by the stockholders to the board of directors the power to adopt, amend or repeal bylaws pursuant to Section 47 of the Revised Corporation Code.

From	To
ARTICLE XI AMENDMENTS Section 1. How Made. – The Stockholders, by the affirmative vote of the majority of the outstanding capital stock and majority vote of directors may amend or repeal these By-laws or adopt New By-Laws at any regular meeting, or any special meeting called for the purpose.	ARTICLE XI AMENDMENTS Section 1. How Made. – <u>A majority of the Board of Directors and Stockholders owning at least a majority of the outstanding capital stock of the Corporation, at a regular or special meeting duly called for the purpose may amend or repeal the By-Laws or adopt new By-Laws. Stockholders owning two-thirds (2/3) of the outstanding capital stock of the Corporation may delegate to the Board of Directors the power to amend or repeal the By-Laws or adopt new By-Laws: Provided, That any power delegated to the Board of Directors to amend or repeal the By-Laws or adopt new By-Laws shall be considered as revoked whenever Stockholders owning or representing a majority of the outstanding capital stock shall so vote at a regular or special meeting. (*As amended on 30 April 2024)</u>

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.

Branch Banking Products

- Savings Account with Debit Card (MasterCard)
- Savings Account with Passbook
- Savings Account Plus
- Checking Account
- Complete Checking Account
- ElitePlus Checking Account
- Executive Payroll Account

- US Dollar Savings Account
- Euro Savings Account
- Yuan Savings Account
- Japanese Yen 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)
- 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

- Back to Back Loans
- Domestic Bills Purchase
- Export Bills Purchase
- Export Packaging Credit
- Foreign Currency Denominated Loan
- Hauler's Financing Program
- Domestic and Foreign Standby LC / Bank Guarantees
- Trade Financing with Trust Receipt
- Petron Dealers' Financing Program
- P.O. Financing for Cassava Assemblers
- Small Business Loan – Term Loan
- Small Business Loan – Business Credit Line
- San Miguel Corporation (SMC) and Eagle Cement Corporation (ECC) Ecosystem Financing Program
- SMC Dealers' Financing Program
- Term Loan (Capital Expenditure Financing / Project Financing)

- Working Capital Loan (Promissory Note Line)

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

* All UITFs can be enrolled in the Easy Investment Plan (EIP) to regularly subscribe or invest
- Trust and Other Fiduciary Services
 - Personal Management Trust
 - Life Insurance Trust
 - Employee Benefit Trust
 - Trust Under Indenture
 - Collateral Trust
 - Special Purpose Trust/Other Institutional Trust
 - Safekeeping
- Investment Management Account
 - Discretionary
 - Directional / Non-Discretionary
- 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
 - BankCom Business
- Digital Channels
 - BankCom [Personal] – Retail Online Banking (Web and Mobile App)
 - BancNet Point of Sale
 - Automated Teller Machines (ATM)
 - Cash Deposit Machine (CDM)
 - Cash Cards
 - Payment 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 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
- Shipperside 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

The Corporate Banking Group (CBG) achieved a modest 3.52% growth in its assets at end-2023 versus the previous year, amidst the resurgence of the lending environment in the local banking industry, coupled with stricter financial system regulations.

This performance was paralleled by a consistent double-digit growth in loan volume on an average daily balance (ADB) basis from 2022 to 2023.

The bulk of this expansion stemmed from significant deals with highly rated, credit-worthy companies in power and energy sectors, consumer finance, real estate, electronics and cement manufacturing.

The increased loan ADB volumes, along with higher loan rates, bolstered gross interest income. Nevertheless, this was tempered by a higher-than-expected rise in interest expense, resulting in a modest improvement in net interest income over the previous year.

In response to the high interest rate scenario, CBG capitalized on its strengths in the fee revenue business and other income streams. Through higher transaction fees, settlement gains, and dacion gains, CBG surpassed its 2022 non-interest income level by almost 50%.

Branch Banking Group

In 2023, The Bank commemorates its 60th anniversary with great enthusiasm and pride. To mark this significant milestone, Branch Banking Group (BBG) organized a series of celebratory events held in three distinct locations: Ilo-Ilo City, Mandaluyong City, and Clark Freeport Zone, Angeles, Pampanga. These events were a testament to BBG's enduring legacy and commitment to excellence.

BBG's anniversary festivities were not only a reflection of its remarkable journey but also a heartfelt expression of gratitude to its valued customers.

The BBG has demonstrated impressive growth and resilience in its financial performance, evident in its latest achievements. Notably, there was a 7.03% increase in CASA deposits, amounting to Php164.24 billion, driving the Bank's total deposits to Php185.91 billion at end-2023.

Moreover, through the collaborative efforts of various business units, BBG achieved remarkable milestones. These include the approval of 5,069 credit cards, the booking of Php1.95 billion in consumer loans, and the generation of foreign exchange gains as well as trust fees. Furthermore, BBG made strategic investments, as evidenced by the booking of Php2.26 billion Petron Preferred Shares and PHP6.72 billion San Miguel Corporation (SMC) Preferred Shares. These ventures not only demonstrate BBG's financial acumen but also underscore its adaptability in navigating unpredictable market conditions.

Overall, BBG's performance reflects its agility and effectiveness in responding to dynamic market landscapes while maintaining a strong financial footing. Such achievements reaffirm BBG's position as a leader in the banking sector and set a solid foundation for continued success in the future.

As we reflect on 60 years of success and growth, the BBG remains steadfast in its commitment to serving its customers by consistently delivering innovative products and services. Guided by the core principle of the Bank's proposition, "We think of the customer," we prioritize customer-centricity across all facets of our operations. Looking ahead, we will continue to strive to anticipate and fulfill the evolving needs of our esteemed clients, ensuring unmatched satisfaction and nurturing enduring relationships founded on trust and reliability. Here's to many more years of prosperity and partnership with BBG.

Transaction Banking Group

Transaction Banking Group (TBG) runs four businesses, namely, Cash Management, Trade, Remittance, and Digital Channels. Its key purpose is to increase overall flows from customers within the "ecosystem" by understanding their supply chain and providing electronic banking tools for it, thus becoming an avenue for incremental deposits, assets (trade finance), fees and foreign exchange (FX) to the Bank. Transaction flows which either originate or are fulfilled by these businesses generate revenue in the form of interest income and fee/non-interest income.

Cash Management and Digital Channels led TBG's expansion in platform solutions. In financial terms, most of TBG's income in 2023 was derived from interest income and the rest from fee revenues.

Cash Management

Cash Management solutions for corporates, such as checkPay, directPay, cashPay and govPAY, contributed significantly to TBG's deposit ADB in 2023. This was linked to the strategy of concentrating on key accounts aside from pursuing continual product development that led to the rollout of check releasing enters in 10 key cities in the Philippines, located within proximity to where a number of SMC business units operated.

Digital Channels

Similarly, BankCom experienced a double-digit growth in the retail segment particularly on domestic fund transfers, bills payments, and prepaid mobile phone reload made through its BankCom [Personal] mobile app and web channel managed by TBG's Digital Channels team.

Instapay and Pesonet transaction volume rose by 37% and transaction value by 31% year-on-year as Digital Channels bolstered product awareness through social media and maintained a conservative pricing throughout the year. Likewise, bills payments grew by nearly 20% in volume and more than 42% in value. Prepaid mobile phone reload garnered the highest growth in value at close to 50%.

The enrollment base of BankCom [Personal] has grown to 134,000 and continues to be an important source of transaction flows and deposit ADB from the retail segment. Heavier usage is expected as the QRPH functionality was deployed for peer-to-peer (P2P) and payments-to-merchants (P2M) transactions using QR codes.

Besides BankCom [Personal], the Digital Channels team also handled the rollout of new ATMs at strategic offsite locations in 2023.

Remittance

TBG's Remittance business expanded its network in 2023 by entering the Japan market, the 4th largest contributor to the Philippines' inbound remittances, following the US, Singapore, and Saudi Arabia.

BankCom launched SIKAPPINOY, an all-in-one-service program for OFWs residing in Japan which has widened the options for clients to remit money whether directly into their accounts with other banks, or into a number of e-wallets that are available in the Philippines. Prior to this, BankCom used to be present only in Australia, Middle East and certain Asian cities.

BankCom likewise rolled-out its SIKAPPINOY Asenso program (aptly named after the Filipino translation of "prosperity"), to support Japan-based OFWs and their families with practical business investments, providing them the confidence of a financially stable future. Asenso offers OFWs with over 200 franchising options in the Philippines through BankCom's partner, U-Franchise.

In 2023, TBG's Remittance business experienced a double-digit volume growth, mainly driven by the Middle East corridor.

Trade

TBG's Trade business maintained its double-digit performance in terms of trade-related contingent liabilities on the back of transaction flows, generated more than 100 new SMC ecosystem entities that deal with the SMC Group's food and beverage business units.

TBG's Trade business continues to be a key contributor to the Bank's fee business, providing about a third of its total composition.

With its key projects rolled out in 2023, TBG has prepared a lineup of features and solutions that BankCom clients can look forward to in the years ahead.

Investment Banking Group

The Investment Banking Group (IBG) generated more fee revenues of Php149 million in 2023, up from Php110 million in 2022, to posting a year-on-year growth of 35%. Adding to its banner year, were two IBG transactions recognized by Alpha Southeast Asia in the publication's 2023 Best Deals & Solutions Awards: the Php60 billion San Miguel Corporation Fixed Rate Bonds as Best Local Currency Bond Deal and the Php100 billion MRT-7 Project Finance Facility as Best Public-Private Project (PPP) & Blended Financing Infrastructure Deal. BankCom's investment banking business has shown to be in full swing as the number of capital raising transactions it has spearheaded and participated in increased significantly from the prior year.

Public Capital Raising

IBG marked its first capital market transaction for 2023 with an outstanding performance as the Joint Lead Underwriter & Joint Bookrunner that delivered the largest volume for the Php14.0 billion Petron Corporation Preferred Shares Follow-on Offering for Series 4A, 4B, and 4C (listed on the Philippine Stock Exchange on 7 July 2023). Despite challenging market conditions and competing investment opportunities, BankCom was able to deliver through its fully synched-up distribution channels and their respective operations divisions.

Following this successful run, BankCom, through IBG, was appointed as Joint Issue Manager and Joint Lead Underwriter & Joint Bookrunner for the Php34 billion San Miguel Corporation Preferred Shares Follow-on Offering for Series 2L, 2N, & 2O (listed on the Philippine Stock Exchange on 1 December 2023). BankCom was again the top performer in terms of volume generated among syndicate banks. As one of the Joint Issue Managers, BankCom spearheaded the issuance and ensured a timely listing to close the transaction before year-end.

Private Capital Raising

IBG has proven its expertise in the private capital space by arranging debt transactions for nation-building initiatives such as the 630MW power plant of Masinloc Power Partners Co. Ltd., the MRT-7 Project of SMC Mass Rail Transit 7, Inc., the Battery Energy Storage Systems of San Miguel Global Power, and the integrated port and cement production facility of Advantage Concrete Industries Corporation. Through innovative capital solutions, BankCom through IBG has provided financing for the various project sponsors in tandem with its Corporate Banking Group and alongside some of the largest banks in the country.

Continued Growth

2023 has been a year of exceptional growth in terms of deals and roles taken by IBG. The group eyes to continue this trajectory in the coming years as it builds its pipeline, expands its team, and paves its track record in other product offerings such as Advisory and Equity Capital Market transactions.

Treasury Management Group

Treasury Management Group (TMG) successfully navigated through the challenges of 2023. Its trading activity got a boost from its foreign exchange (FX) business. Gains from FX trading reached Php141 million as the previous years' efforts to expand FX flows continued to bear fruit in 2023. Competitive pricing and exemplary management of FX positions paved the way for a profitable year in FX. TMG, through its Foreign Exchange Sales Division, will endeavor to further increase volume

and broaden its client base in 2024. Attention will also be given to third currencies. Vigilance in monitoring client requirements will be intensified to serve all FX needs of current clients.

Interest rates remained elevated in 2023 as inflation rose globally. Inflation pressures mounted as nations continued to feel the impact of various stimulus packages during the height of the pandemic. Domestic PH inflation peaked at 8.76% at the start of the year distorting projections for the entire year. In its bid to put a lid on inflation, the Bangko Sentral ng Pilipinas (BSP) delivered another 25-basis point hike in its policy rate in Q4 which brought the policy rate to 6.5%. Hope for rate cuts to start in 2023 eventually faded.

Consequently, TMG's fixed income business struggled due to this trend in interest rates. Despite this development, it was able to stay in the black in terms of income from sale of government securities thanks due to disciplined trading and prudence. Whatever opportunity was lacking in trading the fixed income market, TMG made up with hefty accrual income. For the year, total interest income from the Bank's securities portfolios aggregated to Php2.3 billion. It strategically took advantage of the high interest rate environment to slowly improve the yields of its Hold-to-Collect (HTC) and Hold-to-Collect and Sell (HTCS) portfolios. For 2024, TMG will continue to work on the development of bond futures to give it opportunity to express its views despite a rising interest rate environment. At the same time, it will keep on looking for opportunities to lock-in high yielding assets while yields are still on the high side.

TMG also helped Investment Banking Group in distributing the latter's primary issuances. The Group's Treasury Marketing and Sales Division (TMSD) was able to sell as much as Php5.4 billion. Anticipating further expansion in this area and aspiring to grow its fixed income flows business, it on-boarded a new Head for TMSD. For 2024, TMSD envisions to lay the ground work to build a strong fixed income flows business. This year, it plans to intensify its partnership with the Branch Banking Group and Corporate Banking Group to spot potential fixed income business for fresh and old accounts. Work on expanding product offerings to provide more value for clients will also be undertaken.

Moreover, TMG adopted a proactive approach to liquidity and asset liability management (ALM), thus ensured the continued stability and profitability of the Bank's balance sheet. Effective liquidity management involved monitoring and managing cash flows and maintaining a sufficient level of liquid assets while effective ALM involved maximizing profits while managing interest rate and liquidity risks on both the asset and liability sides of the balance sheet. In 2023, the strong loan growth and high interest rates primarily boosted net interest margin amid post-pandemic economic recovery. In addition, excess liquidity was deployed into assets with more favorable yields which helped drive increases in asset yields (up 179 bps) and ultimately, interest income. Funding costs, on the other hand, rose considerably (up 116 bps) given the elevated interest rate environment as well as to stem deposit outflows and support asset expansion. Nonetheless, the benefit from growing the balance sheet fully offset the increased funding costs. Consequently, the Bank's net interest income surged by 24.166% to Php8.310 billion in 2023 from a year ago, accounting for 83% share of total revenues and contributed largely to the Bank's record high net income of Php2.870 billion for the year. For 2024, to ensure the achievement of the NII target, TMG will focus on reducing funding costs, maintaining a balanced mix of earning assets and interest-bearing liabilities and capitalizing on opportunities arising from the Bank's solid balance sheet to counter the drag in net interest income caused by expected declining asset yields.

Consumer Group

For three straight years since the pandemic, Consumer Group (CoG) recorded improvements in its operating results characterized by year-on-year growth in interest income, non-interest income, and net profits. Throughout 2023, CoG focused on prudent lending practices and enhancing risk management strategies, which resulted in a notable reduction in non-performing loans. This improvement in asset quality reflected the Group's commitment to maintaining a healthy loan portfolio and mitigating credit risks effectively.

Despite the economic uncertainties, the consumer loan portfolio saw steady growth, driven by strategic product offerings and targeted marketing initiatives. The calibrated approach to lending proved to be a successful blueprint to drive improvements in revenues and asset quality.

Looking ahead to 2024, CoG is optimistic about the growth potential in the consumer lending market. With the Philippine economy poised for recovery and consumer confidence on the rise, CoG anticipates increased demand for credit products. CoG remains dedicated to delivering innovative solutions, expanding its market reach, and fostering long-term relationships with customers to capitalize on these opportunities.

In conclusion, 2023 has been a year of resilience and progress for BankCom. With a strengthened asset quality, a growing consumer loan portfolio, and a promising outlook for the future, the Bank is well-positioned to navigate the evolving landscape and sustain the growth in the years to come.

Trust Services Group

BankCom's Trust Services Group (TSG) maintained its Assets Under Management (AUM) at Php70.21 billion. The synergy between TSG and BBG has started to unlock numerous opportunities for SMC ecosystem clients to seek the Bank's trust products and services. It has completed its UITF Certification Program, with 170 certified UITF salespersons covering BankCom's 140 branch network.

BankCom's Investment Management Account was stable at Php65.58 million, while Other Fiduciary Accounts AUM grew 8.6% to Php3.32 billion.

TSG continues to expand its reach in order to meet its 2024 target of a 20% compounded annual growth rate (CAGR) increase in both AUM and revenues. It has rolled out initiatives to create value for clients and key stakeholders by providing employees, suppliers, distributors, and consumers with relevant and appropriate programs to protect and grow their savings through prudent and informed investing.

Credit Card Group

Credit Card billings hit a record high of Php5.3 billion, reflecting the active cardholder base and successful marketing campaigns launched throughout the year. The continued growth in its revenues is an indication of growing consumer spend and confidence in the market. The consistent growth of billings and revenues is expected to continue as we build better card products and features. With the support of digital development and enhancement, BankCom is now able to provide online access to credit card accounts, a result of the continued efforts of Credit Card Group (CCG) to build a stronger cards business.

Debit cards also performed better than the previous year, reaching Php2.0 billion in retail billings and generating Php13.0 million in commission revenue. Debit card usage campaigns focused on online

use, creating better customer product understanding, building the easy, convenient, and safe way to pay.

The Cards business will continue to grow guided by a seasoned and adaptive management team, and most importantly, with the customers always in mind.

Digital Services Group

Collaboration with strategic technology partners was forged or renewed in 2023 as this year marked a pivotal milestone in executing its technology strategy aligned with the overall business goals of growth as BankCom celebrates its 60 years of service.

Key highlights of the digital transformation projects include the implementation kickoff of BankCom's next generation corebanking system with Infosys' Finacle that will run on IBM's LinuxOne platform, deployment of NCR automated teller and cash recycling machines, the upgrading of its Corporate Internet Banking system with Solutions Exchange Inc., the expansion of the platform of BPC Technologies to include Fraud Management, to name a few. All these initiatives are aimed at improving operational efficiencies, enhancing customer experience, and driving growth and innovation.

Cybersecurity and Risk Management remain to be a priority IT investment to mitigate threats and ensure data protection and compliance with regulations. Performance Metrics and indicators related to IT performance, such as system uptime, response times, and user satisfaction including client facing systems were closely monitored for improvement. IT Talent Development and Management required innovation as well for retention and skills development through training opportunities and hands-on skills enhancement. The journey on data maturity continues levelling up from awareness to proficiency as transactional data are harnessed for actionable insights.

Definitely, BankCom will continue to leverage technologies to stay competitive and achieve strategic objectives.

Human Resource Management and Development Division

In the past year, the Human Resource Management and Development Division (HRMDD) has made significant strides in improving employee retention through various initiatives.

To mitigate attrition and enhance employee satisfaction, HRMDD, through management's and Board's support, initiated salary adjustments resulting from the engagement of Willis Towers Watson (WTW). By conducting thorough market research and benchmarking analyses, HRMDD and WTW identified areas where adjustments were necessary to remain competitive in the talent market. These adjustments were complemented by enhancements to employee benefits.

To address vacancies brought about by the high attrition in 2022 and ensure the steady influx of talent, HRMDD enhanced its recruitment strategies. The employee referral program incentives were significantly increased to encourage employees to refer qualified candidates. HRMDD continued to participate in job fairs to connect with potential candidates and maximize the visibility of the Bank and its job opportunities. Furthermore, it leveraged the Bank's social media and website to reach a

wider audience and attract top talent to join the Bank. These initiatives improved the overall hiring numbers for the year.

Acknowledging the importance of employee appreciation in fostering a positive work culture, HRMDD organized various activities and events throughout the year to celebrate the hard work and dedication of employees. The donuts and coffee as well as the block screening events were a welcome treat for our hardworking employees. HRMDD spearheaded the Bank's Christmas Party and the celebration of the Bank's 60th Anniversary. This is the first bank-wide face to face activity since the pandemic. BankCom employees also participated in San Miguel Corporation's (SMC) sports tournaments where BankCom finished as champion of badminton and darts and runner-up for chess, bowling, and billiards. These initiatives not only boosted employee morale but also reinforced a sense of belonging and camaraderie within the organization as well as the SMC group.

Promoting employee well-being was also a focus of HRMDD where regular infographics related to physical, mental and emotional health were shared with the employees. HRMDD, through its wellness partners, provided counseling services to employees upon request to ensure their well-being are prioritized.

Investing in employee development, HRMDD implemented comprehensive training programs aimed at enhancing skills, knowledge, professional conduct, and others, to pave the way for career growth opportunities. These programs covered various areas such as leadership development, technical skills training and personal development workshops. HRMDD partnered with the Bank's subject matter experts on the conduct of in-house and e-learning programs and with external providers such as Bankers Institute of the Philippines (BAIPHIL), Ateneo Graduate School of Business and Asian Institute of Management, among others. By empowering employees with the necessary tools and resources to succeed, BankCom fostered a culture of continuous learning and professional growth within the organization.

Recognizing the evolving nature of the business environment, HRMDD in coordination with the concerned units, continued to review and update job roles and responsibilities. This proactive approach ensures that the workforce remains agile and adaptable to changing industry trends and business needs. By aligning job roles with the strategic objectives of the organization, we optimize employee productivity and performance, driving overall business success.

One of the major accomplishments of HRMDD and the Bank's Management Panel was the successful negotiation and implementation of the collective bargaining agreement. This not only ensured fair and equitable treatment of employees but also strengthened the relationship between the organization and its workforce. Through transparent communication and collaborative efforts, the Bank of Commerce Employees Union (BCEU) and Management were able to reach mutually beneficial terms that align with the organization's goals while addressing the need and concerns of employees.

Management and HRMDD remain committed to continuously enhancing employee experience and driving positive organizational outcomes for all.

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 2023, the Bank had a total of 1,976 employees, 979 of which are engaged in a professional management capacity and classified as bank officers, and 997 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 2025.

As of 31 December 2023, BCEU has a total of 781 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	
	2022	2023
Rank and File	959	997
Officers	906	979
Total	1,865	1,976

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 December 31 2023, the Bank has a total branch network of 140 branches nationwide, 62 in Metro Manila and 78 across various cities and provinces. As of year-end, three (3) out five (5) branches approved for relocation were completed, and the other two are set for Q1 and Q2 of 2024. 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 2022 and 2023:

	As of 31 December	
	2022	2023
Metro Manila	62	62
Luzon	43	43
Visayas	22	22
Mindanao	13	13
Total Bank Branches	140	140

Moving forward, the Bank aims to expand its reach, gain more market share, and secure its customer base through a coordinated physical and digital strategy which uses relevant, cost-effective technologies to enable a more segment-driven delivery of branch banking services.

ATM NETWORK

As of end-2023, the Bank has completed re-fleeting its ATM network. The new machines offer advanced security features and a user-friendly touch screen interface that aim to provide an enhanced banking experience that matches the evolving needs of its valued clients.

The ATM re-fleeting project is one of the priority items under the Bank's 5-year IT investment and digitalization program. Almost 300 combined ATMs and cash recycling machines (CRMs) are to be installed within the Bank's branches and strategic off-site locations.

The new ATMs supplied by NCR Corporation, the world's leading enterprise provider of software, hardware and services for banks and other industries, feature enhanced security measures to protect customer transactions and personal information, thereby providing peace of mind to users. Moreover, the user-friendly touch screen interface of the ATMs simplifies the banking process, enabling customers to conveniently perform various transactions such as withdrawals, balance inquiries, fund transfers, among others.

The following table shows the strategic and geographical locations of the ATMs:

	As of 31 December	
	2022	2023
Metro Manila	111	103
Luzon	92	90
Visayas	34	33
Mindanao	22	16
Total ATMs	259	242

CORPORATE AND SOCIAL RESPONSIBILITY

Throughout the year, the Bank has exemplified its dedication to Corporate Social Responsibility (CSR), emphasizing not only its financial performance but also its role in fostering positive impacts within the communities it operates and contributing to broader societal welfare in support of nation-building initiatives. The Bank's CSR initiatives underscore its proactive engagement in community affairs, striving to be an integral part of problem-solving endeavors. This year's initiatives include:

Navotas Coastal Clean-up. In September, BankCom employees participated in the annual Coastal Cleanup organized by the San Miguel Foundation Inc. (SMFI) at the Tanza Marine Tree Park in Navotas. The event aims to address the pressing issue of marine pollution. With 600 volunteers, including BankCom employees, the cleanup gathered 2,276 kilograms in just six (6) hours, underscoring the foundation's commitment and marking a notable victory for ocean and waterway preservation efforts.

One Good Deed Day. During Team Malasakit's annual "One Good Deed Day" initiative in December, BankCom employees showed their enthusiasm by actively participating in this yearly observation. "One Good Deed Day" is an annual outreach program that pulls together volunteers from San Miguel Corporation to do one act of kindness each in their respective communities. This one-day event highlights the importance of financial contributions as well as the physical act of being with the beneficiaries. Through this initiative, BankCom employees demonstrated their commitment to making

a difference by generating monetary donations totaling P37,900 and providing P15,000 worth of in-kind donations, including Christmas baskets and toys for children.

Mt. Purro Nature Reserve Seed Potting Activity. BankCom's commitment to protecting the environment and engaging with the community was put into action when members of its Senior Executive Team and branch and head office employees participated in a seed potting activity at the picturesque Mt. Purro Nature Reserve in Antipolo in December. Split into two batches, they collectively potted a total of 300 seeds, highlighting their dedication to nurturing sustainable ecosystems and safeguarding natural habitats. This initiative not only had a tangible impact on the environment but also promoted a sense of unity, purpose, and shared responsibility among BankCom's employees.

Joining BankCom in this partnership for the environment were the administration and faculty of Diliman Preparatory School and Diliman College led by their president and former Philippine Senator, Ms. Anna Dominique ML. Coseteng.

Showing strong leadership, BankCom's President and CEO, Mr. Michelangelo R. Aguilar, pledged to make this initiative an annual event, emphasizing the Bank's ongoing commitment to environmental stewardship.

BankCom Financial Literacy Program. With the goal of leading in pursuing financial literacy within the San Miguel Group, BankCom led by its Consumer Protection Department, working together with Branch Banking Group and Trust Services Group, rolled out its FinLit Program in different locations and across various consumer segments this year. Focusing on educating people about important financial concepts such as saving through different bank products, understanding factors to consider before borrowing money, and highlighting the importance of online banking, BankCom successfully reached nearly 2,000 individuals nationwide, comprising of students and school faculty, government employees, and employees of SMC and other private entities.

Sponsorships for a Cause. This year, BankCom has been actively involved in sponsoring initiatives aimed at supporting various social causes including education, children's rights, and healthcare. This involvement began in April with a donation to the Rotary Club of Makati Dasmaringas (RCMD). The funds were designated for medical assistance, counseling services, basic needs provision, and environmental care. The Bank contributed to San Roque National High School's Brigada Eskwela program in October. This program, conducted annually, seeks to improve Philippine public school facilities by engaging the community in volunteer efforts. The goal is to create safe and conducive learning environments for students through collective action. In November, a sum was given to PhilAm International Nourishment of Youth, Inc. (P.I.N.O.Y., Inc.), an organization committed to enhancing the lives of underprivileged and abused children through various means including educational support, counseling, and recreational programs.

Item 2. PROPERTIES

The Bank's head office is located at San Miguel Properties Centre, No. 7, St. Francis Street, Mandaluyong City. Its Main Office Branch is located in the same building.

The Bank leases the premises occupied by most of its branches and area offices. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 3% to 10%.

The Bank leases out some properties as office space. These non-cancellable have remaining lease terms ranging from 1 to 10 years.

Location	As of 31 December	
	2022	2023
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 2,344 Real and Other Properties Acquired for settlement of loans through foreclosure or dacion en pago broken down as follows:

Property Type	Count as of 31 December 2023
Condominium	199
Condominium and Parking	9
Condominium Parking	53
Land	1,732
Land and Building	331
Townhouse	20
TOTAL	2,344

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.

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 25, 2023, the stockholders of the Bank held a special meeting, where 81.91% of the outstanding capital stock present or represented by proxy approved the following:

1. Minutes of the Regular Meeting of Stockholders on April 29, 2022
2. Management Report of the Bank for the Year ended December 31, 2022
3. Ratification of all the acts of the Board of Directors and Officers since the 2022 Annual Stockholders' Meeting
4. Confirmation of the Bank's Significant Transaction with DOSRI and Related Parties
5. Approval of Director's Fees
6. Amendment to Article Seventh of the Amended Articles of Incorporation of the Bank to Increase the Authorized Capital Stock
7. Amendments to Section 2 Article II and Sections 1, 4, 5, 8, and 9 Article III of the Amended By-laws of the Bank
8. Appointment of External Auditors; and
9. 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 were listed on March 31, 2022 and traded at the Philippine Stock Exchange (PSE). The high and low prices for each quarter of 2023 are as follows:

		Q1		Q2		Q3		Q4	
		Last Practicable Trading Date	Last Practicable Trading Date	Last Practicable Trading Date	Last Practicable Trading Date	Last Practicable Trading Date	Last Practicable Trading Date		
2023	High	7.99	3.31.23	6.89	6.30.23	7.50	9.29.23	7.27	12.29.23
	Low	7.80	3.31.23	6.72	6.30.23	7.25	9.29.23	7.00	12.29.23

Source: Philippine Stock Exchange

As of February 29, 2024, the closing price of the Bank's common shares is pegged at Php6.26.

HOLDERS OF SECURITIES

The authorized common and shares as of December 31, 2023 amounted to P17 billion and P4.6 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, 2023:

	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	153,046,054	8.4106%
5	Common	PCD Nominee Corporation	Non-Filipino	140,277,966	7.7089%
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	PVB-TMG as Trustee for Comprehensive Annuity Plan Pension Trust Fund	Filipino	4,980,980	0.2737%
10	Common	PVB-TMG as Trustee for College Assurance Plan Phils., Inc. Retirement Fund	Filipino	3,673,860	0.2019%
11	Common	Comprehensive Annuity Plan Pension Trust Fund	Filipino	3,626,870	0.1993%
12	Common	Cabien Corporation	Filipino	3,600,650	0.1979%
13	Common	RDA Holdings	Filipino	2,163,850	0.1189%
14	Common	JGF Holdings, Inc.	Filipino	2,163,850	0.1189%
15	Common	BIC Management and Consultancy, Inc.	Filipino	1,476,350	0.0811%
16	Common	Bank of Commerce - Trust Services Group as Trustee for Bank of Commerce Retirement Plan	Filipino	730,670	0.0402%
17	Common	Ester Reyes Querido	Filipino	674,800	0.0371%
18	Common	Antonio Tan Tan	Filipino	414,900	0.0228%
19	Common	Rockshed Management, Inc.	Filipino	187,600	0.0103%
20	Common	Commerce & Trade Insurance Brokerage Inc.	Filipino	147,190	0.0081%

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets out the shareholding interests of the Bank’s directors and senior management as of December 31, 2023:

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	Simon R. Paterno	Independent Director	Filipino	Direct	100	NIL
Common	Leonardo J. Matignas, Jr.	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	110,500	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	60,000	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	Marie Suzanne S. Sevilla	Chief Information Officer/Head, Digital Services Group	Filipino	NONE		NIL
Common	Fancisco 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	15,600	NIL
	TOTAL				409,710	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

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. The Bank will also need to verify that it has all the required approvals from regulatory bodies before issuing dividends.

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.

The Bank has not had any dividend declarations within the last two years.

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

Statement of Income for the Year Ended December 31, 2023 vs December 31, 2022

For the year ending December 31, 2023, Bank of Commerce posted a Net Income of Php2.80 billion, 55.67% higher than the Php1.80 billion in the same period in 2022. The growth was backed by growth in core lending business, service charges, fees, and commissions, and gains on foreclosure and sale of property and equipment and foreclosed assets.

Net Interest Income increased by 24.16% to Php8.30 billion, from Php6.68 billion in the previous year. Interest income on loans and receivables amounted to Php8.24 billion, Php2.78 billion higher than the Php5.47 billion the prior year. Interest Income on Loans benefitted from the high interest rate environment and volume growth. Interest income on investment securities and financial assets grew by 34.56% to Php2.27 billion owing increase in securities. Interest income on interbank loans receivable and securities purchased under resale agreements rose to Php875.71 million, almost 2x the Php539.16 million. Interest income on due from BSP and other banks also grew by 35.67% to Php372.91 million from the Php274.86 million.

Interest Expense totaled Php3.47 billion, 2.7x the Php1.28 billion in the same period last year on account of higher cost of funds as interest expense on deposit liabilities increased by Php1.94 billion to Php2.97 billion. Interest on bonds payable increased more than 2x to Php412.99 million due to the

maiden issuance of Php7.5 billion 2-year bonds. Meanwhile interest expense on bills payable and lease liabilities also grew by 4.37% and 16.46%, respectively, to Php49.10 million and Php32.82 million from obtaining deposit substitutes.

Net Interest Income rose by 24.16% to Php8.30 billion, up from end-2022's Php6.68 billion as Interest Income outpaced the growth in Interest Expenses. This translated to a net interest margin ratio of 4.28%, higher than the previous year's 3.73%.

Total Other Income rose to Php1.68 billion, 17.04% or Php244.41 million greater than Php1.43 billion last year. Service charges, fees and commissions grew by Php28.75 million to Php886.38 million, owing to the investment banking, credit card and trust. Trading and investment securities gains posted Php10.60 million, recovering Php39.82 million from the loss sustained last year. Foreign exchange gains, slowed down by 6.12% to Php141.12 million, from the prior year's Php150.32 million. Gains on foreclosure, and sale of property and equipment and foreclosed assets increased to Php495.40 million, 45.51% up from Php340.45 million on the back of 4.3x rise in foreclosure related revenues. Miscellaneous income picked up by 26.13% to Php145.28 million due to higher recovery on charged-off assets.

Total Expenses, excluding provision for credit and impairment losses, was up by 12.32% to Php6.16 billion. Compensation and fringe benefits increased to Php2.26 billion, 18.56% higher than Php1.90 billion mainly due to the 111 (from 1,865 in 2022) additional manpower. Taxes and licenses increased by 12.23% to Php1.06 billion mainly due to growth in revenues. Rent and utilities increased by Php16.15 million to Php647.70 million owing to the rise in security, repairs and maintenance, power, light and water expenses. Depreciation and amortization grew by 13.37% to Php489.38 million due to higher depreciation expense on foreclosed assets and computer equipment. Service fees and commissions increased by 42.48% to Php417.92 million due to higher commissions and other transaction fees. Subscriptions also grew 1.5x to Php188.45 million driven by higher IT related subscriptions. Management and professional fees went up by 29.76% to Php140.88, while Amortization of Software costs increased modestly by 5.03% to Php76.74 million.

On the other hand, Insurance registered a 0.94% drop to Php345.08 million on the back of lower PDIC insurance on peso deposits. Entertainment and recreation expenses likewise declined by 84.07% to Php12.14 million as the Bank focused on business related entertainment and recreation expense savings to offset increased spending on ATMs/Computer equipment, IT software, and employee compensation. Miscellaneous expenses declined by 4.90% to Php519.79 million from Php546.58 million on account of lower legal expenses.

Provisions for credit and impairment losses amounted to Php78.85 million, substantially lower than last year's Php166.21 million, reflecting strength in asset quality due to the Bank's focused risk appetite.

The Bank's share in the net loss of associate is at Php0.78 million in 2023, almost 6x the Php0.13 million last year.

Income Tax Expense posted Php933.89 million, 40.15% up from the Php666.36 million in 2022.

Statement of Comprehensive Income for the Year Ended December 31, 2023 vs December 31, 2022

The Bank posted a Total Comprehensive Income of Php2.82 billion, 2x the Php1.41 billion recorded in 2022. The increase resulted from higher profit in 2023 and net change in net unrealized losses of debt securities at FVOCI amounting to Php308.41 million owing to the high interest rate environment.

Statement of Condition as of December 31, 2023 vs December 31, 2022

The Bank's Total Assets at end-2023 grew by 6.51% or Php14.15 billion to Php231.67 billion, primarily driven by the expansion in loans and other receivables, investment securities as well as interbank loans receivables.

Loans and Receivables-net, accounting for almost 50% of total assets, rose by Php4.47 billion to Php109.57 billion mainly driven by the increase in corporate loans. The Bank's loan-to-deposit ratio was recorded at 69.67%.

Investment Securities also grew by 9.45% to Php63.91 billion, from Php58.39 billion on the back of growths in financial assets at fair value through other comprehensive income and investment securities at amortized cost.

Interbank Loans Receivable amounted to Php20.11 billion, 9.43% higher than Php18.38 billion at end-2022. Cash and Other Cash Items increased by 27.99% to Php3.50 billion. Due from Bangko Sentral ng Pilipinas (BSP) and Other Banks reached Php25.33 billion, up by 2.46% from last year's Php24.72 billion.

Property and Equipment and Investment Properties grew by Php365.78 million and Php276.14 million, respectively, to Php1.79 billion and Php3.68 billion. The increases were due to new ATMs and additional office equipment, such as, but not limited to, computers. Moreover, Other Assets posted Php3.27 billion, 20.18% more than the Php2.72 billion last year, on account on higher prepaid tax.

On the other hand, Investment in Associate and Deferred Tax Assets registered 10.09% and 22.34% declines to Php35.53 million and Php475.33 million, respectively.

Deposit Liabilities, comprising 80.25% of the total assets, increased by 5.47% to Php185.91 billion supported by the 7.03%. Expansion in deposits came from demand and savings accounts but was softened by the 6.49% decrease in time deposits. Bonds payable remained at Php7.48 billion. Accrued Interest, Taxes and Other Expenses and Manager's Checks both increased by Php221.42 million and Php1.19 billion, respectively, to Php1.39 billion and Php1.85 billion. Other Liabilities, meanwhile, rose by Php242.85 million to Php4.19 billion at end-2023.

The Bank's capital base was at Php30.85 billion as of December 31, 2023, 10.06% higher than the Php28.03 billion in the previous year, boosted by the better than expected net income as of end-2023.

Key performance indicators of the Bank are as follows:

	2023	2022
Return on Average Assets	1.25%	0.86%
Return on Average Equity	9.52%	7.01%
Cost-to-Income Ratio	61.75%	67.56%
Net Non-Performing Loan Ratio	0.44%	0.60%
Capital Adequacy Ratio	19.98%	17.97%

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, 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 by 18.65% 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. Miscellaneous expenses amounted to Php546.58 million, 8.92% up from Php501.81 million due to higher forms and supplies, fuel and lubricants, marketing and other expenses.

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. Bonds payable amounted to Php7.44 billion as a result of the Bank's bond issuance on July 2022. Accrued Interest, Taxes and Other Expenses and Other Liabilities also rose from 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.

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.

Plans for 2024

Amid assumptions of continuing elevated interest rates to manage inflation, the Bank 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 its 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, and boosting business units' operational efficiency through digitalization.

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 ACCOUNTING AND FINANCIAL DISCLOSURES

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

External Audit Fees

The aggregate fees billed and paid for each of the last two fiscal years for professional services rendered by the Bank's external auditor, R.G. Manabat & Co. are summarized below (inclusive of out-of-pocket expenses and value-added tax):

Nature of Services Rendered		Aggregate Fees (in millions)	
		2023	2022
Audit and Audit-Related Fees	Annual and interim audit of the Combined and FCDU Financial Statements in connection with statutory and regulatory findings; annual audit of the Combined Financial Statements of the trust and managed funds of the Trust Services Group; limited review of interim Combined Financial Statements	P7.30	P5.80
Tax Fees		-	-
All Other Fees	Agreed-upon procedures relative to the initial public offering (IPO) of shares, issuance of bonds and program report on the use of proceeds from IPO of shares.	-	3.51
Total Fees		P7.30	P9.31

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE 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 2023, their respective 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 2023
<i>Board of Directors</i>		
Francis C. Chua	Chairman, Non-Executive Director	15 yrs. & 7 mos.
Benedicta Du-Baladad	Vice-Chairperson Non-Executive Director	9 yrs. & 11 mos.
Michelangelo R. Aguilar	President and CEO, Executive Director	5 yrs. & 5 mos.
Roberto C. Benares	Former President and CEO, Non-Executive Director	10 yrs. & 8 mos.
Fe B. Barin	Non-Executive Director	9 yrs. & 8 mos.
Marito L. Platon	Non-Executive Director	13 yrs. & 8 mos.
Mariano T. Katipunan, Jr.	Non-Executive Director	5 yrs. & 8 mos. 2 nd appointment as Caritas nominee, previously for 2yrs – 1 st appointment as Caritas nominee
Alexander R. Magno	Non-Executive Director	9 yrs. & 5 mos.
Melinda S. Gonzales-Manto	Non-Executive Director	9 yrs. as Independent Director; 1 year and 8 months as Non-Executive Director since elected on April 29, 2022
Jose C. Nograles	Independent Director	8 yrs. & 8 mos.
Rebecca Maria A. Ynares	Independent Director	7 yrs. & 5 mos
Ricardo D. Fernandez	Independent Director	3 yrs.
Daniel Gabriel M. Montecillo	Independent Director	1 year and 8 mos. (elected on April 29, 2022)
Simon R. Paterno	Independent Director	1 year and 7 mos. (elected on June 1, 2022)
Leonardo J. Matignas, Jr.	Independent Director	6 mos. (elected on June 27, 2023)
<i>Board Appointees:</i>		
Jose T. Pardo	Chairman of the Board of Advisors	18 yrs. & 4 mos. as Director, 10 yrs. as Chairman of the Board, and 1 year and 10 months as Chairman of the Board of Advisor since February 16, 2022
Aurora T. Calderon	Board Advisor	13 yrs. & 5 mos
Ferdinand K. Constantino	Board Advisor	2 yrs. as Director and 13 yrs. and 7 mos. as Advisor
Cecile L. Ang	Board Advisor	8 yrs. & 2 mos.
Antonio M. Cailao	Board Advisor	5 yrs. & 6 mos.
Evita C. Caballa	Corporate Secretary	2 yrs. as Asst. Corporate Secretary; 13 yrs. & 8 mos. as Corporate

		Secretary and 3 yrs. & 3 mos. as Director
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FRANCIS C. CHUA
Chairman, Non-Executive Director
Filipino, 75 years old

Ambassador 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), President Emeritus of the Federation of Filipino Chinese Chamber of Commerce and Industry, Inc., Trustee of Universidad De Manila (UDM) 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 founded Phil China Chamber of Commerce, Philippine Silkroad International Chamber of Commerce and Industry. He currently owns Philippine Union Realty Development Corporation, Philippine Nail and Wire Corp and BA Securities Inc. 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, 62 years old

Atty. 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 Trust and Investments Committee. She was previously a member of the Bank’s Board Risk Oversight Committee (BROC) from 2014-2017, as well as the Audit Committee until April 2022. 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 2019 to 2022. 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 2023 President, 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, 67 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), IT Steering Committee (ITSC) and Underwriting Committee (UWCom). On April 25 2023, he became the Chairman of the UWCom.

Mr. Aguilar is also a member of the Board of Directors and an Officer of the Bankers Association of the Philippines (BAP) for the ensuing term March 2023 to March 2024. He serves in two BAP committees, i.e., BAP Open Market Committee where he sits as Chairman, and the Executive Committee. He is likewise a member of the Board of Directors of BancNet, Inc. for the ensuing term March 2023 to March 2024.

Mr. Aguilar has over 40 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, 71 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 Executive Committee (ExCom) and the Underwriting Committee (UWCom). Director Benares used to sit as a member of the Board Risk Oversight Committee (BROC) until April 2023. 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, 90 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, 71 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 Underwriting Committee. He was previously a member of the Board Risk Oversight Committee (BROC) (former Chairman), 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, 72 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 IT Steering Committee (ITSC) and Trust and Investment Committee (TIC).

Mr. Katipunan 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, 69 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 the Executive Committee (ExCom) and the Nominations, Compensation, and Remuneration Committee (NCRC). He used to be a member of the Bank's Trust and Investment Committee (TIC) until April 2023.

Mr. Magno 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, 71 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), Board Risk Oversight Committee (BROC) and the Audit Committee (former Chairperson).

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 and Related Party Transactions 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 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**Non-Executive Director****Filipino, 74 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: Corporate Governance Committee (CGCom) and Nomination, Compensation and Remuneration Committee (NCRC). He used to be a member of the Bank's Audit Committee until April 2023.

Mr. Nograles 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.

Mr. Nograles is currently an advisor to the Board of Amalgamated Investment Bancorporation, an investment banking firm. He is also an independent director of DragonFi Securities Corporation, a brokerage services company.

REBECCA MARIA A. YNARES

Independent Director

Filipino, 47 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 Chairperson of the Nominations, Compensation and Remuneration Committee and a member of the Related Party Transactions Committee (RPTCom) and Audit Committee. She was also a member of the Board Risk Oversight Committee (BROC) until April 2023.

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 wastewater 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 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, 70 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, 67 years old

Mr. Montecillo is an independent board director, consultant, leadership speaker and facilitator, executive coach. He currently chairs the Bank's Corporate Governance Committee. He is also a member of the Audit Committee and Board Risk Oversight Committee. Mr. Montecillo was the chairperson of the Bank's Underwriting Committee (UWCom) from its inception in 2022 up to April 2023.

Mr. Montecillo is currently a senior consultant to the International Finance Corporation and a CXO facilitator of Deloitte University Asia Pacific in Singapore. He was a former facilitator in the Leadership Acceleration Program of Ayala University; 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 Canada.

He retired as Executive Vice President and Group Head of the Corporate Client Segment of BPI in 2018, where he was responsible for nationwide banking coverage of the firm's corporate clients and a 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.

He is an independent director of Ayala Land, Inc. (ALD); RASLAG Corporation (ASLAG), a renewable energy company; Metro Pacific Health (MPH), a holding company with interests in 23 hospitals nationwide; Maybank Investment Banking Group (Philippines), Inc., a subsidiary of Maybank of Malaysia; and Marsh Philippines, a subsidiary of Marsh & McLennan. He is chairman of the audit committees of both Maybank Investment Banking Group (Philippines) and RASLAG; chairman of the corporate governance and ESG committees of MPH; and a member of audit, risk, and corporate governance committees in the various companies as well.

Dennis is a fellow of the Institute of Corporate Directors (Philippines), where he is also chairman of the sustainability committee; 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 also a director of the global board of International Care Ministries, an NGO devoted to the rural ultra poor 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.

SIMON R. PATERNO
Independent Director
Filipino, 65 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 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 an adviser to Packworks, a start-up enabling sari-sari stores.

Mr. Paterno is a member of Bank's Audit Committee, Related Party Transactions Committee (RPTCom), and Corporate Governance Committee. He used to be a member of the Information Technology Steering Committee (ITSC) until April 2023.

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.

LEONARDO J. MATIGNAS, JR., CPA, CFE, CIA, CRMA, MM, FCPA Australia

Independent Director

Filipino, 62 years old

Mr. Leonardo J. Matignas, Jr. is a former Partner of SGV & Co. (a member practice of Ernst & Young) and its former Chief Risk Officer. He recently retired last June 30, 2022. He was also Ernst & Young's ASEAN Risk Management Leader until his retirement last June. He is a multi-awarded and internationally recognized authority on Enterprise Risk Management (ERM). Aside from being a Philippine CPA, he also holds a Fellow CPA Australia (FCPA) title which is the highest rank in CPA Australia and is recognized globally. He is also a Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), and has Certification in Risk Management Assurance (CRMA)--all of which are global certifications.

Over the course of his 40-year career, he had started service lines that paved the way for CPAs to venture into other avenues such as forensic accounting, risk-based auditing, and in risk management, either as a risk owner or risk champion. He was also very instrumental in SGV's accreditation by the Securities and Exchange Commission as an institutional training provider for Corporate Governance, for which he was the lead lecturer.

Leo holds a Bachelor of Science degree in Commerce, Magna Cum Laude, from San Sebastian College and completed his master's in management degree- International from the University of Phoenix. He is a Certified Public Accountant and has also completed Management Development Program at the Asian Institute of Management. In 2021, he completed an executive program, "Journey to the Boardroom" conducted by the Harvard Business Publishing Corporate Learning in collaboration with Ernst & Young.

His recognitions and awards include the following:

- One of the Top 100 notable CPAs in the 100 years in the history of the Philippine Accountancy Profession conferred by the Professional Regulation of the Board of Accountancy in celebration of its centennial anniversary. The award was given last March 17, 2023 at the Manila Hotel.
- 2022 Honorary Lifetime Member Award recipient from the Philippine Institute of Certified Public Accountants (PICPA) given during PICPA's Annual Convention in Cebu in November of this year.
- 2019 Winner of the Search for Outstanding Contribution in Internal Audit (SOCIA) in Asia Pacific by the Asian Confederation of Institute of Internal Auditors (ACIIA) which was awarded in Tokyo, Japan. First Filipino recipient of this award.
- First SOCIA PH awardee given by The Institute of Internal Auditors-Philippines (IIA-P) 2018
- Recognized by the Philippines' Professional Regulations Commission for his contributions to the accounting profession in 2015
- 2014 Outstanding CPA in Public Practice by PICPA
- Past President, Asian Confederation of Institute of Internal Auditors. He is the first Filipino elected to this post by internal auditors in Asia Pacific (2009).
- Past President, Institute of Internal Auditors (IIA)-Philippines (2007)
- Past President and Founding Member of the Association of Certified Fraud Examiners (ACFE) – Philippine Chapter (2005)
- 2011 National Awardee for PICPA Professional Development- International
- Instrumental for the SGV's accreditation by the Philippines Securities and Exchange Commission (SEC) as Training provider for Corporate Governance by the SEC, for which is he was the lead facilitator.

- One of the Ten Values Champions in the Far East by Ernst & Young in 2008.
- 2005 – National Awardee for professional Development, PICPA
- The only Filipino speaker in the World Congress of Accountants in Kuala Lumpur, Malaysia
- Featured in the leading business magazine of Malaysia that highlighted his forensic accounting skills and experience.
- Speaker/moderator in the 2011 IIA International Conference held in Kuala Lumpur, Malaysia.
- Received four (4) plaques of recognition from the Philippine SEC for his role in the SEC Roadshow in promoting the first code of corporate governance.
- Part of the SEC task force in drafting the blueprint of the New Code of Corporate Governance for Publicly listed companies where he actively shared his expertise in Enterprise Risk Management. The new code was released in 2016.
- Currently a member of the Quality Assurance Review Council of the Philippine Institute of Certified Public Accountants (PICPA), the accredited integrated professional organization of certified public accountants by the PRC and BOA.

Before he retired in June of this year, Leo released his book, “A Practical Approach to Enterprise Risk Management”. This is the first book on ERM written by a Filipino author for the Filipinos.

In November, 2023, Mr. Matignas released his second book, “Piercing the Numbers- *Fraud and Forensics*.”

He currently sits as an independent director in the board of PNB Holdings Corporation (a real estate corporation) and the Chairman of its Audit and Risk Management Committee.

Mr. Matignas is currently the Chairperson of the Bank’s Audit Committee. He is also a member of the Related Party Transactions Committee (RPTCom) and Board Risk Oversight Committee (BROC).

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, 2023:

SENIOR EXECUTIVE TEAM	
<p>Joel T. Carranto 53, Filipino Senior Vice President Branch Banking Group Head</p>	<ul style="list-style-type: none"> • Maybank Philippines Inc – <i>Former Community Distribution Head</i> • Security Bank – <i>Former Area Business Manager/Region Head OIC</i> • Premiere Development Bank – <i>Former Branch Banking Group Head</i> • Eastwest Bank – <i>Former Branch Manager</i> • AMWAL – <i>Former Sr. Financial Sales Consultant</i> • RCBC – <i>Former Branch Center Manager, Former Account Officer, Former Senior Marketing Assistant, Former Branch Officer-at-Large, Former Branch Operations officer, Former Teller, Former Bookkeeper</i>
<p>Mary Assumpta Gail C. Bautista 49, Filipino Senior Vice President</p>	<ul style="list-style-type: none"> • AV Santiago Development Corp – <i>Treasurer</i> • Deutsche Bank - <i>Former Vice President/ Former Corporate Cash Management Head, Senior Relationship Manager</i> • BDO/Equitable PCI Bank - <i>Former Cash Management Sales and Marketing Department Head</i>

<p><i>Transaction Banking Group Head</i></p>	<ul style="list-style-type: none"> • Standard Chartered Bank (Singapore) - <i>Former Regional Product Manager</i> • Standard Chartered Bank (Philippines) – <i>Former Product Manager</i> • Citibank N.A. Philippines – <i>Assistant Product Manager, Former Program Administrator</i>
<p>Gamalielh Ariel O. Benavides 57, Filipino <i>Senior Vice President Chief Trust Officer</i></p>	<ul style="list-style-type: none"> • Bacolod Cupcake Café, Inc. – <i>Director</i> • Sunlife of Canada Philippines, Inc. – <i>Former Licensed Insurance Agent</i> • BDO Private Bank, Inc. - <i>Former Senior Vice President / Business Development & Marketing Strategy Head, Former Trust Officer</i> • Banco Santander Philippines, Inc. – <i>Former Trust & Investment Services Head/ Vice President, Former Product Development, Assistant Vice President</i> • Abacus Securities Corporation – <i>Former Operations Head</i> • Citibank N.A. Philippines Branch – <i>Former Securities Services Unit Head, Former Official Assistant, Treasury, Treasury Operations</i> • Citibank N.A. Singapore Branch – <i>Former Manager</i>
<p>Manuel A. Castañeda III 53, Filipino <i>Executive Vice President Corporate Banking Group Head</i></p>	<ul style="list-style-type: none"> • Bank of Commerce – <i>Former Corporate Banking Group 1 Head</i> • Producers Savings Bank - <i>Former President, CEO and Director</i> • Maybank Philippines - <i>Former Global Banking Head</i> • Unionbank of the Philippines - <i>Former Commercial Banking 1 Head</i> • International Exchange Bank - <i>Former Corporate Banking Team 1 and Project Finance Head and Former Relationship Manager & Head of Project Finance</i> • AsiaTrust Development Bank – <i>Former Unit Head, Investment Banking Group and Former Unit Head Portfolio Management</i> • BPI Express Card Corp. – <i>Former Merchant Assistant</i>
<p>Maria Ana P. dela Paz 49, Filipino <i>First Vice President Credit Group Head</i></p>	<ul style="list-style-type: none"> • Bank of Commerce - <i>Former Credit Evaluation and Review Division Head</i> • Planters Development Bank - <i>Former Department Head, Former Product Officer, Former Account Officer, Former Project Officer</i>
<p>Ma. Katrina A. Felix 55, Filipino <i>Senior Vice President Credit Card Group Head</i></p>	<ul style="list-style-type: none"> • Franzen Foundation Inc – <i>Trustee</i> • AKEAN Landholdings Inc – <i>Director</i> • Prudentiallife Plan Group Inc – <i>Director</i> • Prudentiallife Memorial Park – <i>Director</i> • Prudentiallife Tarlac Memorial Park – <i>Director</i> • Best Inc- <i>Former Director</i> • Finscore Inc (sister company of Cash Credit) - <i>Former President</i> • Cash Credit/ CC Mobile Financial Services Phil. – <i>Former Country Manager</i> • Prudential Financial Services- <i>Former President & Managing Director, Former Chief Operating Officer</i> • Prudential Life Plan, Inc. – <i>Former Vice President Personnel Department</i>

	<ul style="list-style-type: none"> • Bank of America NT & SA Manila – <i>Former Operations Manager, MIS Department</i>
<p>Louella P. Ira 52, Filipino <i>First Vice President Legal Services Division Head</i></p>	<ul style="list-style-type: none"> • Bank of Commerce - <i>Former Legal Services-Operations Department Head</i> • Metropolitan Bank & Trust Co- <i>Former Legal Officer</i> • Metrobank Card Corporation – <i>Former Assistant Corporate Secretary</i> • Insular Life & Assurance Co. – <i>Former Legal officer</i> • Padilla Jimenez Kintanar & Asuncion – <i>Former Associate</i>
<p>Antonio S. Laquindanum 46, Filipino <i>Executive Vice President Chief Financial Officer</i></p>	<ul style="list-style-type: none"> • Lake Champlain Holdings - <i>Director</i> • Australia and New Zealand Banking Group - <i>Former CFO Philippines and Acting COO, Former Philippine Head of Finance and Administration</i> • Ernst & Young, LLP (USA) – <i>Former Manager</i> • Accenture – <i>Former Senior Consultant/Senior Team Lead</i>
<p>Marie Kristin G. Mayo 55, Filipino <i>First Vice President Human Resource Mgt. and Dev't. Division Head</i></p>	<ul style="list-style-type: none"> • Bank of Commerce - <i>Former Recruitment Head</i> • The Royal Bank of Scotland (ABN AMRO Bank, Inc.) - <i>Former HR Head</i> • My Resource Solutions - <i>Former HR and Admin Manager</i> • Photokina Marketing Corporation - <i>Former HR Supervisor</i> • LTS Philippines Corporation – <i>Former Personnel Specialist</i> • Phil. Long Distance Tel. Co. – <i>Former Engineering Assistant</i>
<p>Reginald C. Nery 66, Filipino <i>Senior Vice President Chief Audit Executive</i></p>	<ul style="list-style-type: none"> • Bank of Commerce – <i>Former Officer-in-Charge, Compliance Division, Former Chief Audit Executive</i> • Project Management Institute Philippine Chapter - <i>Board of Trustee (Treasurer)</i> • Diaz Murillo Dalupan and Company, CPAs - <i>Former Partner and Head (Technology Performance and Governance)</i> • RCNERY and Associates - <i>Former President and Principal Consultant</i> • KPMG ManabatSanAgustin& Company (Formerly LayaMananghaya& Company) - <i>Former Partner and Head (Performance and Technology)</i>
<p>Jeremy H. Reyes 45, Filipino <i>First Vice President Chief Risk Officer</i></p>	<ul style="list-style-type: none"> • Bank of Commerce - <i>Former Internal Audit Division Quality Assurance Review Dept. Head</i> • HSBC – <i>Former Commercial Banking Business Risk & Control Management Head, Former Assistant Vice President, Management Internal, Former Assistant Manager, Credit Administration</i> • HSBC Savings - <i>Former Deputy Head of Audit</i>
<p>Felipe Martin F. Timbol 54, Filipino <i>Executive Vice President Treasurer/ Treasury Management Group Head</i></p>	<ul style="list-style-type: none"> • Bank of Commerce –<i>Former Treasury Management Sector Head, and Former Treasury & Fee Based Business Sector Head</i> • Rizal Commercial Banking Corp. – <i>Former Vice President/Fund Management Group Head</i> • Eastwest Banking Corporation - <i>Former Sr. Asst. Vice President/Treasury Department</i> • Bank of Southeast Asia – <i>Former Assistant Manager/Trust Department</i>

	<ul style="list-style-type: none"> • United Coconut Planters Bank – <i>Former Senior Trader, Former Senior Analyst, and Former General Teller</i>
<p>Jay S. Velasco 51, Filipino Senior Vice President Operations Group Head</p>	<ul style="list-style-type: none"> • San Miguel Properties Centre Condominium Corp. – Director/President • Bank of Commerce - <i>Former Loans Operations Division Head and Former Head Office Operations Support Division Head</i> • Tiaong Rural Bank - <i>Former Chief Operations Officer</i> • PS Bank - <i>Former Head Office Operations Division Head, Former Centralized Branch Operations & Support Division Head, Former Process Services Division Head</i> • BPI - <i>Former Funds Transfer Dept. Head, Former Central Clearing Unit Head, Former Central Clearing Unit Officer, Former Transit Center Officer, and Former Verification Officer</i> • DBS Bank Philippines – <i>Former Central Clearing Unit Head, Former ATM Center Head, Former Processing Center Head, and Former Centralized Verification Head</i>
<p>Jose Mari M. Zerna 48, Filipino First Vice President Consumer Banking Group Head</p>	<ul style="list-style-type: none"> • Bank of Commerce - <i>Former Chief Risk Officer and Former Credit Risk Management Dept. Head</i> • ANZ Banking Group Limited – <i>Former Account Officer</i> • BPI Capital Corporation – <i>Former Corporate Finance Officer</i> • Bank of the Philippine Islands – <i>Former Account Officer (Institutional Banking Group)</i> • Reuters Limited - <i>Former Treasury Applications Specialist</i> • Misys Banking Systems Inc - <i>Former Senior Functional Consultant</i> • Citytrust Bank and Trust – <i>Former Management Trainee</i>
<p>Francisco Raymund P. Gonzales 52, Filipino Assistant Vice President Corporate Communication & Consumer Protection Division Head</p>	<ul style="list-style-type: none"> • Bank of Commerce – <i>Former Product Development & Customer Protection Department Head</i> • ChinaBank – <i>Former Product Manager</i> • Metrobank – <i>Former Product Manager</i> • AB Capital and Investment Corp. – <i>Former Deal Officer</i> • Citytrust / BPI – <i>Former CorPlan Officer</i> • Punongbayan and Araullo – <i>Former Consulting Staff</i>
<p>Gregorio M. Yaranon Jr. 53, Filipino Senior Vice President Chief Compliance Officer</p>	<ul style="list-style-type: none"> • City Savings Bank – <i>Former Chief Compliance Officer</i> • CIMB Bank Philippines Inc. – <i>Former Chief Compliance & Legal Officer</i> • CIMB Bank Berhad (Malaysia) – <i>Former Consultant for Compliance & Legal</i> • Maybank Philippines Inc – <i>Former Chief Compliance Officer</i> • Unionbank – <i>Former Security Officer, Former Litigation Lawyer, Former HR Legal Officer/Industrial & Labor Relations Manager, and Former Compliance Officer</i>
<p>Luis Martin E. Villalon 51, Filipino First Vice President Investment Banking Group</p>	<ul style="list-style-type: none"> • First Metro – <i>Former Head of Coverage Team 1 and Former Deputy Head of Equity Capital Markets</i> • Ampersand Capital Incorporated – <i>Former Head of Capital Markets</i> • Philippine Commercial Capital Inc – <i>Former Head of Capital Markets</i>

	<ul style="list-style-type: none"> • SB Capital Investment Corporation – <i>Former Investment Banking Director</i> • HSBC (New York Office) – <i>Former Vice President of Global Corporate Banking</i> • Citibank (New York Office) – <i>Former Assistant Vice President of Corporate and Investment Banking</i> • Houlihan Lokey Howard And Zukin – <i>Former Technical Assistant</i>
<p>Marie Suzanne Sison-Sevilla 60, Filipino Chief Information Officer/Digital Services Group Head</p>	<ul style="list-style-type: none"> • IT Managed Services Inc. (ITMSI) – <i>Director</i> • Intelligent E-Processes Technologies Corporation (IETC) – <i>Director</i> • PROSYNC Retirement Fund – <i>Trustee</i> • Fiesta Pacific Asia, Inc. – <i>Director</i> • Process Synergy Inc. (PROSYNC) – <i>Director</i> • SMITS Retirement Fund – <i>Trustee</i> • SMITS Inc. – <i>Director</i> • Bell Telecommunications Philippines Inc. – <i>Former Chief Information Officer and Information Technology Head</i> • Philippine Airlines – <i>Former Head of Information Services Department</i> • Bank of Commerce – <i>Former Information Technology Services Division Head</i> • Personas Creadoras – <i>Former Freelance Independent IT Management Consultant</i> • IBM Philippines – <i>Former Manager</i>

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, 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 Definitive 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.

PARENT COMPANIES

As of December 31, 2023, 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 2021 to 2023:

Name	Position	Applicable Fiscal Year 2021-2023
Michelangelo R. Aguilar	President and CEO	2021 to 2023
Felipe Martin F. Timbol	Executive Vice President	2021 to 2023
Manuel A. Castañeda III	Executive Vice President	2021 to 2023
Antonio S. Laquindanum	Executive Vice President	2022 to 2023
Reginald C. Nery	Senior Vice President	2023
Donald Benjamin G. Limcaco	Senior Vice President	2021 to 2022
Anna Marie A. Cruz	Senior Vice President	2021

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 2021 to 2023:

	Year	Salary (in ₱)	Bonus (in ₱)	Other Annual Compensation	TOTAL (in ₱)
President and the four (4) most highly compensated executive officers named above	2021	62,768,112.00	13,650,338.00	-	76,418,450.00
	2022	68,198,220.00	14,206,139.00	-	82,404,359.00
	2023	73,027,452.00	19,724,205.00	-	92,751,657.00
Aggregate compensation paid to all Senior Executive Officers as a group	2021	127,037,423.00	25,311,898.00	8,205,954.00	160,555,275.00
	2022	139,743,732.00	25,732,146.00	9,995,938.00	175,471,816.00
	2023	156,518,884.00	27,152,295.00	17,461,473.00	201,132,652.00

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 P20,000 to P40,000 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:

2021	23,828,947.55
2022	17,567,836.10
2023	35,985,350.58

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 2024 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, 2023:

Title of Class	Name and Address of Record Owners and Relationship with the Bank	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares	% of Ownership (Total Outstanding)	% of Ownership (Common)
Common	SMC Equivest Corporation	San Miguel Corporation (SMC) owns 100% of the outstanding common stock of SMC Equivest and 99.86% of SMPI. Top Frontier Investments Holding owns 42% of SMC.	Filipino	68,305,560	26.6515%	4.8685%
Preferred				416,666,670		N/A
Common	San Miguel Properties, Inc. (SMPI)	Messrs. Inigo Zobel, Filipino, Director of SMC, and Ramon S. Ang, Filipino, President and CEO of SMC and Chairman and President of SMPI, are beneficial owners of 59.96% and 26.03%, respectively, of the outstanding Holding owns 42% of SMC.	Filipino	447,711,800	24.6039%	31.9107%
Common	San Miguel Corporation Retirement Plan	Various employees of San Miguel Corporation	Filipino	432,626,860	23.7749%	30.8355%
Common	PCD Nominee Corporation	Various Individuals/Entities	Filipino	153,023,854	8.4094%	10.9068%
Common	PCD Nominee Corporation	Various Individuals/Entities	Non-Filipino	140,298,366	7.7101%	9.9998%

Common	Caritas Health Shield, Inc.	<p>Various employees of San Miguel Corporation Various Individuals/Entities</p> <p>Mariano T. Katipunan, Jr., Filipino, President and CEO and Edgar De Asis, Filipino, FVP, Finance, are officers and beneficial owners of Caritas Health Shield, Inc.</p>	Filipino	109,666,640	6.0267%	7.8165%
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Item 12. CERTAIN RELATIONSHIPS AND RELATED 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, 2023 and 2022, DOSRI loans of the Bank amounted to P0.2 million and P0.3 million, respectively. 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.

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, five (5) of the nine (9) committees are headed by independent directors, namely, Audit, Board Risk Oversight, Corporate Governance, Nomination, Compensation and Remuneration; and

Related Party Transaction. 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. The last audit of the Corporate Governance was part of the 2022 Audit Plan. It was outsourced to Isla Lipana (PWC), the report of which was released on January 21, 2023. The next audit is scheduled in 2025.

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

There are no known deviations 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 2024 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 2024 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 2024 Annual Stockholders' Meeting with respect to the restatement of any asset, capital or surplus account of the Bank.

PART IV – EXHIBITS AND SCHEDULES

Item 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

EXHIBITS

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

- Please see attached file

ANNEX B: AUDIT FINANCIAL STATEMENT

- Please see attached file

REPORTS ON SEC FORM

- Please see attached file

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 11 APR 2024.

BANK OF COMMERCE

Issuer

By:

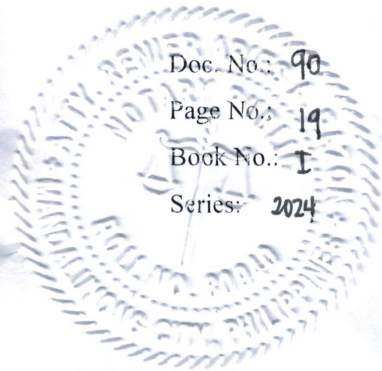

MICHELANGELO R. AGUILAR
President & CEO



ANTONIO S. LAQUINDANUM
EVP/CFO/CIO


EVITA C. CABALLA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 11 day of APR 2024 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




RENIER ARIES A. RAZON
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0709-24
UNTIL 31 DECEMBER 2025
SMPC. # 7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5425494 / 03 JAN 2024 / MANDALUYONG CITY
IBP OR No. 324802 / 05 DEC 2023
ROLL OF ATTORNEYS NO. 80940

Notary Public

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

II. PROPERTIES LEASED BY THE BANK

BC Name	Business Address	Lease Rate Inclusive of 12% VAT	Lease Term	
			Start	End
METRO MANILA				
Aduana	G/F FEMII Building, A. Soriano St., Brgy. 656, Intramuros, Manila	175,267.76	03/1/2023	02/28/2028
Alabang	Unit-6 El Molito-II Building, Madrigal Avenue cor. Alabang-Zapote Road, Brgy. Ayala Alabang, Muntinlupa City.	414,668.28	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.	235,200.00	09/22/2021	09/21/2026
BF Homes	33 President's Ave., Brgy. B.F. Homes, Paranaque City.	222,442.16	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	91,194.43	03/17/2011	03/16/2026
Caloocan	100 8th Avenue cor. A. Del Mundo St., Brgy 058, Caloocan City.	94,913.21	08/01/2020	07/31/2025
Commonwealth	G/F Verde Oro Building, 535 Commonwealth Ave., Matandang Balara, Quezon City.	198,144.33	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	458,640.00	08/01/2022	07/31/2027
Dasmariñas-Binondo	G/F, 304 STP Building, Dasmariñas cor. Marquina Sts., Brgy. 291, Binondo, Manila.	150,090.72	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	190,591.38	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	11/01/2023	10/31/2028
Diliman	Commonwealth Ave., Cor. Masaya St., Brgy. Old Capitol Site, Quezon City	453,789.00	05/01/2020	04/30/2025
Eastwood-Petron	No. 188 E. Rodriguez Jr. Avenue (C-5), Brgy. Bagumbayan, Quezon City.	198,110.07	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	08/01/2023	07/31/2025
Ermita	1312 A. Mabini St., Brgy. 669, Ermita, Manila	184,800.00	10/01/2023	09/30/2028
E. Rodriguez	No. 84 Hemady St., New Manila, Brgy. Mariana, Quezon City.	223,440.00	01/01/2023	12/31/2027
Fort Bonifacio Global City	G/F Kensington Place, Burgos Circle, Brgy. Fort Bonifacio, Taguig City.	404,546.87	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.	330,950.02	09/19/2020	09/18/2025
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	2/14/2024
Las Pinas	G/F Pelayo Building, Alabang-Zapote Road, Manuela Subdivision, Brgy. Pamplona-III, Las Piñas City.	149,410.80	04/01/2023	03/31/2028
Makati Avenue-Zuellig	Unit 2, G/F Zuellig Building, Makati Ave., Cor. Paseo De Roxas & Sta. Potenciana Sts., Brgy. Bel-Air, Makati City.	530,140.80	01/01/2020	12/31/2026
Magallanes	G/F Tritan Plaza Building, San Antonio St., Paseo de Magallanes, Brgy. Magallanes, Makati City.	123,200.00	09/30/2023	09/29/2028
Malabon	29 Gov. Pascual Ave., Brgy. Acacia, Malabon City.	174,900.00	06/01/2016	05/31/2024
Malabon-Gen. Luna	No. 55 Gen. Luna St., Brgy. San Agustin, Malabon City.	105,025.98	03/01/2023	02/28/2033
Marcos Highway	Unit # 10, No. 4 Thaddeus Arcade, Gil Fernando Avenue corner Pitpitan Street, Brgy. San Roque, Marikina City.	197,829.59	09/01/2023	08/31/2028
Marikina	No. 258 J.P. Rizal St., Brgy. Sta. Elena, Marikina City	250,943.76	02/17/2023	02/16/2028
NAIA	IPT Building., Arrival Lobby, Terminal 1, Brgy. Sto. Nino, Pasay City.	20,334.00	01/01/2024	12/31/2024
NAIA Terminal-3	Stall No. 14, Arrival Lobby, NAIA Terminal 3, Brgy. 183, Pasay City.	34,692.00	01/01/2024	12/31/2024
Pasay Road	1006 Cedar Executive Building, A. Arnaiz Ave., San Lorenzo Village, Brgy. San Lorenzo, Makati City	496,163.21	11/01/2019	10/31/2024
Pasig	G/F Renaissance 2000 Tower, Meralco Ave., Brgy. San Antonio, Pasig City.	658,755.22	01/03/2024	01/02/2029

Pasong Tamo Ext.	2295 OPVI Centre, Pasong Tamo Extension, Brgy. Magallanes, Makati City	180,698.13	12/27/2022	12/26/2027
Port Area	G/F/ Mary Bachrach Building, 25th Cor. Delgado Sts., Brgy. 653, Port Area, Manila	111,865.60	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.	257,814.79	11/28/2019	11/27/2024
Quiapo	No. 609 Sales St., Brgy. 309, Quiapo, Manila.	168,652.61	03/01/2022	08/31/2027
Rockwell	P1 - Concourse Level, The Powerplant Mall, Rockwell Center, Brgy. Poblacion, Makati City	307,554.72	07/01/2023	06/30/2025
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	06/16/2023	06/15/2025
Salcedo	G/F Aguirre Building, Tordesillas cor. H.V. Dela Costa St., Salcedo Village, Brgy. Bel-Air, Makati City.	183,253.82	01/05/2024	01/04/2029
Soler	1004 Reina Regente cor. Soler St., Brgy. 292 Binondo, Manila	176,400.00	05/21/2022	05/20/2027
Resorts World	Unit R3, GF Star Cruises Centre, 100 Andrews Avenue, Newport City Brgy. 183, Pasay City	371,069.75	04/01/2020	03/31/2025
Sucot	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 Mirasol Building, 854 G. Apacible St., cor. Taft Ave., Brgy. 676, Ermita, Manila	153,052.10	12/21/2021	12/20/2028
Taft-PGH	G/F Mirasol Building, 854 G. Apacible St., cor. Taft Ave., Brgy. 676, Ermita, Manila	169,035.16	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	134,840.16	01/01/2024	12/31/2024
UN Avenue	No. 429 Victoria Building, United Nations Avenue, Brgy. 666, Ermita, Manila.	296,800.00	11/16/2023	11/15/2028
Valenzuela	Units 12 & 13, Puregold Shopping Complex, McArthur Highway, Brgy. Dalandan, Valenzuela City.	108,451.99	01/15/2019	01/14/2024
Visayas Avenue	15 Visayas Avenue Extension, Brgy. Culiati, Quezon City.	110,250.00	06/01/2020	05/31/2025
Wack-Wack Petron	No. 553 Shaw Blvd., Brgy. Wack-Wack, Greenhills East, Mandaluyong City, Manila.	204,389.41	06/01/2011	05/31/2026
West Avenue	68 West Ave., Brgy. West Triangle, Quezon City	123,484.33	04/01/2015	06/30/2023

West Triangle	1451 Quezon Ave., cor. Examiner St., Brgy. West Triangle, Quezon City.	272,538.56	01/01/2024	12/31/2028
Bonifacio High Street	G/F Active Fun Building, 9th Avenue corner 28th Street, Brgy. Fort Bonifacio, Taguig City	804,973.16	05/01/2014	04/30/2024
Pasig Boulevard	152 Pasig Boulevard, Brgy. Bagong Ilog, Pasig City.	157,595.25	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	283,587.29	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.	219,587.85	06/01/2019	05/31/2024
Laoag	Rizal corner Gen. Hizon St., Brgy. 7-A, Laoag City, Ilocos Norte.	151,071.22	05/16/2016	05/15/2025
Candon	National Highway, Brgy. San Jose, Candon City, Ilocos Sur.	218,162.77	10/01/2021	09/30/2026
Dagupan	Eastgate Plaza Building, A.B. Fernandez Avenue, Dagupan City, Pangasinan.	94,080.00	04/01/2023	03/31/2028
La Union	Northway Plaza, National Highway, Bgy Sevilla, San Fernando City, La Union.	111,860.69	12/01/2019	11/30/2024
Urdaneta	The Pentagon Building, McArthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan.	114,354.24	03/01/2023	02/28/2028
Vigan	G/F Plaza Maestro Commercial Complex, Florentino Cor. Jacinto Streets, Brgy. 1, Vigan City, Ilocos Sur.	202,676.13	02/19/2019	02/18/2024
Tuguegarao	Luna corner Burgos Sts, Centro 6, Tuguegarao City, Cagayan	198,016.00	07/01/2023	06/30/2028
Santiago City, Isabela	G/F Oryza Hotel, Maharlika Highway, Bgy Villasis, Santiago City, Isabela.	123,480.00	09/17/2021	09/16/2026
Cauayan City, Isabela	G/F, Majesty Commercial Building, National Highway, Brgy. San Fermin, Cauayan, Isabela.	71,029.99	09/10/2021	09/8/2026
Angeles	McArthur Highway Cor. B. Aquino Street, Brgy. Lourdes Sur East, Angeles City, Pampanga.	206,171.62	03/18/2021	03/17/2026
Balanga	P. Paterno Street, Brgy. Poblacion, Balanga City, Bataan.	160,909.17	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
Baliuag	G/F Doña Victoria Building, Gil Carlos Cor. Año Streets, Brgy. Poblacion, Baliuag, Bulacan.	306,641.10	09/09/2020	09/8/2028
Cabanatuan	G/F V. P Building, Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City, Nueva Ecija.	167,435.07	10/27/2023	10/26/2025

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.	264,921.20	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 Nighway, Subic Bay Freeport Zone 2222, Olongapo City, Zambales.	103,287.60	08/01/2020	07/31/2025
Tarlac	Block 4, Unit 110-112, G/F, Rising Sun Building, McArthur Highway, Brgy. San Nicolas, Tarlac City.	99,243.65	03/01/2019	02/28/2024
Angeles Nepomart	G/F ENTEC Building, Teresa Avenue, Nepo Mart Complex, Bgy Cutcut, Angeles City, Pampanga	117,052.74	07/15/2021	07/14/2026
Baliuag DRT Highway	3006 Augustine Square Commercial Complex, Doña Remedios Trinidad (DRT) Highway, Brgy. Pinagbarilan, Baliuag, Bulacan.	74,834.39	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
Clark Freeport (formerly Mabalacat)	Unit 5A, Ground floor, Clark Center 14, Clark Center, Jose Abad Santos Ave., Clark Freeport Zone, Mabalacat City, Pampanga	115,500.00	09/01/2023	08/31/2028
Sta. Maria, Bulacan	G/F Jover Building, Narra Street, Bgy Sta. Clara, Sta. Maria, Bulacan.	81,000.00	06/16/2023	06/15/2028
San Fernando Sindalan	Jumbo Jenra, McArthur Highway, Bgy Sindalan, San Fernando City, Pampanga.	153,153.78	04/04/2019	04/3/2027
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.	136,500.47	01/25/2024	01/24/2025
Calamba	Unit 6 & 7, New Parian Business Center, National Road, Brgy. Parian, Calamba City, Laguna.	178,682.11	01/01/2022	12/31/2032
Dasmariñas-Cavite	G/F Veluz-Frances Plaza Building, Aguinaldo Highway, Brgy. Zone 1, Dasmariñas City, Cavite.	103,723.20	07/01/2023	06/30/2028
Lipa	# 7 Bank of Commerce Building, CM Recto Avenue, Bgy 9-A, Lipa City, Batangas.	122,350.97	11/01/2022	10/31/2027
Lucena	G/F Bank of Commerce Building, Quezon Avenue cor. Lakandula Street, Brgy. IX, Lucena City, Quezon.	158,731.86	12/16/2020	12/15/2025
Imus	G/F Lot 3 Block 1, Aguinaldo Highway, Brgy. Anabu 1-B, Imus City, Cavite.	95,295.69	03/01/2022	02/28/2027

San Pedro	G/F Pacita Commercial Complex, National Highway, Brgy. Nueva, San Pedro Laguna.	215,529.05	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	208,916.00	09/16/2023	09/15/2026
Tanauan	G-04 The Citywalk, No. 2 President Laurel Highway, Brgy. Darasa, Tanauan City, Batangas.	71,090.63	01/01/2022	12/31/2026
Calapan	G/F Leona Yap Ong Building, J.P. Rizal Street, Brgy. San Vicente Central, Calapan City, Oriental Mindoro.	180,047.09	05/20/2023	05/19/2028
Puerto Princesa	J.P. Rizal Avenue, Brgy. Manggahan, Puerto Princesa City, Palawan.	150,268.16	04/01/2023	03/31/2028
Legazpi City	G/F Diabetes One Stop Center, LANDCO Business Park, Brgy. Capantawan, Legazpi City, Albay.	123,200.00	07/01/2023	06/30/2028
Naga	G/F No. 258 Romar Building-1, Elias Angeles Street, Brgy. Dinaga, Naga City, Camarines Sur.	133,358.40	06/13/2022	06/12/2027

VISAYAS

Bacolod-Araneta	G/F Yusay Arcade, Araneta Street, Brgy. 15, Bacolod City, Negros Occidental.	188,153.28	12/005/2023	12/04/2028
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.	149,351.53	06/01/2019	05/31/2024
Iloilo - J.M. Basa	G/F TTW Building J.M. Basa & Mapa Sts., Brgy. Ortiz, Iloilo City.	187,881.29	10/29/2020	10/28/2025
Kalibo	No. 1280 Garcia Building, C. Laserna Street, Brgy. Poblacion, Kalibo, Aklan.	131,445.58	05/26/2022	05/25/2027
Roxas City	G/F Gaisano Arcade, Arnaldo Boulevard, Brgy. Baybay, Roxas City, Capiz.	82,753.06	01/01/2024	12/31/2028
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.	84,867.62	06/01/2021	05/31/2026
Cebu Banilad	First Jomica Realty & Development Bldg., No. 888 A. S. Fortuna St., Bgy Banilad, Mandaue City, Cebu	142,584.96	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	05/01/2023	04/30/2028

Cebu F. Cabahug	Units 5 & 6 GPH Central, F. Cabahug corner Pres. Roxas Sts., Bgy Kasambagan, Cebu City	101,285.70	02/01/2023	01/31/2028
Cebu Sto. Niño - Magallanes	G/F Unit 2, Martina Sugbo Building, P Burgos corner Magallanes Sts., Bgy Sto. Nino, Cebu City	218,736.00	02/01/2023	01/31/2028
Mandaue-NRA	G/F Mantawe Ave., North Reclamation Area, Brgy. Tipolo, Mandaue	185,534.50	10/16/2019	10/15/2024
Dumaguete	Rusiana Building, North Road, Capitol Area (National Highway), Barangay Daro, Dumaguete City	93,188.81	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	117,250.34	09/03/2022	09/2/2027
Mandaue	G/F Entienza Building, National Highway, Brgy. Bakilid, Mandaue City, Cebu.	163,570.39	09/15/2023	12/31/2024
Tagbilaran	G/F 0025 Karan's Building, B. Inting St., 2nd district, Bgy Poblacion 2, Tagbilaran City	115,470.05	02/01/2020	01/31/2025
Cebu Talisay	PCJ Building, National Highway, Bulacao, Talisay City, Metro Cebu	84,125.25	07/18/2023	07/17/2028
Ormoc	G/F H. Serafica Building, Real Street, Brgy. District 24, Ormoc City, Leyte	160,912.49	03/01/2020	01/31/2025
Tacloban	Door Nos. 12 & 13, RUL Building, Justice Romualdez St., Brgy. 15, Tacloban City	97,558.97	12/01/2020	11/30/2025

MINDANAO

Zamboanga Veterans	Veterans Avenue cor. Camachile Street, Brgy. Zone 3, Zamboanga City, Zamboanga Del Sur.	140,000.36	04/01/2023	03/31/2028
Pagadian	F. S. Pajares Avenue, Brgy. Gatas, Pagadian City, Zamboanga del Sur.	83,433.41	04/08/2018	04/07/2028
Cagayan De Oro-Velez	Don A. Velez-Akut Streets, Brgy. 16, Cagayan De Oro City, Misamis Oriental.	323,967.61	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	247,212.81	05/01/2020	04/30/1930
Cagayan De Oro Carmen	Eric Tan Building, Vamenta Boulevard, Brgy. Carmen, Cagayan De Oro City.	102,093.26	03/03/2023	03/02/2028
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.	198,995.62	08/01/2019	07/31/2029
Davao Lanang	Consuelo Bldg, Km. 7, Lanang, Davao City	198,500.00	07/16/2023	07/15/2028

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.	90,193.73	06/28/2021	06/27/2026
General Santos	Ground floor C. Czar & Co. Bldg., Santiago Blvd, Dadiangas East, General Santos City, South Cotabato	128,700.00	07/01/2023	06/30/2023
Butuan	G/F Cesia Building, Montilla Boulevard, Brgy. Urduja, Butuan City, Agusan Del Norte.	162,976.09	08/01/2019	07/31/2024

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Company TIN: **000-440-440**

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

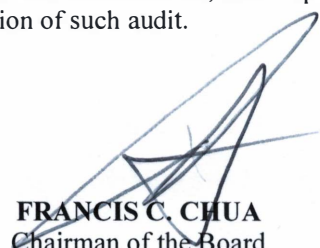
The management of **Bank of Commerce** (the "**Bank**") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, in accordance 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 19th day of March 2024

SUBSCRIBED AND SWORN to before me this MAR 22 2024, 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. 210
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Book No. III
Series of 2024


ALYSSA MAE G. CAYABA
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0676-23
UNTIL 31 DECEMBER 2024
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5425492 / 03 JAN 2024 / MANDALUYONG CITY
IBP OR No. 332593 / 20 DEC 2023
ROLL OF ATTORNEYS NO. 73447

BANK OF COMMERCE

FINANCIAL STATEMENTS

As of December 31, 2023 and 2022 and

For the Years Ended December 31, 2023, 2022 and 2021

With Independent Auditors Report



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, 2023 and 2022, 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, 2023, and notes, comprising material 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, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023, 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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
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)



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. This matter was 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 this matter.

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, rising interest rates, and inflation, among others.

Loans and receivables and the corresponding allowance for credit losses as at December 31, 2023 amounted to P112.59 billion and P3.02 billion, respectively. Provision for credit and impairment losses in 2023 amounted to P113.62 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 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 formulae 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. Remittances, Loan Performances, BVAL Rates, Value of Production Index, Stock Exchange Index, Exports, Consumer Outlook, Foreign exchange rates, and Gross Domestic Product), 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 completeness and reliability of data used in the ECL calculations through reconciliation of the ECL schedules with source systems and examination of relevant data elements to source documents;
- We have assessed the appropriateness and adequacy 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 for the year ended December 31, 2023, 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 for the year ended December 31, 2023 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.



When we read the other information reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and determine whether the other information needs to be revised.

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 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

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 10075185

Issued January 2, 2024 at Makati City

March 19, 2024
Makati City, Metro Manila

BANK OF COMMERCE
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2023	2022
ASSETS			
Cash and Other Cash Items		P3,500,645,345	P2,735,170,691
Due from Bangko Sentral ng Pilipinas	18	24,271,918,477	23,675,469,821
Due from Other Banks		1,055,354,600	1,044,255,360
Interbank Loans Receivable and Securities Purchased under Resale Agreements	8	20,111,780,623	18,378,744,387
Financial Assets at Fair Value through Profit or Loss	9	398,792,440	381,001,468
Financial Assets at Fair Value through Other Comprehensive Income	10	11,043,804,828	5,805,050,520
Investment Securities at Amortized Cost	11	52,471,103,294	52,208,769,061
Loans and Receivables	12	109,566,176,319	105,091,228,764
Investment in an Associate	13	35,533,764	39,522,627
Property, Equipment and Right-of-Use Assets	14	1,791,195,950	1,425,418,610
Investment Properties	15	3,676,126,498	3,399,986,749
Deferred Tax Assets	32	475,332,923	612,090,088
Other Assets	16	3,270,214,009	2,721,190,526
		P231,667,979,070	P217,517,898,672
LIABILITIES AND EQUITY			
Deposit Liabilities	18		
Demand		P54,569,494,343	P51,792,969,578
Savings		109,667,913,265	101,651,552,858
Time		16,638,541,473	17,793,297,530
Long-term negotiable certificates		5,029,420,000	5,029,420,000
		185,905,369,081	176,267,239,966
Financial Liabilities at Fair Value through Profit or Loss	9	6,201,649	283,329
Bonds Payable	20	7,478,265,064	7,442,251,269
Manager's Checks		1,846,499,855	661,453,914
Accrued Interest, Taxes and Other Expenses	21	1,387,189,325	1,165,765,820
Other Liabilities	22	4,193,181,203	3,950,329,366
Total Liabilities		200,816,706,177	189,487,323,664
Equity			
Capital stock	24	18,196,805,900	18,196,805,900
Paid-in surplus	24	7,229,275,360	7,229,275,360
Surplus reserves	25	1,095,004,461	983,407,496
Retained earnings	24	5,123,378,774	2,425,229,109
Net unrealized losses on financial assets at fair value through other comprehensive income	10	(421,192,531)	(730,966,925)
Remeasurement losses on retirement liability	29	(365,718,897)	(77,723,200)
Share in other comprehensive loss of an associate	13	(4,537,968)	(1,331,685)
Cumulative translation adjustment		(1,742,206)	5,878,953
Total Equity		30,851,272,893	28,030,575,008
		P231,667,979,070	P217,517,898,672

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF INCOME

		Years Ended December 31		
	Note	2023	2022	2021
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	12	P8,244,672,503	P5,465,228,886	P4,284,455,772
Investment securities at fair value through other comprehensive income and at amortized cost	26	2,247,720,169	1,681,784,534	1,251,563,739
Interbank loans receivable and securities purchased under resale agreements	8	875,706,076	539,158,895	316,281,375
Due from Bangko Sentral ng Pilipinas and other banks	18	372,909,945	274,855,345	228,434,625
Other interest income:				
Financial assets at fair value through profit or loss	26	21,561,207	4,603,469	14,420,446
		11,762,569,900	7,965,631,129	6,095,155,957
INTEREST EXPENSE				
Deposit liabilities	18	2,971,181,154	1,034,350,259	645,260,590
Bonds payable	20	412,986,306	173,783,546	-
Lease liabilities	30	32,817,258	28,177,821	35,033,242
Bills payable and other borrowings	19	49,098,268	47,041,557	16,691,365
		3,466,082,986	1,283,353,183	696,985,197
NET INTEREST INCOME		8,296,486,914	6,682,277,946	5,398,170,760
Service charges, fees and commissions				
	27	886,379,485	857,631,877	531,127,752
Gains on foreclosure and sale of property and equipment and foreclosed assets - net				
	14, 15, 16	495,400,228	340,449,070	274,985,810
Foreign exchange gains - net				
		141,121,355	150,319,774	48,367,204
Trading and investment securities gains (losses) - net				
	28	10,598,350	(29,216,561)	(78,709,145)
Miscellaneous	31	145,276,382	115,179,381	50,565,323
TOTAL OPERATING INCOME		9,975,262,714	8,116,641,487	6,224,507,704
Compensation and fringe benefits				
	29	2,258,396,096	1,904,811,525	1,820,969,091
Taxes and licenses				
	32	1,063,031,768	947,182,470	802,193,452
Rent and utilities				
	30	647,697,989	631,549,967	532,283,906
Depreciation and amortization				
	14, 15, 16	489,379,046	431,663,464	462,532,885
Service fees and commissions				
	27	417,924,021	293,329,555	229,706,473
Insurance				
	18	345,083,471	348,354,755	334,825,533
Subscription fees				
		188,452,835	122,534,992	107,646,170
Management and professional fees				
		140,883,712	108,572,826	85,022,359
Provision for (reversal of) credit and impairment losses				
	17	78,844,599	166,210,318	(634,819,513)
Amortization of software costs				
	16	76,741,228	73,068,105	53,595,136
Entertainment and recreation				
		12,142,020	76,226,795	97,393,528
Miscellaneous	31	519,792,983	546,579,681	501,811,576
TOTAL OPERATING EXPENSES		P6,238,369,768	P5,650,084,453	P4,393,160,596

Forward

		Years Ended December 31		
	Note	2023	2022	2021
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		P3,736,892,946	P2,466,557,034	P1,831,347,108
SHARE IN NET LOSS OF AN ASSOCIATE	13	782,580	133,185	1,039,285
INCOME BEFORE INCOME TAX EXPENSE		3,736,110,366	2,466,423,849	1,830,307,823
INCOME TAX EXPENSE	32	933,891,191	666,355,249	623,688,658
NET INCOME		P2,802,219,175	P1,800,068,600	P1,206,619,165
Earnings Per Share Attributable to Equity Holders of the Bank	36			
Basic		P1.86	P1.24	P1.02
Diluted		1.54	1.03	0.93

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2023	2022	2021
NET INCOME		P2,802,219,175	P1,800,068,600	P1,206,619,165
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified to profit or loss				
Net change in remeasurement losses on retirement liability	29	(287,995,697)	184,824,187	186,540,613
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	10	15,857,461	4,413,992	31,555,000
		(272,138,236)	189,238,179	218,095,613
Items that may be reclassified to profit or loss				
Net change in fair value of debt securities at FVOCI	10	308,408,749	(578,936,156)	(320,194,577)
Net movement in cumulative translation adjustment		(7,621,159)	(1,131,861)	22,414,831
Net change in fair value of debt securities at FVOCI taken to profit or loss	10	(6,964,361)	-	68,883,753
Share in other comprehensive income (loss) of an associate	13	(3,206,283)	(5,777)	13,468
		290,616,946	(580,073,794)	(228,882,525)
		18,478,710	(390,835,615)	(10,786,912)
TOTAL COMPREHENSIVE INCOME		P2,820,697,885	P1,409,232,985	P1,195,832,253

See Notes to the Financial Statements.

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, 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
Net income for the year	-	-	-	2,802,219,175	-	-	-	-	2,802,219,175
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	-	-	-	-	(287,995,697)	-	-	-	(287,995,697)
Net change in fair value of equity securities at FVOCI	-	-	-	-	-	15,857,461	-	-	15,857,461
Items that may be reclassified to profit or loss:									
Net change in fair value of debt securities at FVOCI	-	-	-	-	-	308,408,749	-	-	308,408,749
Net change in fair value of debt securities at FVOCI taken to profit or loss	-	-	-	-	-	(6,964,361)	-	-	(6,964,361)
Net movement in cumulative translation adjustment	-	-	-	-	-	-	(7,621,159)	-	(7,621,159)
Share in other comprehensive loss of an associate	-	-	-	-	-	-	-	(3,206,283)	(3,206,283)
Total comprehensive income for the year	-	-	-	2,802,219,175	(287,995,697)	317,301,849	(7,621,159)	(3,206,283)	2,820,697,885
Issuance of common stock	-	-	-	-	-	-	-	-	-
Transactions within equity:									
Transfer to surplus reserves	25	-	111,596,965	(111,596,965)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	7,527,455	-	(7,527,455)	-	-	-
			111,596,965	(104,069,510)	-	(7,527,455)	-	-	-
Balance as at December 31, 2023	P18,196,805,900	P7,229,275,360	P1,095,004,461	P5,123,378,774	(P365,718,897)	(P421,192,531)	(P1,742,206)	(P4,537,968)	P30,851,272,893

Forward

Years Ended December 31

	<i>Note</i>	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 to 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

	<i>Note</i>	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 to 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

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax expense		P3,736,110,366	P2,466,423,849	P1,830,307,823
Adjustments for:				
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	14, 15, 16	(495,400,228)	(340,449,070)	(274,985,810)
Depreciation and amortization	14, 15, 16	489,379,046	431,663,464	462,532,885
Interest expense on bonds payable	20	412,986,306	173,783,546	-
Provision for (reversal of) credit and impairment losses	17	78,844,599	166,210,318	(634,819,513)
Amortization of software costs	16	76,741,228	73,068,105	53,595,136
Interest expense on lease liabilities	30	32,817,258	28,177,821	35,033,242
Unrealized loss (gain) on financial assets at fair value through profit or loss (FVPL)	28	(22,810,265)	(3,032,696)	4,189,634
Loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI)	28	(6,964,361)	-	68,883,753
Share in net loss of an associate	13	782,580	133,185	1,039,285
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Interbank loans receivables	8	-	-	106,515,133
Financial assets at FVPL		10,937,613	616,927,329	266,617,062
Loans and receivables		(4,762,183,490)	(31,013,170,773)	(2,049,407,264)
Other assets		(478,780,746)	(147,949,840)	(254,234,814)
Increase (decrease) in:				
Deposit liabilities		9,638,129,115	4,553,416,726	22,608,212,154
Manager's checks		1,185,045,941	(290,006,583)	81,380,889
Accrued interest, taxes and other expenses		217,489,398	130,239,910	90,609,895
Other liabilities		(64,244,233)	1,483,681,802	(386,245,709)
Net cash generated from (absorbed by) operations		10,048,880,127	(21,670,882,907)	22,009,223,781
Income taxes paid		(793,239,655)	(573,609,991)	(366,872,337)
Net cash provided by (used in) operating activities		9,255,640,472	(22,244,492,898)	21,642,351,444

Forward

Years Ended December 31

	<i>Note</i>	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of:				
Investment securities at amortized cost		P84,500,327,600	P59,895,050,000	P15,166,197,000
Financial assets at FVOCI		5,963,068,067	578,775,000	17,433,761,770
Investment properties		238,440,930	299,555,213	308,006,196
Property and equipment		49,279,179	52,892,081	45,240,223
Additions to:				
Investment securities at amortized cost		(84,762,807,309)	(69,194,981,330)	(48,933,469,733)
Financial assets at FVOCI		(10,877,648,681)	(1,903,195,601)	(7,358,521,216)
Property and equipment	14	(466,379,345)	(182,356,128)	(156,995,689)
Software costs	16	(149,908,692)	(100,896,635)	(48,972,849)
Investment properties		(21,025,497)	(4,932,730)	(1,098,889)
Net cash used in investing activities		(5,526,653,748)	(10,560,090,130)	(23,545,853,187)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of interest on bonds	20	(376,972,511)	(106,595,991)	-
Payment of lease liability	35	(238,014,973)	(231,255,989)	(223,485,330)
Issuance of bonds payable	35	-	7,427,633,892	-
Issuance of common stock		-	3,258,608,491	-
Issuance of preferred stock		-	-	5,452,543,902
Settlement of bills payable	35	-	-	(18,675)
Net cash provided by (used in) financing activities		(614,987,484)	10,348,390,403	5,229,039,897
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS				
		(7,624,444)	(1,082,325)	22,456,631
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		3,106,374,796	(22,457,274,950)	3,347,994,785
CASH AND CASH EQUIVALENTS - GROSS AT BEGINNING 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		18,381,225,853	19,136,088,591	21,952,290,738
		45,839,459,351	68,296,734,301	64,948,739,516
CASH AND CASH EQUIVALENTS - GROSS AT END OF YEAR				
Cash and other cash items		3,500,645,345	2,735,170,691	2,747,780,890
Due from Bangko Sentral ng Pilipinas		24,275,195,629	23,678,666,441	45,373,267,996
Due from other banks		1,055,497,093	1,044,396,366	1,039,596,824
Interbank loans receivable and securities purchased under resale agreements		20,114,496,080	18,381,225,853	19,136,088,591
		P48,945,834,147	P45,839,459,351	P68,296,734,301

Forward

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM INTEREST AND DIVIDENDS			
Operating Activities			
Interest received	P9,505,491,715	P6,152,214,757	P5,013,594,767
Interest paid	2,883,397,684	978,496,764	659,753,395
Investing Activities			
Interest received	P2,189,348,496	P1,614,378,153	P988,560,088
Dividends received	5,604,161	1,612,352	5,709,161
Financing Activities			
Interest paid	P409,789,769	P135,099,012	P35,396,571

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, 2023, 2022 and 2021.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 31.91% and 30.84% ownership of the Bank's issued common shares, respectively, as at December 31, 2023 and December 31, 2022. 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, 2023 and 2022.

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 endorsed by the Audit Committee to BOD for its approval on March 19, 2024. The financial statements were approved and authorized for issue by the BOD on March 19, 2024.

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:

<u>Items</u>	<u>Measurement Bases</u>
Financial assets and liabilities at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Lease liability	Present value of remaining lease payments, discounted using the Bank's incremental borrowing rate
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The 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 as discussed in Note 3. 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. Material 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, 2023. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- *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, assisting companies to provide useful, entity-specific accounting policy information that users need to understand other income in the financial statements.

The Bank reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in Note 3, Material Accounting Policies in certain instances in line with the amendments.

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 the marketplace are recognized on settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Deposit liabilities, bills payable, and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

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

- *Initial Recognition of Financial Instruments*

All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, initial measurement includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are for sole payment of principal and interest (SPPI). This assessment is referred to as the SPPI test and is performed at an instrument level.

Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level, not on an instrument-by-instrument basis, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If the cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial asset held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI Test

As part of the Bank's classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a "more than de minimis" exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Bank's measurement categories for financial assets are described below:

(i) *Financial Assets at FVPL*

Financial assets at FVPL include financial assets held for trading purposes, financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value. Equity securities are classified as financial assets at FVPL, unless the Bank designates an equity security that is not held for trading as at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, as described in succeeding sections, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are initially recognized and subsequently measured at fair value in the statements of financial position, with transaction costs recognized in the statements of income. Gains and losses arising from changes in the fair value of financial assets at FVPL and gains and losses arising from disposals of these securities are recognized under "Trading and investment securities gains (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 been established.

Financial assets at FVPL include government and private debt securities held for trading, derivative instruments and debt securities that do not meet the SPPI test. Most of the Bank's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also take positions with the expectation of profiting from favorable movements in prices, rates or indices. The Bank is a counterparty to derivative contracts, such as currency forwards and warrants.

(ii) *Financial Assets at Amortized Cost*

The Bank measures debt financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under "Interest income" account 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 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, 2023 and 2022, the Bank has not made such designation.

(iii) Financial Assets at FVOCI

▪ *Debt Securities*

The Bank measures debt securities at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt securities at FVOCI are subsequently measured at fair value with unrealized gains and losses arising from fair valuation recognized in OCI under the "Net unrealized 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 of income in the same manner as for financial assets measured at amortized cost. The ECL arising from impairment of such investments are recognized in the statements of income with a corresponding charge to "Provision for credit and impairment losses" account if the resulting ECL is impairment losses and to "Reversal of credit and impairment losses" account if the resulting ECL is reversal of impairment. Other fair value changes to measure the instrument at fair value is recognized in OCI.

Upon derecognition, the cumulative gains or losses previously recognized in OCI are recognized under "Trading and investment securities gains (losses) - net" account in the statements of income.

- *Equity Securities*

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity securities as at FVOCI. Designation as at FVOCI is not permitted if the equity security is held for trading.

Equity securities designated at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in OCI under “Net unrealized losses on financial assets at FVOCI” account in the equity section of the statements of financial position. Dividends earned on holding equity securities designated at FVOCI are recognized in the statements of income as “Miscellaneous income” when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in OCI is reclassified to “Retained earnings” account in the equity section of the statements of financial position. Equity securities designated at FVOCI are not subject to impairment assessment.

The Bank designated all equity securities that are not held for trading as at FVOCI on initial application of PFRS 9, Financial Instruments.

Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or at FVPL.

Financial liabilities are classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities measured at FVPL. Financial liabilities measured at FVPL consists of: (a) financial liabilities held-for-trading, including derivative liabilities that are not accounted for as hedging instruments; and (b) financial liabilities designated at fair value through profit or loss.

The Bank may, at initial recognition, irrevocably designate financial liabilities as measured at FVPL.

The Bank’s financial liabilities at amortized cost include deposit liabilities, bills payable, 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” account 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 expired. 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 should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

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

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

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

- (a) Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;
- (b) Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

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

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

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original EIR and the resulting gain or loss is recognized in the statements of income. For floating-rate financial liabilities, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining terms of the modified financial liability by re-computing the EIR on the instrument.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of ownership of the asset; or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of income.

Impairment of Financial Assets

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

Expected Credit Loss Methodology

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

Staging Assessment

For non-impaired financial instruments:

- Stage 1: Comprised of performing financial instruments which have not experienced SICR since initial recognition or have low credit risk as of reporting date. This stage recognizes a 12-month ECL for the financial instruments categorized under this group.
- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

For credit-impaired financial instruments:

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

Definition of "Default" and "Cure"

The Bank generally classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (i.e., breach of covenant) and quantitative (i.e., overdue status and non-payment on another obligation of the same borrower/issuer to the Bank). An instrument is considered to be no longer in default (i.e., to have cured) when there is sufficient evidence to support that full collection of principal and interests is probable and payments are received for at least six (6) months. This definition is consistent with the definition of non-performing loans (NPL) under Section 304 of 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 a tool used to evaluate the credit risk associated to individual customers. Customer-specific factors and internal data are taken into consideration to calculate a credit score. The credit decision is based on the output of the credit score and policy rules.

Significant Increase in Credit Risk

The definition of a SICR varies by portfolio where the determination of the 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, behavioral scorecard and other relevant 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 consider cashflow 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, total loan tenure, 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 used include Remittances, Loan Performances, BVAL rates, Value of Production Index (VAPI), Stock Exchange Index, Exports, Consumer Outlook, Foreign Exchange rates and Gross Domestic Product (GDP) (Agriculture). 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 assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Write-offs

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

Recoveries of amounts previously written off are included under "Miscellaneous income" account 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, 2023 and 2022, 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" account in the statements of financial position.

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

Investment in an Associate

An associate is an entity over which the Bank has significant influence but no control. This is a rebuttable presumption in case the equity interest of the Bank in an entity is between 20.0% and 50.0%. The Bank's equity investment in BIC Management and Consultancy, Inc. (formerly Bancommerce Investment Corporation) (BIC) represents 24.26% of BIC's capital stock. Accordingly, the Bank's equity investment in BIC is treated as an investment in an associate accounted for under the equity method of accounting since there is no indication of control.

Under the equity method, an investment in an associate is carried in the statements of financial position at cost plus post-acquisition changes in the Bank's share in the net assets of the associate. The Bank's share in an associate's post-acquisition profits or losses is recognized in the statements of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in equity.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the Bank's interest in the associate.

The reporting period of BIC is on a calendar year basis. BIC's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Property and Equipment

Land is stated at cost less any impairment in value. Depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any costs that are directly attributable in bringing the property and equipment to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put to operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in the increase in the future economic benefits to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

The 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" account 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 any accumulated amortization and impairment losses. Internally generated intangible assets are not capitalized but recognized in the statements of income in the period when the expenditure is incurred.

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

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

Branch Licenses

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

Software Costs

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

Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, 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 transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

Fair Value Hierarchy

The majority of valuation models 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 between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are involved for valuation of significant assets such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. 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 financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

Service Charges and Penalties

Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability. This arises from deposit-related processing transactions and charges from late payments on loans and drawing against insufficient funds of depositors.

Fees and Commissions

(i) Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period. These include guarantee fees, credit related fees, investment fund fees, custodian fees, fiduciary fees, portfolio and other management fees. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period. If a drawdown 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 of income when the syndication has been completed and the Bank retains no part of the loans for itself or retains a part of the loan at the same EIR as the other participants.

Discounts Earned and Awards Revenue on Credit Cards

Discounts received are taken up as income upon receipt from member establishments of charges arising from credit availments by the Bank's cardholders. These discounts are computed based on certain agreed rates and are deducted from the amounts remitted to the member establishments. These also include interchange income from transactions processed by Mastercard, a card network, and fees from cash advance transactions of cardholders.

The amount allocated to the loyalty 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 they are granted. The fair value of the consideration received in respect of the initial sale is allocated based on the estimated stand-alone selling prices. Income generated from customer loyalty 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 transfers to the recipients, measured as the difference between the transaction price and the properties' carrying amounts and presented under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income.

Revenues Outside the Scope of PFRS 15

Interest Income

Interest income is recognized in the statements of income for all financial assets measured at amortized cost and debt securities at FVOCI as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses. The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently, except for repricing loans. The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in 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 as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

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

Trading and Investment Securities Gains or Losses

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

Dividends

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

Rental Income

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

Recovery on Charged-off Assets

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

Expense Recognition

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

Interest Expense

Interest expense for all interest-bearing financial liabilities is recognized in "Interest expense" account 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 employee and the obligation can be estimated reliably.

Retirement Benefits

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

The retirement benefits liability recognized in the statements of financial position in respect of the defined benefits retirement plan is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on high quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement liability.

Remeasurements of the defined benefit liability, which include actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Bank determines the net interest expense (income) on the retirement benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement benefit liability (asset), taking into account any changes in the retirement liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income. The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Equity

“*Capital Stock*” is recorded at par for all shares issued and outstanding.

“*Paid-in Surplus*” represents the proceeds in excess of par value. Incremental costs incurred which are directly attributable to the issuance of new shares are charged to “Paid-in surplus”.

“*Retained Earnings (Deficit)*” represents the accumulated earnings (losses) of the Bank.

“*Surplus Reserves*” represent the appropriation of retained earnings in relation to allowance for credit losses which are less than the 1.0% general provision prescribed by the BSP for regulatory purposes, 10.0% of the Bank’s profit from trust business, and self-insurance of the Bank.

Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a 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 is reasonably certain not to be exercised or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents 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 and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to current operations, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Assets and Liabilities

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

Events After the Reporting Date

Post year-end events that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

4. Critical Judgments and Estimates

The preparation of financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Significant Judgments

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

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 is 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 of executory costs, among others, are considered.

b) Business Model Assessment

The Bank manages its financial assets based on the business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investing and trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to, taking into consideration the objectives of each business model established by the Bank. The level of aggregation at which the business model is applied is based on the specific activities being undertaken by each business unit of the Bank to achieve its stated objectives and other relevant factors such as risks affecting the business model, key performance indicators in evaluating the business model, and how managers of the business are compensated.

The Bank assesses the performance of each business model by considering the activities undertaken by the business models, placing the appropriate key performance indicators and monitoring the frequency of sales activities. PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers facts and circumstances present to assess whether an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a hold-to-collect business model and whether the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

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 amount and timing of future cash flows and collateral values when determining ECL and the assessment of a SICR. These estimates are driven by a number of factors, changes to which can result in different levels of allowances.

The ECL methodology of the Bank is regularly recalibrated to 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 are aligned across all credit portfolios;
- PD segmentation is 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 is adjusted to its present value of expected cash flows using risk-adjusted interest rate. The final LGD estimates are 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 uses 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 are 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 the model documentation; and
- Aligned the logical trend of Optimistic, Baseline, and Pessimistic scenarios using historical data.

In 2023, the Bank recalibrated the ECL framework. Updates on the ECL parameters involved the following:

- The most recent data were applied for PD, LGD and EAD.
- The following information were incorporated in LGD:
 - Recovery information for Corporate & Consumer
 - Collection fees for Auto and Housing
- Additional PD and EAD segmentation were considered.
- Account-level discounting factor was applied.
- The Macroeconomic Factors (MEF) were tested and updated based on the recalibration. The updated MEFs include Remittances, Loan Performances, BVAL rates, VAPI, Stock Exchange Index, Exports, Consumer Outlook, FX rates, and GDP (Agriculture).

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, these 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 unit to 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.

Executive Committee (Excom)

The Excom is primarily responsible for the evaluation, approval and/or endorsement to the BOD for approval, credit and real and other properties acquired (ROPA) sales proposals from Management. The Excom also evaluates and recommends for BOD approval new, amended or enhanced Bank policies, products or services. The Excom may also act on such specific matters within the competence of the BOD, as may be delegated by majority vote of the BOD, except on certain matters expressly reserved by law for stockholders' and/or for the BOD' action.

Corporate Governance Committee

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

Related Party Transactions Committee (RPTCom)

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

Audit Committee

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

Board Risk Oversight Committee (BROC)

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

Risk Management Division (RSK)

The RSK is responsible for the creation and oversight of the Bank's corporate risk policy. It is responsible for making recommendations to the BOD on corporate policies and guidelines for risk measurement, management and reporting. It also reviews the system of risk limits, compliance to said limits and validates the reports of the risk-taking personnel. The RSK reports to the BROC.

Senior Executive Team (SET)

The SET brings together the Chief Executive Officer, Group Heads and select Division Heads of the Bank to discuss and take up policy and strategic issues vital to the Bank's business, shareholders, employees and long term viability.

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 Excom and/or the BOD. It has likewise the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations. On top of these, the Crecom studies and deliberates proposals intended to adopt new credit policies or to amend existing ones or to offer new loan products or programs, prior to endorsement to the SET 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 .

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 SET 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 BROCC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposure status and act upon limit breaches whenever necessary.

Credit Risk

The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management, and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

There has been no material change on the Bank's exposure to credit risk or the manner in which it manages and measures the risk.

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" account 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, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	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	P80,465,866,990	P72,479,226,327	P85,853,607,701	P80,428,467,579
Agri-agra loans	11,478,913,064	11,221,920,766	2,508,188,756	2,422,186,023
Housing loans	8,256,741,837	2,913,703,470	8,050,636,414	2,971,809,373
Auto loans	3,880,015,183	1,352,091,080	3,248,375,385	1,559,773,409
Bills purchased, import bills and trust receipts	959,027,056	959,027,056	1,293,445,667	1,293,445,667
Direct advances	453,960,006	1,644,710	468,677,985	-
Others	2,084,429,902	2,084,264,623	1,874,451,667	1,874,451,667
	107,578,954,038	91,011,878,032	103,297,383,575	90,550,133,718
Sales contract receivables	331,532,289	-	325,652,637	-
	P107,910,486,327	P91,011,878,032	P103,623,036,212	P90,550,133,718

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2023 and 2022.

As at December 31, 2023 and 2022, fair value of collaterals held for loans and receivables amounted to P105.5 billion and P78.5 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, 2023 and 2022:

	December 31, 2023			
	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	P443,679,697	P209,080,940	P234,598,757	P407,680,265
Agri-agra loans	185,707,842	6,232,700	179,475,142	185,707,842
Housing loans	543,308,772	477,362,994	65,945,778	172,339,550
Auto loans	350,702,965	341,795,414	8,907,551	232,543,078
Bills purchased, import bills and trust receipts	89,469,843	-	89,469,843	89,469,843
Direct advances	121,241,742	-	121,241,742	121,241,742
Others	253,848,484	183,895	253,664,589	186,626,571
	1,987,959,345	1,034,655,943	953,303,402	1,395,608,891
Sales contract receivables	100,875,387	47,192,830	53,682,557	54,151,486
	P2,088,834,732	P1,081,848,773	P1,006,985,959	P1,449,760,377

	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
Agri-agra loans	17,663,370	14,362,060	3,301,310	17,663,370
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
Bills purchased, import bills and trust receipts	88,174,014	7,656,284	80,517,730	88,174,014
Direct advances	133,007,418	-	133,007,418	133,007,418
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

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2023 and 2022.

Collaterals and Other Credit Enhancements

The amount and type of collateral required depend 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 collaterals 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 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
		Substandard	8
Impaired		Substandard	8
		Doubtful	9
		Loss	10

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

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

Substandard Grade or accounts with BRR of 7-8 are loans still in current status but 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 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.

Consumer loans portfolio and credit card receivables undergo credit scoring, which results in applications either being referred for further manual evaluation or declined. Receivables considered outside the main business lines of the Bank are considered unrated accounts, which include benefit loans, accounts receivable, accrued interest receivables, sales contract receivables and returned checks and other cash items (RCOCI).

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) 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
	3 rd 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, 2023 and 2022 (amounts in thousands).

	December 31, 2023										
	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	P28,024,849	P -	P339	P672,648	P442,426	P -	P -	P29,140,262	P -	P767,219	P29,907,481
Standard grade	52,189,800	-	26,565	288,581	9,996	11,489,607	-	64,004,549	-	413,571	64,418,120
Subject to scoring and unrated	-	7,739,774	3,696,107	-	-	-	1,985,562	13,421,443	282,515	459,924	14,163,882
	80,214,649	7,739,774	3,723,011	961,229	452,422	11,489,607	1,985,562	106,566,254	282,515	1,640,714	108,489,483
Stage 2											
Neither past due nor impaired:											
Standard grade	3,370	-	-	-	-	4,731	-	8,101	-	32	8,133
Substandard grade	535,173	-	-	-	1,674	-	-	536,847	-	3,384	540,231
Past due but not impaired	-	171,144	46,914	-	-	-	88,814	306,872	5,171	27,021	339,064
Impaired	-	-	-	-	-	1,500	-	1,500	-	1	1,501
	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
Stage 3											
Impaired	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	827,152	2,915,987
	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	827,152	2,915,987
	P81,196,872	P8,454,227	P4,120,628	P1,050,699	P575,338	P11,681,546	P2,328,224	P109,407,534	P388,561	P2,498,304	P112,294,399

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

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

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
Subject to scoring and 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

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2023 and 2022 (amounts in thousands).

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P391,758	P -	P -	P391,758
Standard grade	23,941,997	-	-	23,941,997
Subject to scoring*	3,600,977	-	-	3,600,977
	P27,934,732	P -	P -	P27,934,732

*Comprised of unused credit card lines.

	December 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P1,586,005	P -	P -	P1,586,005
Standard grade	21,522,712	-	-	21,522,712
Subject to scoring*	3,601,178	-	-	3,601,178
	P26,709,895	P -	P -	P26,709,895

*Comprised of unused credit card lines.

Sensitivity of ECL to Future Economic Conditions

Set out below are the changes to the Bank's ECL in 2023 and 2022 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

	December 31, 2023			
	Change in MEF		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEF	Impact of 1% Decrease in MEF
Corporate MEF				
Lag 3 of the quarterly change of the Overseas Filipino personal remittance*				
Lag 12 of the annual change of the ratio: (Gross NPL/Total Loans)				
Philippine Treasury Reference Rates - PM (PDST-R2) Tenor-6M lagged over 12 months	1%	1%	-0.05%	0.05%
Lag 9 of the annual change of the VaPI of Key Manufacturing Indices by Industry (2018 values of growth rates)*				
Auto MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-pattern variable of the month-end Philippine Stock Exchange Index lagged over 3 months*				
Exports of Goods and Services, current prices (in million Philippine Pesos) lagged over 6 months.*	1%	1%	-0.02%	0.02%
Philippine Treasury Reference Rates -PM (PDST-R2) Tenor-1M lagged over 11 Months.				
Housing MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
C Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*				
9-month lag of the annual change of the current prices of the Exports of Goods and Services*	1%	1%	-0.001%	0.001%
Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 3 months				
Salary MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*	1%	1%	-0.001%	0.001%
12-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				

*These variables have a negative relationship with default

	December 31, 2022			
	Change in MEF		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEF	Impact of 1% Decrease in MEF
Corporate MEF				
Wholesale Price Index: Year-on-year change, lagged for 6 months				
2Y Interest Rates: Year-on-year (quarterly average) change, lagged for 9 months	1%	1%	5.18%	-3.62%
Stock Index (PSEI)*				
Auto MEF				
Stock Index (PSEI)*				
USD/PHP Exchange Rate: Lagged for 12 months	1%	1%	0.12%	-0.11%
Housing MEF				
USD/PHP Exchange Rate: Lagged for 9 months				
Consumer Price Index: Year-on-year change, lagged for 12 months	1%	1%	0.61%	-0.47%
Stock Index (PSEI)*				
Salary MEF				
Cash Remittances: Quarterly Average Ratio, lagged for 3 months*				
3Y Interest Rates: Lagged for 12 Months	1%	1%	-0.07%	0.07%
Stock Index (PSEI): Lagged for 3 months*				

*These variables have a negative relationship with default

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:

	2023	2022
Term loans	P796,146,616	P774,912,259
Agri-Agra loans	132,758,283	159,738,819
Housing loans	33,325,362	47,758,907
Auto loans	341,434	617,479
Others	82,594,485	75,456,193
	P1,045,166,180	P1,058,483,657

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, 2023		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P24,275,195,629	P -	P24,275,195,629
Due from other banks	504,166,331	551,330,762	1,055,497,093
Interbank loans receivable and SPURA	20,114,496,080	-	20,114,496,080
	44,893,858,040	551,330,762	45,445,188,802
Financial assets at FVPL:			
Private debt securities	-	190,504,814	190,504,814
Government securities held-for-trading	96,719,128	83,883,498	180,602,626
Derivative assets*	-	27,685,000	27,685,000
	96,719,128	302,073,312	398,792,440
Financial assets at FVOCI:			
Government securities**	-	10,850,047,722	10,850,047,722
Equity securities	-	193,757,106	193,757,106
	-	11,043,804,828	11,043,804,828
Investment securities at amortized cost:			
Government securities**	-	50,311,649,891	50,311,649,891
Private debt securities**	-	2,165,662,758	2,165,662,758
	-	52,477,312,649	52,477,312,649
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,212	291,578,212
	P44,990,577,168	P64,666,099,763	P109,656,676,931

*Unrated derivatives pertain to warrants

**Accounts are neither past due nor impaired and carried at Stage 1 in 2023

***Accounts are impaired and carried at Stage 3 in 2023

	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

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, 2023 and 2022.

	December 31, 2023			Total
	1 - 30 Days	31 - 60 Days	61 - 90 Days	
Receivable from customers (gross):				
Housing loans	P21,420,752	P86,393,824	P63,329,410	P171,143,986
Auto loans	31,415	34,781,613	12,100,719	46,913,747
Others	44,493,128	40,144,605	4,176,718	88,814,451
Sales contract receivables	-	3,491,830	1,679,150	5,170,980
Other receivables*	300,075	20,832,308	5,555,872	26,688,255
	P66,245,370	P185,644,180	P86,841,869	P338,731,419

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

	December 31, 2022			Total
	1 - 30 Days	31 - 60 Days	61 - 90 Days	
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
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

Impairment Assessment

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

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

Liquidity Risk and Funding Management

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

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

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk.

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, 2023 and 2022 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2023					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	P54,569,494	P -	P -	P -	P -	P54,569,494
Savings	41,230,115	66,890,815	1,734,937	-	-	109,855,867
Time	16,157	14,695,940	1,575,014	446,877	-	16,733,988
Long-term negotiable certificates	-	55,952	170,372	5,190,990	-	5,417,314
Financial liabilities at FVPL	-	6,202	-	-	-	6,202
Bonds payable	-	93,196	7,625,657	-	-	7,718,853
Manager's checks	-	1,846,500	-	-	-	1,846,500
Accrued interest and other expenses*	-	1,047,574	-	-	-	1,047,574
Lease liabilities	-	38,696	172,936	422,940	35,149	669,721
Other liabilities**	-	951,269	2,039,295	-	290,118	3,280,682
Total Undiscounted Financial Liabilities	P95,815,766	P85,626,144	P13,318,211	P6,060,807	P325,267	P201,146,195

*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, 2022					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
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

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

December 31, 2023					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,600,977	P5,204,466	P6,350,066	P12,779,223	P27,934,732
Contingent liabilities	66,885,084	5,371,330	2,192,872	3,323,586	77,772,872
	P70,486,061	P10,575,796	P8,542,938	P16,102,809	P105,707,604

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	67,818,593	2,192,776	3,343,696	3,054,409	76,409,474
	P71,419,771	P14,791,489	P11,790,825	P 5,117,284	P103,119,369

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; USD Secured Overnight Financing 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 in interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions, if more applicable.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered “liability sensitive” since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

RSK monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented to ALCO and BROCC on a monthly basis. To ensure that the Bank’s net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank’s risk appetite statements.

Non-maturing fixed-rate deposits or current-savings accounts (CASA) are split into three classifications: 1) stable and core deposits; 2) stable-but-non-core deposits and; 3) non-stable deposits. The volatile or non-stable portion of the non-maturing deposits/CASA is slotted in the shortest time-bucket (i.e., less than one month). Stable-but-non-core portion is slotted based on an assumed repricing approximation. Stable-and-core portion is slotted in the 3 to 5-year bucket. The IRRBB model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements on existing loans and deposits. More (less) prepayment is expected if interest rates decline (increase), while more (less) pre-termination is expected if interest rates increase (less).

Earnings at risk is simulated on a monthly basis and subject to a limit approved by the Board. The report is also accompanied by stress testing with scenarios such as: 1) standard parallel yield curve shifts; 2) BSP-prescribed yield curve shifts; 3) steepening and inversion of the curves; and 4) timing mismatch in assets and liabilities repricing. Internal Audit conducts a regular validation of the IRRBB models and parameters in addition to the risk-based full scope audit of RSK, which includes a review and evaluation of the processes and controls, including governance and risk management activities.

The table below sets forth the Bank’s interest rate repricing gap as at December 31, 2023 and 2022 (amounts in millions).

	December 31, 2023								
	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 -	P3,501	P3,501
Due from BSP	8,473	-	-	-	-	-	-	15,799	24,272
Due from other banks	-	-	-	-	-	-	-	3,068	3,068
Interbank loans receivable	17,973	128	-	-	-	-	-	(2)	18,099
Financial assets at FVPL	-	-	-	-	-	-	-	399	399
Financial assets at FVOCI	243	353	1,239	2,598	6,923	-	-	(468)	10,888
Investment securities at AC	12,835	3,728	682	-	14,720	10,705	10,240	(343)	52,567
Loans - net	33,245	26,033	7,569	7,929	12,790	17,675	24	2,314	107,579
Other resources	236	33	-	-	-	-	-	9,632	9,901
	P73,005	P30,275	P9,490	P10,527	P34,433	P28,380	P10,264	P33,900	P230,274
Liabilities and Equity									
Deposit liabilities:	P71,562	P17,602	P16,618	P908	P5,343	P73,872	P -	P -	P185,905
Demand deposits	6,423	-	6,990	-	-	41,157	-	-	54,570
Savings deposits	1,037	-	7,563	-	-	32,619	-	-	41,219
Time deposits	64,102	17,602	2,065	908	314	96	-	-	85,087
Long-term negotiable certificates	-	-	-	-	5,029	-	-	-	5,029
Bonds payable	-	-	-	7,478	-	-	-	-	7,478
Other liabilities	-	-	-	-	-	-	-	7,420	7,420
Capital funds	71,562	17,602	16,618	8,386	5,343	73,872	-	7,420	200,803
	-	-	-	-	-	-	-	29,471	29,471
	P71,562	P17,602	P16,618	P8,386	P5,343	P73,872	P -	P36,891	P230,274
Total periodic gap	P1,443	P12,673	(P7,128)	P2,141	P29,090	(P45,492)	P10,264	(P2,991)	P -

	December 31, 2022								Total
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P2,735	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 -

The Bank manages interest rate risk separately for its RBU and FCDU books. The interest rate risk of the RBU of the Bank from its accounts is managed in PHP while the FCDU of the Bank, regardless of original currency, is managed in USD. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's results of operations and OCI:

December 31, 2023				
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	P147.58	(P5.67)	(P960.56)
USD	+100	(0.35)	(9.43)	(79.95)
PHP	-200	(147.58)	5.67	960.56
USD	-100	0.35	9.43	79.95

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

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, 2023 and 2022.

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, 2023 and 2022. 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.

Market Price Risk in the Trading Book

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank’s RSK simulates the trading book’s VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, monthly and yearly losses.

Value-at-Risk Methodology

VAR serves as the Bank’s key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk. The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank’s VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

The table below summarizes the results of the Bank’s VAR calculations as at December 31, 2023 and 2022.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
2023				
As at December 31, 2023	P1,950,756	P1,471,726	P50,010,354	P53,432,836
Average	1,618,958	2,794,146	51,444,695	54,952,559
Highest	7,728,518	9,254,465	67,024,351	69,553,970
Lowest	268,678	78,190	39,722,601	41,246,030
2022				
As at December 31, 2022	944,454	84,887	55,262,009	55,452,704
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

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, 2023 and 2022. 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, 2023			
	USD	Euro	Others	Total
Assets				
Due from other banks	\$1,065	\$1,188	\$822	\$3,075
Interbank loans	3,550	-	-	3,550
Financial assets at FVPL	-	1,747	-	1,747
Loans and receivables	1,950	20	-	1,970
Total Assets	6,565	2,955	822	10,342
Liabilities				
Deposit liabilities	-	736	2	738
Other liabilities	1,028	73	2	1,103
Total Liabilities	1,028	809	4	1,841
Net Exposure	\$5,537	\$2,146	\$818	\$8,501
Amount in PHP	P306,584	P118,824	P45,293	P470,701
	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

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2023 and 2022 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. Changes 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, 2023				
Currency:				
USD	P1.00	(P5.54)	(P1.00)	P5.54
Euro	0.50	(1.07)	(0.50)	1.07
Others	0.40	(0.33)	(0.40)	0.33
<hr/>				
	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

Given the nature and amount of the Bank's equity investments portfolio in 2023 and 2022, 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 2023 and 2022, management believes the Bank's exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

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

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

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

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

Derivative Instruments (Financial Assets 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 USD Secured Overnight Financing 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 USD Secured Overnight Financing 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 (i.e., BVAL and USD Secured Overnight Financing 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 available supportable data.

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, 2023				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
<i>Financial Assets</i>					
Financial assets at FVPL:					
Government securities held for trading	P180,603	P61,208	P119,395	P -	P180,603
Private debt securities	190,505	-	-	190,505	190,505
Derivative assets	27,685	-	27,685	-	27,685
Financial assets at FVOCI:					
Government securities	10,850,048	4,088,139	6,761,909	-	10,850,048
Equity securities	193,757	155,300	-	38,457	193,757
	P11,442,598	P4,304,647	P6,908,989	P228,962	P11,442,598
Liabilities Measured at Fair Value					
<i>Financial Liabilities</i>					
Derivative liabilities	P6,202	P -	P6,202	P -	P6,202
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
Investment securities at amortized cost:					
Government securities	P50,305,668	P20,087,916	P28,833,159	P -	P48,921,075
Private debt securities	2,165,435	343,612	1,629,236	-	1,972,848
Loans and receivables:					
Receivables from customers	107,624,342	-	-	110,630,437	110,630,437
Less unearned interest	45,388	-	-	45,388	45,388
	107,578,954	-	-	110,585,049	110,585,049
Sales contract receivables	331,532	-	-	345,450	345,450
	160,381,589	20,431,528	30,462,395	110,930,499	161,824,422
<i>Non-financial Assets</i>					
Investment properties	3,676,126	-	-	10,514,333	10,514,333
	P164,057,715	P20,431,528	P30,462,395	P121,444,832	P172,338,755
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
Deposit liabilities:					
Time	P16,638,541	P -	P16,609,959	P -	P16,609,959
Long-term negotiable certificates	5,029,420	-	4,909,268	-	4,909,268
Bonds payable	7,478,265	-	7,500,000	-	7,500,000
	P29,146,226	P -	P29,019,227	P -	P29,019,227

	December 31, 2022				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
<i>Financial Assets</i>					
<i>Financial assets at FVPL:</i>					
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
<i>Financial assets at FVOCI:</i>					
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					
<i>Financial Liabilities</i>					
Derivative liabilities	P283	P -	P283	P -	P283
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
<i>Investment securities at amortized cost:</i>					
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
<i>Loans and receivables:</i>					
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
<i>Non-financial Assets</i>					
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					
<i>Financial Liabilities</i>					
<i>Deposit liabilities:</i>					
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

In 2023 and 2022, due to changes in market conditions for certain government securities measured at FVOCI, quoted prices in active markets were not 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 P327.4 million and P306.1 million in 2023 and 2022, respectively, were transferred from Level 1 to Level 2 of the fair value hierarchy.

In 2023, securities at FVOCI, with carrying amount of P394.3 million were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available. There have been no transfers from Level 2 to Level 1 of the fair value hierarchy in 2022.

In 2023 and 2022, 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, 2023 and 2022.

7. Segment Reporting

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to SET 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, Investment Banking, Trust, and Acquired Assets. Other operations of the Bank also include operations and financial control groups.

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. The Bank has no significant customers which contributes 10.00% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the years ended December 31, 2023, 2022 and 2021 for statements of income items, and as at December 31, 2023 and December 31, 2022 for statements of financial position items follow (amounts in millions):

	December 31, 2023					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Income						
Net interest income:						
Third party	P2,908	P7,049	(P2,707)	P958	P88	P8,296
Intersegment	(2,269)	(5,723)	7,021	(662)	1,633	-
Net interest income	639	1,326	4,314	296	1,721	8,296
Non-interest income	140	73	96	52	1,318	1,679
Total revenues	779	1,399	4,410	348	3,039	9,975
Other expenses	357	364	2,171	184	3,083	6,159
Income (losses) before provision for credit losses and income tax expense	P422	P1,035	P2,239	P164	(P44)	P3,816
Provision for credit and impairment losses						P79
Share in net loss of an associate						1
Income tax expense						934
Net income						P2,802
Other Segment Information						
Capital expenditures	P6	P8	P156	P3	P226	P399
Depreciation and amortization	P4	P4	P59	P7	P415	P489

	December 31, 2023					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Financial Position						
Total assets	P89,494	P96,924	P23,438	P13,022	P8,790	P231,668
Total liabilities	6,344	48	187,210	134	7,081	200,817

	December 31, 2022					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
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					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
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

Non-Interest income consists of trading and investment securities gains (losses), service charges, fees and commissions, foreign exchange gains, gain on foreclosure, and sale of property and equipment and foreclosed assets and miscellaneous income.

Other expenses consist of compensation and fringe benefits, taxes and licenses, rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, entertainment and recreation, management and professional fees, amortization of software costs and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	Note	2023	2022
SPURA		P17,973,348,893	P14,538,857,444
Interbank loans receivable		2,141,147,187	3,842,368,409
		20,114,496,080	18,381,225,853
Less allowance for credit losses	17	2,715,457	2,481,466
		P20,111,780,623	P18,378,744,387

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:

	2023	2022	2021
SPURA	P746,318,560	P475,286,408	P316,263,835
Interbank loans receivable	129,387,516	63,872,487	17,540
	P875,706,076	P539,158,895	P316,281,375

SPURA bears interest rates ranging from 5.5% to 6.4% in 2023, from 2.0% to 5.5% in 2022 and interest rate of 2.0% in 2021.

Peso-denominated interbank loans receivable bear interest rates ranging from 5.5% to 6.5% in 2023 and 1.8% to 5.0% in 2022. 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 3.0% to 5.6%, from 0.5% to 3.8%, and from 0.1% to 0.5% in 2023, 2022 and 2021, respectively.

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

Financial assets at FVPL consist of:

	2023	2022
Private debt securities	P190,504,814	P344,809,237
Government securities held-for-trading	180,602,626	7,258,797
Derivative assets	27,685,000	28,933,434
	P398,792,440	P381,001,468

Private debt securities pertain to investment in MRT III bonds that does not qualify as SPPI, thus, mandatorily classified and measured as financial assets at FVPL.

As at December 31, 2023, 2022 and 2021, financial assets at FVPL are adjusted for unrealized gain of P22.8 million and P3.0 million and unrealized loss of P4.2 million, respectively (see Note 28).

Derivative Financial Instruments

This includes warrants amounting to \$0.05 million acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding of certain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

Forward swaps refer to spot purchase or 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, 2023, these pertain to two contracts with notional amount of \$1.0 million each, two contracts with notional amount of \$5.0 million each and two contracts with notional amount of \$10.0 million each. The Bank has one contract with notional amount of \$1.0 million and three contracts with notional amount of \$0.5 million each as at December 31, 2022.

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, 2023 and 2022 and is not indicative of either market risk or credit risk.

	December 31, 2023			December 31, 2022		
	Derivative Assets	Notional Amount	Leverage Exposure	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	P27,685,000	\$50,000	\$ -	P27,877,500	\$50,000	\$ -
Forwards	-	-	-	1,055,934	1,000,000	-
	P27,685,000	\$50,000	\$ -	P28,933,434	\$1,050,000	\$ -

	December 31, 2023			December 31, 2022		
	Derivative Liabilities	Notional Amount	Leverage Exposure	Derivative Liabilities	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Forwards	P6,201,649	\$32,000,000	\$ -	P283,329	\$1,500,000	\$ -

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	2023	2022
Government securities	P10,850,047,722	P5,619,271,980
Equity securities	193,757,106	185,778,540
	P11,043,804,828	P5,805,050,520

As at December 31, 2023 and 2022, the ECL allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P1.1 million and P0.6 million, respectively (see Note 17).

Equity Securities

This account consists of ordinary shares from a foreign financial institution and a telecommunications company and club shares. The Bank has designated these equity securities at FVOCI.

Equity securities include the Bank's 3.07% equity interest in Banco Nacional 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 P19.4 million and P18.8 million, respectively, as at December 31, 2023 and 2022. Dividend income received from BANGE in 2023 amounted to P4.0 million, booked under "Miscellaneous Income" in the statements of income (see Note 31). No dividend was received from BANGE in 2022 and 2021.

In 2023, 2022 and 2021, the Bank disposed club shares with carrying value of P0.9 million, P0.8 million and P10.6 million, respectively, and transferred to "Retained earnings" account the realized gain of P7.5 million, P0.3 million and P6.1 million in 2023, 2022 and 2021, respectively.

Dividend income from equity securities at FVOCI amounted to P5.6 million, P1.6 million, and P5.7 million in 2023, 2022 and 2021, 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	2023	2022	2021
Balance at beginning of year		(P730,966,925)	(P156,154,761)	P69,657,563
Net unrealized gains (losses) recognized as OCI		324,174,117	(574,495,027)	(293,920,562)
ECL on debt securities at FVOCI	17	455,690	(27,137)	(1,108,339)
Realized losses (gains) taken to profit or loss	28	(6,964,361)	-	68,883,753
Effect of tax	32	(363,597)	-	6,389,324
Net change in unrealized gains (losses) recorded in OCI		317,301,849	(574,522,164)	(219,755,824)
Realized gains taken to retained earnings		(7,527,455)	(290,000)	(6,056,500)
Balance at end of year		(P421,192,531)	(P730,966,925)	(P156,154,761)

11. Investment Securities at Amortized Cost

This account consists of:

	Note	2023	2022
Government securities		P50,311,649,891	P49,450,521,816
Private debt securities	33	2,165,662,758	2,764,316,045
		52,477,312,649	52,214,837,861
Less allowance for credit losses	17	6,209,355	6,068,800
		P52,471,103,294	P52,208,769,061

No investment securities at amortized cost were sold in 2023 and 2022.

12. Loans and Receivables

This account consists of:

	<i>Note</i>	2023	2022
Receivables from customers:			
Term loans		P81,196,871,925	P86,583,033,586
Agri-agra loans		11,681,545,957	2,537,887,089
Housing loans		8,454,302,941	8,222,608,912
Auto loans		4,123,415,068	3,652,024,507
Bills purchased, import bills and trust receipts	22	1,050,698,899	1,384,577,563
Direct advances		577,211,848	605,327,618
Others		2,368,875,299	2,597,626,608
		109,452,921,937	105,583,085,883
Less unearned interest income		45,387,843	43,154,930
		109,407,534,094	105,539,930,953
Accrued interest receivable:			
Loans and receivables		946,846,228	848,790,235
Trading and investment securities		483,609,311	422,998,451
Interbank loans receivable and SPURA		8,257,598	5,715,175
Due from BSP and other banks		4,357,778	2,193,333
Accounts receivable		1,055,139,512	1,057,747,032
Sales contract receivables		388,560,627	382,621,585
Unquoted debt securities		291,578,212	291,578,213
RCOCI		93,452	249,146
		112,585,976,812	108,551,824,123
Less allowance for credit losses	17	3,019,800,493	3,460,595,359
		P109,566,176,319	P105,091,228,764

Bills purchased, import bills and trust receipts include bills purchased with contra account in "Bills purchased - contra" under "Other Liabilities" amounting to P1.0 billion and P1.3 Billion as at December 31, 2023 and 2022, 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 period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, RA No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2”), was enacted. Under Bayanihan 2, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, fees and other charges, thereby extending the maturity of the said loans.

Based on the Bank’s assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. The impact of loan modifications amounted to a loss of P29.6 million in 2020. In 2023, 2022 and 2021, accretion of loan modification that were recorded in “Interest income” in the statements of income amounted to P3.4 million, P5.1 million and P7.0 million, respectively.

BSP Regulatory Reporting

As at December 31, 2023 and 2022, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2023		2022	
	Amount	%	Amount	%
Loans secured by:				
Deed of pledge	P7,983,973	7.3	P7,905,090	7.5
Real estate	6,564,727	6.0	5,345,891	5.1
Deposit hold-out	5,194,467	4.8	5,283,140	5.0
Continuing surety agreement	4,306,977	3.9	4,754,637	4.5
Chattel	2,280,780	2.1	2,314,566	2.2
Deed of assignment	1,362,971	1.2	1,136,920	1.1
Corporate guaranty	1,331,763	1.2	1,564,374	1.5
Mortgage trust indenture	-	-	809,900	0.8
Certificate of participation	-	-	800,000	0.7
Others*	31,992,124	29.2	17,756,186	16.8
	61,017,782	55.7	47,670,704	45.2
Unsecured	48,435,140	44.3	57,912,382	54.8
	P109,452,922	100.0	P105,583,086	100.0

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

As at December 31, 2023 and 2022, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2023		2022	
	Amount	%	Amount	%
Electricity, gas, steam, and air-conditioning supply	P39,122,670	35.8	P30,518,493	28.9
Real estate activities	18,848,608	17.2	24,139,201	22.9
Construction	11,705,416	10.7	6,278,239	5.9
Manufacturing	10,917,610	10.0	13,275,801	12.6
Wholesale and retail trade, repair of motor vehicles and motorcycles	5,957,919	5.4	4,889,646	4.6
Information and communication	4,973,415	4.6	9,528,617	9.0
Financial and insurance activities	2,554,721	2.3	1,311,410	1.3
Agriculture, forestry and fishing	1,898,948	1.7	2,394,508	2.3
Mining and quarrying	1,882,580	1.7	1,895,670	1.8
Accommodation and food service activities	1,549,064	1.4	1,285,650	1.2
Water supply, sewerage, waste management and remediation activities	1,380,895	1.3	1,401,877	1.3
Transportation and storage	1,328,555	1.2	1,372,692	1.3
Administrative and support service activities	541,078	0.5	711,460	0.7
Others*	6,791,443	6.2	6,579,822	6.2
	P109,452,922	100.0	P105,583,086	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, 2023, the table above includes one industry group (electricity, gas, steam and air-conditioning supply) above the 30.0% of the total loan portfolio. However, the Bank has internal sub-classifications for renewable and non-renewable energy under electricity and power industry with separate limits (for renewable energy- 25.0% of the total loan portfolio, non-renewable energy- 30.0%). Existing exposures as at December 31, 2023 for this industry are within the acceptable levels (for renewable energy- 14.9% of the total loan portfolio, non-renewable energy- 20.8%). As at December 31, 2022, the Bank does not have credit concentration in any particular industry that exceeds 30.0% of total loan portfolio.

As at December 31, 2023, 10.0% of the Tier 1 capital amounted to P2.7 billion and the table above includes the six industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Construction, Manufacturing, Wholesale and retail trade, repair of motor vehicles and motorcycles and Information and communications) exceeding this level as of that date.

The table also includes the six industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Manufacturing, Construction, Wholesale and retail trade, repair of motor vehicles and motorcycles and Information and communications) above the 10.0% of Tier 1 capital (P2.5 billion) as at December 31, 2022.

The BROCOM and CRECOM constantly monitor these credit risk concentrations to ensure these are within the risk appetite of the Bank. Limits are set to allow SET to highlight any possible issues and to actively direct loans to preferred industries when faced with emerging concentration and potential industry decline.

Under BSP Circular No. 941, *Amendments to the Regulations on Past Due and Non-Performing Loans*, loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

As at December 31, 2023 and 2022, the breakdown of receivables from customers as to status, is as follows (amounts in thousands):

	December 31, 2023		
	Performing	Non-performing	Total
Corporate	P92,720,144	P782,498	P93,502,642
Consumers	12,359,497	911,470	13,270,967
Credit card	1,361,326	217,212	1,578,538
Others	1,004,755	50,632	1,055,387
	P107,445,722	P1,961,812	P109,407,534

	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

As at December 31, 2023 and 2022, the NPLs of the Bank, as reported to BSP, are as follows (in thousands):

	2023	2022
Gross NPLs	P1,961,812	P2,518,280
Less deductions as required by BSP	1,394,550	1,793,731
Net NPLs	P567,262	P724,549

Gross and net NPL ratios of the Bank are 1.54% and 0.44%, respectively, as at December 31, 2023 and 2.10% and 0.60%, respectively, as at December 31, 2022.

As at December 31, 2023 and 2022, restructured loans amounted to P1.0 billion and P1.1 billion, 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, 2023 and 2022, restructured receivables from customers considered as NPLs amounted P456.9 million and P340.9 million, respectively.

On March 14, 2020, the BSP issued BSP Memorandum No. M-2020-008 Regulatory Reliefs for BSP-supervised financial institutions 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 follows:

- Staggered booking of allowance for credit losses over a maximum of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of March 8, 2020, subject to prior approval of the BSP;
- Exclusion from the computation of past due and non-performing classification, the loans by borrowers in affected areas which should have been reclassified as past due as of March 8, 2020, including those loans becoming past due or non-performing six months thereafter, subject to the following: (a) such loans shall be reported to the BSP; (b) the exclusion shall be allowed from March 8, 2020 until December 31, 2021; and (c) BSP documentary requirements for restructuring of loans may be waived provided that the Bank will adopt appropriate and prudent operational control measures;
- Non-imposition of monetary penalties 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 from 25.0% to 30.0% until March 31, 2021;
- Allowance of (a) loans to Micro, Small and Medium Enterprises 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, 2023 and 2022, there has been no availment of the reliefs provided by BSP.

Interest Income on Loans and Receivables

This account consists of:

	2023	2022	2021
Receivables from customers:			
Term loans	P6,145,776,140	P4,258,299,628	P3,135,826,861
Agri-agra loans	817,533,328	117,546,235	38,283,650
Housing loans	566,980,066	533,304,245	551,299,617
Auto loans	297,279,192	247,631,545	264,452,515
Direct advances	18,960,417	15,944,868	18,021,144
Bills purchased, import bills and trust receipts	1,704,583	5,908,431	1,008,184
Others	371,451,465	264,901,980	250,289,916
	8,219,685,191	5,443,536,932	4,259,181,887
Sales contract receivable	24,987,312	21,691,954	25,273,885
	P8,244,672,503	P5,465,228,886	P4,284,455,772

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

As at December 31, 2023, 2022 and 2021, 60.3%, 55.7% and 48.0%, respectively, of the total receivables from customers were subject to periodic interest repricing.

Peso-denominated loans earn annual fixed interest rates ranging from 2.5% to 28.8% in 2023, from 1.6% to 54% in 2022, and from 1.0% to 54.0% in 2021. Dollar-denominated loans earn annual fixed interest rates ranging from 3.5% to 9.8% in 2023, 3.3% to 8.7% in 2022, and from 1.2% to 8.0% in 2021.

Sales contract receivables bear fixed interest rates ranging from 5.3% to 11.6% in 2023, 2022, and 2021.

13. Investment in an Associate

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

	Note	2023	2022	2021
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		(29,946,787)	(29,807,825)	(28,782,008)
Share in net loss		(782,580)	(133,185)	(1,039,285)
Share in other comprehensive income (loss)		(3,206,283)	(5,777)	13,468
Balance at end of year		(33,935,650)	(29,946,787)	(29,807,825)
Allowance for impairment loss	17	(5,925,786)	(5,925,786)	(5,925,786)
	33	P35,533,764	P39,522,627	P39,661,589

The following table shows the summarized financial information of BIC:

	2023**	2022*	2021*
Assets	P159,026,783	P162,417,769	P175,203,784
Liabilities	(12,556,199)	(12,566,028)	(12,041,307)
Net assets	146,470,584	149,851,741	163,162,477
Revenues	1,128,538	4,110,788	1,740,041
Net loss for the year	(3,334,297)	(117,445)	(2,791,998)
Other comprehensive loss	(46,858)	(13,193,291)	57,793
Total comprehensive loss	(3,381,155)	(13,310,736)	(2,734,205)

* Based on 2021 and 2022 audited financial statements

** Based on 2023 unaudited financial information

As at December 31, 2023 and 2022, 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 and right-of-use assets follow:

December 31, 2023						
Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost						
Balance at January 1	P41,569,630	P875,749,388	P1,628,976,165	P869,866,640	P1,035,535,118	P4,451,696,941
Additions	-	26,016,819	398,797,324	41,565,202	313,175,775	779,555,120
Disposals	-	-	(109,168,787)	-	(211,938,770)	(321,107,557)
Balance at December 31	41,569,630	901,766,207	1,918,604,702	911,431,842	1,136,772,123	4,910,144,504
Less Accumulated Depreciation and Amortization						
Balance at January 1	-	288,710,154	1,308,085,343	821,224,328	602,102,604	3,020,122,429
Depreciation and amortization	-	23,170,050	120,668,429	21,850,272	200,613,240	366,301,991
Disposals	-	-	(60,799,574)	-	(211,938,770)	(272,738,344)
Balance at December 31	-	311,880,204	1,367,954,198	843,074,600	590,777,074	3,113,686,076
Allowance for impairment losses	17	5,022,885	239,593	-	-	5,262,478
Net Book Value at December 31	P36,546,745	P589,646,410	P550,650,504	P68,357,242	P545,995,049	P1,791,195,950
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						Total
	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	
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

In 2023, 2022 and 2021, 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 P0.9 million, P0.1 million, and P0.3 million, respectively.

As at December 31, 2023 and 2022, the cost of fully depreciated property and equipment still in use amounted to P1.8 billion.

15. Investment Properties

The movements in investment properties follow:

	Note	December 31, 2023		
		Land	Buildings	Total
Balance at January 1		P3,194,101,578	P1,232,705,893	P4,426,807,471
Additions		358,235,659	230,367,748	588,603,407
Disposals		(137,068,053)	(63,508,658)	(200,576,711)
Write-off		(10,535,811)	(1,697,532)	(12,233,343)
Balance at December 31		3,404,733,373	1,397,867,451	4,802,600,824
Less Accumulated Depreciation				
Balance at January 1		-	824,917,030	824,917,030
Depreciation		-	103,128,616	103,128,616
Disposal		-	(49,972,740)	(49,972,740)
Write-off		-	(1,556,456)	(1,556,456)
Balance at December 31		-	876,516,450	876,516,450
Less Allowance for Impairment Losses	17	245,057,307	4,900,569	249,957,876
		P3,159,676,066	P516,450,432	P3,676,126,498

	Note	December 31, 2022		
		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

	Note	December 31, 2021		
		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

As at December 31, 2023 and 2022, the aggregate market value of investment properties amounted to P10.5 billion and P10.0 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:

	2023	2022	2021
Gain on foreclosure	P284,652,924	P63,491,307	P3,877,212
Gain on assets sold	196,428,853	262,092,188	258,763,846
	P481,081,777	P325,583,495	P262,641,058

In 2022 and 2021, rental income on investment properties (included in "Miscellaneous income" account in the statements of income) amounted P0.6 million, and P0.1 million, respectively (see Note 31). No rental income on investment properties was received in 2023.

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 2023. Direct operating expenses on investment properties such as security and insurance expenses, included under "Rent and utilities" account, litigation expenses, included under "Litigation and acquired assets-related expenses" in "Other expenses - miscellaneous" account, and real estate taxes, included under "Taxes and licenses" account in the statements of income, that did not generate rental income in 2023, 2022, and 2021 amounted to P83.7 million, P91.6 million, and P74.0 million, respectively (see Note 31).

16. Other Assets

This account consists of:

	<i>Note</i>	2023	2022
Miscellaneous assets - TRB	34	P4,348,092,231	P4,431,521,641
Creditable withholding tax		2,099,842,660	1,773,453,565
Intangible assets *		369,413,076	386,524,308
Sinking fund	24	290,118,112	282,393,274
Documentary stamps		135,513,421	99,711,061
Prepaid expenses		89,947,796	48,103,886
Other properties acquired *		73,493,952	43,126,160
Retirement assets	29	-	73,147,902
Others		301,848,371	195,037,847
		7,708,269,619	7,333,019,644
Less allowance for impairment losses	17	4,438,055,610	4,611,829,118
		P3,270,214,009	P2,721,190,526

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

Miscellaneous Assets - TRB

This account includes non-performing assets (NPAs) amounting to P4.3 billion and P4.4 billion, respectively, as at December 31, 2023 and 2022 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 P4.3 billion and P4.4 billion, respectively, as at December 31, 2023 and 2022, 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 recognized P1.3 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:

	<i>Note</i>	2023	2022
Software costs *		P309,413,076	P326,524,308
Branch licenses		60,000,000	60,000,000
		369,413,076	386,524,308
Less allowance for impairment losses	17	-	90,278,696
		P369,413,076	P296,245,612

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

Movements in software costs follow:

	2023	2022	2021
Cost			
Balance at January 1	P1,027,748,294	P926,851,659	P877,878,810
Additions	149,908,692	100,896,635	48,972,849
Write-off	(102,752,784)	-	-
Balance at end of year	1,074,904,202	1,027,748,294	926,851,659
Less Accumulated Amortization			
Balance at January 1	701,223,986	628,155,881	574,560,745
Amortization for the year	76,741,228	73,068,105	53,595,136
Write-off	(12,474,088)	-	-
Balance at end of year	765,491,126	701,223,986	628,155,881
Less Allowance for Impairment Losses	-	90,278,696	90,278,696
Net Book Value	P309,413,076	P236,245,612	P208,417,082

Other Properties Acquired

Movements in the other properties acquired follow:

	Note	2023	2022	2021
Cost				
Balance at January 1		P245,108,000	P220,284,000	P225,430,172
Additions		86,927,784	87,394,500	41,210,000
Disposals		(48,626,500)	(62,570,500)	(44,651,000)
Reclassification	14	-	-	(1,705,172)
Balance at end of year		283,409,284	245,108,000	220,284,000
Less Accumulated Depreciation				
Balance at January 1		201,981,840	199,868,958	174,388,936
Depreciation for the year		19,948,439	14,643,389	42,060,966
Disposals		(12,014,947)	(12,530,507)	(15,065,354)
Reclassification	14	-	-	(1,515,590)
Balance at end of year		209,915,332	201,981,840	199,868,958
Less Allowance for Impairment Losses		-	96,485	-
Net Book Value		P73,493,952	P43,029,675	P20,415,042

In 2023, 2022 and 2021, gain on foreclosure amounted to P4.7 million, P3.5 million and P1.2 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 P8.7 million, P11.2 million, and P10.3 million in 2023, 2022 and 2021, 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 2023, 2022 and 2021 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2023					Total
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	
ECL allowance, January 1, 2023	P3,197	P141	P2,481	P634	P6,069	P12,522
Provision for credit and impairment losses for the year	80	2	238	456	145	921
Foreign exchange differences	-	(1)	(4)	-	(5)	(10)
ECL allowance, December 31, 2023	P3,277	P142	P2,715	P1,090	P6,209	P13,433

	December 31, 2022					Total
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	
ECL allowance, January 1, 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					Total
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	
ECL allowance, January 1, 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

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2023, 2022 and 2021.

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, 2023 and 2022, ECL on off-balance sheet exposures amounted to P23.7 million and P33.8 million, respectively, (see Note 22). In 2023, 2022 and 2021, the Bank recognized provision for (reversal of) ECL on loan commitment and financial guarantees amounting to (P10.0 million), (P36.9 million), and P38.5 million, respectively.

In 2023 and 2022, the Bank recognized a provision (reversal) of allowance for credit losses on loans and receivables amounting to (P238.9 million) and P74.6 million, which is included under “Provision for (reversal of) credit and impairment losses” account in the statements of income, as a result of the recalibration of its existing ECL framework to incorporate the most recent data and developments in the macroeconomic environment of the Bank (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 2023, 2022 and 2021 (amounts in thousands).

	December 31, 2023										
	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, 2023	P180,639	P18,421	P35,735	P2,958	P120	P5,126	P57,970	P300,969	P2,632	P6,360	P309,961
Provision for credit and impairment losses	41,589	11,126	(25,378)	4,267	16	66,261	(15,519)	82,362	266	777	83,405
Transfer from Stage 1	(31,876)	(22,190)	(6,572)	(5,023)	(29)	(54,499)	(2,743)	(122,932)	(108)	(2,040)	(125,080)
Transfer from Stage 2	214	306	161	-	-	-	15	696	9	12	717
Transfer from Stage 3	-	200	2	-	-	-	3	205	26	3	234
Foreign exchange differences	(95)	-	-	-	-	(39)	(19)	(153)	-	(1)	(154)
	190,471	7,863	3,948	2,202	107	16,849	39,707	261,147	2,825	5,111	269,083
Stage 2											
ECL Loans, January 1, 2023	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Provision for credit and impairment losses	50,129	(658)	(20,901)	-	(286)	124,381	3,572	156,237	(26)	6,945	163,156
Transfer from Stage 1	-	11,620	3,158	-	29	49	968	15,824	49	527	16,400
Transfer from Stage 2	(214)	(4,525)	(4,489)	-	-	(131,258)	(461)	(140,947)	(12)	(4,610)	(145,569)
Transfer from Stage 3	-	1,724	108	-	-	-	24	1,856	2	44	1,902
Foreign exchange differences	-	-	-	-	-	-	(3)	(3)	-	(2)	(5)
	132,854	17,282	4,122	-	29	76	17,461	171,824	52	23,606	195,482
Stage 3											
ECL Loans, January 1, 2023	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
Provision for credit and impairment losses	(36,546)	20,645	(107,031)	-	-	(17,663)	38,990	(101,605)	(181)	(31,153)	(132,939)
Transfer from Stage 1	31,876	10,570	3,414	5,023	-	54,450	1,775	107,108	59	1,513	108,680
Transfer from Stage 2	-	4,219	4,328	-	-	131,258	446	140,251	3	4,598	144,852
Transfer from Stage 3	-	(1,924)	(110)	-	-	-	(27)	(2,061)	(28)	(47)	(2,136)
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(491)	(24)	-	(351)	-	-	(166)	(1,032)	-	(713)	(1,745)
	407,680	172,340	232,543	89,470	121,242	185,708	186,626	1,395,609	54,151	1,105,475	2,555,235
Total											
ECL Loans, January 1, 2023	729,426	171,818	403,649	91,132	133,413	29,693	683,416	2,242,547	56,969	1,161,079	3,460,595
Provision for credit and impairment losses	55,172	31,113	(153,310)	4,267	(270)	172,979	27,043	136,994	59	(23,431)	113,622
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(586)	(24)	-	(351)	-	(39)	(188)	(1,188)	-	(716)	(1,904)
	P731,005	P197,485	P240,613	P91,672	P121,378	P202,633	P243,794	P1,828,580	P57,028	P1,134,192	P3,019,800

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

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

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
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
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

The table below summarizes the movements in the gross carrying amounts of financial assets, other than loans and receivables, in 2023 and 2022 (amounts in thousands).

	December 31, 2023				
	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, 2023	P23,678,666	P1,044,396	P18,381,226	P5,805,051	P52,214,838
New assets purchased or originated	857,132,081	1,060	3,147,361,092	10,911,008	84,806,044
Assets derecognized or repaid	(854,932,081)	(36,818)	(3,143,921,917)	(5,963,068)	(84,500,328)
Other movements*	(1,603,470)	46,859	(1,705,905)	290,814	(43,241)
Gross carrying amount, December 31, 2023	P24,275,196	P1,055,497	P20,114,496	P11,043,805	P52,477,313

*Includes movements in outstanding balances and foreign exchange differences

	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

The table below summarizes the movements in the gross carrying amounts on loans and receivables in 2023 and 2022 (amounts in thousands).

	December 31, 2023										
	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, 2023	P85,152,447	P7,294,257	P3,115,110	P1,296,404	P466,443	P2,378,143	P1,808,374	P101,511,178	P263,227	P1,447,176	P103,221,581
New assets purchased or originated	39,963,570	1,369,112	1,913,726	14,983	382,112	10,075,693	531,274	54,250,470	154,270	742,125	55,146,865
Assets derecognized or repaid	(38,249,631)	(207,780)	(294,754)	(89,151)	(368,013)	(703,054)	(202,065)	(40,114,448)	(21,574)	(528,704)	(40,664,726)
Transfer from Stage 1	(61,876)	(180,668)	(48,317)	(5,023)	(1,674)	(59,181)	(13,235)	(369,974)	(10,881)	(87,181)	(468,036)
Transfer from Stage 2	142,500	88,312	35,256	-	-	-	1,862	267,930	953	3,985	272,868
Transfer from Stage 3	-	55,462	1,399	-	-	-	561	57,422	2,588	821	60,831
Other movements***	(6,732,361)	(678,921)	(999,409)	(255,984)	(26,446)	(201,994)	(141,209)	(9,036,324)	(106,068)	62,492	(9,079,900)
	80,214,649	7,739,774	3,723,011	961,229	452,422	11,489,607	1,985,562	106,566,254	282,515	1,640,714	108,489,483
Stage 2											
Gross carrying amount, January 1, 2023	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(257,858)	(13,444)	(24,725)	-	(2,641)	(2,865)	(4,586)	(306,119)	(1,971)	(20,706)	(328,796)
Transfer from Stage 1	-	116,055	35,704	-	1,674	4,731	8,807	166,971	4,884	25,258	197,113
Transfer from Stage 2	(142,500)	(114,102)	(45,545)	-	-	(131,258)	(2,727)	(436,132)	(1,228)	(9,353)	(446,713)
Transfer from Stage 3	-	16,910	1,164	-	-	-	160	18,234	165	437	18,836
Other movements***	(21,224)	(16,359)	(47,091)	-	-	(6,453)	22,126	(69,001)	(717)	(1,161)	(70,879)
	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
Stage 3											
Gross carrying amount, January 1, 2023	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
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(41,455)	(202,381)	(65,757)	-	-	(17,663)	(4,724)	(331,980)	(13,939)	(91,894)	(437,813)
Transfer from Stage 1	61,876	64,613	12,613	5,023	-	54,450	4,428	203,003	5,997	61,923	270,923
Transfer from Stage 2	-	25,790	10,289	-	-	131,258	865	168,202	275	5,368	173,845
Transfer from Stage 3	-	(72,372)	(2,563)	-	-	-	(721)	(75,656)	(2,753)	(1,258)	(79,667)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Other movements***	(3,776)	(18,454)	(13,386)	(351)	-	-	36,017	50	(4,062)	(141)	(4,153)
	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	1,118,730	3,207,565
Total											
Gross carrying amount, January 1, 2023	86,583,034	8,222,454	3,652,024	1,384,578	602,091	2,537,882	2,557,868	105,539,931	382,622	2,629,271	108,551,824
New assets purchased or originated	39,963,570	1,369,112	1,913,726	14,983	382,112	10,075,693	531,274	54,250,470	154,270	742,125	55,146,865
Assets derecognized or repaid	(38,548,944)	(423,605)	(385,236)	(89,151)	(370,654)	(723,582)	(211,375)	(40,752,547)	(37,484)	(641,304)	(41,431,335)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Other movements***	(6,757,361)	(713,734)	(1,059,886)	(256,335)	(26,446)	(208,447)	(83,066)	(9,105,275)	(110,847)	61,190	(9,154,932)
	P81,196,872	P8,454,227	P4,120,628	P1,050,699	P575,338	P11,681,546	P2,328,224	P109,407,534	P388,561	P2,789,882	P112,585,977

*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, 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

Movements in allowance for impairment losses as at December 31, 2023, 2022 and 2021 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

December 31, 2023					
	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	P201,904	P4,611,829	P4,825,815
Provision for impairment losses for the year	-	(894)	58,731	(83,494)	(25,657)
Write-off	-	-	(10,677)	(90,279)	(100,956)
Balance at end of year	P5,926	P5,262	P249,958	P4,438,056	P4,699,202

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

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. On June 23, 2023, the BSP reduced the reserve requirement to 9.5% effective on the reserve week starting on June 30, 2023, through the issuance of BSP Circular No. 1175.

As at December 31, 2023 and 2022, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P17.1 billion and P18.7 billion as at December 31, 2023 and 2022, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rates ranging from 5.0% to 6.0% in 2023, from 1.5% to 5.0% in 2022 and interest rate of 1.5% in 2021. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 6.4% to 6.8%, from 1.7% to 6.4%, and from 1.7% to 2.0% in 2023, 2022, and 2021, respectively. Interest income on Due from BSP amounted to P364.2 million, P264.7 million, and P226.4 million in 2023, 2022, and 2021, respectively.

Interest expense on deposit liabilities follows:

	2023	2022	2021
Demand	P67,813,429	P58,010,393	P53,357,209
Savings	2,174,301,309	631,899,858	276,548,245
Time	502,742,516	118,116,108	89,031,236
LTNCTD	226,323,900	226,323,900	226,323,900
	P2,971,181,154	P1,034,350,259	P645,260,590

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 6.5% in 2023, from 0.1% to 5.5% in 2022, and from 0.1% to 5.3% in 2021. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.5% in 2023, from 0.1% to 4.5% in 2022 and from 0.1% to 1.3% in 2021.

Insurance Expense

This account pertains to the PDIC insurance on deposits amounting to P345.1 million, P348.4 million, and P334.8 million in 2023, 2022, and 2021, respectively.

19. Bills Payable

This account consists of SSURA and short-term borrowings from local and foreign banks. As at December 31, 2023 and 2022, there were no short-term borrowings from local and foreign banks and no financial assets pledged and transferred under SSURA transactions.

Interest expense consists of:

	2023	2022	2021
SSURA	P24,610,494	P -	P -
Foreign banks	128,142	-	-
Local banks	104,836	325,200	223,871
Other borrowings	24,254,796	46,716,357	16,467,494
	P49,098,268	P47,041,557	P16,691,365

SSURA were subject to annual interest rates ranging from 5.3% to 5.7% in 2023.

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 1.9% to 2.5% and from 1.7% to 2.5% in 2022 and 2021, respectively. There were no peso-denominated short-term borrowings from local banks in 2023. Foreign currency denominated short-term borrowings from local banks are subject to annual interest rates ranging from 4.6% to 4.9% and from 0.2% to 0.5% in 2023 and 2022, respectively. There were no foreign currency denominated short-term borrowings from local banks in 2021.

Foreign currency denominated short-term borrowings from foreign banks are subject to annual interest rates ranging from 4.8% to 5.1% in 2023. There were no foreign currency denominated short-term borrowings from foreign banks in 2022 and 2021.

In 2023, 2022 and 2021, interest expense on other borrowings includes interest expense on tax settlement amounting to P24.2 million, 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. Transaction costs on the issuance of bonds amounted to P72.4 million.

Interest expense on bonds payable amounted to P413.0 million and P173.8 million in 2023 and 2022, respectively. As at December 31, 2023 and 2022, unamortized bond transaction costs amounted to P21.7 million and P57.7 million, respectively.

21. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	<i>Note</i>	2023	2022
Interest payable:			
Deposit liabilities	18	P292,928,209	P156,046,469
Bonds payable	20	52,570,178	52,570,178
		345,498,387	208,616,647
Employee and other benefits		222,122,042	262,586,345
Insurance		183,357,397	172,000,614
Penalties		171,456,762	171,456,762
Taxes payable		112,892,733	107,084,855
Fees and commissions		101,114,869	60,261,523
Utilities expenses		53,734,548	32,496,501
Management and professional fees		46,980,799	25,378,186
Equipment-related expenses		38,508,624	22,162,515
Security		23,599,389	11,425,088
Building repairs and maintenance		20,033,164	20,775,993
Rent		4,600,248	4,768,149
Others		63,290,363	66,752,642
		P1,387,189,325	P1,165,765,820

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

22. Other Liabilities

This account consists of:

	<i>Note</i>	2023	2022
Accounts payable		P1,431,420,389	P1,195,861,619
Bills purchased - contra	12, 33	951,269,458	1,251,721,161
Lease liability	30	593,364,435	490,913,094
Due to preferred shareholders	24	290,118,112	282,393,274
Other credits-dormant		233,264,121	221,250,979
Due to Treasurer of the Philippines		213,714,158	141,524,444
Withholding tax payable		169,251,673	130,999,174
Retirement liability	29	126,139,504	-
Unclaimed balances		35,780,120	77,021,937
ECL on off-balance sheet exposures	17	23,743,549	33,785,184
Miscellaneous		125,115,684	124,858,500
		P4,193,181,203	P3,950,329,366

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):

	Note	2023			2022		
		Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Assets - gross							
COCI		P3,500,645	P -	P3,500,645	P2,735,171	P -	P2,735,171
Due from BSP	18	24,275,196	-	24,275,196	23,678,666	-	23,678,666
Due from other banks		1,055,497	-	1,055,497	1,044,396	-	1,044,396
Interbank loans receivable and SPURA	8	20,114,496	-	20,114,496	18,381,226	-	18,381,226
Financial assets at FVPL:	9	-	190,505	190,505	-	344,809	344,809
Private debt securities		-	-	-	-	-	-
Government securities held-for-trading		180,603	-	180,603	7,259	-	7,259
Derivative assets		-	27,685	27,685	1,056	27,877	28,933
Financial assets at FVOCI:	10	-	10,850,048	10,850,048	-	5,619,272	5,619,272
Government securities		-	193,757	193,757	-	185,779	185,779
Equity securities		-	-	-	-	-	-
Investment securities at amortized cost - gross:	11	16,903,505	33,408,145	50,311,650	14,565,715	34,884,807	49,450,522
Government securities		78,770	2,086,893	2,165,663	569,353	2,194,963	2,764,316
Private debt securities		-	-	-	-	-	-
Loans and receivables - gross:	12	-	-	-	-	-	-
Receivable from customers:		-	-	-	-	-	-
Term loans		30,997,471	50,199,401	81,196,872	35,186,203	51,396,830	86,583,033
Agri-agra loans		4,207,708	7,473,838	11,681,546	622,163	1,915,724	2,537,887
Housing loans		741,214	7,713,089	8,454,303	947,248	7,275,361	8,222,607
Auto loans		641,992	3,481,423	4,123,415	705,361	2,946,664	3,652,025
Bills purchased, import bills and trust receipts		1,050,699	-	1,050,699	1,384,578	-	1,384,578
Direct advances		477,724	99,488	577,212	506,857	98,471	605,328
Others		1,721,579	647,296	2,368,875	1,998,214	599,413	2,597,626
Accrued interest receivable		1,443,071	-	1,443,071	1,279,697	-	1,279,697
Accounts receivable		1,055,139	-	1,055,139	1,057,747	-	1,057,747
Sales contract receivables		123,040	265,521	388,561	121,467	261,155	382,622
Unquoted debt securities		291,578	-	291,578	291,578	-	291,578
RCOCI		93	-	93	249	-	249
Investment in associate	13	-	75,395	75,395	-	75,395	75,395
		108,860,020	116,712,484	225,572,504	105,084,204	107,826,520	212,910,724
Non-financial Assets - gross							
Property and equipment	14	-	4,910,145	4,910,145	-	4,451,697	4,451,697
Investment properties	15	-	4,802,601	4,802,601	-	4,426,807	4,426,807
Deferred tax assets	32	-	475,333	475,333	-	612,090	612,090
Other assets	16	2,351,268	6,332,408	8,683,676	1,943,017	6,293,209	8,236,226
		2,351,268	16,520,487	18,871,755	1,943,017	15,783,803	17,726,820
		P111,211,288	P133,232,971	P244,444,259	P107,027,221	P123,610,323	P230,637,544
Less:							
Allowance for credit and impairment losses	17	-	-	P7,731,347	-	-	P8,298,298
Accumulated depreciation and amortization	14, 15, 16	-	-	4,965,609	-	-	4,748,245
Unearned interest	12	-	-	45,388	-	-	43,155
Accumulated equity in net loss	13	-	-	33,936	-	-	29,947
Total				P231,667,979			P217,517,899
Financial Liabilities							
Deposit liabilities:							
Demand	18	P54,569,494	P -	P54,569,494	P51,792,970	P -	P51,792,970
Savings		109,667,913	-	109,667,913	101,651,553	-	101,651,553
Time		16,207,259	431,283	16,638,542	16,973,625	819,672	17,793,297
LTNCTD		-	5,029,420	5,029,420	-	5,029,420	5,029,420
Financial liabilities at FVPL	9	6,202	-	6,202	283	-	283
Bonds payable	20	7,478,265	-	7,478,265	-	7,442,251	7,442,251
Manager's checks		1,846,500	-	1,846,500	661,454	-	661,454
Accrued interest and other expenses*	21	1,047,574	-	1,047,574	791,326	-	791,326
Other liabilities**	22	3,174,414	699,632	3,874,046	3,189,842	595,704	3,785,546
		193,997,621	6,160,335	200,157,956	175,061,053	13,887,047	188,948,100
Non-financial Liabilities							
Accrued taxes and other expense payable	21	339,615	-	339,615	374,440	-	374,440
Other liabilities	22	192,995	126,140	319,135	164,784	-	164,784
		532,610	126,140	658,750	539,224	-	539,224
		P194,530,231	P6,286,475	P200,816,706	P175,600,277	P13,887,047	P189,487,324

*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		
	2023	2022	2021	2023	2022	2021
Authorized Capital Stock						
Common stock, P10 par value	1,702,511,470	1,702,511,470	1,702,511,470	P17,025,114,700	P17,025,114,700	P17,025,114,700
Preferred stock, P10 par value	455,000,000	455,000,000	455,000,000	4,550,000,000	4,550,000,000	4,550,000,000
	2,157,511,470	2,157,511,470	2,157,511,470	P21,575,114,700	P21,575,114,700	P21,575,114,700
Issued and Outstanding						
Common stock	1,403,013,920	1,403,013,920	1,122,411,120	P14,030,139,200	P14,030,139,200	P11,224,111,200
Preferred stock	416,666,670	416,666,670	416,666,670	4,166,666,700	4,166,666,700	4,166,666,700
	1,819,680,590	1,819,680,590	1,539,077,790	P18,196,805,900	P18,196,805,900	P15,390,777,900
Paid-in Surplus						
Common stock				P5,995,503,421	P5,995,503,421	P5,542,922,930
Preferred stock				1,233,771,939	1,233,771,939	1,233,771,939
				P7,229,275,360	P7,229,275,360	P6,776,694,869

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

	Common Shares			Preferred Shares		
	2023	2022	2021	2023	2022	2021
Balance as at January 1	1,403,013,920	1,122,411,120	112,241,112	416,666,670	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 at December 31	1,403,013,920	1,403,013,920	1,122,411,120	416,666,670	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 P290.1 million and P282.4 million as at December 31, 2023 and 2022, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 22 to the financial statements. As at December 31, 2023 and 2022, the related sinking fund which is recorded under "Other assets" account amounting to P290.1 million and P282.4 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 16).

On April 8, 2010, the SEC approved the Bank's application for the increase in authorized capital stock from P6.0 billion, divided into 52.5 million common shares and 7.5 million preferred shares both with the par value of P100 each, to P22.0 billion divided into 212.5 million common shares and 7.5 million preferred shares both with the par value of P100 each. The related amendment to the Articles of Incorporation of the Bank relative to its proposed increase in authorized capital stock from P6.0 billion to P22.0 billion was approved by BSP and the SEC on March 26, 2010 and April 8, 2010, respectively.

During its meeting on January 18, 2011, the BOD of the Bank passed a resolution approving the following:

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to SMPI and SMCRP amounting to 2,800,000 shares and 1,972,735 shares, respectively; and
- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

In 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 mandated in BSP's MORB since the total shareholdings of Valiant entitles it to a board seat. The Board also approved that the sale of shares and assignment of subscription rights be recorded in the stock and transfer book of the Bank only after the approval of the MB has been obtained.

On March 30, 2011, the MB of BSP approved the sale of shares of Valiant. In 2011, the Bank's subscribed common stock totaling 59,741,113 shares have been fully paid in accordance with the subscription agreement.

On April 30, 2019, the BOD and the Stockholders approved to amend the Articles of Incorporation to deny pre-emptive rights. The said amendment was approved by the BSP on August 16, 2019 and by the SEC on September 5, 2019.

On January 30, 2020, the BOD and the Stockholders approved the amendment of the Articles of Incorporation to (a) reflect that the Bank's terms of existence shall be perpetual (b) retire 4,248,853 redeemed preferred shares thereby decreasing the Bank's authorized capital stock to P21,575,114,700 (c) reclassify 3,251,147 existing unissued preferred shares into new unissued preferred shares and (d) reclassify 42,248,853 existing unissued common shares into new unissued preferred shares. The amendments resulted in total new preferred shares of 45,500,000 with par value of P100 and decrease in common shares to 170,251,147 with par value of P100. These were approved by the BSP on May 21, 2020 and by the SEC on June 9, 2020.

On January 26, 2021, the BOD approved the issuance of 41,666,667 preferred shares to San Miguel Corporation at P132.0 per share. These shares will be issued out of the unissued Series 1 Preferred Shares of the Bank. On March 8, 2021, the Bank received from BSP a "No Objection" to the provisions in the indicative terms and conditions of these Preferred Shares, provided that the Bank shall 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 San Miguel Corporation to SMC Equivest Corporation, a wholly owned subsidiary of San Miguel Corporation and an existing stockholder of the Bank. On August 5, 2021, the Bank issued 41,666,667 Series 1 Preferred Shares to SMC Equivest Corporation at P132.0 per share. Transaction costs on the issuance of preferred shares amounting to P99.6 million were charged against "Paid-in surplus".

On May 25, 2021 and July 8, 2021, the BOD and the Stockholders, respectively, approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (P100.0) to Ten Pesos (P10.0). The amendment resulted in increase in common shares from 170,251,147 to 1,702,511,470 and increase in preferred shares from 45,500,000 to 455,000,000. This amendment was approved by the BSP on October 4, 2021 and by the SEC on November 2, 2021.

On October 28, 2021 and November 9, 2021, the BOD and Stockholders, respectively, approved the primary public offer and sale of up to 280,700,000 common shares from unissued capital stock. 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 with the 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.

Subject to the approval of the relevant government regulatory agencies, the Stockholders and BOD approved on April 25, 2023 and February 28, 2023, respectively, 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 February 28, 2023, the BOD 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. Subsequently, the Stockholders of the Bank approved the same on April 25, 2023.

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-in surplus of P5.6 billion subject to the conditions that the remaining Paid-in surplus of P5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

Capital Management

The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is actively being managed to cover risks inherent in the Bank's operations. In 2009, SMPI and SMCRP infused additional capital amounting to P3.3 billion in the form of paid-up common stock. On February 18, 2010 and March 1, 2010, major stockholders infused P271.9 million and P2.1 billion, respectively, into the Bank in the form of advances for future stock subscriptions, which shall be treated as part of the Bank's paid-up capital upon the SEC's approval thereon and on the increase in the Bank's authorized capital stock.

On August 5, 2021, SMC Equivest Corporation infused additional capital amounting P5.5 billion in the form of paid-up preferred stock. This is in support of the application of the Bank for an upgrade of its commercial banking license to a universal banking license. 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 (universal banks with more than 100 branches) amounted to P20.0 billion. The Bank achieved this level with the August 2021 infusion of additional capital mentioned above. 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. As at December 31, 2023 and 2022, the reported unimpaired capital of the Bank amounted to P29.7 billion and P26.9 billion, respectively.

The guidelines on Bank's ICAAP under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework. In compliance with this new circular, the Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Bank. The level and structure of capital are assessed and determined in light of the Bank's business environment, plans, performance, risks and budget; as well as regulatory edicts. The deadline for submission of ICAAP documents is March 31 of each year.

Regulatory Qualifying Capital

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

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

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

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

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

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-'going concern' [CET1 plus Additional Tier 1] 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 MB 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, 2023 and 2022, based on the CAR reports submitted to BSP, the Bank's CAR of 19.88% and 17.97%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"), based on the Basel III framework. The increase in the CAR ratio was primarily due to the increase in undivided profits and decrease in the credit risk weighted amount of contingent account (domestic standby letters of credit).

The breakdown of the Bank's risk-weighted assets as at December 31, 2023 and 2022 as reported to BSP follows (amounts in thousands):

	2023	2022
Credit risk-weighted assets	P131,091,150	P132,556,255
Operational risk-weighted assets	12,140,350	10,450,670
Market-risk weighted assets	313,854	120,664
	P143,545,354	P143,127,589

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2023 and 2022 (in millions) as reported to BSP which was compiled as per below:

	2023	2022
Tier 1 capital	P27,396	P24,646
Tier 2 capital	1,139	1,076
Total qualifying capital	P28,535	P25,722
CET1 capital	P21,996	P19,245
Risk-weighted assets	P143,545	P143,128
CET1 ratio	15.32%	13.45%
Tier 1 capital ratio	19.09%	17.22%
Total capital ratio	19.88%	17.97%

Certain adjustments are made to PFRSs results and reserves to calculate CAR which included the Bank's accounting of the following transactions that require different accounting treatments under PFRSs:

- a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning;
- b) accounting for investment properties.

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

Under Section 129 of the MORB Basel III, leverage ratio is designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The Bank exceeded the minimum leverage ratio of 5.0% as at December 31, 2023 and 2022 which was complied as per below breakdown (amounts in thousands):

	2023	2022
Capital measure	P27,396,326	P24,645,529
Exposure measure	246,764,987	235,849,588
Leverage ratio	11.10%	10.45%

The LCR framework under Section 145 of the MORB promotes short-term resilience of liquidity risk profile of a bank. The LCR is the ratio of HQLAs to total net cash outflows. Under normal situation, the value of the ratio should be no lower than 100.0% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement commenced on January 01, 2018 and the prescribed minimum shall be set initially at 90% for 2018 and raised to the minimum level of 100% on January 01, 2019.

Based on the LCR reports submitted to the BSP as at December 31, 2023 and 2022, the Bank's LCR were 213.9% and 182.7%, 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 NSFR 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, 2023 and 2022, the reported NSFR of 164% and 154%, 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

	2023	2022	2021
Reserve for general provision - special reserve	P877,491,849	P775,206,634	P556,655,007
Reserve for trust business	157,512,612	148,200,862	139,151,260
Reserve for self-insurance	60,000,000	60,000,000	60,000,000
	P1,095,004,461	P983,407,496	P755,806,267

Reserve for General Provision - Special Reserve

The BSP, through Circular No. 1011, *Guidelines on the Adoption of the PFRS 9*, requires appropriation of the Bank's retained earnings in case the computed allowance for credit losses on loans based on PFRS 9 is less than the BSP required 1.0% general provision on outstanding Stage 1 on-balance sheet loans, except for accounts considered as risk-free under existing regulations. Additional appropriation for reserve for general provision amounted to P102.3 million, P218.6 million, and P347.8 million in 2023, 2022 and 2021, 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 P9.3 million, P9.0 million, and P12.4 million in 2023, 2022 and 2021, 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 was made in 2023, 2022, and 2021.

26. Interest Income on Debt Securities

This account consists of:

	Note	2023	2022	2021
Investment securities at amortized cost:				
Government securities	11	P1,716,340,695	P1,370,841,465	P908,591,924
Private debt securities		85,656,947	100,869,054	154,337,125
Financial assets at FVOCI:				
Government securities	10	445,722,527	204,988,977	168,875,905
Private debt securities		-	5,085,038	19,758,785
		2,247,720,169	1,681,784,534	1,251,563,739
Financial assets at FVPL:				
Government securities held for trading	9	21,561,207	4,603,469	14,420,446
		P2,269,281,376	P1,686,388,003	P1,265,984,185

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 5.3% in 2023, from 0.8% to 3.7% in 2022 and from 0.8% to 3.4% in 2021. Peso-denominated investment securities at amortized cost bear EIRs ranging from 2.3% to 8.1% in 2023 and from 1.4% to 8.1% in 2022 and 2021.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 2.6% to 4.5%, from 0.9% to 2.8%, and from 0.02% to 2.9%, respectively, in 2023, 2022, and 2021. Peso-denominated financial assets at FVOCI bear EIRs ranging from 3.6% to 6.9% in 2023, from 3.6% to 6.7% in 2022, and from 2.1% to 6.6% in 2021.

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 1.6% to 8.6% in 2023, from 0.2% to 8.6% in 2022, and from 0.9% to 8.6% in 2021. Peso-denominated financial assets at FVPL bear annual interest rates ranging from 2.6% to 9.3%, from 0.6% to 8.1%, and from 0.7% to 8.1% in 2023, 2022, and 2021, respectively.

27. Service Charges, Fees and Commissions

Service Charges, Fees and Commissions - Income

This account consists of:

	2023	2022	2021
Credit card fees	P179,629,720	P147,516,114	P115,655,338
Trust income	174,904,628	152,971,718	139,219,456
Service charges	157,871,633	148,551,460	131,070,951
Underwriter and arranger's fees	148,709,683	95,900,297	-
Letters of credit fees	77,530,188	122,780,721	36,248,747
Fees and commissions	55,744,047	48,792,533	26,587,398
Remittance fees	37,065,138	41,087,314	52,169,552
Penalty charges	34,546,673	31,346,781	8,098,809
Commitment fees	10,144,513	55,783,132	11,511,432
Telegraphic transfer fees	3,375,067	2,715,963	2,480,761
Others	6,858,195	10,185,844	8,085,308
	P886,379,485	P857,631,877	P531,127,752

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

Underwriter and arranger's fees are earned by the Bank as compensation for underwriting a public offering, placing an issue in the market or arranging a private placement of debt.

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:

	2023	2022	2021
Transaction and service fees	P273,919,598	P187,294,357	P141,375,266
Mastercard fees	77,654,916	59,034,910	48,134,742
Fees and commissions	58,759,010	43,533,852	36,997,921
Others	7,590,497	3,466,436	3,198,544
	P417,924,021	P293,329,555	P229,706,473

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

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

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

	Note	2023	2022	2021
Financial assets and liabilities at FVPL:				
Debt securities:				
Unrealized	9	P22,810,265	P3,032,696	(P4,189,634)
Realized		(19,188,811)	(32,249,257)	(5,635,758)
Equity securities:				
Realized		12,535	-	-
Financial assets at FVOCI	10	6,964,361	-	(68,883,753)
		P10,598,350	(P29,216,561)	(P78,709,145)

29. Employee Benefits

Compensation and Fringe Benefits

The details of the following accounts in 2023, 2022 and 2021 follow:

	2023	2022	2021
Salaries and allowances	P1,326,204,346	P1,097,273,510	P988,536,430
Bonuses	460,950,000	349,320,000	375,320,000
Employee benefits	337,516,981	293,658,369	285,629,019
Retirement benefits	91,753,151	123,585,814	144,948,491
Overtime	41,971,618	40,973,832	26,535,151
	P2,258,396,096	P1,904,811,525	P1,820,969,091

Retirement Plan

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

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

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

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

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

The date of the last actuarial valuation is December 31, 2023. Valuations are performed on an annual basis.

As at December 31, 2023, 2022 and 2021, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2023	2022	2021
Average working life	13.0	13.0	13.0
Discount rate	6.1%	7.6%	5.0%
Future salary increases	6.6%	6.6%	6.6%

The mortality rates used in the valuation were based on the 1985 Unisex Annuity Table (UAT). The 1985 UAT was derived from the experience of the Government Service Insurance System from 01 January 1977 to 31 December 1981, a period of five years. The 1985 UAT has been adjusted to reflect improvements in mortality experience since its original construction. The disability rates used in the valuation were based on 100% of the adjusted 1952 Disability Table, reflecting improvement in Philippine disability experience.

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)		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Balance at January 1	P1,027,606	P1,244,156	P1,329,366	(P1,100,754)	(P1,085,608)	(P936,823)	(P73,148)	P158,548	P392,543
Included in Profit or Loss									
Current service cost	94,990	115,658	129,639	-	-	-	94,990	115,658	129,639
Interest expense (income)	77,119	62,208	51,845	(80,356)	(54,280)	(36,536)	(3,237)	7,928	15,309
	172,109	177,866	181,484	(80,356)	(54,280)	(36,536)	91,753	123,586	144,948
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	167,475	(299,036)	(166,458)	-	-	-	167,475	(299,036)	(166,458)
Experience adjustment	81,345	18,033	(6,013)	-	-	-	81,345	18,033	(6,013)
Return on plan assets excluding interest income	-	-	-	39,176	96,178	(14,069)	39,176	96,178	(14,069)
	248,820	(281,003)	(172,471)	39,176	96,178	(14,069)	287,996	(184,825)	(186,540)
Others									
Contributions paid by the employer	-	-	-	(180,461)	(170,457)	(192,403)	(180,461)	(170,457)	(192,403)
Benefits paid	(105,401)	(113,413)	(94,223)	105,401	113,413	94,223	-	-	-
	(105,401)	(113,413)	(94,223)	(75,060)	(57,044)	(98,180)	(180,461)	(170,457)	(192,403)
Balance at December 31	P1,343,134	P1,027,606	P1,244,156	(P1,216,994)	(P1,100,754)	(P1,085,608)	P126,140	(P73,148)	P158,548

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

	2023	2022	2021
Balance at beginning of year	P77,723,200	P262,547,387	P449,088,000
Remeasurement losses (gains) on:			
Defined benefits obligation	248,820,103	(281,002,208)	(172,472,150)
Plan assets	39,175,594	96,178,021	(14,068,463)
Net change in remeasurement losses (gains) recorded in OCI	287,995,697	(184,824,187)	(186,540,613)
Balance at end of year	P365,718,897	P77,723,200	P262,547,387

The actual return (loss) on plan assets amounted to P41.2 million and (P41.9) million in 2023 and 2022, respectively.

The Bank expects to contribute P211.4 million to its defined benefits retirement plan in 2024.

The major categories of the fair value of plan assets as at December 31, 2023 and 2022 follow:

	2023	2022
Investment securities:		
Government and other debt securities	P526,163,095	P614,885,776
Quoted equity securities	339,884,175	270,829,395
Unquoted equity securities	2,600	2,600
Deposits with the bank	131,963,457	30,747,112
Loans receivables	206,022,617	170,241,796
Other receivables	12,958,486	14,047,453
Total Plan Assets	P1,216,994,430	P1,100,754,132

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, 2023			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P1,225,926,087	P1,479,462,857	P1,468,882,977	P1,232,640,544
Fair value of plan assets	(1,216,994,429)	(1,216,994,429)	(1,216,994,429)	(1,216,994,429)
Net retirement liability (assets)	P8,931,658	P262,468,428	P251,888,548	P15,646,115

	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)

The maturity analyses of the undiscounted benefit payments as at December 31, 2023 and 2022 are as follows:

	2023	2022
1 - 5 years	P541,608,869	P443,062,358
6 - 10 years	1,101,752,171	922,629,278
11 - 15 years	1,086,406,759	1,068,594,031
16 years and up	5,407,534,068	4,581,346,511
	P8,137,301,867	P7,015,632,178

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 as at December 31, 2023 and 2022. The expected average remaining working lives as at December 31, 2023 and 2022 is 13 years.

30. Rent and Utilities

The table below shows the breakdown of rent and utilities in 2023, 2022, and 2021.

	2023	2022	2021
Repairs and maintenance	P199,706,881	P187,630,410	P170,656,204
Security services	197,680,447	220,318,339	180,368,900
Power, light, water	112,852,064	105,967,062	71,469,631
Rent expense	81,928,780	68,792,512	59,358,776
Janitorial services	42,226,915	38,559,704	35,909,859
Insurance	13,302,902	10,281,940	14,520,536
Total	P647,697,989	P631,549,967	P532,283,906

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

Bank as Lessee

The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase ranging from 2.8% to 18.5%.

The Bank also leases parking space, ATM location, signage and storage 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, 2023 and 2022.

The table below shows the amounts recognized in the statements of income in 2023, 2022 and 2021 related to leases under PFRS 16 (amounts in millions).

	2023	2022	2021
Interest on lease liabilities	P32.8	P28.2	P35.0
Expenses relating to short-term leases	70.0	59.1	59.4
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	12.0	9.7	8.9

Total cash outflow for leases recognized in 2023, 2022 and 2021 amounted to P320.1 million, P303.2 million, and P295.0 million, respectively.

Bank as Lessor

The Bank leases out its commercial properties for office space. The Bank has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Bank on its commercial properties (shown under “Miscellaneous” in the statements of income) for the years ended December 31, 2023, 2022, and 2021 were P1.6 million, P1.8 million, and P0.5 million, respectively, and includes rental income on investment properties (Note 15). The Bank also recognized income from the use of safety deposit boxes amounting to P3.0 million for years ended December 31, 2023, 2022, and 2021 (see Note 31).

As at December 31, 2023 and 2022, the Bank has no future rental receivables under non-cancellable operating lease.

31. Miscellaneous Income and Expenses

Miscellaneous Income

This account consists of:

	<i>Note</i>	2023	2022	2021
Passed-on GRT		P50,377,835	P40,574,554	P26,542,569
Dividend income	10	5,604,161	1,612,352	5,709,161
Rent income	30	4,602,172	4,834,797	3,439,978
Others		84,692,214	68,157,678	14,873,615
		P145,276,382	P115,179,381	P50,565,323

Others include gain due to rent concessions, recovery from charged-off assets and excess chattel fees. Recovery from charged-off assets amounted to P71.1 million, P56.1 million, and P0.2 million, respectively, in 2023, 2022 and 2021.

Miscellaneous Expenses

This account consists of:

		2023	2022	2021
Marketing		P103,566,171	P57,421,253	P50,196,110
Supervision and examination fee		83,011,437	67,926,910	57,535,251
Communications		79,890,227	77,156,091	80,744,268
Forms and supplies		51,808,966	45,915,052	37,796,870
Transportation and travel		42,598,156	26,500,086	16,446,128
Messengerial services		39,440,243	36,985,834	53,659,322
Litigation and acquired assets-related expenses		27,984,321	16,391,828	10,166,679
Membership dues		27,594,750	20,809,127	16,439,851
Fines and penalties		3,372,381	71,713,640	97,759,614
Others		60,526,331	125,759,860	81,067,483
		P519,792,983	P546,579,681	P501,811,576

Others include management fee on deposits, charges on correspondent banks, royalty fees, 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. In a Decision dated December 1, 2021, the Supreme Court declared RR 4-2011 void for having issue ultra vires. It ruled that RR 4-2011 unduly contravened and expanded the provisions of the Tax Code. The Supreme Court Decision became final and executory on June 7, 2022, and was recorded in the Book of Entries of Judgement.

Foreign Currency Deposit Unit

RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU, provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.
- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and
- Interest income derived by resident individual or corporation on deposits with FCDUs and OBUs are subject to 15.0% final tax.

Income tax expense consists of:

	2023	2022	2021
Current:			
Final	P728,807,543	P523,060,497	P399,293,480
RCIT	93,876,511	73,242,737	1,778,182
Tax benefit	(25,186,431)	(61,363,313)	-
MCIT	-	-	38,840,735
Adjustment for CREATE	-	-	(34,487,630)
	797,497,623	534,939,921	405,424,767
Deferred	136,393,568	131,415,328	218,263,891
	P933,891,191	P666,355,249	P623,688,658

The amount of tax benefit relates to MCIT of prior periods that was used to reduce current tax payable.

The amount of deferred income tax relates to the origination and reversal of temporary differences. In 2021, this amount includes the impact of CREATE Law, resulting to the remeasurement of items previously measured based on previous tax rate, amounting to P160.3 million.

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:

	2023	2022	2021
Income before income tax expense	P3,736,110,366	P2,466,423,849	P1,830,307,823
Income tax at statutory rate	P934,027,592	P616,605,962	P457,576,956
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	192,649,750	114,721,794	128,709,952
Tax paid income	(157,558,235)	(56,603,094)	(28,047,183)
Nontaxable income	(62,716,480)	(6,127,328)	21,934,422
Changes in unrecognized deferred tax assets	59,498,560	26,098,741	59,508,039
FCDU income	(25,552,958)	(23,316,140)	(25,301,259)
Others	(6,457,038)	(5,024,686)	9,307,731
Effective income tax	P933,891,191	P666,355,249	P623,688,658

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

	Beginning Balance (December 31, 2022 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2023 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P649,802,754	(P55,040,734)	P -	P594,762,020
Accumulated depreciation on foreclosed properties	206,229,257	12,899,855	-	219,129,112
Accrued employee benefits and other expenses	146,226,619	18,228,960	-	164,455,579
Unrealized loss on foreclosed properties	63,726,642	(2,940,405)	-	60,786,237
Net lease liability	14,370,454	(2,528,107)	-	11,842,347
Accrued rent expense	1,467,162	(430,310)	-	1,036,852
MCIT	25,186,431	(25,186,431)	-	-
	1,107,009,319	(54,997,172)	-	1,052,012,147
Deferred tax liability:				
Unrealized gain on foreclosed properties	(381,520,446)	(54,624,180)	-	(436,144,626)
Unrealized foreign exchange gain	(52,974,799)	(9,061,976)	-	(62,036,775)
Retirement benefits	(37,717,776)	(22,177,072)	-	(59,894,848)
Gain on investment properties sold under installments	(22,706,210)	4,466,832	-	(18,239,378)
Unrealized gain on financial assets at FVOCI	-	-	(363,597)	(363,597)
	(494,919,231)	(81,396,396)	(363,597)	(576,679,224)
Net Deferred Tax Assets (Liabilities)	P612,090,088	(P136,393,568)	(P363,597)	P475,332,923
	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

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:

	2023		2022		2021	
	Deductible Temporary Differences	Deferred Tax Asset	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses	P2,826,627,838	P706,656,960	P3,169,422,869	P792,355,717	P3,073,627,758	P768,406,940
Unrealized loss on financial assets at FVPL	4,023,806	1,005,952	4,539,344	1,134,836	3,421,893	855,473
Others	168,557,986	42,139,497	216,589,515	54,147,379	209,107,113	52,276,778
Deferred tax items not recognized in profit or loss	2,999,209,630	749,802,409	3,390,551,728	847,637,932	3,286,156,764	821,539,191
Remeasurement losses on retirement liability	365,718,897	91,429,724	77,723,200	19,430,800	262,547,387	65,636,847
Deferred tax items not recognized in OCI	365,718,897	91,429,724	77,723,200	19,430,800	262,547,387	65,636,847
	P3,364,928,527	P841,232,133	P3,468,274,928	P867,068,732	P3,548,704,151	P887,176,038

As at December 31, 2023 and 2022, the Bank has no carryforward NOLCO.

Details of the Bank's RBU excess MCIT over RCIT as at December 31, 2023 follow:

Inception Year	Amount	Applied	Balance	Expiry Year
2021	P25,186,431	(P25,186,431)	P -	2024

33. Related Party Transactions

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

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

Except with the prior approval of the MB, 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 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 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):

	2023		2022	
	DOSRI Loans	Related Party Loans (inclusive of DOSRI)	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	P166	P39,011,760	P258	P29,909,689
Percent of DOSRI/Related Party loans to total loans	0.00%	35.66%	0.00%	28.34%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	21.14%	0.00%	39.98%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%	0.00%	0.01%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.35%	0.00%	0.03%

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			
2023				
Investment in an associate		P -	P35,534	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		783	-	Share in net loss of BIC
2022				
Investment in an associate		-	39,523	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

Unless otherwise stated, RPTs disclosed are unsecured.

Category	Note	Amount/Volume			Outstanding Balance		Nature, Terms and Conditions
		2023	2022	2021	2023	2022	
Other Related Parties							
Financial assets at FVOCI:	10						
Private debt securities		P -	P -	P -	P -	P -	Matured bond with interest rate of 6.6%.
Maturities		-	300,000	-	-	-	
Investment securities at amortized cost	11	-	-	-	345,110	381,680	Long-term bonds with interest rates ranging from 6.5% to 8.1% with maturity years ranging from 2024 to 2025.
Maturities		36,570	-	1,330,350	-	-	Matured bond had interest rates ranging from 4.0% to 5.5%
Loans and receivables - net:	12						
Receivables from customers:		-	-	-	38,819,027	29,820,614	Term, housing, auto, salary and personal loans with interest rates ranging from 4.8% 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		111,576,878	49,176,944	63,412,047	-	-	
Settlements		100,198,842	40,503,492	60,623,795	-	-	
Accrued interest receivables:		-	-	-	300,454	177,332	Accrued interest receivables on loans and long-term bonds;
Interest income		2,875,183	1,560,266	1,830,281	-	-	Interest income on loans and long-term bonds;
Deposit liabilities:	18	-	-	-	59,314,694	52,293,651	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Deposits		6,166,071,245	5,689,342,609	4,112,755,092	-	-	
Withdrawals		5,048,087,644	4,888,848,456	3,631,676,685	-	-	
Accrued interest payable	21	967,838	260,241	105,793	127,398	39,391	Interest expense and accrued interest payable on deposits;
Accrued other expenses and other liabilities	21, 22	319,206	186,621	182,914	47,823	6,699	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	219,010	292,932	80,923	-	-	Loan, underwriting, and investment-related fees and commission income, gain from the cash sale transactions of foreclosed properties and passed-on GRT
Commitments and contingent liabilities	38	-	-	-	24,544,851	21,644,130	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, 2023 and 2022, outstanding bills purchased of related parties with contra account in “Other liabilities” amounted to P772.8 million and P1.1 billion, 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 at December 31, 2023 and 2022, the allowance for credit losses on outstanding transactions with other related parties amounted to P210.5 million and P89.7 million, respectively. Provision for credit losses recorded in 2023 and 2022 on such related party transactions totaled to P120.8 million and P4.5 million, respectively. Reversal of credit losses recorded in 2021 on such related party transactions totaled to P276.4 million. Such outstanding transactions include investment securities at amortized cost, receivables from customers, 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 Investment Management Account (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, 2023 and 2022 and income/expense of the funds for the period ended December 31, 2023, 2022 and 2021 follow:

	2023	2022
Investment securities:		
Government and other debt securities	P526,163,095	P614,885,776
Quoted equity securities	339,884,175	270,829,395
Unquoted equity securities	2,600	2,600
Loans and other receivables	218,981,103	184,289,249
Deposits with the bank	133,299,081	35,626,380
Total Plan Assets	P1,218,330,054	P1,105,633,400
Due to broker	P1,062,471	P4,639,308
Trust fee payable	257,209	224,016
Other liabilities	15,944	15,944
Total Plan Liabilities	1,335,624	4,879,268
Net Plan Assets	P1,216,994,430	P1,100,754,132

Plan Income	2023	2022	2021
Interest income	P46,133,203	P35,630,193	P27,713,620
Trading and investment losses - net	(26,652,785)	(30,901,624)	(30,241,813)
Dividend income and others	28,632,767	8,901,291	9,477,411
	P48,113,185	P13,629,860	P6,949,218
Plan Expense			
Trust fees	P3,257,172	P2,775,610	P2,461,431
Other expenses	1,980,287	2,134,774	1,758,759
Provision for credit losses	1,219,179	2,258,204	11,821,715
	P6,456,638	P7,168,588	P16,041,905

As at December 31, 2023 and 2022, the retirement plan assets of the Bank include 730,670 shares of the Bank classified under financial assets at FVPL. The shares of the Bank were listed in the PSE on March 31, 2022. As at December 31, 2023 and 2022, the fair market value of the shares amounted to P5.3 million and P5.8 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 P40,334, P4,257, and P4,014 in 2023, 2022 and 2021, 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 P180.5 million and P170.5 million in 2023 and 2022, respectively. Benefits paid out of the Bank's plan assets amounted to P105.4 million and P113.4 million in 2023 and 2022, 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, 2023, 2022 and 2021 follows:

	2023	2022	2021
Short-term employee benefits	P711,101,785	P555,082,001	P544,595,527
Post-employment benefits	30,278,540	37,075,744	44,934,032
	P741,380,325	P592,157,745	P589,529,559

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

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

- a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001. The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.
- b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.
- c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).
- d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

Settlement of Liabilities of TRB

Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

- a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.

- b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.
- c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

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

FAA

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

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

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

- b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP's pertinent regulations on minimum capital requirement.
- c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC's written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.
- d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within 5 years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

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

- a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;
- b. Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and
- c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

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

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

Assumption of NPAs of TRB

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

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 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 P4.3 billion as at December 31, 2023 and P4.4 billion as at December 31, 2022 and 2021 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:

	2023	2022	2021
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	P654,419,110	P251,831,964	P89,736,152
Additions to ROU assets	313,175,775	159,277,079	45,242,843
Increase in sales contract receivables from sale of investment properties	108,020,017	88,212,765	92,323,023

The following table shows the reconciliation analysis of liabilities arising from financing activities for period ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Beginning balance	P7,933,164,363	P538,398,243	P682,015,739
Additions to lease liabilities	307,649,056	155,593,019	44,853,267
Interest accretion	68,831,053	42,795,198	35,033,242
Cash flows during the year:			
Proceeds	3,147,150,433	15,004,528,892	4,810,000,000
Settlements	(3,385,165,406)	(7,808,150,989)	(5,033,504,005)
	(238,014,973)	7,196,377,903	(223,504,005)
Ending balance	P8,071,629,499	P7,933,164,363	P538,398,243

As allowed by PAS 7, short-term borrowings from other banks amounting to P3.1 billion, P7.6 billion, and P4.8 billion in 2023, 2022 and 2021, 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:

	2023	2022	2021
a. Net income	P2,802,219,175	P1,800,068,600	P1,206,619,165
b. Dividends on preferred shares*	187,916,668	148,958,335	57,291,667
c. Net income to equity holders of the Bank	2,614,302,507	1,651,110,265	1,149,327,498
d. Weighted average number of outstanding common shares	1,403,013,920	1,334,592,963	1,122,411,120
e. Basic earnings per share (c/d)	P1.86	P1.24	P1.02

* potential dividends on preferred shares as these were not assumed to be converted.

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

	2023	2022	2021
a. Net income to equity holders of the Bank	P2,802,219,175	P1,800,068,600	P1,206,619,165
b. Weighted average number of outstanding common shares and dilutive preferred shares:			
Outstanding common shares*	1,403,013,920	1,334,592,963	1,122,411,120
Potential common shares from assumed conversion of preferred shares	416,666,670	416,666,670	173,611,113
c. Total weighted average common shares	1,819,680,590	1,751,259,633	1,296,022,233
d. Diluted earnings per share (a/c)	P1.54	P1.03	P0.93

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

	2023	2022	2021
Return on average equity	9.52%	7.01%	6.01%
Return on average assets	1.25%	0.86%	0.65%
Net interest margin on average earning assets	4.28%	3.73%	3.42%

37. Events after the Reporting Date

Subject to the approval of the Stockholders and the relevant government regulatory agencies, the BOD approved on February 27, 2024 the amendments to the By-laws to (a) specify the date of the annual stockholders' meeting and (b) align with relevant rules and regulations, such as Section 132 of the MORB and Section 34 of the Revised Corporation Code. The BOD likewise approved to endorse to the Stockholders for approval the authority to delegate to the BOD the power to amend or repeal the current by-laws or enact a new one.

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, 2023 and 2022:

	2023	2022
Contingent assets:		
Fixed income securities purchased	P6,409,295,659	P5,074,247
Future/spot exchange bought	2,683,155,542	1,146,547,214
Outward bills for collection	5,575,925	255,590
	P9,098,027,126	P1,151,877,051
Commitments and contingent liabilities:		
Trust department accounts	P70,208,670,193	P70,873,001,493
Committed credit line	16,152,161,850	7,470,632,437
Unused commercial letters of credit	8,181,592,869	15,638,084,869
Outstanding guarantees	4,305,962,435	3,438,552,342
Credit card lines	3,600,976,933	3,601,177,914
Future/spot exchange sold	3,181,038,760	1,954,996,944
Late deposits/payments received	67,179,756	137,803,664
Fixed income securities sold	6,450,988	5,074,247
Inward Bills For Collection-Domestic	3,525,034	-
Items held for safekeeping/securities held as collateral	45,347	44,835
	P105,707,604,165	P103,119,368,745

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, 2023 and 2022.

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 P70.2 billion (unaudited) and P70.9 billion (audited) as at December 31, 2023 and 2022, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P770.0 million and P743.0 million as at December 31, 2023 and 2022, respectively, which have been included under "Investment securities at amortized cost" (see Note 11), are deposited with BSP.

Other relevant disclosures required by BSP Circular No. 1074 are in Notes 12, 24, 33 and 36.

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.



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, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 19, 2024.

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, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and no material exceptions were noted.

R.G. MANABAT & CO.

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
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 10075185
Issued January 2, 2024 at Makati City

March 19, 2024
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
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)



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, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 on which we have rendered our report dated March 19, 2024.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Bank taken as a whole. The supplementary 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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS

Partner

CPA License No. 0102309

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Issued January 2, 2024 at Makati City

March 19, 2024

Makati City, Metro Manila

BANK OF COMMERCE

SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68 DECEMBER 31, 2023

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

BANK OF COMMERCE

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2023 AND DECEMBER 31, 2022

RATIO	FORMULA	RATIO	
		2023	2022
Current Ratio	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	0.57	0.61
Acid Test Ratio	$\frac{\text{Total current financial assets}}{\text{Total current liabilities}}$	0.56	0.60
Solvency Ratio	$\frac{\text{Net income before non-cash expenses}}{\text{Total liabilities}}$	0.02	0.01
Debt to Equity Ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	6.51	6.76
Asset to Equity Ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	7.51	7.76
Interest Rate Coverage Ratio	$\frac{\text{Net Income before interest and taxes}}{\text{Interest expense}}$	2.08	2.92
Return on Equity	$\frac{\text{Net income}}{\text{Average total equity}}$	9.52%	7.01%
Return on Asset	$\frac{\text{Net income}}{\text{Average total assets}}$	1.25%	0.86%
Net Profit Margin	$\frac{\text{Net income}}{\text{Total revenues}}$	28.09%	22.18%
OTHER RATIOS			
Net Interest Margin	$\frac{\text{Net interest income}}{\text{Average interest-earning assets}}$	4.28%	3.73%
Cost to Income Ratio	$\frac{\text{Total operating expense}}{\text{Total revenues}}$	0.62	0.68
Debt to Assets Ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	0.87	0.87
Loans to Deposit Ratio	$\frac{\text{Total gross loans*}}{\text{Total deposits}}$	0.70	0.70
Non-performing Loans Cover	$\frac{\text{Allowance for credit losses on loans}}{\text{Non-performing loans}}$	93.21%	89.05%
Non-performing Loans Ratio**	$\frac{\text{Non-performing loans}}{\text{Total gross loans}}$	1.54%	2.10%
Net Non-performing Loans Ratio**	$\frac{\text{Net non-performing loans}}{\text{Total gross loans}}$	0.44%	0.60%
Capital Adequacy Ratio	$\frac{\text{Total qualifying capital}}{\text{Total risk-weighted assets}}$	19.88%	17.97%

*Gross loans include receivables from customers (loans), interbank loans receivable and securities purchased under resale agreements.

**Computed based on BSP Circular 941

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

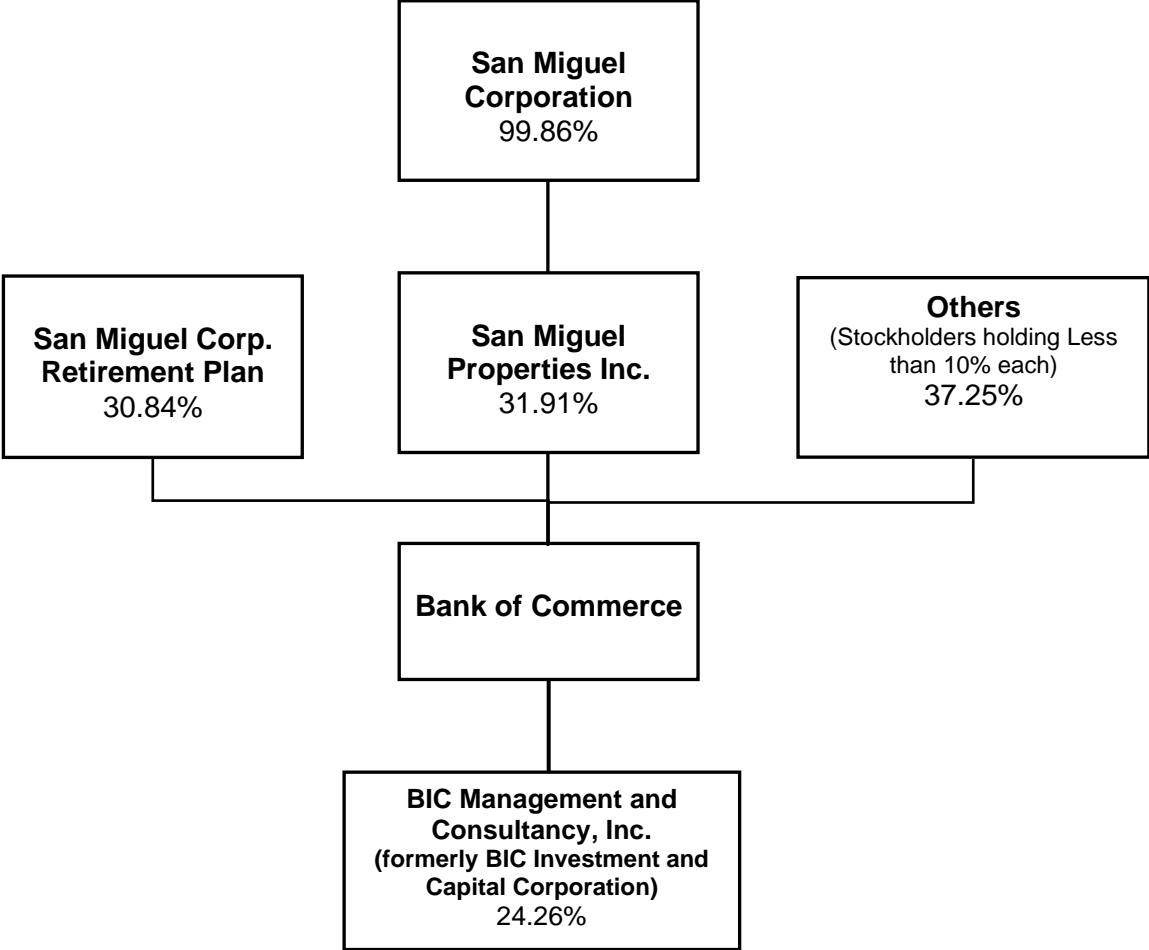
BANK OF COMMERCE

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

Unappropriated deficit, beginning of reporting period		(P233,429,437)
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Transfer of gain on equity securities at FVOCI realized through disposal	P7,527,455	7,527,455
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Retained earnings appropriated during the reporting period	(111,596,965)	(111,596,965)
Unappropriated deficit, as adjusted		(337,498,947)
Add: Net income for the current year		2,802,219,175
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(186,110,324)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	(25,842,961)	
Unrealized fair value gain of Investment Property	(220,268,518)	
Sub-total		(432,221,803)
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	158,924,397	
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	3,032,696	
Realized fair value gain of Investment Property	47,574,763	
Sub-total		209,531,856
Adjusted Net Income		2,579,529,228
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	49,528,660	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction	2,528,107	
Sub-total		52,056,767
Total Retained Earnings, end of reporting period available for dividend		P2,294,087,048

BANK OF COMMERCE

**RELATIONSHIP MAP
DECEMBER 31, 2023**



BANK OF COMMERCE

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023
(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	P83,043	P83,883	P83,883	P19,215
Other government	91,743	96,719	96,719	2,346
Private corporations	199,965	190,505	190,505	-
Derivatives	-	27,685	27,685	-
		P398,792	P398,792	P21,561
Financial Assets at Fair Value through Other Comprehensive Income				
Philippine government	P11,030,610	P10,850,048	P10,850,048	P445,723
Equity securities	159	193,757	193,757	5,604
		P11,043,805	P11,043,805	P451,327
Investment Securities at Amortized Cost				
Philippine government	P49,443,959	P50,305,668	P48,921,075	P1,659,716
Other government	-	-	-	56,625
Private corporations	2,045,130	2,165,435	1,972,848	85,657
		P52,471,103	P50,893,923	P1,801,998

BANK OF COMMERCE**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023**

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

BANK OF COMMERCE**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
NONE TO REPORT							
<i>Financial statements are not for consolidation.</i>							

BANK OF COMMERCE

SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023

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	7,478,265,064	-	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, 2023**

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

BANK OF COMMERCE

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount of Guaranteed and Outstanding	Amount Owned by Person of which Statement is Filed	Nature of Guarantee
NONE TO REPORT <i>No securities were guaranteed.</i>				

BANK OF COMMERCE

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2023

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	623,640	341,872,400
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

Reports on SEC Form 17-C

	Date of Disclosure	Subject
1	January 4, 2023	Amended Change in Shareholdings of Directors and Principal Officers
2	January 10, 2023	Statement of Changes in Beneficial Ownership of Securities
3	January 10, 2023	Press Release: BankCom trade finance business grows more than 6x since launch in 2019
4	January 12, 2023	Public Ownership Report as of December 31, 2022
5	January 13, 2023	Disbursement of Proceeds and Progress Report (4Q 2022 Report)
6	January 13, 2023	List of Top 100 Stockholders (Common Shares) as of December 31, 2022
7	January 23, 2023	Disbursement of Proceeds and Progress Report (Annual Report 2022)
8	January 31, 2023	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) - Resignation of Mr. Donald Benjamin G. Limcaco March 31, 2023
9	January 31, 2023	Material Information - Appointment of Ms. Suzanne Sevilla as Chief Information Officer of the Bank
10	January 31, 2023	Amended Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) - To include short profile of Ms. Suzanne Sevilla as Chief Information Officer of the Bank
11	February 8, 2023	BankCom Published Balance Sheet as of December 31, 2022
12	February 28, 2023	Notice of 2023 Annual Stockholders' Meeting
13	February 28, 2023	Amendment of Articles of Incorporation - *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).
14	February 28, 2023	Amendment to By-Laws - Section 2 of Article II - The annual meeting of the stockholders shall be held in the month of May on such day and at such time and place as the Board of Directors may determine. (As amended on 22 September 1988.) (*As amended on 25 April 2023). - Section 1 of Article III - Number, Qualification and Election. – The corporate powers of the Corporation shall be exercised, its business conducted, and its property controlled and held by the Board of Directors, consisting of fifteen (15) members, at least one-third (1/3) but not less than five (5) members of the Board of Directors shall be Independent Directors, provided, that any fractional result from applying the required minimum proportion, i.e., one-third (1/3), shall be rounded up to the nearest whole number. The members of the Board of Directors shall be elected annually by the stockholders entitled to vote and to serve until the election and qualification of their successors. (As amended on 24 April 2012). (*As amended on 25 April 2023). - Section 4 of Article III - Section 5 of Article III - Section 8 of Article III - Section 9 of Article III
15	March 15, 2023	Material Information and Press Release - Bank of Commerce records highest ever Net Income since SMC acquisition Material Information - Approval of 2022 Audited Financial Statements Preliminary Information Statement
16	March 21, 2023	Changes in Shareholdings of Directors and Principal Officers
17	March 27, 2023	Definitive Information Statement
18	April 3, 2023	Statement of Changes in Beneficial Ownership of Securities

	Date of Disclosure	Subject
19	April 12, 2023	Public Ownership Report as of March 31, 2023
20	April 17, 2023	Annual Report - FY ended December 31, 2022 List of Top 100 Stockholders (Common Shares) as of March 31, 2023
21	April 18, 2023	Amended - Annual Report - FY ended December 31, 2022
22	April 25, 2023	<p>Results of the 2023 Annual Stockholders' Meeting</p> <p>Results of Organizational Meeting</p> <p>Amended - Amendments to Articles of Incorporation *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).</p> <p>Amended - Amendments to By-Laws - Section 2 of Article II - The annual meeting of the stockholders shall be held in the month of May on such day and at such time and place as the Board of Directors may determine. (As amended on 22 September 1988.) (*As amended on 25 April 2023). - Section 1 of Article III - The corporate powers of the Corporation shall be exercised, its business conducted, and its property controlled and held by the Board of Directors, consisting of fifteen (15) members, at least one-third (1/3) but not less than five (5) members of the Board of Directors shall be Independent Directors, provided, that any fractional result from applying the required minimum proportion, i.e., one-third (1/3), shall be rounded up to the nearest whole number. The members of the Board of Directors shall be elected annually by the stockholders entitled to vote and to serve until the election and qualification of their successors. (As amended on 24 April 2012). (*As amended on 25 April 2023). - Section 4 of Article III - Section 5 of Article III - Section 8 of Article III - Section 9 of Article III</p>
23	May 12, 2023	<p>Quarterly Report - as of March 31, 2023</p> <p>Press Release: Bank of Commerce 1Q23 jumps 98%, beats Full Year pre-pandemic profit</p>
24	May 17, 2023	Material Information - Published SOC as of March 31, 2023]
25	May 25, 2023	<p>Change in Shareholdings of Directors and Principal Officers</p> <p>Other SEC Forms, Reports and Requirements - 2023 General Information Sheet</p> <p>Change in Shareholdings of Directors and Principal Officers</p>
26	May 30, 2023	<p>Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) - Resignation of Independent Director Winston A. Chan effective close of business hours of May 30, 2023</p> <p>2022 Integrated Annual Corporate Governance Report for Bank of Commerce</p> <p>Amended - 2022 Integrated Annual Corporate Governance Report for Bank of Commerce</p>
27	May 31, 2023	<p>Change in Shareholdings of Directors and Principal Officers</p> <p>Statement of Changes in Beneficial Ownership of Securities</p>
28	June 13, 2023	Press Release/Material Information: BankCom's OFW remittances rose 30% in Q1
29	June 26, 2023	<p>Other SEC Forms, Reports and Requirements - Certificate on Qualification of Independent Director, Mr. Leonardo J. Matignas, Jr.</p>
30	June 27, 2023	<p>Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) - Election of Independent Director Leonardo J. Matignas, Jr.</p> <p>Material Information: Election of Independent Director Leonardo J. Matignas, Jr. Changes in Board Committee Memberships</p> <p>Initial Statement of Beneficial Ownership of Securities</p>

Date of Disclosure		Subject
31	July 5, 2023	Press Release/Material Information: BankCom re-fleets its ATM network with advanced security and user-friendly features
32	July 6, 2023	Other SEC Forms, Reports and Requirements - Amended 2023 General Information Sheet
33	July 11, 2023	Public Ownership Report
34	July 14, 2023	List of Top 100 Stockholders (Common Shares)
35	August 8, 2023	Change in Shareholdings of Directors and Principal Officers
36	August 9, 2023	Press Release/Material Information: BankCom's 1H23 Net Income 1.8X of prior year
37	August 14, 2023	Quarterly Report / SEC Form 17-Q (2nd Quarter)
38	August 15, 2023	Amended 1 Quarterly Report / SEC Form 17-Q (2nd Quarter)
39	August 16, 2023	Change in Shareholdings of Directors and Principal Officers
40	August 18, 2023	Amended 2 Quarterly Report / SEC Form 17-Q (2nd Quarter)
41	September 1, 2023	Statement of Changes in Beneficial Ownership of Securities
42	September 8, 2023	Material Information: Bank of Commerce Published SOC as of June 30, 2023
43	October 12, 2023	Public Ownership Report
44	October 16, 2023	List of Top 100 Stockholders (Common Shares)
45	November 14, 2023	Press Release/Material Information: BankCom's Q3 performance tops FY 2022 Net Income Quarterly Report / SEC Form 17-Q (3rd Quarter)
46	November 29, 2023	Material Information: Published SOC as of September 30, 2023
47	November 30, 2023	Press Release/Material Information: Bankcom accelerates digital transformation, partners with Infosys Finacle
47	December 14, 2023	Press Release/Material Information: BankCom sees market growing for its savings, all-in-one remittance, and investments platform for OFWs in Japan
49	December 19, 2023	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion - Resignation of Senior Officer (Mr. Joel T. Carranto)

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	BANK OF COMMERCE (BankCom)
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	BankCom has no subsidiaries. As such, this Report discloses the sustainability performance indicators limited to BankCom.
Business Model, including Primary Activities, Brands, Products, and Services	<p>An affiliate of San Miguel Corporation (SMC) since 2008, Bank of Commerce is a publicly-listed universal bank focused on helping its clients, communities and conglomerate partners by delivering the best choice of financial services harnessing the strengths of the SMC Group. Bank of Commerce is identified by its logo bearing the SMC symbols of escudo and cloverleaf, and by the trademark license short name "BankCom" granted by the Intellectual Property Office (IPO) in 2020. BankCom traces its origins to the Overseas Bank of Manila which opened in Binondo, Manila in 1963.</p> <p>BankCom provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, transaction banking, corporate banking, treasury, investment banking, asset management, and trust and investments.</p> <p>The Bank has a network of 140 branches 242 automated teller machines (ATMs) as of 31 December 2023 strategically located nationwide.</p>
Reporting Period	January 1 to December 31, 2023
Highest Ranking Person responsible for this report	Antonio S. Laquindanum, EVP & Chief Financial Officer

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Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

In determining material topics, BankCom reviewed which topics could have positive and negative impacts to the realization of its Vision and Core Purpose. The Bank also considered which topics could be of interest to its primary and secondary stakeholders, particularly how risks and opportunities on each topic could affect the stakeholders. The Bank also studied specific material topics in the financial industry by reviewing international standards on sustainability reporting, publicly available methodologies of third-party rating providers, as well as local regulations, particularly the circulars issued by the Bangko Sentral ng Pilipinas (BSP) on Sustainable Finance and the Implementation of the Environmental and Social Risk Management System (ESRMS).

The Bank also identified topics that contribute to its Environmental, Social, Governance (ESG) Focus Areas as outlined in its ESG and Sustainability Framework (ESGSF) Manual:

- **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.
- **Human Capital** – We provide skills training and focus on employee engagement so we can develop and nurture an innovative, customer-focused and resilient team.
- **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.
- **Environment** – We responsibly manage resources and continue to improve our operational efficiency. With our improved operational efficiency, we minimize the impact of our internal processes to the environment.
- **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.

In addition, the Bank also considered the priority topics identified in the materiality analysis of its parent company, San Miguel Corporation.

This materiality process is managed by a cross-functional technical working group assigned to facilitate the Bank’s ESRMS. As BankCom continues to improve its processes, enhance its policies and develop responsive products and services, its materiality process and topics will be reviewed and updated accordingly.

List of Material Topics

Business Model and Innovation	Human Capital	Environment	Social	Leadership and Governance
Direct economic value generated to stakeholders Products and Services Contribution to SDG	Diversity, Equal Opportunity and Anti-Discrimination Employee Hiring and Benefits Employee Training Occupational Health and Safety	Resource Consumption Environmental Impact Management	Community Involvement Customer Privacy Procurement Practices Consumer Financial Protection	Supply Chain Accreditation Policy Business Ethics and Anti-Corruption Climate Risk Management

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	2022 (in million Pesos)	2023 (in million Pesos)
Direct economic value generated (revenue)	8,117	9,975

Direct economic value distributed:		
a) Operating costs, including payments to suppliers and third party service providers	5,484	6,159
b) Employee wages and benefits	1,905	2,258
c) Interest payments ¹	1,283	3,466
d) Taxes paid/remitted to the government ²	1,482	1,861

As a universal bank, BankCom plays a critical role in economic growth through its delivery of financial services across the country. 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, BankCom 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 with secure and efficient access to professionally designed and executed financial products.

Following the Bank's successful initial public offering (IPO) at the Stock Exchange and its remarkable performance in recent years, BankCom has created value for its investors by increasing value per share through record breaking profits. BankCom's continuous growth over the years has resulted in a number of employment opportunities across its business segments. BankCom contributes to the financial security of its employees by providing fair wages, as well as medical and retirement plans for regular employees.

The direct economic impact of BankCom transcends business-related contributions through its support to the economy through fair payment of taxes, implementation of a wide-range of corporate social responsibility programs, and supporting local suppliers including small and medium enterprises. For the past two years, BankCom has been recognized by the local government of Mandaluyong City for being among the city's top taxpayers. The Bank also provided monetary support to communities through its CSR program, sponsorships, and donations to schools, charity, and non-profit organizations.

Stakeholders Affected

- Employees
- Customers

¹ 2022 data updated to include the following: deposits, bonds and bills payable

² Provision for income tax, license payments and real property tax

- Shareholders
- Government
- Community

What are the risks identified?

Management Approach

<p>BankCom is exposed to external risk events that directly affect the financial system, such as but not limited to:</p> <ul style="list-style-type: none"> • Changes in financial consumer preferences, income level, and purchasing power; • Increases and changes in applicable taxes, taxation laws, tax incentives; • Fluctuations in foreign currency exchange rates and interbank interest rates (Fed and BSP); • Increases and changes in BSP reserve requirement ratio (RRR), ceiling on credit card interest rate, fund transfer fees, and other service fees. <p>Other major potential risks that may adversely affect BankCom’s ability to contribute to the economy include:</p> <ul style="list-style-type: none"> • Climate change risks in BankCom’s operations and value chain may result in increased costs due to physical risks³ and reduced revenue due to legal, technology, market, and reputation risks. • Failure of controls to identify and mitigate business ethics issues such as improper accounting practices, money laundering, bribery, aggressive and/or mis-selling of financial products and services may result in significant financial impact, not to mention long-term reputational damages. <p>Governance, environment, and social issues when not managed or mitigated also have an effect on BankCom’s capacity to directly contribute to the economy. These risks are part of the material topics to be discussed in the subsequent sections of the report.</p>	<p>BankCom maintains a strong risk management framework to identify, assess, and mitigate financial risks that may impact its core businesses. The Bank’s Risk Management Manual embodies this framework, outlining specific guidelines and processes on risk management. These are integrated into the operating policies of relevant units and undergo regular review by a designated Risk Management Officer. Additionally, BankCom formulates an annual Risk Appetite Statement to guide decision-making across various transactions.</p> <p>The Bank provides a monthly report to the Board Risk Oversight Committee (BROC) and the Board of Directors (BOD) which covers BankCom’s current exposure across various risk types, including financial risk, credit, market, liquidity, operational, and information technology risks. Based on this information, the BROC and BOD make decisions regarding additional controls needed to effectively manage these risks.</p> <p>Financial Risk Management Objectives, Structure, and Policies are outlined in the SEC 17-A Report.</p> <p>Climate change risks likewise form part of BankCom’s overall risk management framework through the ESRMS. This is outlined in the Climate-related Risks and Opportunities section of this report.</p> <p>BankCom implements a Compliance Program to ensure that any risk associated with non-compliance to laws and regulations, and business ethics are mitigated. It is implemented using a three-pronged approach: self-assessment by business units, independent compliance testing conducted by the Compliance Division, and validation by Internal Audit Division.</p> <p>BankCom’s compliance policies and programs are overseen at the high-level by the Board and its</p>
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³ These refer to damage to property and assets arising from increased severity of extreme weather events; changes in precipitation patterns and extreme variability in weather patterns, as well as rising mean temperatures and sea levels, which affect operations and facilities, resulting in loss/lower value of certain assets and that of clients.

	<p>Board-level committees. The Corporate Governance Committee (CGCOM) ensures due observance of corporate governance principles and guidelines across the Bank. Along with the Anti-Money Laundering (AML) Committee, they are tasked to oversee the effective implementation of the Bank’s compliance with money laundering, proliferation financing and terrorist financing prevention program and policies. On the other hand, the BankCom’s Related Party Transactions committee ensures that transactions with related parties are conducted at arm’s length thereby ensuring instances of conflicts of interest are mitigated.</p>
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What are the opportunities identified?

Management Approach

<p>BankCom recognizes opportunities to further contribute directly to the economy:</p> <ul style="list-style-type: none"> • Expand its customer base particularly for Small, and Medium Enterprises; • Provide banking solutions, products and services that cater to a wide range of customers, including increasing service reach across sectors and communities; • Continue to make meaningful contributions beyond financial performance through increased investments in community development, financial literacy, and volunteerism; • Support the country’s financial inclusion agenda through utilizing technologies to further strengthen and expand its digital banking solutions. 	<p>BankCom continues to identify and develop new ways to enhance shareholder value and maintain significant and sustainable profitability and growth. Priority strategies include strengthening core business income, optimizing cross-selling activities, ramping up participation in capital markets, innovation of products and services, and developing SMC ecosystem and affiliates to support loans expansion.</p> <p>Digitalization and automation are key to BankCom’s growth agenda. This includes increased investments in information technology and financial technology infrastructure to improve customer service and touchpoints. The Bank’s IT roadmap includes combining cash recycling with a more robust ATM network, deploying automation projects to make business units run more efficiently, and building the infrastructure to expand stable sources of fee revenue streams. This also includes introduction and/or expansion of digital banking solutions, particularly on the mobile app BankCom [Personal] and corporate internet banking or BankCom [Business] platform, ensuring accessibility and ease-of use for clients.</p> <p>The Bank is continuously implementing programs to increase the efficiency of its operations, extend remittance partnerships, strengthen branch and account management networks, build brand and product visibility, and transfer technology from its IT and payment network partners.</p>
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	<p>BankCom’s Corporate Social Responsibility (CSR) program has contributed to community development and environmental stewardship through events organized in partnership with San Miguel Foundation and partner-clients. For more information, see CSR under the Sustainable Development Goals (SDG) Contribution Section.</p>
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Climate-related risks and opportunities

Governance

The role of governance bodies and senior management in assessing and managing climate-related risks and opportunities is captured in the Bank’s Environmental and Social Risk Management Framework, embedded in the Bank’s ESG and Sustainability Framework Manual (“ESG Manual”).

- The **Board of Directors (BOD)** determines the overarching direction, implementation, and strategies of the Bank on sustainability. The Board leads the Bank’s adoption of sustainability principles through incorporating them into the corporate governance framework as well as in the Bank’s strategic objectives and operations, risk strategy, risk appetite and risk management policies and procedures. The Board approves the BankCom’s ESRMS, keeps track of its progress in meeting its environmental and social (E&S) strategic objectives and targets, and ensures that issues and challenges are addressed.
- Two Board-level bodies, the **Corporate Governance Committee (CGCOM)** and the **Board Risk Oversight Committee**, oversee BankCom’s implementation of ESG regulations issued by the Securities and Exchange Commission (SEC) and the BSP. The CGCOM ensures that sustainability principles are integrated in the corporate governance framework, strategies, and operations of the Bank. One of the duties of the CGCOM is to oversee the reporting and disclosure of ESG information. This covers adherence with existing regulations and ethical obligations toward stakeholders. The BROCC, on the other hand, oversees the Bank’s adherence to the risk appetite statement, risk policy, and ESG-related risk limits.
- The **Senior Executive Team (SET)** is responsible for managing the execution of the Board-approved strategies and policies in relation to BankCom’s sustainability objectives. They ensure that BankCom’s activities are aligned with the overall E&S strategic objectives and target and that methodologies and tools that will effectively identify, quantify/measure, monitor and control E&S risks are adopted.
- The **ESG Technical Working Group (TWG)** composed of heads and representatives of Risk Management Division, Corporate Communications and Consumer Protection Division (CCCPD), and Compliance Division executes the approved direction and strategies as well as facilitates the adoption of tools to identify and assess E&S risks in relevant business units. The TWG also oversees the formulation, approval, and implementation of policies, procedures, and processes, to monitor and control identified E&S risks. Its designated members apprise the BOD, CGCOM, and BROCC on BankCom’s exposures to E&S risks and the status of implementation of BankCom’s sustainability program.

- **The Internal Audit Division and Compliance Division** are responsible for assessing the Bank's adherence to policies related to managing E&S risks and evaluating the effectiveness and relevance of said policies.

Strategy

BankCom is aware that environmental concerns and climate change could seriously jeopardize the long-term viability of its core businesses and financial stability. First, there is a chance that the company could suffer financial losses as a result of structural damage brought on by earthquakes, flooding, and other extreme weather events. Second, when climate, environmental, or social risk impacts borrowers and/or their collateral, the lending institution's financial stability is put at risk.

BankCom is cognizant that environmental risks translate to financial risks, as both physical and transition⁴ risks affect businesses, households and the economy. This will ultimately affect BankCom's level of exposure to financial, operational, and other types of risks.

Risk	
Acute Physical	Damage to property and assets arising from increased severity of extreme weather events
Chronic Physical	Changes in precipitation patterns and extreme variability in weather patterns, as well as rising mean temperatures and sea levels, which affect operations and facilities, resulting in loss/lower value of certain assets and that of our clients
Technology	Cost requirements to transition to lower carbon operations
Policy and Legal	Energy transition policies such as carbon tax, and enhanced disclosure requirements on emissions
Market	Shifting sentiment for high carbon companies, and increased cost of input materials which can affect borrowers
Reputation	Negative stakeholder feedback and/or increased investor concern/oversight

Opportunities	
Resource efficiency	Reduction of energy consumption
Energy Source	Use of green/low carbon sources resulting in energy efficiency and cost savings
Product and Services	Development of green products and services that cater to shifting consumer preferences and support sustainability initiatives of corporate clients

At the strategic level, both physical and transition risks are included in the formulation of BankCom's Risk Appetite Statement. It guides the decision making on various transactions of the Bank for each type of risk—credit, market, liquidity, operational, reputation, information technology. Further, climate considerations form part of the methodology of the stress testing activity under the internal capital adequacy assessment process (ICAAP). Credit stress test scenarios were applied to the high-risk industries in the Bank's portfolio that are particularly vulnerable to ESG factors such as climate change, social concerns and governance or reputational issues.

⁴ Transition risks (technology, policy, legal, market, and reputation risks) result from the global shift towards a more sustainable, net-zero economy.

Risk Management

The BSP has released a series of policies aimed at strengthening climate risk management of BSP-supervised financial institutions (BSFIs). In 2020, BSP issued Circular No. 1085 on the Sustainable Finance Framework. The Circular sets out the BSP's expectations on the integration of sustainability principles in the corporate governance and risk management frameworks and the strategic objectives and operations of banks. This was followed by Circular No. 1128 which provides specific guidance on how to integrate E&S Risk Management in the operational risk management and credit risk management of banks. BSP also issued Circular No. 1149 outlining the expectations on the integration of sustainability principles in the investment activities of banks. BankCom complies with the requirements of the BSP and has instituted an ESRMS. Through this, the identification, assessment, and management of climate risks are integrated in BankCom's credit risk and operational risk management system.

For its own operations, BankCom conducts physical hazard assessments in its branch site selection and monitoring and conducts the implementation of a supplier sustainability questionnaire (SSQ) to identify and understand sustainability risks in the supply chain. BankCom also regularly assesses and monitors climate risks through its Risk and Control Self-Assessment (RCSA) and Business Impact Analysis (BIA) Processes.

Physical risks from climate change are considered in the Bank's Business Continuity Plan. BankCom has a Business Continuity Management (BCM) Committee headed by the Branch Banking Group Head and composed of SET members, other 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.

On climate change impact on the Bank's lending portfolio, BankCom has already integrated ESG/climate consideration in the credit process through the updating of forms used in credit evaluation to identify, assess, measure and monitor ESG/climate risks. BankCom 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.

BankCom has started to identify which industries in its credit portfolio have an increased risk of climate change impacts. The portfolio exposures to high-emitting sectors are disclosed in its Annual Report.

BankCom's ESG Project Team monitors existing and emerging regulatory requirements as well as conducts reviews of best practices and industry trends and regular stakeholder engagement to monitor emerging E&S risks. The results of these monitoring activities are reported to the BOD and/or relevant Board committees.

Metrics and Targets

BankCom has set an initial emissions reduction target in its portfolio through setting limits in the financing of non-renewable energy sources. Starting 2023, the Bank measured the CO2 equivalent of its Scope 1 and 2 greenhouse gas emissions (See section on Greenhouse Gas Emissions). The Bank is preparing a climate change strategy starting with the collection of baseline data on the aggregate emissions and emissions intensity of its operations and value chain and the conduct of climate risk assessments.

Procurement Practices

Proportion of spending on local suppliers

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers ⁵	2022	2023
(a) Construction	67%	43%
(b) Consumables	100%	100%

Percentage of local/Philippine-based suppliers that underwent the accreditation process in 2023	97%
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BankCom recognizes the importance of suppliers in the success of its operations. 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.

The Bank of Commerce procures majority of its consumables from local businesses, contributing to the economy in areas where BankCom operates. Further, 97% of all accredited suppliers are local/Philippine-based. Information on the BankCom’s accreditation process is provided in the Supplier Accreditation Policy Section. The Bank also supports the growth of small and medium enterprises through its procurement activities.

Procurement from local suppliers also help support the environment through lower carbon footprint resulting from lower transportation costs, compared to procuring goods and services from foreign sources.

Stakeholders Affected

- Suppliers
- Communities
- Employees
- Management

What are the risks identified?

Management Approach

While local procurement mitigates certain risks compared to foreign sourcing, BankCom may still be exposed to certain risks that may affect the effectiveness and quality of the supply chain.	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.
Any material deviation from policies and	

⁵ The data 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.

<p>processes in supplier selection, negotiation, and delivery of materials and services concerned may severely affect BankCom’s reputation and profits. Such could be the result of fraud and corruption, lack of fairness and transparency in third-party dealing, or lack of capacity to select and manage contracts.</p> <p>For example, 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 BankCom’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 in requiring rework which entails additional time and cost. This may result in customer dissatisfaction, an increase in customer complaints, and potential negative publicity. In turn, this may result in customer attrition.</p>	<p>A Bids and Awards Committee (BAC) executes the Bank’s standards and policies on vendor accreditation and selection. BankCom’s procurement and evaluation process for third party service providers, including the approval process, are documented in operating manuals and desk manuals which are reviewed regularly and updated accordingly.</p> <p>For example, proposals for branch repairs, renovations, and relocations are presented to the SET for approval. This includes a comparison of cost estimates submitted by candidates and remarks about previous engagements with them. Depending on the total cost, the proposal may be endorsed further to the BOD for approval.</p> <p>Another example is that every year, third party service providers are subject to 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.</p> <p>Moreover, suppliers and employees are expected to abide by BankCom’s policy on solicitation or acceptance of gifts, favors and entertainment, including sponsoring of non-company activities and events.</p>
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What are the opportunities identified?

Management Approach

<p>BankCom continues to explore qualified local contractors and third-party service providers who have a track record with other banks or banking associations, and which can meet the Bank’s requirements according to its standards.</p> <p>Further, the implementation of an Environmental and Social Risk Management System (ESRMS) covering the operations of the Bank created the opportunity to ensure sustainability considerations are extended to the Bank’s supply chain, covering the suppliers’ human rights, labor, and environmental management, among others, along with the sustainability elements of the products they offer.</p>	<p>Suppliers are required to submit a SSQ. The SSQ is a tool that helps the Bank understand the environmental and social practices of suppliers and how they manage sustainability-related risks in their business activities. More information is provided in the Supplier Accreditation Policy section.</p>
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Anti-Corruption

Training on anti-corruption policies and procedures

Disclosure	2022		2023	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been cascaded	100%	1920 qualified employees	100%	1976 qualified employees
Percentage of directors and management that have received anti-corruption training	100%	18 SET 15 BOD	100%	18 SET 15 BOD
Percentage of employees that have received anti-corruption training	100%	1920 qualified employees	100%	1976 qualified employees
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been cascaded	100%	Policy is required to be signed by all existing/active suppliers and service providers	100%	Policy is required to be signed by all existing/active suppliers and service providers

Incidents of Corruption

Indicator	2022	2023
Number of incidents in which directors were removed or disciplined for corruption	0	0
Number of incidents in which employees were dismissed or disciplined for corruption	0	0

Bribery and corruption have an adverse effect on the stability and legitimacy of financial institutions, translating to adverse impacts to the economy and society. Serious misconduct and unethical practices could lead to long-term reputational damage due to loss of confidence of stakeholders, particularly regulators, clients, and employees, in the Bank.

Similarly, criminal financial practices such as money laundering and proliferation financing compromise the financial sector, threaten economic development, and destabilize peace, law and order. Strict regulations are implemented by governments worldwide to prevent banks from facilitating such illicit transactions.

BankCom believes that banking is a public trust. BankCom, as a financial institution, places the interests of its customers and the public at the forefront of its existence. It firmly believes that maintaining public trust necessitates unwavering integrity, proven expertise, and dedicated effort. The BankCom's core values revolve around enhancing the lives of its stakeholders, keeping their trust, striving for excellence, while ensuring prudence. BankCom does not tolerate bribery and corruption and is seriously committed to prevent money laundering, terrorist financing and proliferation financing. The Bank upholds the highest moral standards in the way it conducts business and makes sure it does not become a channel for illicit

funds or a victim of money laundering. The Bank’s policy commitments are backed by strong risk management and compliance programs against such unethical and illegal activities. These topics are a key focus of the Bank’s corporate governance, risk management, compliance and human resource management programs.

Stakeholders Affected

- Shareholders
- Depositors
- Customers
- Employees
- Government
- Public

What are the risks identified?

Bribery and corruption can occur during interactions or transactions between the Bank’s employees and the parties they deal with, such as when securing decisions from government officials, clients, procurement, or hiring. Charitable and political donations and receiving and accepting gifts and entertainment can also be construed as bribery and corruption when proper procedures and designed limits are not followed.

Conflicts of interest can occur in situations when self-serving interests by individuals become a factor in their professional actions and decisions. This could include providing preferences to personal connections in hiring and procurement or exploiting their position or authority for personal gain such as self-dealing and distribution of non-public information.

Money laundering, terrorism financing, and proliferation financing can occur when there is an ill-intent from individuals or entities to process monetary proceeds or accounts obtained from illegal sources and/or failure of processes to prevent and to detect their use, or attempted use, for money laundering or terrorist financing purposes or funds or financial services which are used for the proliferation of weapons of mass destruction.

Management Approach

The Bank has various policies in place to ensure that its actions and decisions comply with high standards of integrity and follow ethical and legal approaches.

- **Trust Investment Guidelines** for BankCom employees, including portfolio managers and traders covers instances of processing transactions belonging to the employee, relatives and related entities. BankCom employees are prohibited to use Bank proprietary information and other non-public information to advance their own interest.
- **Related Party Transactions Policy** ensuring that certain transactions involving Related Parties, which present a heightened risk of conflicts of interest or the perception thereof, are entered into on arm’s length bases and are consistent with the Bank’s and its stakeholders’ best interests.
- **Policy on interlocking positions and secondment of Director and Officers**
- **Code of Professional and Ethical Standards for Treasury Personnel** covering responsible marketing and sales, insider trading, fair dealing, disclosure of conflicts of interest, among others.
- **Policy on solicitation or acceptance of gifts** prohibit soliciting and accepting gifts, favors and entertainment, including sponsoring of non-company activities and

	<p>events.</p> <ul style="list-style-type: none"> • The Bank’s Code of Conduct reiterates that employees should exercise responsible and ethical business practices, including avoiding conflict of interest. New employees are required to acknowledge the Code of Conduct during onboarding. <p>The Bank regularly reviews its policies, updates them whenever necessary, and communicates them to all its officers and employees through regular advisories and an annual training program.</p> <p>The Bank has a Whistleblowing Policy that 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. The Bank provides confidential channels for reporting persons and has a policy against reprisal or retaliation.</p> <p>To prevent the risk from AML, the Bank has a Money Laundering and Terrorist Financing Prevention Program (MTPP) ensures compliance with the Anti-Money Laundering law, rules, and regulations that is approved by its Board of Directors. It is regularly updated or as need arises to reflect the constantly evolving regulations, the emerging money laundering/terrorist financing risks, and global best practices.</p> <p>The Corporate Governance Committee, a board-level committee, receives monthly reports on AML compliance and monitoring from the Anti-Money Laundering Management Department (AMLMD) of the Compliance Division. AML concerns are escalated to the AML Committee, a management group whose main duty is to oversee the Bank’s effective and correct compliance with relevant laws and the Bank’s MTPP. The AML Committee, which consists of representatives from Compliance Division, Risk Management Division, Operations Group, Treasury Group, Trust Services Group, Legal Services Group and Branch Banking Group, meets monthly or more frequently as needed.</p>
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	<p>The AMLMD is in charge of ensuring that the Bank's MTPP is implemented correctly and efficiently. This involves using a risk-based approach to implement customer due diligence policies and procedures, record retention policies, a system for promptly capturing and reporting covered transactions, investigating suspicious alerts and reporting as necessary upon approval of the AML Committee, and creating and conducting regular and special training to Bank personnel.</p> <p>In addition, the Compliance Division of the Bank also conducts independent testing of branches and head office units, and is able to identify the segment in the operational process where money laundering, proliferation financing and terrorist financing risks are higher.</p> <p>The Bank's policies, processes, and procedures on preventing financial crime are outlined in the Bank's Wolfsberg Questionnaire available on the BankCom website.</p>
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What are the opportunities identified?

Management Approach

<p>Further training on anti-corruption and anti-bribery, 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.</p>	<p>The Bank continues to promote awareness and accountability on anti-corruption and anti-bribery through its E-Learning Training Program and New Employees Orientation (NEO) for employees, and Corporate Governance training for the BOD and SET.</p> <p>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. These are included in training courses on Corporate Governance, Anti-Money Laundering (AML), NEO, and those intended for branch officers and staff members. Training on AML is implemented bank wide and on a regular basis. Employees are required to reach a minimum score of 80% to pass.</p> <p>The Bank's Compliance Division, in partnership with HRMDD, constantly enhances the Bank's training program to equip bank personnel with appropriate knowledge to achieve the Bank's goal of promoting effective implementation of the AML/CFT policies and procedures in the entire organization.</p>
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ENVIRONMENT

Resource Management

Energy consumption within the organization

Indicator	2022	2023
Total electricity consumption (in kwh)	6,162,541	5,429,641
(a) Head Office	1,600,987	1,648,431
(b) Manila TAT Building	499,314	472,232
(c) Branches	4,062,240	3,308,978
Electricity use intensity (kwh/employee)	3,304.31	2,747.79

Indicator	2022	2023
Percentage of LED, CFL, and other energy-saving lamps to total electric lighting devices (%)		
(a) Head Office	LED (20%); CFL (80%)	LED (30%); CFL (70%)
(b) Manila TAT Building	LED (10%); CFL (90%)	LED (10%) - CFL (90%)

Indicator	2022	2023
Total energy consumption (gasoline and diesel) (in liters)	28,420.25	182,942.57
(a) Head Office	17,871.45	8,627.72
(b) Manila TAT Building	2,300.00	750.00
(c) Branches	8,248.80	173,564.85

BankCom's direct environmental impact is through its business operations, primarily in the resources consumed for the effective functioning of offices, branches, data centers, and other information technology and physical facilities. BankCom uses grid electricity to power its facilities and uses fuel for bank-assigned cars used for official business activities (i.e motor pool) as well as for the regular testing/maintenance of generator sets and use during power interruptions.

The data for 2023 is higher compared to 2022 due to improved data collection on fuel usage with the issuance of Petron cards to branch officers for official business use such as client and marketing-related travel.

Despite improvements in increasing clean energy capacity, the Philippines' source for energy generation is still mainly coal and natural gas. The burning of fossil fuels results in greenhouse gas emissions that directly contribute to worsening global warming. The Bank aims to manage its environmental impacts by identifying and pursuing ways to reduce operational carbon footprint through instituting resource management policies, evaluating the use of green technologies, and participating in activities to create positive environmental impacts.

Stakeholders Affected

- Employees
- Management

- Shareholders
- Customers
- Communities

What are the risks identified?

Management Approach

<p>As the government’s policy gradually shifts towards promoting the use of energy-efficient technologies and boosting renewable energy use, BankCom may be affected in the following ways:</p> <ul style="list-style-type: none"> • Higher energy costs due to the use of outdated and inefficient technologies • Reputational risk when benchmarked with other organizations with more pronounced sustainability initiatives within their operations • Regulatory penalties for failing to comply with potential/upcoming environmental regulations promoting low-carbon operations 	<p>BankCom is mindful of its usage and looks for ways to reduce energy consumption.</p> <p>The Bank’s General Services Division (GSD), which is part of the Operations Group, monitors the energy consumption of the Bank’s physical facilities. The ESG TWG works with GSD to come up with recommendations on how to manage energy consumption, e.g., shifting to LED lights, solar panels, and similar devices, and ultimately, to contribute to the achievement of the National Government’s goals on energy.</p> <p>As early as 2005, BankCom had already issued a policy on cost management. The policy prescribes specific measures to manage the usage of the lighting system, air-conditioning system, electric fans and office appliances, and water conservation. The ESG TWG is studying expanding this policy into a more comprehensive environmental management framework.</p> <p>The Bank also conducts regular preventive maintenance of generator sets and Bank-assigned vehicles. The Bank also continues to utilize online platforms to conduct meetings and webinars, which contributes to the reduction of fuel consumption for travel.</p>
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What are the opportunities identified?

Management Approach

<p>Shifting to energy-efficient technologies and/or renewable energy can have benefits for the organization such as lower energy costs and improved operational efficiency, differentiation from competition, and attracting and retaining environmentally conscious customers and employees.</p>	<p>The Bank is currently reviewing suggestions for streamlining different branch and transaction banking operations, through its Operations Committee, which may result in better management of working hours and physical facilities.</p> <p>The Bank sees the adoption of modern technologies and energy-saving architectural designs for branch and head office operations. These include replacing desktops and old servers with more efficient laptops and IT hardware, and hard phones with virtual IP phones; designing branches with LED fixtures, right-sized air-</p>
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	<p>conditioning systems, and readiness for possible installation of net metering systems in the future.</p> <p>ESG education for employees has started in 2023. The ESG team is developing communication materials/infographics to encourage employees to be more conscious in using resources. The ESG Team, together with GSD and Branch Operations Division (BBG-BOD) will explore applicable solutions and best practice recommendations to further improve sustainability in own operations.</p>
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Water consumption within the organization

Disclosure	2022	2023
Water consumption (in m ³)	23,733.40	25,992.89
(a) Head Office	7,206.00	8,685.00
(b) Manila TAT Building	2,533.00	763.00
(c) Branches	13,994.40	16,544.89
Water intensity (m ³ /employee)	12.72	13.15

Water is used in BankCom’s premises primarily to ensure cleanliness and upkeep of the facilities and maintain sanitation and hygiene for the health and safety of employees. BankCom is committed to ensure that uninterrupted and clean water supply is available to all its employees in its Head Office and Branches, while at the same time ensure water use is kept to a reasonable volume so as not to create water stress in the areas where it operates.

Stakeholders affected

- Employees
- Management
- Shareholders
- Customers
- Communities

What are the risks identified?

Since banking is not a water-intensive business, the main risk for BankCom is the possibility of water unavailability or shortages particularly in water-stressed regions where it operates, which will impact the health and safety of its employees. This risk may be exacerbated by effects of climate change, such as drought and damage to water sources from extreme weather events and flooding, as well as increased demand from growing populations and economic facilities.

This risk may result in additional financial costs as well as the inability to deliver access to clean and safe water, a basic human right.

Management Approach

Water conservation has been on the management’s agenda since 2005. An operations memorandum is in place 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.

The Bank’s GSD and BBG-BOD 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 a 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. To better control the Bank's water use, the ESG TWG will investigate appropriate solutions and best practice recommendations in collaboration with GSD and BBG-BOD.
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What are the opportunities identified?

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 as well as evaluate the use of water recycling technologies.	Water conservation continues to be a part of the agenda for designing and constructing new branches and other physical facilities with water connection.
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Materials used by the organization

Disclosure	2022	2023
Paper consumption* in kg	36,060	22,950
Paper intensity (kg/employee)	19.33	11.61

*bond/computer papers/folders

BankCom uses paper for communication with customers, issuance of statement of accounts, as well internal documents such as account statements, loan agreements, and other legal documents required to be retained by the Bank. Automation and digitalization are at the core of the innovations that the Bank is currently implementing, and these activities are expected to result in lesser need for paper.

Stakeholders affected

- Employees
- Management
- Shareholders
- Customers
- Communities

What are the risks identified?

Management Approach

Paper production is associated with environmental impacts such as water stress, greenhouse emissions, and forest degradation. As BankCom commits to reducing environmental impact, measures are undertaken to limit paper consumption and paper waste.	BankCom has started to roll out programs to reduce the need for paper. One example is the decision to replace paper brochures in the branches with QR-based, PDF versions which can be downloaded from the Bank's website. The Bank is also utilizing electronic statement in lieu of paper statements for trust management clients and credit card customers. Everyone is encouraged to use collaborative workspaces for business purposes, including general document review and approval, to
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	minimize the amount of paper used internally.
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What are the opportunities identified?

Management Approach

While paper use is inherent for banks, continued improvements in digital banking offers opportunities to reduce the need for paper through digitization and automation.	BankCom continues to enhance its existing electronic banking delivery channels such the BankCom [Personal] mobile app and BankCom [Corporate] to reduce client paper requirements.
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Environmental Impact Management

Greenhouse Gas Emissions

Disclosure	2023
Direct (Scope 1) GHG Emissions (in MT CO2e)	441.95
Energy indirect (Scope 2) GHG Emissions (in MT CO2e)	3,887.73
Emissions intensity (MTCO2/employee)	2.19

In 2023, BankCom has started to calculate its greenhouse gas emissions from within its own operations. The Bank’s emissions arise from the use of diesel and gasoline for bank-issued vehicles and the purchase of grid electricity. Increased levels of GHG emissions emitted from the burning of fossil fuels contributes to the worsening of changes in the climate, translating to substantial negative impacts, losses and damages.

Stakeholders affected

- Employees
- Management
- Shareholders
- Customers
- Communities
- Regulators

What are the risks identified?

Management Approach

The risks from GHG emissions are linked to climate change risks (See Section on Climate-related Risks and Opportunities – Strategy). The risk to the Bank’s own operations include policy and regulatory changes (i.e., pricing of emissions and additional climate reduction/transparency requirements), reputation (i.e., climate controversies), and physical risks (i.e., damage to assets, disruption of operations due to extreme weather events).	As part of BankCom’s climate risk management, the ESG TWG together with GSD and BBG-BOD monitors the emissions coming from the Bank’s own operations. It is also in charge of preparing a strategy for integrating sustainability in the Bank’s own operations, including the mechanism to reduce energy use and transition to low-carbon technologies. BankCom also conducts physical hazard assessments in its branch site selection and monitoring. The Bank also regularly assesses and monitors climate risks through its Risk and Control Self-Assessment (RCSA) and Business Impact Analysis (BIA) Process.
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What are the opportunities identified?

Management Approach

<p>As discussed under Energy Consumption, opportunities arising from implementing low-carbon technologies include lower energy costs and improved operational efficiency, ability to differentiate itself from competition, and attract and retain environmentally conscious customers and employees.</p> <p>As a financial intermediary, there is an opportunity to tap into a market of consumers/corporate clients who wish to transition to energy-efficient and renewable energy technologies.</p>	<p>The topic of climate change and its risks to the organization is part of the ESG and Sustainability Module of the NEO. Furthermore, the ESG team issues advisories on ways to reduce individual carbon footprint.</p> <p>With regard to the environmental impact of the Bank's IT equipment, 99% of the Bank's laptop and desktops are covered under the IT equipment provider's carbon offset program.</p> <p>BankCom's cost management policy prescribes specific measures to manage the usage of the lighting system, air-conditioning system, electric fans and office appliances, and water conservation.</p> <p>BankCom will explore developing sustainable products and services as committed in the Bank's ESRM Framework.</p>
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SOCIAL

Employee Management

Employee Hiring and Benefits

Employee Data

Disclosure	2022	2023
Total number of employees	1,865	1,976
• Female	1,160 (62.20%)	1,210 (61.23)
• Male	705 (37.80%)	766 (38.76)
Attrition rate (in %)	17.28%	15.73%
Ratio of lowest paid employee against minimum wage		
• Probationary employee	111%	106%
• Regular employee	120%	102%

Employee Benefits

List of Benefits	2022		2023	
	Number of male employees who availed for the year	Number of female employees who availed for the year	Number of male employees who availed for the year	Number of female employees who availed for the year
SSS (loans)	139	265	116	236
PhilHealth (certifications)	11	49	33	75
Pag-Ibig (loans)	59	128	56	127
Solo Parent Leave	2	17	2	22
Maternity Leave	-	61	-	51
Paternity Leave	35	-	32	-
Vacation leaves	642	1073	439	647
Sick leaves	394	681	301	455
Medical Benefits (aside from Philhealth), SSS Sickness & Maternity	34	87	41	124
Housing assistance (aside from PAGIBIG)	285	492	323	508
Retirement fund (aside from SSS)	49	112	50	110
Further education support	4	2	2	2
Company stock options	Not offered		Not offered	
Telecommuting	Not offered		Not offered	
Flexible-working Hours	Not offered		Not offered	
Others				
Life Insurance	1	0	1	1

Accident Insurance	0	0	2	0
Emergency Leaves	327	580	335	532
Rice Subsidy	322	563	317	574
Clothing Allowance (in Kind / in Cash)	667	1108	725	1132
Burial Assistance (Employees / Dependents)	12	31	19	49

To ensure that BankCom operates at an optimum level and delivers outstanding performance, there is a need for talented and highly skilled individuals with a strong work ethic and professionalism as well as skills in client relations, strategy, communication and critical thinking. Beyond attracting the right individuals, it is also critical to sustain the Bank's capacity to operate and perform at a high level through cultivating and retaining committed and loyal employees.

It is in this context that a key focus of the sustainability program of BankCom is human capital development. BankCom is committed to investing in its human resources and constantly assessing and improving every step of the employee life cycle process (talent recruitment, onboarding, engagement, development and training, and retention). A key factor particularly in recruitment, engagement, and retention is the quality and competitiveness of the Bank's benefits program. BankCom offers its employees a comprehensive remuneration and benefits package that is regularly reviewed to ensure competitiveness with the industry.

Stakeholders affected

- Employees
- Management
- Shareholders
- Customers

What are the risks identified?

The risk of high attrition due to dissatisfaction with the Bank can have several impacts to the company:

- recruiting, onboarding and training new individuals requires both financial and human resources;
- for specialized positions where a certain level of knowledge and experience is needed, new employees may not be as proficient and thus this may lead to lower productivity from affected business units in the short run.;
- the burden of work is delegated to remaining individuals which may result in burnout and dissatisfaction due to the increased workload, which in turn may lead to further attrition.

Attractive packages from other institutions may likewise affect the Bank's ability to recruit and/or retain employees.

Management Approach

The Human Resource Management and Development Division (HRMDD) leads key initiatives in recruitment, organization development, and compensation and benefits.

For its recruitment strategy, HRMDD utilized several approaches to attract talented individuals such as an employee referral program, online job fairs, and job search platforms and social media to increase reach of job postings. The Bank allows applicants to come from within the organization as a way to develop one's abilities in other areas within the Bank. Internal candidates, if qualified, are prioritized over external candidates. Meanwhile, for branch postings, local hiring is preferred.

On the area of compensation and benefits, BankCom provides its employees competitive

	<p>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.</p> <p>BankCom’s compensation package goes beyond salary and statutory benefits. BankCom’s benefits package, depending on position and rank, includes various affordable financing programs; health management organization (HMO) program for employees and qualified dependents; life insurance, medical and optical allowance; study leave and scholarship reimbursement, as well as food allowances/free lunch. The Bank also maintains a retirement program which is managed professionally.</p>
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What are the opportunities identified?

As competition for talent in the finance industry is growing, it gives the Bank an opportunity to look into other forms of remuneration such as in the areas of work-life balance, employee training and development, welfare, and supporting advocacies. Examples include support for dependent care, health management, and community involvement.

Management Approach

The Bank also looks into upskilling/capacity building and employee engagement as ways to retain employees. HRMDD has launched 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 masters education; regular job evaluation to recognize expanded roles; employee engagement activities such as appreciation month; and various medical and mental health awareness programs. This will be further discussed in the succeeding section.

Finally, HRMDD continues to maintain good relations with the BankCom Employee Union (BCEU) through regular engagement meetings with HR Leaders. The BCEU represents Rank and File employees (781 personnel or 40% of all employees). In 2023, HRMDD conducted 6 monthly meetings with the BCEU and 1 Labor Management Council Meeting. As of the end of the year, no outstanding employee grievance was reported.

HRMDD organizes employee appreciation activities. The Bank’s senior leaders and HRMDD provided snacks and took the opportunity to have direct informal conversations with the employees.

	<p>Other events involved a free movie screening, as well as various awards ceremonies for the frontline employees of the Bank.</p> <p>BankCom also cultivates a strong company culture that aligns to the core value of Malasakit of the SMC Group. In cooperation with San Miguel Foundation (SMF), CCCPD led BankCom employees in life-enriching corporate social responsibility (CSR) activities conducted at various locations during the year. These activities included reforestation/seed potting and coastal cleanup drives.</p>
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Employee Training and Development

Disclosure	2023
Total training hours ⁶	60,614 hours
Average Training Hours per Employee	31 hours
Percentage of Employees Receiving Performance Reviews and Career Development Reviews	100% of eligible employees

Disclosure	2022	2023
Percentage (%) of Employees Offered E-Learning Training on:		
a. Information Security Awareness	100%	100%
b. Financial Consumer Protection	100%	100%
c. Business Continuity Management	100%	100%
d. Anti-Money Laundering	100%	100%

BankCom advocates training and employee development to meet the objectives of providing employees with skills and competencies to be future-ready, and at the same time enabling the Bank as an organization to deliver on its mission and purpose for its customers and other stakeholders. Providing training and development opportunities is also part of employee engagement as it communicates the Bank's intention to support the career advancement and well-being of employees.

BankCom employs a strategic training management approach whereby 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).

On another note, The BSP requires Philippine banks to conduct annual mandatory trainings on the areas

⁶ Training refers to all types of trainings: all types of vocation training and instruction, trainings on specific topic, including paid trainings or education pursued externally and paid for in whole or in part by the organization

of anti-money laundering, information security risk, financial consumer protection, and data privacy to ensure employee's continuous awareness of rules, standards and processes pertaining to these key risk topics in the banking industry.

Stakeholders affected

- Employees
- Management
- Shareholders
- Customers

What are the risks identified?

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 may 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 (i.e. Occupation Health and Safety).

Failure to conduct training sessions mandated by the BSP could result in legal and compliance issues. Further, the lack of knowledge of employees on topics of anti-money laundering, information security risk, financial consumer protection, and data privacy that could potentially expose BankCom to risks due to human errors or failure to comply with regulations.

Management Approach

BankCom, through HRMMD's leadership, conducted several trainings directed to advancing employees' technical and functional competencies:

BRANCH BANKING GROUP (BBG) STAFF:
 Fundamentals of Branch Operations

BBG OFFICERS:
 Branch Officership Training Program

JUNIOR OFFICERS AND RANK & FILE
 Signature Verification and Forgery Detection
 Fraud & Forgery Detection and Prevention
 Effective Business Writing Workshop
 Effective Presentation Skills
 Presentation Skills Workshop

EXECUTIVES AND JUNIOR OFFICERS
 Strategic Planning
 Civility in the Workplace
 Corporate Banking and Development Bootcamp
 Coaching for Managers Workshop
 Managing the Multigenerational Workforce Workshop
 Keys to Leadership

INTERNAL AUDIT DIVISION – EXECUTIVES, JUNIOR OFFICERS AND RANK & FILE
 Root Cause Analysis and other Internal Audit Related Matters Workshop

TRANSACTION SERVICES GROUP – RANK & FILE
 The Keys to Performance

In addition, Members of the Board of Directors, Senior Executives, Junior Officers and Rank and File Employees had attended over 150 external

	<p>trainings sponsored by the Bank. 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) such as covering banking industry topics: AML/CTF, auditing, accounting, risk management, cybersecurity, data privacy and sustainability among others.</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>For its part, HRMDD together with the SMC Corporate Affairs Office (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.</p> <p>HRMDD also partnered with CCCPD to conduct ESG Training for ESG TWG members. Together with SMC Corporate Sustainability Office (CSO) and</p>
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	<p>CAO, HRMDD and CCCPD facilitated the attendance of BankCom’s BOD and SET Members in the Sustainability Management Workshop of the San Miguel Group.</p> <p>For all types of trainings (internal, external, mandatory), the HRMDD requests feedback/evaluation form from attendees on the quality of training content, resource persons, and additional training needs thereby ensuring that the trainings are improved and/or training gaps are addressed.</p>
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What are the opportunities identified?

Management Approach

<p>Realizing the benefits of using online platforms in training, such as 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.</p> <p>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.</p> <p>With the implementation of an ESRMS, BankCom saw an opportunity to introduce awareness raising activities on sustainability and providing training solutions on incorporating ESG and sustainability considerations in its operations and core business.</p>	<p>BankCom continues to update its E-Learning Module and explore tools available in Microsoft Office 365 to disseminate relevant information.</p> <p>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 ESG project team leads, HRMDD rolled out the Bank’s first hybrid training on ESG using these tools.</p> <p>The ESG Team, together with HRMDD, has incorporated a Sustainability and ESG Module in the NEO. The ESG Team likewise participates in external trainings and workshops and in doing so, has gathered information on ESG frameworks and best practices for banks that can be integrated into BankCom either through capacity building/training or technical solutions. The Team is expected to roll out a specialized training plan on ESG and sustainability for existing employees.</p>
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Diversity and Equal Opportunity

Disclosure	2022	2023
Workers in the workforce (%)		
• Male	37.80	38.77
• Female	62.20	61.23
Rank and File (%)		
• Male	36.64	36.21
• Female	63.36	63.79
Junior Officers (%)		
• Male	36.87	38.82
• Female	63.13	61.18
Senior Officers (%)		

• Male	50.00	57.47
• Female	50.00	42.53
Senior Executive Team (%)		
• Male	73.68	68.42
• Female	26.32	31.58
Board of Directors (%)		
• Male	73.33	73.33
• Female	26.67	26.67

Promoting diversity, equality and inclusivity (DEI) at work has been recognized as an important aspect of the modern workplace due to its positive benefits for both the company and its employees. Promoting fair treatment and equal opportunities for employees from all walks of life allows the company to benefit from ideas and innovations coming from diverse perspectives and uncover skilled and talented employees that may be otherwise overlooked. Further, implementing DEI principles in all stages of the employee cycle communicates to employees that they are respected, treated fairly, and protected against discrimination and harassment by the company.

Discrimination is defined as the prejudicial treatment based on a person’s protected attributes such as race, religion, age, gender and sexual orientation, disability, family status, among others. These manifests in denial of opportunities, exclusion, isolation, or harassment.

BankCom recognizes the immense value of DEI in driving success and fostering a positive work environment. A strong DEI culture promotes fair treatment and empowers employees, thereby fostering a sense of belongingness which has an observed impact on performance and commitment from employees, generating significant benefits for the organization.

Stakeholders Affected

- Employees
- Management
- Shareholders
- Customers

What are the risks identified?

A risk related to non-consideration of DEI in the Bank’s employee strategy is the potential reputation impact should there be cases filed regarding discrimination and/or discriminatory practices.

Feeling unsafe or unheard in their work environment due to discrimination could result in turnover of skilled and competent employees.

There is a risk of missing out on highly skilled talents during recruitment and promotions if personal bias or discrimination is apparent in applicant selection.

Management Approach

The Bank provides equal employment opportunities to employees and applicants. Recruitment, compensation, training and development are based on the personal skills, knowledge, and capabilities of each candidate. Selection in key positions, promotions, and transfers is open to all qualified candidates and employees and is based solely on merit and aptitude.

BankCom does not condone discrimination. BankCom abides by related Philippine laws such as the RA 6725 Prohibition of Discrimination Against Women, RA 7877 Anti-Sexual Harassment Act, RA

	<p>8972 Solo Parents' Welfare Act, RA 10911 Anti-age Discrimination in Employment Act, RA 7277 Magna Carta of Disabled Persons.</p> <p>BankCom has a Sexual Harassment Policy since 2002. This states the types of harassment covered, the investigation process, as well as education and training provisions.</p> <p>BankCom's Whistleblowing Policy applies to criminal offences and acts that pose serious threat to the wellbeing and safety of any persons, covering incidents of discrimination and sexual harassment.</p>
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What are the opportunities identified?

Management Approach

<p>Encouraging diversity, equity, and inclusion can benefit the company and its workers in a number of ways, including enhancing the organization's reputation as an inclusive workplace, fostering innovative problem-solving from a range of backgrounds and experiences, and increasing employee retention.</p>	<p>BankCom will look into opportunities to increase awareness of DEI among its management and employees. This includes diversity training programs and workshops on identifying and managing unconscious bias.</p> <p>BankCom offers equal opportunities to deserving employees, regardless of locality or affiliation, to join leadership and career development programs</p> <p>BankCom will stay informed about relevant labor laws and explore opportunities to support the government and local community in promoting workplace diversity and equal opportunities.</p>
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Occupational Health and Safety

Disclosure	2023
Employees covered by an Occupational Health and Safety (OSH) System	100%

As a recognized human right, initiatives that safeguard employees' health, safety, and well-being are prioritized at BankCom. Beyond national regulations requiring companies to institute an Occupational Health and Safety System, BankCom actively works beyond the prevention of harm but also in promoting and securing physical and mental health for employees. BankCom's commitment to health and safety is integrated in its policies and programs on internal communications, risk management and employee engagement.

BankCom is compliant with Republic Act (RA) 11058 (title) and Department of Labor and Employment (DOLE) Department Order 198-18 and acknowledges the company's obligation and responsibility to implement an OSH to ensure the protection of workers and employees against injuries, illnesses, and death through safe and healthy working conditions and environment.

Stakeholders Affected

- Employees
- Management
- Shareholders
- Customers
- Regulators

What are the risks identified?

The mismanagement or disregard for health and safety in the workplace has a negative risk for BankCom and its employees. This includes:

- Loss of productive man-hours
- Legal implications due to non-compliance with OSH regulations
- Damage in Bank’s reputation due to accidents or controversies

Management Approach

BankCom implements an annual Occupational Health and Safety Program covering its Head Office and all branches. It conducts a hazard and risk assessment to identify health and safety hazards and risks and corresponding control measures.

All employees are required to undergo annual medical examination, including drug testing to support the early detection and management of occupational and work-related diseases.

The Bank provides first-aid, medicines, and healthcare facilities through an in-house clinic and a health management organization insurance covering emergency medical service. The Bank has trained safety officers and first aiders deployed in its Head Office and branches. The Bank has a data management system regularly monitoring work accidents and illness exposure.

The Bank has policies in place to cover promotion, prevention and control:

- Drug-free Workplace Policy and Program in compliance to RA 9165
- Workplace Policy and Program Human Immunodeficiency Syndrome (HIV/AIDS) in compliance to (RA 8504) RA 11166
- Workplace Policy and Program on Tuberculosis in compliance to EO 187-03
- Workplace Policy and Program on Hepatitis B in compliance to DOLE Advisory No. 05 Series of 2010
- Covid-19 Prevention & Control Policy

The Bank, through its designated Health Maintenance Organization (HMO), provides regular employees a medical insurance and healthcare plan covering emergency, outpatient and in-patient care. The healthcare plan also covers direct dependents.

	<p>All new employees are required to undergo an Occupational Health and Safety training, as part of the NEO. Safety drills for fire and earthquakes and other emergency incidents are also conducted. Seven (7) drills were conducted in 2023.</p> <p>HRMDD regularly issues Safety and Health Bulletins to heighten employee awareness on common health concerns and provides advice on how to live a healthy lifestyle.</p>
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What are the opportunities identified?

Management Approach

<p>Prioritizing health, safety, and wellbeing can enhance productivity, reduce absenteeism and building a positive reputation. Health and safety are more relevant for employees now more than ever due to the rise of diseases such as COVID-19 as well as the increase in awareness on the importance of mental health.</p>	<p>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. Until January 2024, surveillance antigen testing for employees was provided by BankCom for free through SMC’s facilities. BankCom also monitors any movement in cases of infection among its own employees and those of its third party service providers.</p> <p>HRMDD regularly sends out infographics related to physical, mental and emotional health. Upon request of employees, HRMDD also arranges counseling services through its wellness partners, to ensure their well-being are prioritized.</p>
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Data Security / Customer Privacy

Disclosure	2023
No. of data breaches, including leaks, thefts and losses of data	0

Data security, along with customer privacy, are among the top material risks for financial institutions. It refers to the risks that could lead to the unauthorized collection, use, disclosure, or access of personal data. It includes the risks that the confidentiality, integrity, and availability of personal data will not be maintained, or the risk that the processing of data will violate the rights of data subjects or the privacy principles such as transparency, legitimacy, and proportionality. Financial institutions are frequently targeted by cybercriminals because they hold sensitive and private client data. Financial losses may arise from data breaches and consumer data losses as a result of reputational harm and legal and regulatory repercussions.

BankCom is constantly implementing programs to ensure the security of its information technology and data management systems, covering prevention, monitoring, and incident response. The Bank ensures that the principles of confidentiality, integrity and availability are considered in the selection, use, and maintenance of computer hardware, software, devices, systems, applications and networks.

Stakeholders Affected

- Employees
- Management
- Shareholders
- Customers
- Communities
- Regulators

What are the risks identified?

Information technology is one of the key risks monitored under the Bank’s Risk Appetite Statement. Mismanagement of data and IT systems, such as lack of monitoring, controls, upgrades, or human errors particularly through non-compliance with existing laws, regulations and/or other voluntary standards regarding the protection of customer privacy can result in long-term reputational damage leading to loss of customers and expose banks to regulatory scrutiny in addition to heavy penalties.

Management Approach

BankCom is committed to protecting clients’ personal data and fully complies with the requirements of RA 10173 or the Data Privacy Act of 2012. The Bank’s [Privacy Policy](#) provides consumers guidance on the Bank’s use of personal data, including approach for collection, sharing, and retaining data. BankCom’s Data Privacy Officer under the Compliance Division is in charge of monitoring the Bank’s compliance with regulatory rules and regulations of the National Privacy Commission (NPC) and BSP, among others. BankCom’s DPO and Data Privacy Statement are registered with the NPC.

BankCom implements an IT security program composed of policies and processes to protect its information assets and IT resources. The program includes physical and technical safeguards covering topics such as, but not limited to, physical security, software and hardware controls, backup, storage, disposal and disaster security, internet and network security. This also covers personnel responsibilities such as IT asset management, information security training and incident management.

The program is complemented by an IT risk management system. The strategies to implement BankCom’s IT security policies and procedures include conducting risk assessments, vulnerability assessments, monitoring, and logging IT activities, and developing and implementing disaster recovery plans.

Digital Services Group (DSG) leads in the enhancement of the Bank’s IT systems and processes to ensure compliance with data security regulations, expand the Bank’s financial technology solutions, and ensure efficient service to our customers.

At the Board level, BankCom’s Information Technology Steering Committee (ITSC), is tasked

	<p>to oversee the Bank's IT functions. It cohesively monitors IT performance and formulates appropriate measures to ensure that the Bank's IT strategy and significant IT investments support its business needs, strategies, and objectives.</p> <p>Security training sessions are conducted for employees annually and are part of the Bank's NEO. Continuous Security consciousness is continuously instilled in employees through internal advisories and special audits such as phishing tests.</p>
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What are the opportunities identified?

Management Approach

<p>To maintain resilience of information technology and data security in the long-run, the continuous updating and evolution of IT systems are necessary.</p>	<p>DSG is currently implementing a five-year roadmap for the modernization of the Bank's IT systems, part of which are improvements to ensure the Bank's continuous resilience against new threats to data security.</p> <p>The Bank keeps abreast of developments in the market, consumer behavior, industry regulations, and industry trends. Digital strategies for innovation and transformation will be shaped by matching this data with the Bank's business objectives and strategic direction.</p>
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Consumer Financial Protection

Disclosure	2023
Percentage of complaints lodged in the Consumer Assistance Management System resolved within turnaround time ⁷	95%

BankCom is committed to protecting consumers' right to access accurate, and complete information regarding the products and services they avail from the Bank. Consumer protection principles are considered in product development and design, labelling and advertising, as well as in customer interactions. Aggressive selling practices, including the use of misleading or deceptive statements that hinder customers from making informed decisions are not condoned by the Bank.

BankCom ensures it complies with BSP regulations on financial consumer protection: BSP Circular Nos. 857 and 1048 or BSP Regulations on Financial Consumer Protection (FCP), and the recent release of BSP Circular No. 1160 (Regulations on Financial Consumer Protection to implement Republic Act No. 11765, also known as the "Financial Products and Services Consumer Protection Act"). BankCom's business activities are guided by FCP standards on protecting the rights of consumers to equitable and fair treatment, disclosure and transparency of financial products and services, protection of consumer assets against fraud and misuse, data privacy and protection and timely handling and redress of complaints.

⁷ The Consumer Assistance Mechanism System provides support and resolution for consumer issues and complaints related to products or services. It typically involves a process for consumers to report grievances, seek assistance, and receive resolutions from relevant business units. The Bank is required to notify the clients of the investigation result within 3-5 banking days.

Stakeholders Affected

- Employees
- Management
- Shareholders
- Customers
- Communities
- Regulators

What are the risks identified?

Non-compliance with marketing and labelling regulations, including consumer protection policies will negatively impact the Bank. Complaints related to mis-selling and use of deceptive practices in sales will not just result in penalties but also affect the public’s perception of the Bank’s integrity, resulting in loss of existing and potential customers.

As the use of digital technologies in personal banking has become more mainstream, this exposed consumers to bad actors who deceive customers using the name of the Bank through fraud and scams. BankCom understands its responsibility to protect consumers from such incidents.

Management Approach

BankCom’s implements a Manual operationalizing the FCP standards in all relevant areas in banking such as corporate communications and promotional materials, employee training, information security, product development, selling, client suitability assessment, assistance management, risk management and compliance.

The Bank ensures that all print and digital communication materials, particularly those related to product marketing, advertising and promotions complies with the Bank’s product marketing policies, as well as those required by the BSP, BancNet, DTI, Philippine Deposit Insurance Corporation (PDIC), and SEC among others.

BankCom implements principles of responsible sales and marketing. It commits to disclosing information that is balanced, easily understandable, comprehensive, and accurate:

- When offering products to customers, both benefits and risks are disclosed;
- Marketing and communication with customers consider language literacy and limitations;
- All information on costs (interest, fees charges and penalties) and conditions (warning, waiver of rights and limits of liability, consequences of not meeting obligations, responsibility of the Bank, cancellation, profitability).

BankCom complies with fair treatment and non-discrimination in providing products and services while ensuring suitability by gathering sufficient information to offer appropriate products or services aligned with the needs and risk profile of consumers.

The FCP Manual is consistently reviewed to ensure alignment with new policies and standards on FCP. BankCom’s FCP framework also includes a Consumer Protection Risk Management System, composed of Board and Senior Management

	<p>Oversight, Compliance and Internal Audit Program, and Trainings.</p> <p>BankCom’s Consumer Assistance Management System (CAMS) includes a customer complaint handling and redress mechanism. Consumer assistance channels available for consumers include a hotline, email, and designated officers in Head Office/branches. Under the CAMS, complaints are analyzed whether they are an isolated issue or a more widespread issue for consumers. Such complaints are escalated to Compliance Division and Risk Management and corrective action (e.g., change in policy) is undertaken as necessary.</p> <p>BankCom also works on ensuring customer privacy and security by sending out advisories and tips regarding fraud prevention and cybersecurity via email and through social media and website.</p> <p>As an integral part of the BankCom’s customer onboarding process, the Bank ensures that clients have undertaken a pre-requisite consumer education course or program via Electronic Services Consumer Awareness Program (ESCAP) on the safe and secure use of electronic payment and financial services (EPFS), including the associated risks.</p>
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What are the opportunities identified?

Management Approach

<p>BankCom recognizes that financial consumer protection goes beyond transactions and client management but also helps clients and even the general public take control of their finances, such as making informed decisions on spending and investing with the goal of securing their financial future.</p> <p>BankCom acknowledges the importance of sustaining financial education and awareness to financial consumers in order to help them protect their financial health, especially during these economically challenging times.</p>	<p>BankCom's Financial Literacy Program is a comprehensive initiative designed to empower individuals with essential financial knowledge and skills. Through interactive workshops, educational resources, and tailored courses, the program aims to enhance understanding in budgeting, investing, and responsible financial management. It equips participants with practical tools to make informed decisions, fostering a more financially knowledgeable client base.</p> <ul style="list-style-type: none"> • Number of Financial Literacy Sessions: 25 • Number of Financial Literacy Locations 20 • Number of Financial Literacy Student Participants: 496 • Total Number of Financial Literacy Participants: 1,945
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Supply Chain Accreditation Policy

Topic	Reference in supplier accreditation policy
Environmental Performance	Suppliers are required to submit information on policy and management programs focusing on the environmental impact of their operations/products
Forced Labor	Suppliers are required to provide information on their labor policies
Child labor	Suppliers are required to provide information on their labor policies
Human rights	Suppliers are required to provide information on how respect for human rights is integrated in their policies
Bribery and corruption	Suppliers are required to acknowledge the Bank's no-gift policy

Impacts

BankCom's commitment to sustainability in its own operations is two-pronged: (1) ensuring resource efficiency and managing direct environment and social impacts and (2) implementing responsible sourcing and supply chain management practices. BankCom recognizes that organizations may have indirect environmental impacts through its business relationships, particularly through its supply chain. Beyond ensuring the quality or technical capability of products and services offered, it is now critical to ensure that vendors and third-party service providers are aware and are transparent about their environmental and social impacts, and to encourage them to start taking steps to manage these impacts by integrating sustainability into their own operations.

Sustainable and responsible sourcing and supply chain management starts with understanding the extent of environmental and social impact of suppliers and encouraging them to rethink unsustainable practices through raising awareness on sustainability. These steps are integrated in the supplier accreditation process of BankCom.

Stakeholders Affected

- Suppliers
- Employees
- Management
- Shareholders
- Customers
- Communities

What are the risks identified?

Disruptions in the supply chain may limit BankCom's ability to provide its services. These disruptions, which include labor disputes, environmental compliance, and production stoppages, can be caused by environmental and social problems that the supplying firm does not handle or manage, such as health and safety, labor disputes, and reputational concerns.

The consequences of climate change on suppliers, including physical and transition hazards, are another significant risk to the supply chain that

Management Approach

BankCom has updated the supplier vendor accreditation process to include requirements for ESG disclosures:

- Suppliers are required to submit a supplier sustainability questionnaire (SSQ). The SSQ is a tool that helps us understand the environmental and social practices of our suppliers and how they manage sustainability-related risks in their business activities.

<p>could have a knock-on effect on the business.</p>	<ul style="list-style-type: none"> Suppliers are also required to acknowledge the Bank's no-gift policy which prohibits all employees and their immediate families from soliciting gifts, favors, and services starting any current or potential third-party provider. <p>The Bank's SSQ and No-Gift Policy are communicated to <u>all</u> suppliers undergoing accreditation by the Procurement Management Department.</p> <p>Suppliers are required to provide documents such as a Business Continuity Self-Assessment and a Risk Profile Self-Assessment which requires information on risk topics such as human capital, information security and physical hazards.</p>
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What are the opportunities identified?





Management Approach


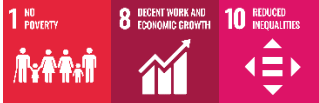
<p>BankCom has a unique opportunity to extend its commitment to sustainability by raising awareness to suppliers and encourage them to rethink the ways they do business, particularly small and medium enterprises.</p> <p>It will allow BankCom to extend beyond its walls its commitment to sustainability and position itself as a leader in driving positive change within the industry.</p>	<p>BankCom conducts an orientation for suppliers on ESG and sustainability, the Bank and SMC Group's commitments, and provides guidance on how to accomplish the SSQ.</p> <p>Further supplier engagement and communication initiatives will be planned such as additional awareness training and/or regular sustainability-related advisories.</p>
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UN SUSTAINABLE DEVELOPMENT GOALS

PRODUCT OR SERVICE CONTRIBUTION TO UN SDGS


Key products and services and their contribution to sustainable development.

Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution / Management Approach to Negative Impact
<p>Bank Accounts</p> <p>BankCom provides various types of banking accounts:</p> <ul style="list-style-type: none"> • 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 	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>1 NO POVERTY</p> </div> <div style="text-align: center;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div> </div> <p>BankCom supports customers in building financial resiliency through savings by offering easily accessible, low maintenance savings and deposit accounts that cater to different populations, such as employees, students, and business owners. This helps the company contribute to SDG 1. It also helps achieve SDG 8 since it gives small enterprises the financial credibility and savings they need to make capital expenditures that will grow their operations and eventually lead to the creation of jobs.</p>	<p>BankCom diligently fulfills its fiduciary obligation to safeguard the money entrusted to it by these depositors. The Bank's risk mission and objective is 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.</p> <p>BankCom employs its ESRMS to proactively address environmental and social risks. This system ensures that any such risks, which may intersect with financial risks, are effectively managed both in the bank's core business transactions and in the management of its internal operations.</p>
<p>Consumer Loans</p> <p>BankCom also provides home, automobile, and salary loans for individual customers around the country. The Bank maintains partnerships with real estate developers as well as automobile dealers through its account officers to capture the market.</p>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>1 NO POVERTY</p> </div> <div style="text-align: center;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div> </div> <p>These products align with SDG 1 as it contributes to improvement in living standards through homeownership and increased mobility options for individuals. Salary loans foster economic resilience by reducing the reliance on predatory lending options. These accessible and fair financial solutions contribute to social equality and stability which is aligned with the goal of SDG 8.</p>	<p>The Bank ensures that potential clients are properly informed of costs and conditions and diligently reviews and evaluates potential borrowers (know-your-customer, credit risk assessments) to ensure affordability and sustainability of the product for them. The Bank employs processes to prevent over-indebtedness and actively works out solutions for clients who are in or at risk of default. These policies are covered by BankCom's FCP Framework</p>

<p>Branches</p> <p>With a network of 140 branches, BankCom provides a consistent and comprehensive financial experience for individual and business clients.</p>	 <p>For clients who transact with merchants or other customers, these branches service their deposits to fund their personal or operating accounts, facilitate withdrawal through over-the-counter (OTC) or onsite ATMs, accept check clearing and encashment, and fulfill various account-related requests. BankCom also services the needs of business customers through its check releasing counters, deposit pickup facilities, and account maintenance for auto-credit and auto-debit arrangements performed by branches.</p> <p>By facilitating other products and services such as deposit and savings account and consumer, BankCom's branch networks support relevant SDGs 1 and 8.</p>	<p>BankCom implements training for Branch Staff on Fundamentals on Branch Operations and a Branch Officers Training Program. BankCom also ensures that all branch employees are aware and follow the Bank's FCP Framework ensuring quality delivery of service to branch clients.</p>
<p>Remittance</p> <p>BankCom develops and manages tie-ups with various partners to facilitate remittances from overseas Filipino workers (OFWs) mostly from the Middle East through its SikapPinoy Asenso program.</p> <p>An all-in-one service to help OFWs and their families handle their hard-earned money in the most convenient, secure, and smart way possible towards establishing a business of their own. Beyond providing a savings account and accessible remittance channels, SikapPinoy Asenso Program includes assistance to access business franchising opportunities (e.g. U-Franchise and Potato Corner for qualified BankCom OFW account holders).</p>	 <p>This program helps Filipinos living abroad and their families manage their remittances, save money, and make investments. This primarily supports SDG 1 as it makes it easier for money to be transferred to OFW families in need and promotes saving and investing, which helps the OFW and their families become financially resilient over the long term and end poverty cycles. Remittance channels support the macroeconomic growth and stability of the Philippine economy by facilitating the transfer of capital (SDG 8). Remittance schemes help OFWs and their families, especially the unbanked, become more integrated into the financial system (SDG 10).</p>	<p>BankCom diligently fulfills its fiduciary obligation to safeguard the money entrusted to it by the depositors. BankCom's risk mission and objective 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.</p>

<p>Products:</p> <ul style="list-style-type: none"> • SikapPinoy OFW Savings Account • SikapPinoy Domestic Remit • SikapPinoy International Remit • E-Government Payments of OFWs 		
<p>Digital Channels</p> <p>BankCom’s electronic banking channels consist of a mobile app and online banking channel designed for retail or individual customers, i.e., BankCom [Personal], a web-based channel specially made for corporate or institutional accounts, i.e., BankCom [Corporate], ATMs (and soon, Cash Recycling Machines or CRMs), and point-of-sale (POS) terminals.</p>	 <p>The objective of strengthening domestic financial institutions to increase access to banking, insurance, and financial services is supported by BankCom's digital banking channels (SDG 8). These channels guarantee easy, quick, and accessible access to BankCom's services.</p>	<p>BankCom implements an IT security program composed of policies and processes to protect its information assets and IT resources. The program includes physical and technical safeguards covering topics such as, but not limited to, physical security, software and hardware controls, backup, storage, disposal and disaster security, internet and network security. This also covers personnel responsibilities such as IT asset management, information security training and incident management.</p> <p>See Data Security/Customer Privacy for more information</p>
<p>Financial Literacy Program</p> <p>BankCom's Financial Literacy Program is a comprehensive initiative designed to empower individuals with essential financial knowledge and skills. Through interactive workshops, educational resources, and tailored courses, the program aims to enhance understanding in budgeting, investing, and responsible financial management.</p>	 <p>In order to reduce poverty and increase financial resilience (SDG 1), BankCom works to empower adults with greater financial literacy, which in turn helps them make better financial decisions. By giving people from all backgrounds access to financial information and skills (SDG 4), financial literacy also helps to reduce inequality (SDG 10).</p>	<p>BankCom regularly reviews its Financial Literacy Program to ensure that updates in finance and banking (threats/risks, new products/services, standards) are incorporated.</p>
<p>Corporate Social Responsibility (CSR) Program</p> <p>The Bank not only prioritizes its financial performance, but also</p>	 <p>BankCom employees volunteered during the International Coastal Clean-up Day event organized by Team</p>	<p>BankCom ensures that its CSR activities are strategic and aligned with its core values. BankCom has instituted a CSR policy framework that will serve as a guiding document on the implementation</p>

<p>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</p> <ul style="list-style-type: none"> • Total volunteers: 95 • Total volunteer hours: 1,045 • Total number of donors of in-kind donations: 42 • Total value of cash donations: 162,900 	<p>Malasakit of SMF where team members across all business units, BankCom included, volunteered to clean up coastal area in Navotas.</p>  <p>BankCom team members demonstrated their commitment to the community by organizing a seed potting activity at Mt. Purro in Antipolo. During a two-part event, employees and SET Members participated in potting seeds as a symbolic gesture of their dedication to the community they are a part of. The team collectively potted around 150 seedlings.</p> <p>BankCom also joined Team Malasakit nationwide activation in December in observance of the One Good Deed Day. Team members across business units, BankCom included, were given an opportunity to show kindness in whatever means, may it be through monetary or in-kind donations.</p>  <p>BankCom demonstrated support for the Department of Education's initiative to institutionalize a child safety program for schools. This included a donation to Pinget Elementary School, a public school in Baguio City, for the purchase of materials for the school's "Project ARAYAT" as well as sponsoring a child safety orientation for Diliman Preparatory School in Quezon City.</p> <p>Likewise, BankCom supported the Brigada Eskwela through a donation to San Roque National High School in Antipolo City. This was the third year that BankCom had participated as education stakeholder under its CSR program.</p>	<p>of CSR activities. BankCom's CSR activities focus on expanding its financial literacy activities, supporting community development, and promoting environmental sustainability.</p>
<p>Corporate Loans</p>	<p>Electricity and Gas including</p>	<p>BankCom's risk mission and</p>

<p>BankCom extends loans and other credit facilities to corporate institutional, and middle market clients to support their working capital and/or capital expenditure requirements. Corporate lending may be in the form of term loans, credit lines, or project finance.</p> <p>The Bank's financing portfolio includes, among others:</p> <ul style="list-style-type: none"> • Electricity and Gas including renewable energy (hydropower, solar, battery and other energy storage systems) • Real Estate (commercial and residential) • Construction • Manufacturing (e.g. Food and Beverage, Textile, Apparel, Furniture) • Agriculture and Fishing • Water supply, sewerage, waste management and remediation activities 	<p>renewable energy (hydropower, solar, battery and other energy storage systems)</p>  <p>Real Estate (commercial and residential)</p>  <p>Construction</p>  <p>Manufacturing (e.g. Food and Beverage, Textile, Apparel, Furniture)</p>  <p>Agriculture and Fishing</p>  <p>Water supply, sewerage, waste management and remediation activities</p> 	<p>objective is 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.</p> <p>BankCom employs its ESRMS to proactively address environmental and social risks. This system ensures that any such risks, which may intersect with financial risks, are effectively managed both in BankCom's core business transactions and in the management of its internal operations.</p> <p>This includes integration of ESG/climate information in credit forms used in credit evaluation to identify, assess, measure and monitor ESG/climate risks at the borrower level. BankCom is also requiring its borrowers, with material environmental impact, to provide a copy of the Environmental Clearance Certificate (ECC).</p>
<p>Loans for small enterprises</p> <ul style="list-style-type: none"> • Small Business Loan – Term Loan • Small Business Loan – Business Credit Line 	 <p>By offering loans to small businesses, BankCom advances the national financial inclusion strategy. It also promotes SDGs 1 and 8, which aim to reduce poverty by fostering the expansion of small businesses and the generation of jobs they generate. Because it gives small businesses access to capital, it also advances SDG 10's objective.</p>	