PSBank
PHILIPPINE SAVINGS BANK
Metrobank Group

May 13, 2022

The Philippine Stock Exchange, Inc.
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **Ms. Alexandra D. Tom Wong**
Officer-in-charge, Disclosure Department

Subject: **Submission of SEC 17-Q – First Quarter Report**

Dear Ms. Tom Wong:

Pursuant to the reportorial requirements of Section 17 of the Securities Regulation Code (SRC) and Section 141 of the Corporation Code of the Philippines, we hereby submit a copy of SEC Form 17-Q of Philippine Savings Bank as of March 31, 2022.

We hope that you will find everything in order.

Thank you very much.

Very truly yours,

Leah M. Zamora
Controller
lmzamora@psbank.com.ph / 02-88858208

COVER SHEET

1	5	5	5	2

SEC Registration Number

P H I L I P P I N E S A V I N G S B A N K

(Company's Full Name)

P S B a n k C e n t e r , 7 7 7 P a s e o d e R o x a s c o r n e r S e d e ñ o S t r e e t , M a k a t i C i t y

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

Leah M. Zamora

(Contact Person)

8885-8208

(Company Telephone Number)

1	2		3	1

Month *Day*

(Fiscal Year)

1st Quarter

1	7	-	Q	

(Form Type)

0	4		2	5

Month *Day*

(2022Annual Meeting)

(Secondary License Type, If Applicable)

Marketand Securities Regulation Department

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,444

TotalNo. of Stockholders
As of March 31, 2022

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number LCU

Document ID Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1.	For the quarterly period ended	:	**March 31, 2022**
2.	Commission identification number	:	**15552**
3.	BIR tax identification number	:	**000-663-983-000**
4.	Exact name of registrant as specified in its charter	:	**PHILIPPINE SAVINGS BANK**
5.	Province, country or other jurisdiction of incorporation or organization	:	**City of Manila, Philippines**
6.	Industry classification code	:	[ ] (SEC Use Only)
7.	Address of registrant's principal office	:	**PSBank Center, 777 Paseo de Roxas cor. Sedeño St., Makati City**
8.	Registrant's telephone number, including area code	:	**(632) 8885-8208**
9.	Former name, former address and former fiscal year, if changed since last report	:	**Not applicable**
10.	Securities registered pursuant to Sections 4 and 8 of the RSA:		
	Title of each class	:	**Common Shares**
	Number of shares of common stock outstanding	:	**426,859,416**
	Amount of debt outstanding (Unpaid Subscription)	:	**None**
11.	Are any or all of the securities listed on the Philippine Stock Exchange?	:	**Yes**

12. Indicate by check mark whether the registrant:

(a) Has filed all reports required to be filed by Section 17 of the Securities Regulation Code and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).

Yes **[x]** No [ ]

(b) Has been subject to such filing requirements for the past 90 days.

Yes **[x]** No [ ]

PART I – FINANCIAL INFORMATION

ITEM 1.FINANCIAL STATEMENTS

Attached are the following:

Unaudited Interim Statements of Condition	Annex 1
Unaudited Interim Statements of Income	Annex 2
Unaudited Interim Statements of Comprehensive Income	Annex 3
Unaudited Interim Statements of Changes in Equity	Annex 4
Unaudited Interim Statements of Cash Flows	Annex 5
Unaudited General Notes to Interim Financial Statements	Annex 6
Unaudited Schedule of Financial Soundness Indicators	Annex 7

ITEMII.MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

FINANCIAL POSITION AND RESULTS OF OPERATION	Annex 8
Aging of Receivables	Annex 9

PART II – OTHER INFORMATION

1. Control of Registrant

The following stockholders own more than 5% of the total outstanding number of shares issued as of March 31, 2022:

Name of Stockholder	Outstanding Number of Shares	Percent to Total No. of Shares
Metropolitan Bank and Trust Co.	377,279,068	88.38%

As of March 31, 2022, there is no person who holds more than 5% of the Bank's securities lodged with PCD Nominee Corporation.

Minimum Public Ownership
As of March 31, 2022, public ownership of the Bank was at 10.57%. Of the total shares issued, 2.70 million shares or 0.63% represents foreign ownership.

2. Legal Proceedings

The Bank in the course of its operations and in running its business has several legal cases that are filed in its behalf and against it. However, these cases will not give any material effect to its financial status nor would have any material impact in continuing its operations. These cases are part of its daily business activities and consequence of its collection efforts and business dealings with the public.

3. Board Resolutions

All material disclosures of the Bank had been made under SEC 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHILIPPINE SAVINGS BANK
By:

LEAH M. ZAMORA
Senior Vice President/Controller

JOSE VICENTE L. ALDE
President

May 12, 2022

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAY 12 2022, affiants exhibiting to me their respective Passports with the following details:

Name	Passport No.	Date of Issue	Place of Issue
JOSE VICENTE L. ALDE		-	-
LEAH M. ZAMORA			

Doc. No. 79;
Page No. 17;
Book No. 13;
Series of 2022

ATTY. ROMEO S. MASANGYA, JR.
ROLL NO. 45164
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-27 UNTIL DECEMBER 31, 2022
MCLE COMPLIANCE NO. VII-0005549 APRIL 14, 2025
IBP LIFETIME NO. 018663, 01/03/2018 MAKATI CITY
PTR NO. 8852037, 01/03/2022 MAKATI CITY
MEZZANINE FLR. PSBANK CENTER NO. 777 PASEO DE ROXAS
COR. SEDENO ST. MAKATI CITY
TEL NO. (02)8511-8042

Philippine Savings Bank

Interim Financial Statements

As of March 31, 2022(Unaudited) and December 31, 2021 (Audited)

and for the quarters ended March 31, 2022 and 2021 (Unaudited)

Annex 1

PHILIPPINE SAVINGS BANK

ITEMI. FINANCIAL STATEMENTS

UNAUDITED INTERIM STATEMENTS OF CONDITION
(With Comparative Audited Figures as at December 31, 2021)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Cash and Other Cash Items	**₱2,039,751,497**	₱2,801,335,279
Due from Bangko Sentral ng Pilipinas	**70,950,577,415**	52,427,713,760
Due from Other Banks	**1,527,360,847**	1,366,924,524
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	**8,697,730,400**	4,532,877,908
Fair Value Through Profit or Loss (FVTPL) Investments	**39,521**	44,701
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	**39,475,833,206**	60,266,504,348
Investment Securities at Amortized Cost	**23,088,227,675**	20,962,346,722
Loans and Receivables	**108,071,701,955**	110,111,505,826
Investment in a Joint Venture	**783,953,576**	762,926,364
Property and Equipment	**3,029,846,534**	2,938,455,849
Investment Properties	**3,813,215,920**	3,508,598,106
Deferred Tax Assets	**409,770,954**	576,786,519
Goodwill and Intangible Assets	**335,592,677**	361,193,084
Other Assets	**1,192,798,543**	1,188,896,822
	₱263,416,400,720	₱261,806,109,812

LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities		
Demand	**₱27,440,670,121**	₱26,939,262,124
Savings	**46,221,484,292**	45,319,797,393
Time	**134,951,345,628**	136,095,038,765
Long-term Negotiable Certificates of Deposits	**8,444,415,097**	8,441,451,603
	217,057,915,138	216,795,549,885
Bills Payable	**232,830,000**	–
Bonds Payable	**4,637,229,653**	4,633,613,322
Treasurer's, Cashier's and Manager's Checks	**895,025,792**	593,630,994
Accrued Taxes, Interest and Other Expenses	**1,642,561,188**	1,684,762,235
Financial Liabilities at FVTPL	**677,061**	–
Income Tax Payable	**105,383,189**	80,547
Other Liabilities	**3,399,774,052**	3,204,395,695
	227,971,396,073	226,912,032,678
Equity		
Common Stock	**4,268,594,160**	4,268,594,160
Capital Paid in Excess of Par Value	**11,418,563,257**	11,418,563,257
Surplus Reserves	**1,041,471,464**	1,041,471,464
Surplus	**19,379,656,854**	18,812,148,450
Fair Value Reserves on Financial Assets at FVOCI	**(15,038,324)**	2,409,890
Remeasurement Losses on Retirement Plan	**(632,885,484)**	(632,885,484)
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture	**2,877,392**	2,877,392
Equity in Hedge Reserves of a Joint Venture	**(12,144,581)**	(12,144,581)
Cumulative Translation Adjustment	**(6,090,091)**	(6,957,414)
	35,445,004,647	34,894,077,134
	₱263,416,400,720	₱261,806,109,812

Annex 2

PHILIPPINE SAVINGS BANK
UNAUDITED INTERIM STATEMENTS OF INCOME

	For the Quarters ended March 31	
	2022	2021
INTEREST INCOME		
Loans and receivables	**₱2,531,027,515**	₱3,326,077,201
Financial assets at FVOCI and investment securities at amortized cost	**369,771,479**	245,734,816
Due from Bangko Sentral ng Pilipinas	**293,443,117**	113,716,733
Interbank loans receivable and securities purchased under resale agreements	**21,664,551**	16,100,447
Due from other banks	**5,749**	18,139
FVTPL investments	**538**	50,017
	3,215,912,949	3,701,697,353
INTEREST EXPENSE		
Deposit liabilities	**417,224,979**	383,358,456
Bonds Payable	**55,878,832**	151,090,864
Lease liability	**21,399,564**	22,914,048
Bills payable	**76,643**	694
	494,580,018	557,364,062
NET INTEREST INCOME	**2,721,332,931**	3,144,333,291
Service fees and commission income	**444,471,374**	392,022,108
Service fees and commission expense	**9,546,209**	10,911,699
NET SERVICE FEES AND COMMISSION INCOME	**434,925,165**	381,110,409
OTHER OPERATING INCOME (CHARGES)		
Gain on foreclosure and sale of investment properties - net	**257,796,369**	228,332,779
Gain (loss) on foreclosure and sale of chattel mortgage properties - net	**175,140,347**	(175,441,588)
Foreign exchange gain (loss) - net	**1,047,386**	(1,131,122)
Gain on sale of property and equipment	**967,578**	402,805
Trading and securities gains - net	**98,344**	8,312,299
Miscellaneous	**272,029,748**	183,634,140
	707,079,772	244,109,313
TOTAL OPERATING INCOME	**₱3,863,337,868**	₱3,769,553,013
OTHER EXPENSES		
Compensation and fringe benefits	**₱892,678,804**	₱889,049,434
Taxes and licenses	**491,609,707**	331,950,102
Provision for credit and impairment losses	**345,882,597**	1,094,320,448
Depreciation	**182,846,946**	230,212,019
Security, messengerial and janitorial services	**90,492,800**	106,774,995
Occupancy and equipment-related costs	**77,158,455**	103,346,168
Amortization of intangible assets	**26,534,964**	30,275,199
Miscellaneous	**533,095,001**	464,162,230
	2,640,299,274	3,250,090,595
INCOME BEFORE SHARE IN NET INCOME OF A JOINT VENTURE AND INCOME TAX	**1,223,038,594**	519,462,418
SHARE IN NET INCOME OF A JOINT VENTURE	**21,027,212**	(9,773,270)
INCOME BEFORE INCOME TAX	**1,244,065,806**	509,689,148
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**189,397,274**	157,318,512
Deferred	**167,015,566**	(86,167,758)
	356,412,840	71,150,754
NET INCOME	**₱887,652,966**	₱438,538,394
Basic/Diluted Earnings Per Share	**₱2.08**	₱1.03

Annex 3

PHILIPPINE SAVINGS BANK
UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	For the Quarters ended March 31	
	2022	2021
NET INCOME	**₱887,652,966**	₱438,538,394
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that recycle to profit or loss in subsequent periods:		
Fair value reserves on debt securities at FVOCI	**(17,448,215)**	11,072,725
Cumulative translation adjustment	**867,324**	343,476
	(16,580,891)	11,416,201
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱871,072,075**	₱449,954,595

Annex 4

PHILIPPINE SAVINGS BANK

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Common Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Fair Value Reserves on Financial Assets at FVOCI	Remeasurement Losses on Retirement Plan	Equity in Remeasurement Gains on Retirement Plan of a Joint Venture	Equity in Hedge Reserves of a Joint Venture	Cumulative Translation Adjustment	Total
Balance at January 1, 2022	**₱4,268,594,160**	**₱11,418,563,257**	**₱1,041,471,464**	**₱18,812,148,450**	**₱2,409,890**	**(₱632,885,484)**	**₱2,877,392**	**(₱12,144,581)**	**(₱6,957,414)**	**₱34,894,077,134**
Total comprehensive income for the period	**–**	**–**	**–**	**887,652,966**	**(17,448,215)**	**–**	**–**	**–**	**867,324**	**871,072,075**
Cash dividends	**–**	**–**	**–**	**(320,144,562)**	**–**	**–**	**–**	**–**	**–**	**(320,144,562)**
Balance at March 31, 2022 (Unaudited)	**₱4,268,594,160**	**₱11,418,563,257**	**₱1,041,471,464**	**₱19,379,656,854**	**(₱15,038,325)**	**(₱632,885,484)**	**₱2,877,392**	**(₱12,144,581)**	**(₱6,090,090)**	**₱35,445,004,647**
Balance at January 1, 2021	₱4,268,594,160	₱11,418,563,257	₱1,039,166,094	₱18,555,539,349	₱13,058,180	(₱726,238,329)	(₱1,285,176)	(₱35,097,280)	(₱21,571,852)	₱34,510,728,403
Issuance of stock rights	–	–	–	–	–	–	–		–	–
Total comprehensive income (loss) for the period	–	–	–	438,538,394	11,072,725	–	–	–	343,476	449,954,595
Cash dividends	–	–	–	(320,144,562)	–	–	–	–	–	(320,144,562)
Balance at March 31, 2021 (Unaudited)	₱4,268,594,160	₱11,418,563,257	₱1,039,166,094	₱1,8673,933,181	₱24,130,905	(₱726,238,329)	(₱1,285,176)	(₱35,097,280)	(₱21,228,376)	₱34,640,538,436

Annex 5

PHILIPPINE SAVINGS BANK
UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

	Quarters ended March 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,244,065,806**	₱509,689,148
Adjustments to reconcile income before income tax to net cash provided by operations:		
Provision for credit and impairment losses	**345,882,597**	1,094,320,447
Depreciation	**182,846,949**	235,200,486
Amortization of premium (discount) on financial assets at fair value through other comprehensive income and investment securities at amortized cost	**(268,946,573)**	(96,687,233)
Gain on foreclosure and sale of:		
Investment properties	**(257,796,369)**	(228,332,779)
Chattel mortgage properties	**(175,140,347)**	175,441,588
Amortization of:		
Intangible assets	**26,534,964**	30,275,199
Debt issuance costs	**3,616,331**	10,749,521
Lease Liabilities	**21,399,564**	22,914,048
Accretion of modified loans	**(27,855,454)**	–
Realized loss (gain) on sale of financial assets at (FVOCI)	**103,524**	45,509
Share in net income of a joint venture	**(21,027,212)**	9,773,270
Fair value loss on fair value through profit or loss investments	**5,180**	(503,322)
Gain on sale of property and equipment	**(967,578)**	(402,805)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Fair value through profit or loss investments	**677,061**	(97,521,194)
Loans and receivables	**1,112,393,697**	8,579,348,082
Other assets	**(61,526,747)**	(122,007,975)
Increase (decrease) in:		
Deposit liabilities	**262,789,791**	8,144,711,900
Treasurer's, cashier's and manager's checks	**301,394,798**	(21,851,866)
Accrued taxes, interest and other expenses	**(42,200,998)**	(85,905,289)
Other liabilities	**84,017,863**	(290,048,216)
Cash generated from operations	**2,730,266,847**	17,837,643,392
Income taxes paid	**(84,094,632)**	–
Net cash provided by operating activities	**2,646,172,215**	17,837,643,392
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of:		
Financial assets at FVOCI	**(96,730,245,226)**	(60,875,364,460)
Investment securities at amortized cost	**(2,000,000,000)**	–
Property and equipment	**(17,568,186)**	(19,750,918)
Other intangible assets	**(934,558)**	(94,627,699)
Proceeds from sale/maturities of:		
Financial assets at FVOCI	**117,649,256,051**	37,346,970,000
Investment securities at amortized cost	**–**	136,139,519
Chattel mortgage properties	**599,262,227**	1,246,398,039
Investment properties	**152,879,124**	344,268,817
Property and equipment	**38,118,397**	2,516,577
Net cash provided (used) in investing activities	**₱19,690,767,829**	(21,825,223,451)

(Forward)

	For the Quarters ended March 31	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of bills payable	**₱232,830,000**	**₱–**
Payment of lease liabilities	**(160,664,426)**	(123,859,049)
Dividends paid	**(320,144,562)**	(320,144,562)
Net cash provided by financing activities	**(247,978,988)**	(444,003,611)
Effect of exchange rate differences	**28,656**	8,442
NET DECREASE IN CASH AND CASH EQUIVALENTS	**22,088,989,712**	(4,431,575,228)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	**2,801,335,279**	2,841,851,535
Due from Bangko Sentral ng Pilipinas	**52,428,888,060**	31,689,964,554
Due from other banks	**1,368,023,210**	1,575,447,188
Interbank loans receivable and securities purchased under resale agreements	**4,532,877,908**	5,445,979,370
	61,131,124,457	41,553,242,647
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	**2,039,751,497**	2,722,035,426
Due from Bangko Sentral ng Pilipinas	**70,951,585,506**	28,090,281,255
Due from other banks	**1,531,046,766**	949,856,887
Interbank loans receivable and securities purchased under resale agreements	**8,697,730,400**	5,359,493,851
	₱83,220,114,169	₱37,121,667,419

OPERATIONAL CASH FLOWS FROM INTEREST		
Interest paid	**₱509,361,984**	₱591,260,832
Interest received	**3,925,209,546**	4,237,358,357

Annex 6

PHILIPPINE SAVINGS BANK
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philippine Savings Bank (the Bank) was incorporated in the Philippines primarily to engage in savings and mortgage banking. The Bank's shares are listed in the Philippine Stock Exchange (PSE). The Bank offers a wide range of products and services such as deposit products, loans, treasury and trust functions that mainly serve the retail and consumer markets. On September 6, 1991, the Bank was authorized to perform trust functions.

As of March 31, 2022 and December 31, 2021, the Bank had 250branches. The Bank had 270 Automated Tellering Machines (ATMs) on-site and 275 off-site, bringing its total number of ATMs to 545 as of March 31, 2022 and 547 as of December 31, 2021.

The Bank's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on June 30, 1959. On March 28, 2006, the Board of Directors (BOD) of the Bank approved the amendment of Article IV of its Amended Articles of Incorporation to extend the corporate term of the Bank, which expired onJune30, 2009, for another 50 years or up toJune 30, 2059. This was subsequently approved by stockholders representing at least two-thirds of the outstanding capital stock of the Bank on April 25, 2006. The Amended Articles of Incorporation was approved by the SEC on September 27, 2006.

On April 27, 2010, by majority vote of the BOD and by stockholders representing two-thirds of the outstanding capital stock, the amendment of Article VI of its Amended Articles of Incorporation reducing the number of directors from a maximum of eleven (11) to a maximum of nine (9) has been approved. This was approved by the SEC on August 26, 2010.

On March 24, 2014, the BOD approved Article III of Articles of Incorporation to specify its principal address from Makati City to PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City 1226. The Amended Articles of Incorporation was approved by the SEC on December 22, 2014.

As of March 31, 2022 and December 31, 2021, Metropolitan Bank & Trust Company (MBTC), the Bank's ultimate parent, owned eighty-eight percent (88%) of the Bank.

2. Significant Accounting Policies

Basis of Preparation

The accompanying interim condensed financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the interim condensed financial statements do not include all the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Bank's annual audited financial statements as of December 31, 2021.

The condensed financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) that have been measured at fair value.The unaudited interim condensed financial statements are presented in Philippine Peso (₱), and all values are rounded to the nearest Philippine Peso, except as otherwise indicated.

The accompanying interim condensed financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and FCDU is the Philippine Peso and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso. The financial statements of these units are combined after eliminating inter-unit accounts.

Statement of Compliance
The accompanying interim condensed financial statements as of March 31, 2022 and for the three-month periods ended March 31, 2022 and 2021 have been prepared in accordance with PAS 34, Interim Financial Reporting. Accordingly, the unaudited interim condensed financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Bank's annual audited financial statements as at and for the year ended December 31, 2021.

Seasonality or Cyclicality of Interim Operations
Seasonality or cyclicality of interim operations is not applicable to the Bank's type of business.

Presentation of Financial Statements
The Bank presents its statements of condition in order of liquidity.An analysis regarding recovery of assets or settlement of liabilities within twelve (12) months after the statement of condition date (current) and more than 12 months after the statement of condition date (non-current) is presented in Note 14.

Financial assets and financial liabilities are offset and the net amount is reported in the statements of condition only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of solvency or bankruptcy of the Bank and all of the counterparties.

Income and expenses are not offset in the statements of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the audited annual financial statements as of and for the year ended December 31, 2021, except for the adoption of the following amended standards, which became effective beginning January 1, 2022.

Unless otherwise indicated, the adoption of these new standards did not have an impact on the financial statements of the Bank

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

  The amendments are not expected to have a material impact on the Bank.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Bank.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

  The amendments are not expected to have a material impact on the Bank.

- *Annual Improvements to PFRS Standards 2018-2020 Cycle*
- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  The amendments are not expected to have a material impact on the Bank.

- Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Bank.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

  The amendments are not expected to have a material impact on the Bank.

Summary of Significant Accounting Policies

Foreign Currency Translation
The financial statements are presented in PHP, which is the Bank's functional and presentation currency.

The books of accounts of the RBU are maintained in PHP, while those of the FCDU are maintained in USD.

RBU
As at reporting date, foreign currency monetary assets and liabilities of the RBU are translated in PHP based on the Bankers Association of the Philippines (BAP) closing rateprevailing at the statement of condition date, and foreign currency-denominated income and expenses, at the exchange rates as at the dates of the transactions. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities in the RBU are credited to or charged against profit or loss in the year in which the rates change. 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

FCDU
As at reporting date, the assets and liabilities of the FCDU are translated to the Bank's presentation currency (PHP) at the BAP closing rate prevailing at the statement of condition date, and its income and expenses are translated using the exchange rates as at the dates of the transactions. Exchange differences arising on translation to the presentation currency are taken to the statements of comprehensive income under 'Cumulative translation adjustment'. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statements of comprehensive income is recognized in the statements of income.

Fair Value Measurement
The Bank measures financial instruments, such as FVTPL investments, financial assets at FVOCI and derivative financial instruments, at fair value at each statement of condition date.Also, fair values of financial instruments measured at amortized cost and non-financial assets such as investment properties are disclosed in Note 3.

Fair value is the estimated 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 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 economic best interest.

If an asset or a liability measured at fair value has a bid price and an ask price (e.g., an input from a dealer market), the price between the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A 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.

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 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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.

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 and liability and the level of the fair value hierarchy as explained above.

<u>Cash and Cash Equivalents</u>
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA) that are convertible to known amounts of cash which have original maturities of three months or less from date of placements and that are subject to an insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
Date of recognition
Purchases or sales of financial assets, except for derivatives, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivative financial instruments are recognized on a trade date basis. Deposits, amounts due to banks and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments
All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

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

<u>Investments at FVTPL</u>
Financial assets or financial liabilities at FVTPL
Financial assets and financial liabilities at FVTPL include financial assets and financial liabilities held for trading purposes and derivative instruments.

Financial instruments held-for-trading
Financial assets or financial liabilities held for trading (HFT) are recorded in the statements of condition at fair value. Included in this classification are debt securities which have been acquired principally for the purpose of selling in the near term. Changes in fair value relating to the HFT positions are recognized in 'Trading and securities gains (losses) - net'. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in other operating income under 'Miscellaneous' when the right to receive payment has been established.

Derivatives recorded at FVTPL
Derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the statements of income and are included in 'Foreign exchange gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. As of March 31, 2022 and 2021, derivatives consist of forwards and Republic of the Philippines (ROP) paired warrants acquired to manage the Bank's foreign currency risk, lower the risk-weighted assets and improve the capital adequacy ratio of the Bank.

Financial Instruments – Classification and Subsequent Measurement
Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Bank may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test).

Financial Assets at FVOCI
Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Fair value reserves on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the statements of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest income' using the effective interest method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statements of comprehensive income is recognized as 'Trading and securities gain (loss) - net' in the statements of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for credit and impairment losses' in the statements of income.

Equity securities designated at FVOCI are those that the Bank made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statements of income as 'Dividends' when the right to receive payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. 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 the statements of comprehensive income is reclassified to 'Surplus' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statements of condition captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and SPURA', 'Investment securities at amortized cost' and 'Loans and receivables'.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less 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 in 'Interest income' in the statements of income. Gains and losses are recognized in statements of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statements of income under 'Provision for credit and impairment losses'. The effects of revaluation on foreign currency denominated investments are recognized in the statements of income.

Other financial liabilities carried at amortized cost
This category represents issued financial instruments or their components, which are not designated at FVTPL and comprises deposit liabilities, bills payable, subordinated notes, treasurer's, cashier's and manager's checks, accrued interest payable, accrued other expenses payable, accounts payable, bills purchased-contra, other credits, dividends payable, deposits for keys-safety deposit boxes (SDB), and overages, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities not qualified and not designated as FVTPL are subsequently measured at amortized cost using the effective interest amortization method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on quoted market prices for similar debt instruments). The residual amount determined after deducting the fair value of the debt component is assigned to the equity component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

<u>Financial Guarantees and Undrawn Loan Commitments</u>
The Bank issues financial guarantees and loan commitments. Financial guarantees are those issued by the Bank to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. 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 value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. Starting January 1, 2018, 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 financial guarantees and undrawn loan commitments is recognized in 'Miscellaneous liabilities' under 'Other liabilities'.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  a. the Bank has transferred substantially all the risks and rewards of the asset, or
  b. the Bank has neither transferred nor retained the risks and rewards of the asset but has transferred control over 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 the asset nor is transferred control over the asset, the asset recognized to the extent of the Bank's continuing involvement in the asset. In this case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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 assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recovery on charged-off assets' under 'Miscellaneous income' in the statements of income.

Modification of financial assets
The Bank derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:
- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Bank also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Bank considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another 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, and the difference in the respective carrying amounts is recognized in the statement of income.

<u>Exchange or modification of financial liabilities</u>
The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of

the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another 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 between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Bank recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase (SSURA) at a specified future date ('repos') are not derecognized from the statements of condition as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received, including accrued interest, is recognized in the statements of condition as a loan to the Bank under 'Bills payable', reflecting the economic substance of such transaction.

Conversely, SPURA at a specified future date ('reverse repos') are not recognized in the statements of condition. The consideration paid, including accrued interest, is recognized in the statements of condition as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest amortization method.

Reclassification of Financial Assets

The Bank reclassifies its financial assets when there is a change in its business model for managing financial assets. A change in business model occurs when the Bank either begins or ceases to perform an activity that is significant to its operations. The Bank applies the reclassification prospectively from the reclassification date and does not restate any previously recognized gains, losses or interest.

Impairment of Financial Assets

PFRS 9 requires the Bank to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology

ECL represent credit losses that reflect an unbiased and probability-weighted amount which 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. The objective of the new impairment standard is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument. In comparison, the previous incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

Definition of "default" and "cure"

As a part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikeliness to pay. The Bank's definition of default is aligned with the non-performing loan criteria as prescribed in BSP Circular No. 941. Defaults refer to loans, investments, receivables, or any financial asset, even without any missed contractual payments, that satisfy any of the following conditions (1) impaired under existing accounting standards, (2) classified as doubtful or loss, (3) in litigation, (4) 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 ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Defaults are characterized by financial assets that have objective evidence of impairment at the reporting date and as such classified under Stage 3 ECL treatment.

An instrument is considered to be no longer in default, i.e., to have cured, when it no longer meets any of the default criteria above and there is sufficient evidence to support full collection thru payments received for at least 6 months. Cured accounts are classified under Stage 1 ECL treatment.

Significant increase in credit risk (SICR)

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative models, the borrower or counterparty's credit rating has deteriorated by at least 2 notches. On the other hand, if based on the Bank's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses, then credit risk may have significantly increased as well. Moreover,if contractual payments are more than 30 days past due threshold, the credit risk is deemed to have increased significantly since initial recognition.Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which amortized payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

Restructuring

In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, changes in maturity date, principal amount from capitalization of accrued interest, terms and conditions from conversion/consolidation or interest rates/repricing cycle that results in an extension in the loan maturity. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are initially moved to Stage 3.

The Bank implements a curing policy for restructured accounts compliant with BSP Circular No. 1011. Restructured accounts that have exhibited improvements in creditworthiness may be moved from Stage 3 after a total of one-year probation period. These accounts are transferred to Stage 2 after six months of full payments and consequently transferred to Stage 1 after making the next six months of full payments.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) with each of the parameter independently modelled.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

Economic overlays and multiple economic scenarios
The Bank incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to multiple future macroeconomic atmosphere expectations. A broad range of economic indicators were considered for the economic inputs, such as GDP, GIR change, CPI change, PSE indices, foreign exchange rates and other BSP statistical indicators. 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 address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Bank's loans and receivables consist of different portfolios, such as consumption, real estate, commercial and personal loans, as well as other receivables (e.g., sales contract receivables). In compliance with PFRS 9, the Bank developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

Investment in a Joint Venture
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Bank's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Bank's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of income reflects the Bank's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Bank's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Bank recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Bank and joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Bank's share of profit or loss of a joint venture is shown on the face of the statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of a joint venture are prepared for the same reporting period as the Bank. The length of the reporting period is the same from period to period. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each statement of condition date, the Bank determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognizes the loss as 'Share in net income of a joint venture' in the statements of income.

Upon loss of joint control over the joint venture, the Bank measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

<u>Property and Equipment</u>
Land is stated at cost less any impairment in value, while depreciable properties, including building, furniture, fixtures and equipment, and leasehold improvements, are stated at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged against profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Depreciation is calculated using the straight-line method to write down the cost of the property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	25-50 years
Furniture, fixtures and equipment	3-5 years, depending on the type of assets
Leasehold improvements	5 years or the term of the related lease, whichever is shorter

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

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 on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset is written down to its recoverable amount.

<u>Leases</u>
Bank as lessee
The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. *Right-of-use assets*
The Bank recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives

received. ROU assets are depreciated on a straight line basis over the shorter of the lease term and estimated useful lives of the assets as follows:

Office space and warehouses	1 to 20 years
ATM space	1 to 3 years

ii. *Lease liabilities*

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Bank recognizes right-of-use assets and lease liabilities, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Determining the lease term of contracts with renewal options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank's lease liabilities are included in 'Other Liabilities'.

iii. *Short-term leases and leases of low-value assets*

The Bank applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATMs and office equipment that are considered of low value (i.e. ₱250,000 and below). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as 'Gain on foreclosure of real assets and other properties acquired' under 'Gain on foreclosure and sale of investment properties'. Foreclosed properties are classified under investment properties from foreclosure date. Expenditures incurred after the investment properties are recognized, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and impairment in value, except for land which is stated at cost less impairment in value. Depreciation is calculated using the straight-line method over the remaining useful lives from the time of acquisition of the investment properties.The estimated useful life of building and condominium units ranges from 10 to 40 years.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in 'Gain on foreclosure and sale of investment properties - net' in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Chattel Mortgage Properties

Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and impairment in value. Chattel mortgage properties acquired are initially recognized at fair value. Depreciation is calculated using the straight-line method over the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be five years.

Chattel mortgage properties are derecognized when they have either been disposed of or when the chattel mortgage property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on disposal of chattel mortgage properties are recognized in the statements of income under 'Gain (loss) on foreclosure and sale of chattel mortgage properties- net' in the year of disposal.

Intangible Assets

The Bank's intangible assets include branch licenses and computer software. An intangible asset is recognized only when the cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statements of income in the year in which 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 useful economic 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 at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statements of income under 'Amortization of intangible assets'.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (CGU) level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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 when the asset is derecognized.

Branch licenses
Branch licenses arise from the acquisition of branches from local banks and licenses to operate new branches from the BSP. Branch licenses have indefinite useful lives and are tested for impairment on an annual basis.

Software costs
Software costs are carried at cost less accumulated amortization and any impairment in value. Given the history of rapid changes in technology, computer software are susceptible to technological obsolescence. Therefore, it is likely that their useful life is short. Software costs are amortized on a straight-line basis over five years but maybe shorter depending on the period over which the Bank expects to use the asset.

<u>Impairment of Non-financial Assets</u>
Property and equipment, investment properties and chattel mortgage properties
At each statement of condition date, the Bank assesses whether there is any indication that its non-financial assets may be impaired. 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 recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU'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 recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset 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. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators.

An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of condition date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been previously recognized. Such reversal is recognized in the statement 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 life.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGU) is less than the carrying amount of the CGU (or group of CGU) to which goodwill has been allocated, an impairment loss is recognized immediately in the statements of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Bank performs its annual impairment test of goodwill as at December 31 of each year.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 of each year, either individually or at the CGU level, as appropriate.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Investment in a joint venture
After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on the Bank's investment in a joint venture. The Bank determines at each statement of condition date

whether there is any objective evidence that the investment a joint venture is impaired. If this is the case, the Bank calculates the amount of impairment as being the difference between the fair value of the investment in the joint venture and the carrying amount and recognizes such amount in the statements of income.

Common Stock

Common stocks are recorded at par. Proceeds in excess of par value are recognized under equity as 'Capital paid in excess of par value' in the statements of condition. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Bank concluded that it is acting as a principal in all of its revenue arrangements.

Service fees and commission income

Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include remittance fees, commissions, deposit-related and other credit-related fees.

Income from sale of property and equipment, investment property and chattel mortgage properties

Income from sale of property and equipment, investment property and chattel mortgage properties is included in the profit or loss when the property is derecognized. The gain or loss arising from the derecognition of the property is determined as the difference between the net disposal proceeds and its carrying amount on the date of the transaction.

Revenue outside the scope of PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.

Under PFRS 9, 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.

Recovery on charged-off assets

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

Trading and securities gains (losses) - net

Trading and securities gain (loss) represents results arising from trading activities, including all gains and losses from changes in the fair values of FVTPL investments. It also includes gains and losses realized from sale of debt securities at FVOCI.

Realized gains and losses on disposals of FVTPL investments are calculated using weighted average method. It represents the difference between an instrument's initial carrying amount and disposal amount.

Gain on disposal of investments securities at amortized cost
Gain on disposal of investment securities at amortized cost represents gain realized from sale of peso-denominated debt securities measured at amortized cost.

Rental income
Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms of ongoing leases and is recorded in the statements of income under 'Miscellaneous' in other operating income.

Expense Recognition
Expenses are recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

Interest expense
Interest expense for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statements of income using the EIR of the financial liabilities to which they relate.

Other expense
Expenses encompass losses as well as those expenses that arise in the ordinary course of business of the Bank. Expenses are recognized when incurred.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill.

If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognized directly in the statements of income in the year of acquisition.

Goodwill is initially measured at cost being the excess of the acquisition cost over the share in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. The Bank's goodwill arose from past purchases of branch business/offices from the Parent Company.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is, from the acquisition date, allocated to each of the CGU or group of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether the acquired other assets or liabilities are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Retirement Cost
Defined Benefit Plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the statement of condition date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The present value of the defined benefit obligation is calculated annually by an independent actuary. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
a. service cost;
b. net interest on the net defined benefit liability or asset; and
c. remeasurements of net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on Philippine government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Bank's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefits
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

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 presented in the statement of income, 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 Liabilities and Contingent Assets
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Debt Issue Costs
Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments are included in the measurement basis of the underlying debt instruments and are amortized as an adjustment to the interest on the underlying debt instruments using the effective interest method.

Income Taxes
Income tax on profit or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of income, except to the extent that it relates to OCI items recognized directly in the statements of comprehensive income.

Current tax
Current income tax is the expected tax payable on the taxable income for the period, using the tax rates enacted at the statement of condition date, together with adjustments to tax payable in respect to prior years.

Deferred tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of condition 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, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses and MCIT can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of condition date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of condition date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period 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 statement of condition date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Current income tax and deferred income tax relating to items recognized directly in OCI is also recognized in OCI and not in the statements of income.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect to stock dividends declared, stock rights exercised and stock splits, if any, declared during the year.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Bank. Dividends for the year that are approved after the statements of condition date are dealt with as subsequent events.

Segment Reporting
The Bank's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5. The Bank's assets generating revenues are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

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.

Subsequent Events
Post year-end events that provide additional information about the Bank's position at the statement of condition 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.

Standards Issued but Not Yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Bank does not expect the future adoption of the said pronouncements to have a significant impact on its financial statements. The Bank intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.
  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

  The amendments are not expected to have a material impact on the Bank.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

  The amendments are not expected to have a material impact on the Bank.

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

  The amendments are not expected to have a material impact on the Bank.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Fair Value Measurement

Financial Instruments
The following describes the methodologies and assumptions used to determine the fair values of financial instruments:

Cash and other cash items, due from BSP, due from other banks, interbank loans receivable and SPURA, accounts receivable, accrued interest receivable, bills purchased, RCOCI, shortages, and petty cash fund - Carrying amounts approximate fair values due to the relatively short-term maturities of these assets.

Debt investments - Fair values are generally based on quoted market prices. If the market prices are 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 the discounted cash flow methodology, using rates currently available for debt on similar terms, credit risk and remaining maturities.

Equity investments - Fair values are based on quoted prices published in markets.

Receivable from customers, sales contract receivables and security deposits- Fair values are estimated using the discounted cash flow methodology, using the Bank's current lending rates for similar types of loans.

Demand deposits, savings deposits, treasurer's, cashier's and manager's checks, accrued interest payable, accounts payable, bills purchased-contra, other credits, due to the Treasurer of the Philippines, deposits for keys-SDB, payment orders payable and overages - Carrying amounts approximate fair values due to either the demand nature or the relatively short-term maturities of these liabilities.

Bills payable, bonds payable and time deposits- Fair values are estimated using the discounted cash flow methodology using the Bank's borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

The inputs used in the fair value measurement based on Level 2 are as follows:

Government securities -interpolated rates based on market rates of benchmark securities as of statement of condition date.

The inputs used in estimating fair values of financial instruments carried at amortized cost and categorized under Level 3 include risk-free rates and applicable risk premium.

Non-financial Assets
Investment properties-Fair values of the investment properties have been determined based on valuations performed by independent external and in-house appraisers using valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of investment properties was based on the Sales Comparison Approachand considered recent sales of similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restriction, building coverage and floor area ratio restrictions among others. Other significant unobservable inputs include shape, location, time element, discount and corner influence. The fair value of investment properties is based on its highest and best use, which is its current use.

The following tables summarize the carrying amount and fair values of the Bank's financialinstruments and investment properties, analyzed based on the hierarchy described in Note 2(in thousands):

	March 31, 2022 (Unaudited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
HFT - government securities	**₱40**	**₱40**	**₱–**	**₱–**	**₱40**
Financial assets at FVOCI					
Government debt securities	**37,629,050**	**36,494,095**	**1,134,955**	**–**	**37,629,050**
Private debt securities	**1,831,883**	**1,831,883**	**–**	**–**	**1,831,883**

	March 31, 2022 (Unaudited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Equity securities	**14,900**	**12,124**	**2,776**	**–**	**14,900**
	₱39,475,873	**₱38,338,142**	**₱1,137,731**	**₱–**	**₱39,475,873**
Liabilities measured at fair value:					
Financial Liabilities					
Financial liabilities at FVTPL	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Assets for which fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost					
Government	**20,608,273**	**17,693,007**	**2,276,928**	**–**	**19,969,935**
Private	**2,479,954**	**2,492,778**	**–**	**–**	**2,492,778**
Loans and receivables					
Receivables from customers					
Consumption loans	**53,616,285**	**–**	**–**	**63,983,378**	**63,983,378**
Real estate loans	**43,353,656**	**–**	**–**	**65,455,258**	**65,455,258**
Commercial loans	**6,766,613**	**–**	**–**	**7,183,259**	**7,183,259**
Personal loans	**1,599,510**	**–**	**–**	**2,947,698**	**2,947,698**
Sales contract receivable	**15,600**	**–**	**–**	**16,931**	**16,931**
Security deposits	**199,933**	**–**	**–**	**268,266**	**268,266**
Non-Financial Assets					
Investment properties	**3,813,216**	**–**	**–**	**6,172,681**	**6,172,681**
	₱132,453,040	**₱20,185,785**	**₱2,276,928**	**₱146,027,471**	**₱168,490,184**
Liabilities for which fair values are disclosed:					
Deposit liabilities – Time	**₱134,951,346**	**₱–**	**₱–**	**₱136,231,833**	**₱136,231,833**
Deposit liabilities – LTNCD	**8,444,415**	**–**	**–**	**8,922,849**	**8,922,849**
Bonds Payable	**4,637,230**	**–**	**–**	**4,591,974**	**4,591,974**
Bills payable	**232,830**	**–**	**–**	**232,830**	**232,830**
	₱148,265,821	**₱–**	**₱–**	**₱149,979,486**	**₱149,979,486**

	December 31, 2021 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
HFT - government securities	₱45	₱–	₱45	₱–	₱45
Financial assets at FVOCI					
Government debt securities	58,407,116	49,045,711	9,361,405	–	58,407,116
Private debt securities	1,845,811	1,845,811	–	–	1,845,811
Equity securities	13,577	12,404	1,173	–	13,577
	60,266,549	50,903,926	9,362,623	–	60,266,549
Assets for which fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost					
Government	18,495,339	16,879,018	2,348,448	–	19,227,466
Private	2,467,008	2,538,630	–	–	2,538,630
Loans and receivables					
Receivables from customers					
Consumption loans	53,839,278	–	–	60,228,366	60,228,366
Real estate loans	44,634,259	–	–	44,870,036	44,870,036
Commercial loans	6,880,926	–	–	7,183,259	7,183,259
Personal loans	1,654,361	–	–	2,947,698	2,947,698
Sales contract receivable	17,302	–	–	16,931	16,931
Security deposits	197,494	–	–	256,954	256,954
Non-Financial Assets					
Investment properties	3,508,598	–	–	5,654,376	5,654,376
	131,694,565	19,417,648	2,348,448	121,157,620	142,923,716
Liabilities for which fair values are disclosed:					
Deposit liabilities - time	₱136,095,039	₱–	₱–	₱137,329,426	₱137,329,426
Deposit liabilities - LTNCD	8,441,452	–	–	8,853,367	8,853,367
Bonds payable	4,633,613	–	–	4,625,188	4,625,188
	₱149,170,104	₱–	₱–	₱150,807,981	₱150,807,981

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any adjustments for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models. Instruments included in Level 3 include those for which there is currently no active market.

As of March 31, 2022 and December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

4. Financial Risk Management Policies and Objectives

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

Organization risk management structure continues to be a top-down organization, with the BOD at the helm of all major initiatives.

Discussed below are the relevant sections on roles and responsibilities from the Risk Oversight Committee (ROC) Charter:

Board of Directors (BOD)
The corporate powers of the Bank are vested in and are exercised by the BOD, who conducts its business and controls its property. The BOD approves broad risk management strategies and policies and ensures that risk management initiatives and activities are consistent with the Bank's overall objectives. The BOD appoints the members of the ROC.

Risk Oversight Committee (ROC)
The ROC is composed of at least three members of the Board, the majority of whom are independent directors including its Chairperson. The ROC Chairperson is not the Chairperson of the Board or of any other committee. Members of the ROC possess a range of expertise and adequate knowledge of the Bank's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

The BOD may also appoint non-directors to the ROC as part of the Metrobank Group risk oversight measures. However, only Bank directors shall be considered as voting members of the ROC. Non-voting members are appointed in an advisory capacity.

The ROC oversees the system of limits to discretionary authority that the BOD delegates to the management and ensures that the system remains effective, the limits are observed, and that immediate corrective actions are taken whenever limits are breached.

The ROC meets on a monthly basis and is supported by the Risk Management Office (RMO). In the absence of the ROC Chairman, another Independent Director shall preside. ROC resolutions, which require the concurrence of the majority of its voting members, are presented to the BOD for confirmation.

Risk Management Office (RMO)
The RMO, headed by the Chief Risk Officer and Sustainability, is a function that is independent from executive functions and business line responsibilities, operations and revenue-generating functions. It reports directly to the BOD, through the ROC. The RMO assists the ROC in carrying out its responsibilities by:

- analyzing, communicating, implementing, and maintaining the risk management policies approved by the ROC and the BOD;

- spearheading the regular review of the Bank’s risk management policy manual and making or elevating recommendations that enhance the risk management process to the ROC and the BOD, for their approval; and
- ensuring that the risks arising from the Bank’s activities are identified, measured, analyzed, reported to and understood by risk takers, management, and the board. The RMO analyzes limit exceptions and recommends enhancements to the limits structure.
- reviewing and discussing with management the Bank's integration of ESG (environment, social and governance) and sustainability principles and goals into its business strategies and daily business activities.

The RMO does not assume risk-taking accountability nor does it have approving authority. The RMO’s role is to act as liaison and to provide support to the BOD, ROC, the President, management committees, risk takers and other support and control functions on risk-related matters.

The Risk Management Function is responsible for:
- identifying the key risk exposures and assessing and measuring the extent of risk exposures of the Bank and its Trust Operations;
- monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on the Bank’s internal capital adequacy assessment on an on-going basis;
- monitoring and assessing decisions to accept particular risks whether these are consistent with BOD-approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and
- reporting on a regular basis to Senior Management and the BOD the results of assessment and monitoring.

President
The President is the Chief Executive Officer of the Bank and has the primary responsibility of carrying out the policies and objectives of the BOD. The President exercises the authorities delegated to him by the BOD and may recommend such policies and objectives he deems necessary for the continuing progress of the Bank.

Risk management
The risk management framework aims to maintain a balance between the nature of the Bank’s businesses and the risk appetite of the BOD. Accordingly, policies and procedures are reviewed regularly and revised as the organization grows and as financial markets evolve. New policies or proposed changes in current policies are presented to the ROC and the BOD for approval.

a. Credit risk and concentration of assets and liabilities and off-balance sheet items

Credit risk is the risk that a counterparty will not settle its obligations in accordance with the agreed terms.

The Bank’s lending business follows credit policy guidelines set by the BOD, ROC and RMO. These policies serve as minimum standards for extending credit. The people engaged in the credit process are required to understand and adhere to these policies.

Product manuals are in place for all loans and deposit products that actually or potentially expose the Bank to all types of risks that may result in financial or reputational losses. They define the product and the risks associated with the product plus the corresponding risk-mitigating controls. They embody the business plans and define the business parameters within which the product or activity is to be performed.

The system of checks around extension of credit includes approval by at least two credit approvers through the Credit Committee (CreCom), Executive Committee (ExCom) or BOD. The ROC reviews the business strategies and ensures that revenue-generating activities are consistent with the risk tolerance and standards of the Bank. The Internal Audit Group conducts regular audit across all functional units. The BOD, through the ExCom, CreCom and ROC, ensure that sound credit policies and practices are followed through all the business segments.

Credit Approval
Credit approval is the documented acceptance of credit risk in the credit proposal or application.

The Bank's credit decision-making for consumer loans utilizes the recommendation of the credit scoring and is performed at the CreCom level appropriate to the size and risk of each transaction, in conformity with corporate policies and procedures in regulating credit risk activities. The Bank's ExCom may approve deviations or exceptions, while the BOD approves material exceptions such as large exposures, loans to directors, officers, stockholders and other related interests (DOSRI) and related party transactions, and loan restructuring.

Credit delegation limits are identified, tracked and reviewed at least annually by the Bank's Head of Credit and Collections together with the Credit Risk Manager.

Borrower Eligibility
The Bank's credit processing commences when a customer expresses his intention to borrow through a credit application. The Bank gathers data on the customer; ensures they are accurate, up-to-date and adequate to meet the minimum regulatory requirements and to render credit decision. These data are used for the intended purpose only and are managed in adherence to the customer information secrecy law.

The customer's credit worthiness, repayment ability and cash flow are established before credit is extended. The Bank independently verifies critical data from the customer, ensuring compliance with Know Your Customer requirements under the anti-money laundering laws. The Bank requires that customer income be derived from legitimate sources and supported with government-accepted statements of income, assets and liabilities.

The Bank ascertains whether the customer is legally capable of entering a credit contract and of providing a charge over any asset presented as collateral for a loan. Guarantors or sureties may be accepted, provided they are a relative, partner, and have financial interest in the transaction, and they pass all credit acceptance criteria applied to the borrower.

Loan Structure
The Bank structures loans for its customers based on the customer's capability to pay, the purpose of the loan, and for a collateralized loan, the collateral's economic life and liquidation value over time.

The Bank establishes debt burden guidelines and minimum income requirements to assess the customer's capacity to pay.

The Bank utilizes credit bureau data, both external and internal, to obtain information on a customer's current commitments and credit history.

The Bank takes into account environmental and social issues when reviewing credit proposals of small businesses and commercial mortgage customers. The Bank ensures that all qualified securities pass through the BOD for approval. Assignments of securities are confirmed and insurance are properly secured.

The Bank uses credit scoring models and decision systems for consumer loans as approved by the BOD. Borrower risk rating model and facility risk rating model, on the other hand, are available for SME loans, and supported with qualitative evaluation. Regular monitoring of all these tools and their performance is carried out to ensure that they remain effective.

Initial loan limits are recommended by the CreCom and ExCom and approved by the BOD. The Bank ensures that secured loans are within ceilings set by local regulators. Succeeding loan availments are based on account performance and customer's credit worthiness.

Credit Management
The Bank maintains credit records and documents on all borrowings and captures transaction details in its loan systems. The credit risk policies and system infrastructure ensure that loans are monitored and managed at all times.

The Bank's Management Information System provides statistics that its business units need to identify opportunities for improving rewards without necessarily sacrificing risk. Statistical data on product, productivity, portfolio, profitability, performance and projection are made available regularly.

The Bank conducts regular loan review through the ROC, with the support of the RMO. The Bank examines its exposures, credit risk ratios, provisions and customer segments. The Bank's unique customer identification and unique group identification methodology enables it to aggregate credit exposures by customer or group of borrowers. Aggregate exposures of at least ₱100.0 million are put on a special monitoring.

The ROC assesses the adequacy of provisions for credit losses regularly. The Bank's automated loan grading system enables the Bank to set up provision per account. The Bank also performs impairment analyses on loans and receivables, whether on an individual or collective basis, in accordance with PFRS 9.

The Bank carries out stress testing analyses using Board-approved statistical models relating the default trends to macroeconomic indicators.

In 2021, the onslaught of the COVID pandemic which stunted the growth of the global economy still lingered. Governments and economies responded by gradually adapting to the situation Numerous efforts to mitigate an outbreak (such as movement restrictions, vaccines, etc.) were already starting to take root. This created some level of stability. Correspondingly, there has been an observed shift in credit behavior of individuals, as more have accounted for the fluidity of the pandemic situation before engaging in significant credit taking activities. With economic recovery in the horizon, the Bank has strategically started to relax its credit standards for collateralized retail loans and ride the upcoming wave. For the existing portfolios, the Bank recalibrated its Expected Credit Loss (ECL) models with new credit experience data coming from the pandemic to ensure long-run effectiveness of the provision process.

b. Market risk

Market risk management covers the areas of trading and interest rate risks. The Bank utilizes various measurement and monitoring tools to ensure that risk-taking activities are managed within instituted market risk parameters. The Bank revalues its trading portfolios on a daily basis and checks the revenue or loss generated by each portfolio in relation to their level of market risk.

The Bank's risk policies and implementing guidelines are regularly reviewed by the Assets and Liabilities Committee (ALCO), ROC and BOD to ensure that these are up-to-date and in line with changes in the economy, environment and regulations. The ROC and the BOD set the comprehensive market risk limit structure and define the parameters of market activities that the Bank can engage in.

Market risk is the risk to earnings and capital arising from changes in the value of traded portfolios of financial instruments (trading market risk) and from movements in interest rates (interest rate risk). The Bank's market risk originates primarily from holding peso and dollar-denominated debt securities. The Bank utilizes Value-at-Risk (VaR) to measure and manage market risk exposure. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, for a given confidence level over a specified holding period.

Trading activities

The Bank's trading portfolios are currently composed of peso and dollar-denominated fixed income securities that are marked-to-market daily. The Bank also uses VaR to measure the extent of market risk exposure arising from these portfolios.

VaR is a statistical measure that calculates the maximum potential loss from a portfolio over a holding period, within a given confidence level. The Bank's current VaR model uses historical simulation for Peso and USD HFT portfolios with confidence level at 99.00% and a 1 day holding period. It utilizes a 250 days rolling data most recently observed daily percentage changes in price for each asset class in its portfolio.

VaR reports are prepared on a daily basis and submitted to Treasury Group and RMO. VaR is also reported to the ROC and BOD on a monthly basis. The President, ROC and BOD are advised of potential losses that exceed prudent levels or limits.

When there is a breach in VaR limits, Treasury Group is expected to close or reduce their position and bring it down within the limit unless approval from the President is obtained to retain the same. All breaches are reported to the President for regularization. In addition to the regularization and approval of the President, breaches in VaR limits and special approvals are likewise reported to the ROC and BOD for their information and confirmation.

Back-testing is employed to verify the effectiveness of the VaR model. The Bank performs back-testing to validate the VaR model and stress testing to determine the impact of extreme market movements on the portfolios. Results of backtesting are reported to the ROC and BOD on a monthly basis. Stress testing is also conducted, based on historical maximum percentage daily movement and on an ad-hoc rate shock to estimate potential losses in a crisis situation.

The Bank has established limits, VaR, stop loss limits and loss triggers, for its trading portfolios. Daily profit or losses of the trading portfolios are closely monitored against loss triggers and stop-loss limits.

Responsibility for managing the Bank's trading market risk remains with the ROC. With the support of RMO, the ROC recommends to the BOD changes in market risk limits, approving authorities and other activities that need special consideration.

Discussed below are the limitations and assumptions applied by the Bank on its VaR methodology:

a. VaR is a statistical estimate and thus, does not give the precise amount of loss;
b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a bank's exposure to market risk;
c. Historical simulation does not involve any distributional assumptions, scenarios that are used in computing VaR are limited to those that occurred in the historical sample; and
d. VaR systems are backward-looking. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Major shifts therefore (i.e., an unexpected collapse of the market) are not captured and may inflict losses much bigger than anything the VaR model may have calculated.

The Bank's interest rate VaR follows (in thousands):

	March 31, 2022		December 31, 2021	
	Peso	**USD**	Peso	USD
Year-end	**1**	**–**	1	–
Average	**1**	**–**	2,181	–
High	**1**	**–**	8,307	–
Low	**1**	**–**	1	–

Non-trading activities
The Bank follows a prudent policy on managing its assets and liabilities to ensure that fluctuations in interest rates are kept within acceptable limits.

The Bank have a risk management system and processes to quantify and manage interest rate risk in the banking book. It uses measurement tools such as Interest Rate Repricing Gap, Earnings at Risk (EaR), Delta Economic Value of Equity (ΔEVE), and Sensitivity Analysis. An independent auditor regularly validates all these tools.

Interest Rate Repricing Gap is a tool that distributes rate sensitive assets and liabilities to predefined tenor buckets according to time remaining to their maturity (if fixed rate) or repricing (if floating rate). Items lacking definitive repricing schedule (e.g., current and savings accounts) are assigned to repricing tenor buckets based on analysis of deposit behavioral patterns, past experience and/or expert judgment.

EaR measures the possible decline in the Bank's net interest income as a result of adverse interest rate movements, given the current repricing profile. It is a tool used to evaluate the sensitivity of the accrual portfolio to changes in interest rates in the adverse direction over the next 12 months. Simulations on interest rate volatility using 1,300 data points are used to derive EaR as the 99th-percentile biggest drop in net interest income. Stress testing EaR follows various stress scenarios such as largest historical movement in interest rates, predefined increase in interest rates, flattening and steepening yield curves.

ΔEVE measures changes in the net present value of its banking book at different interest rate shocks and stress scenarios. It reflects changes in the economic value of equity over the remaining life of the assets and liabilities, i.e. runoff assumption. ΔEVE is calculated by slotting the notional repricing cash flows arising from rate sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios or changes in the yield curve such as steepener, flattener, parallel up, parallel down, short rates up and short rates down.

The Bank generates and monitors its monthly EaR and Delta EVE exposures. EaR and Delta EVE levels are assessed vis-à-vis limits which are based on a percentage of net interest income or capital. Aside from the EaR and ΔEVE, it performs regular sensitivity and stress testing analysis on its banking book to further broaden its forward-looking analysis. This way, its management can craft strategies to address and/or arrest probable risks, if necessary. The EaR, ΔEVE and stress testing reports are prepared monthly.

The ALCO is responsible for managing the Bank's structural interest rate exposure. The ALCO's goal is to achieve a desired overall interest rate profile while remaining flexible to interest rate movements and changes in economic conditions. The RMO and ROC review and oversee the Bank's interest rate risks.

The table below demonstrates the sensitivity of equity. Equity sensitivity was computed by calculating mark-to-market changes of debt securities at FVOCI, assuming a parallel shift in the yield curve.

	March 31, 2022		December 31, 2021	
	Change in basis points	**Sensitivity of equity**	Change in basis points	Sensitivity of equity
Currency				
PHP	**+10**	**(P5,709,392)**	+10	(₱12,904,128)
USD	**+10**	**(700,218)**	+10	(789,005)
Currency				
PHP	**-10**	**5,719,640**	-10	10,445,196
USD	**-10**	**702,874**	-10	792,207

The table below demonstrates the sensitivity of net interest income using the EAR model. Net interest income sensitivity was computed by calculating the changes in the banking book gaps assuming a parallel shift in the yield curve.

	March 31, 2022		December 31, 2021	
	Change in basis points	**Sensitivity of NII**	Change in basis points	Sensitivity of NII
Currency				
PHP	**+10**	**₱13,154,276**	+10	₱9,071,574
USD	**+10**	**(9,767,651)**	+10	(10,037,171)
Currency				
PHP	**-10**	**(13,154,276)**	-10	(9,071,574)
USD	**-10**	**9,767,651**	-10	10,037,171

Foreign Currency Risk

Foreign currency risk is the risk of an investment's value changing due to an adverse movement in currency exchange rates. It arises due to a mismatch in the Bank's foreign currency assets and liabilities.

The Bank's policy is to maintain foreign currency exposure within the approved position, stop loss, loss trigger, VaR limits and to remain within existing regulatory guidelines. To compute for VaR, the Bank uses historical simulation model for USD/PHP FX position, with confidence level at 99.00% and a 1 day holding period.

The Bank's VaR for its foreign exchange position for trading and non-trading activities are as follows (in thousands):

	March 31, 2022[1]	**December 31, 2021[1]**
As of year-end	**₱912**	₱447
Average	**852**	544
High	**1,018**	1,073
Low	**493**	9

[1]*Using METRISK Historical Simulation VaR*

As of March 31, 2022 and December 31, 2021, the Bank is not exposed to significant foreign currency risk.

Liquidity Risk

In managing the Bank's liquidity position, it ensures that it has more than adequate funds to meet maturing obligations. It uses the Maximum Cumulative Outflow (MCO) model to measure liquidity risk arising from the mismatches of its assets and liabilities. It administers stress testing to assess its funding needs and strategies under various conditions. Stress testing enables the Bank to gauge its capacity to withstand both temporary and long-term liquidity disruptions.

The Bank's Liquidity Contingency Funding Plan (LCFP) helps itself anticipate a liquidity crisis under various stress scenarios. Liquidity limits for normal conditions cap the outflows on a cumulative and per tenor basis. The Bank discourages dependence on Large Funds Providers (LFPs) and monitors its deposit funding concentrations versus its High Quality Liquid Assets (HQLA). This way, it will not be vulnerable to a substantial drop in deposit level should there be an outflow of large deposits. ALCO is responsible for managing the Bank's liquidity while RMO and ROC review and oversee its overall liquidity risk management. The Bank has zero appetite for non-compliance with liquidity requirements and ensures this through the close monitoring and management of its High Quality Liquid Assets vis-a-vis its net cash outflows. Its Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are monitored on a daily basis to ensure compliance with the required regulatory ratios.

5. Segment Information

The Bank's operating segments are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit that offers different products and serves different markets. The Bank's reportable segments are as follows:

a. Consumer Banking - principally provides consumer-type loans generated by the Home Office;
b. Branch Banking - serves as the Bank's main customer touch point which offers consumer and corporate banking products; and
c. Treasury - principally handles institutional deposit accounts, providing money market, trading and treasury services, as well as managing the Bank's funding operations by use of government securities and placements and acceptances with other banks.

These segments are the bases on which the Bank reports its primary segment information. The Bank evaluates performance on the basis of information about the components of the Bank that senior management uses to make decisions about operating matters. There are no other operating segments than those identified by the Bank as reportable segments. There were no inter-segment revenues and expenses included in the financial information. The Bank has no single customer with revenues from which is 10.00% or more of the Bank's total revenue.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Primary segment information (by business segment) for the quarters ended March 31, 2022 and 2021and December 31, 2021,as follows (in thousands):

	For the Quarter ended March 31, 2022 (Unaudited)				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱901,923	₱42,442	₱1,021,598	₱1,277,806	₱3,243,769
Service fees and commission	136,981	5,582	301,909	–	444,472
Other operating income	380,729	4,034	293,315	1,146	679,224
Total operating income	1,419,633	52,058	1,616,822	1,278,952	4,367,465
Non-cash expenses					
Provision for (reversal of) credit and impairment losses	355,207	175	(9,499)	–	345,883
Depreciation	38,782	573	143,216	276	182,847
Amortization of other intangible assets	8,995	272	17,002	266	26,535
Total non-cash expenses	402,984	1,020	150,719	542	555,265
Interest expense	–	–	319,064	175,516	494,580
Service fees and commission expense	2,942	120	6,484	–	9,546
Subtotal	2,942	120	325,548	175,516	504,126
Compensation and fringe benefits	214,987	14,665	652,899	10,128	892,679
Taxes and licenses	85,536	2,839	148,109	255,126	491,610

	For the Quarter ended March 31, 2022 (Unaudited)				
	Consumer Banking	**Corporate Banking**	**Branch Banking**	**Treasury**	**Total**
Occupancy and equipment-related costs	**25,214**	**156**	**51,671**	**117**	**77,158**
Security, messengerial and janitorial services	**25,415**	**336**	**64,641**	**101**	**90,493**
Miscellaneous	**178,650**	**4,259**	**303,490**	**46,696**	**533,095**
Subtotal	**529,802**	**22,255**	**1,220,810**	**312,168**	**2,085,035**
Income (loss) before share in net income of a joint venture and income tax	**483,905**	**28,663**	**(80,255)**	**790,726**	**1,223,039**
Share in net income of a joint venture					**21,027**
Income before income tax					**1,244,066**
Provision for income tax					**356,413**
Net income					**887,653**
Segment assets	**₱79,086,716**	**₱3,435,140**	**₱48,982,935**	**₱130,717,885**	**262,222,676**
Investment in a joint venture					**783,954**
Deferred tax assets					**409,771**
Total assets					**₱263,416,401**
Segment liabilities	**₱850,420**	**₱88,481**	**₱140,077,433**	**₱86,955,062**	**₱227,971,396**

	December 2021(Audited)				
	Consumer Banking	**Corporate Banking**	**Branch Banking**	**Treasury**	**Total**
Operating income					
Interest income	₱4,945,286	₱228,312	₱6,918,669	₱2,272,502	₱14,364,769
Service fees and commission	534,492	22,250	1,024,385	–	1,581,127
Other operating income	666,560	10,004	739,371	6,276	1,422,211
Total operating income	6,146,338	260,566	8,682,425	2,278,778	17,368,107
Non-cash expenses					
Provision for credit and impairment losses	2,717,849	6,068	343,425	3,336	3,070,678
Depreciation	242,670	2,653	589,789	1,216	836,328
Amortization of intangible assets	39,934	1,381	71,182	1,152	113,649
Total non-cash expenses	3,000,453	10,102	1,004,396	5,704	4,020,655
Interest expense	–	–	1,395,499	764,509	2,160,008
Service fees and commission expense	16,164	673	30,980	–	47,817
Subtotal	16,164	673	1,426,479	764,509	2,207,825
Compensation and fringe benefits	868,325	61,280	2,577,514	38,216	3,545,335
Taxes and licenses	327,026	16,041	556,772	686,295	1,586,134
Occupancy and equipment-related costs	115,829	1,145	234,903	711	352,588
Security, messengerial and janitorial services	92,338	1,249	255,334	612	349,533
Miscellaneous	672,101	18,332	1,217,257	174,513	2,082,203
Subtotal	2,075,619	98,047	4,841,780	900,347	7,915,793
Income (loss) before share in net income of a joint venture and income tax	₱1,054,102	₱151,744	₱1,409,770	₱608,218	₱3,223,834
Share in net income of a joint venture					41,915
Income before income tax					3,265,749
Provision for income tax					(1,726,255)
Net income					₱1,539,494
Segment assets	₱80,895,520	₱3,765,463	₱42,419,696	₱133,385,718	₱260,466,397
Investment in a joint venture					762,926
Deferred tax assets					576,787
Total assets					261,806,110
Segment liabilities	₱811,147	₱94,530	₱141,071,696	₱84,934,660	₱226,912,033

	For the Quarter ended March 31, 2021 (Unaudited)				
	Consumer Banking	**Corporate Banking**	**Branch Banking**	**Treasury**	**Total**
Operating income					
Interest income	₱1,431,825	₱ 79,986	₱ 1,905,089	₱ 312,091	₱ 3,728,992
Service fees and commission	134,305	6,875	250,842	-	392,022
Other operating income	50,530	3,070	156,033	7,181	216,815
Total operating income	1,616,661	89,931	2,311,964	319,272	4,337,829
Non-cash expenses					
Provision for (reversal of) credit and impairment losses	872,665	-	221,655	-	1,094,320
Depreciation	76,408	678	152,763	364	230,212
Amortization of other intangible assets	11,041	362	18,523	349	30,275
Total non-cash expenses	960,115	1,039	392,941	712	1,354,808
Interest expense	-	-	443,425	113,939	557,364
Service fees and commission expense	3,738	191	6,982	-	10,912
Subtotal	3,738	191	450,407	113,939	568,276
Compensation and fringe benefits	216,421	15,356	647,006	10,266	889,049
Taxes and licenses	112,462	4,665	173,217	41,605	331,950

	For the Quarter ended March 31, 2021 (Unaudited)				
	Consumer Banking	**Corporate Banking**	**Branch Banking**	**Treasury**	**Total**
Occupancy and equipment-related costs	32,732	612	69,636	366	103,346
Security, messengerial and janitorial services	34,580	437	71,577	181	106,775
Miscellaneous	145,191	4,018	288,389	26,563	464,162
Subtotal	541,386	25,088	1,249,827	78,981	1,895,283
Income (loss) before share in net income of a joint venture and income tax	₱ 111,422	₱ 63,613	₱ 218,789	₱125,639	₱ 519,462
Share in net income of a joint venture					(9,773)
Income before income tax					509,689
Provision for income tax					71,151
Net income					₱438,538
Segment assets	₱97,650,967	₱5,072,021	₱47,199,246	₱74,743,440	₱224,665,674
Investment in a joint venture					695,703
Deferred tax assets					2,177,309
Total assets					₱ 227,538,686
Segment liabilities	₱ 1,243,608	₱77,022	₱153,254,962	₱ 38,322,555	₱ 192,898,146

6. Investment Securities

Fair Value Through Profit or Loss(FVTPL) Investments

Fair value through profit or loss investments consists of the following:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Investment securities at FVTPL	**₱39,521**	₱44,701
Financial assets at FVTPL	**₱39,521**	₱44,701
Derivatives with negative fair value	**₱677,061**	₱–
Financial liabilities at FVTPL	**₱677,061**	₱–

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets at FVOCIconsist of the following:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Debt securities		
Government	**₱37,629,050,278**	₱58,407,115,734
Private	**1,831,882,585**	1,845,811,190
Equity securities - Quoted	**14,900,343**	13,577,424
	₱39,475,833,206	₱60,266,504,348

As of March 31, 2022 and December 31, 2021, the ECL on debt securities at FVOCI (included in 'Fair value reserves on financial assets at FVOCI') amounted to₱7.7 million and ₱11.3 million, respectively.

Movements in the fair value reserves on financial assets at FVOCIare as follow:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	**₱2,409,891**	₱13,058,180
Gain/(Loss) from sale of financial assets at FVOCI realized in profit or loss	**103,524**	(4,000,002)
Changes in allowance for ECL	**(9,566,279)**	6,384,862
Fair value gain (loss) recognized in OCI	**(7,985,460)**	(13,033,150)
Balance at end of year	**(₱15,038,324)**	₱2,409,890

Investment Securities at Amortized Cost

Investment securities at amortized costconsist of the following:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Debt securities		
Government	**₱20,619,568,566**	₱18,516,211,290
Private	**2,484,690,502**	2,471,733,103
	23,104,259,068	20,987,944,393
Less allowance for credit losses	**16,031,393**	25,597,671
	₱23,088,227,675	₱20,962,346,722

Interest income on investment securities consists of:

	For the Quarterended March 31	
	2022 (Unaudited)	2021 (Unaudited)
Interest income recognized using EIR		
Investment securities at amortized cost	**₱199,426,812**	₱125,274,871
Financial assets at FVOCI	**170,344,667**	120,459,945
	369,771,479	245,734,816
Interest income recognized using nominal interest rates		
FVTPL investments	**538**	50,017
	₱369,772,017	₱245,784,833

Trading and securities gains (losses) - net on investment securities consist of:

	For the Quarters ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
FVTPL investments	**₱5,180**	₱623,923
Financial assets at FVOCI	**(103,524)**	7,688,376
	(₱98,344)	₱8,312,299

7. Loans and Receivables

This account consists of:

	March 31, 2022 (Unaudited)	December 31,2021 (Audited)
Receivables from customers		
Consumption loans	**₱57,533,688,854**	₱57,972,900,131
Real estate loans	**44,390,739,501**	45,408,001,767
Commercial loans	**7,119,581,705**	7,385,089,257
Personal loans	**2,352,175,962**	2,761,353,150
	111,396,186,022	113,527,344,305
Less unearned discounts	**264,590,665**	292,603,641
	111,131,595,357	113,234,740,664
Other receivables		
Accrued interest receivable	**₱2,647,726,646**	₱3,615,211,724
Accounts receivable	**669,006,011**	744,079,396
Sales contract receivables	**15,851,990**	17,598,587
	114,464,180,004	117,611,630,371
Less allowance for credit losses	**6,392,478,049**	7,500,124,545
	₱108,071,701,955	₱110,111,505,826

Personal loans comprise deposit collateral loans, employee salary and consumer loan products such as money card, multi-purpose loan and flexi-loan.

Receivables from customers earned interest income at an effective interest rate ranging from 5.4% to 10.0%and 4.6% to 9.5%, for the periods endedMarch 31, 2022 and December 31, 2021, respectively

Interest income on loans and receivables consists of:

	For the Quarters ended March 31	
	2022	2021
	(Unaudited)	(Unaudited)
Receivables from customers		
Consumption loans	**₱1,384,135,369**	₱1,731,871,980
Real estate loans	**871,690,585**	1,012,954,399
Personal loans	**160,232,372**	394,531,988
Commercial loans	**114,753,468**	185,870,648
Other receivables		
Sales contract receivables	**215,721**	848,186
	₱2,531,027,515	₱3,326,077,201

8. Property and Equipment

The composition of and movements in this account follow:

	March 31, 2022 (Unaudited)					
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-use Assets: Building**	**Total**
Cost						
Balance at beginning of the period, as previously reported	**₱976,443,676**	**₱1,153,733,962**	**₱2,950,915,849**	**₱1,071,161,901**	**₱1,805,984,812**	**₱7,958,240,200**
Acquisitions/Additions	**–**	**211,290**	**13,030,579**	**4,332,606**	**250,634,639**	**268,209,114**
Disposals/Retirement	**–**	**–**	**(18,999,876)**		**(85,058,306)**	**(104,058,182)**
Reclassifications	**–**	**–**	**–**	**–**	**–**	**–**
Balance at end of the period	**976,443,676**	**1,153,945,252**	**2,944,946,552**	**1,075,494,507**	**1,971,561,145**	**8,122,391,132**
Accumulated Depreciation						
Balance at beginning of the period	**–**	**562,531,286**	**2,685,875,690**	**1,013,331,430**	**758,045,945**	**5,019,784,351**
Depreciation	**–**	**8,897,948**	**23,134,351**	**8,436,439**	**99,454,551**	**139,923,289**
Disposals	**–**	**–**	**(11,397,313)**	**–**	**(55,511,605)**	**(66,908,918)**
Others	**–**	**–**	**–**	**–**	**(254,127)**	**(254,127)**
Balance at end of the period	**–**	**571,429,234**	**2,697,612,728**	**1,021,767,869**	**801,734,766**	**5,092,544,597**
Net Book Value	**₱976,443,676**	**₱ 582,516,018**	**₱247,333,824**	**₱ 53,726,638**	**₱1,169,826,379**	**₱3,029,846,535**

	December 31, 2021 (Audited)					
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets: Building	Total
Cost						
Balance at beginning of the period	₱976,443,676	₱1,140,698,130	₱2,900,936,102	₱1,059,719,128	₱1,711,018,243	₱7,788,815,279
Acquisitions/Additions	–	13,035,832	93,579,310	11,442,774	330,419,191	448,477,107
Disposals/Retirement	–	–	(43,599,563)	–	(235,452,622)	(279,052,185)
Balance at end of the period	976,443,676	1,153,733,962	2,950,915,849	1,071,161,902	1,805,984,812	7,958,240,201
Accumulated Depreciation						
Balance at beginning of the period	–	526,450,270	2,604,818,362	965,787,480	601,944,585	4,699,000,697
Depreciation	–	36,081,016	98,213,002	47,543,950	391,553,983	573,391,951
Disposals	–	–	(17,155,674)	–	(235,452,622)	(252,608,296)
Balance at end of the period	–	562,531,286	2,685,875,690	1,013,331,430	758,045,946	5,019,784,352
Net Book Value	₱976,443,676	₱591,202,676	₱265,040,159	₱57,830,472	₱1,047,938,866	₱2,938,455,849

Gain on sale of property and equipment amounted to ₱1.0millionand₱0.4 millionfor the three-month period ended March 31, 2022and2021, respectively.

The details of depreciation under the statements of income follow:

	For the Quarters ended March 31	
	2022	2021
	(Unaudited)	(Unaudited)
Right-of-Use-Asset	**₱99,200,425**	₱100,226,681
Property and equipment	**40,460,894**	47,444,889
Chattel mortgage properties	**21,670,091**	62,062,094
Investment properties	**21,515,536**	20,478,355
	₱182,846,946	₱230,212,019

9. Investment Properties

The composition of and movements in this account follow:

	March 31, 2022 (Unaudited)		
	Land	**Building Improvements**	**Total**
Cost			
Balance at beginning of year	**₱1,320,449,533**	**₱2,794,942,497**	**₱4,115,392,030**
Additions	**119,714,278**	**316,311,465**	**436,025,743**
Disposals	**(35,099,587)**	**(87,854,479)**	**(122,954,066)**
Balance at end of year	**1,405,064,224**	**3,023,399,483**	**4,428,463,707**
Accumulated Depreciation			
Balance at beginning of year	**–**	**451,937,538**	**451,937,538**
Depreciation	**–**	**21,515,536**	**21,515,536**
Disposals	**–**	**(13,255,188)**	**(13,255,188)**
Balance at end of year	**–**	**460,197,886**	**460,197,886**
Allowance for Impairment Losses			
Balance at beginning of year	**66,586,922**	**88,269,464**	**154,856,386**
Provisions (reversals) for the year	**(3,563,048)**	**6,567,537**	**3,004,489**
Disposals	**(126,268)**	**(2,684,706)**	**(2,810,975)**
Balance at end of year	**62,897,606**	**92,152,294**	**155,049,900**
Net Book Value	**₱1,342,166,618**	**₱2,471,049,302**	**₱3,813,215,920**

	December 31, 2021 (Audited)		
	Land	Building Improvements	Total
Cost			
Balance at beginning of year	₱1,407,346,392	₱2,786,847,106	₱4,194,193,498
Additions	199,981,983	503,248,679	703,230,662
Disposals	(286,878,842)	(495,153,288)	(782,032,130)
Balance at end of year	1,320,449,533	2,794,942,497	4,115,392,030
Accumulated Depreciation			
Balance at beginning of year	–	456,211,206	456,211,206
Depreciation	–	82,073,041	82,073,041
Disposals	–	(86,346,709)	(86,346,709)
Balance at end of year	–	451,937,538	451,937,538
Allowance for Impairment Losses			
Balance at beginning of year	62,338,981	89,671,355	152,010,336
Provisions (reversals) for the year	8,047,128	18,803,525	26,850,653
Disposals	(3,799,187)	(20,205,416)	(24,004,603)
Balance at end of year	66,586,922	88,269,464	154,856,386
Net Book Value	₱1,253,862,611	₱2,254,735,495	₱3,508,598,106

The details of the net book value of investment properties follow:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Real estate properties acquired in settlement of loans and receivables	**₱3,731,506,808**	₱3,425,944,999
Bank premises leased to third parties and held for capital appreciation	**81,709,112**	82,653,107
	₱3,813,215,920	₱3,508,598,106

Gain on foreclosure of investment properties amounted to ₱211.8 million and₱65.7 millionin March 31, 2022and 2021, respectively. The Bank realized gain on sale of investment properties amounting to ₱46.0 millionand ₱162.6 million in March 31, 2022and 2021, respectively.

10. Other Assets

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Chattel mortgage properties - net	**₱350,894,730**	₱408,519,774
Net retirement assets	**269,934,253**	241,839,962
Prepayments	**230,825,311**	184,838,487
Security deposits	**199,933,355**	197,493,711
Creditable withholding tax	**64,597,371**	11,569,285
Stationeries and supplies on hand	**38,231,920**	35,947,368
Documentary stamps on hand	**25,645,094**	79,073,890
RCOCI	**12,196,799**	29,022,534
Others	**539,710**	591,811
	₱1,192,798,543	₱1,188,896,822

Prepayments represent prepaid insurance, rent, taxes and other prepaid expenses. Creditable withholding tax (CWT) pertains to the excess credits after applying CWT against income tax payable.

The movements in chattel mortgage properties - net follow:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Cost		
Balance at beginning of year	**₱494,437,996**	₱1,341,317,735
Additions	**556,488,888**	3,866,091,965
Disposals	**(623,560,194)**	(4,712,971,704)
Balance at the end of year	**427,366,690**	494,437,996
Accumulated Depreciation		
Balance at beginning of year	**85,868,482**	124,392,059
Depreciation	**21,670,091**	180,862,587
Disposals	**(31,070,624)**	(219,386,164)
Balance at the end of year	**76,467,949**	85,868,482
Allowance for Impairment Losses		
Balance at beginning of year	**49,740**	947,753
Provision	**(45,729)**	3,224,190
Disposals	**–**	(4,122,203)
Balance at end of year	**4,011**	49,740
Net Book Value	**₱350,894,730**	₱408,519,774

Gain (loss) on foreclosure of chattel mortgage properties amounted to₱168.3 millionand(₱18.6) million in March 31, 2022 and 2021, respectively.The Bank realized gain(loss) on sale of chattel mortgage properties amounting to₱6.9 million and(₱156.8) million inMarch 31, 2022 and 2021, respectively.

11. Bills Payable, Bonds Payable and Subordinated Notes

Bills Payable

This account consists of the following:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Interbank Borrowings	**₱232,830,000**	₱–
	₱232,830,000	₱–

On December 10, 2018, the Bank issued MTFNs amounting to ₱3.0 billion with a tenor ofone (1) year and six (6) months and due on June 10, 2020 with interest rate of 7.07% per annum payable quarterly. Interest payment dates shall commence on March 10, 2019 and up to and including the maturity date. The minimum investment size for the MTFNs is ₱10.0 million with increments of ₱0.1 million thereafter.

On June 10, 2020, the Bank paid its outstanding MTFNs.

Bonds Payable

This account consists of the following scripless fixed rate bonds:

				Carrying Value	
Issue Date	Maturity Date	Interest Rate	Face Value	**March 31, 2022 (Unaudited)**	December 31,2021 (Audited)
February 4, 2020	February 4, 2023	4.50%	4,650,000,000	**₱4,637,229,653**	₱4,633,613,322

Interest expense incurred on bonds payable amounted to ₱55.9million and ₱151.1 million for the first quarter ended March 31, 2022 and 2021 respectively.

12. Accrued Taxes, Interest and Other Expenses

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Accrued interest payable	**₱186,040,677**	₱204,438,974
Accrued other taxes and licenses payable	**261,025,568**	218,413,671
Accrued other expenses payable	**1,195,494,943**	1,261,909,590
	₱1,642,561,188	₱1,684,762,235

Accrued other expenses payable consist of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Litigation	**₱531,480,428**	₱460,109,088
Compensation and fringe benefits	**185,740,617**	225,623,472
Insurance	**107,902,909**	90,402,560
Information technology	**90,674,859**	79,166,401
Advertising	**77,524,489**	56,241,988
Security, messengerial and janitorial	**69,355,937**	215,458,650
ATM maintenance	**23,126,314**	3,773,951
Professional and consultancy fees	**8,936,292**	21,023,745
Membership, fees & dues	**3,773,951**	1,438,093
Miscellaneous	**96,979,147**	108,671,642
	₱1,195,494,943	₱1,261,909,590

Compensation and fringe benefits include salaries and wages, as well as medical, dental and hospitalization benefits.Miscellaneous include accruals for ATM rentals, utilities and maintenance and other expenses.

13. Other Liabilities

This account consists of:

	March 31, 2022 (Unaudited)	December 31,2021 (Audited)
Accounts payable	**₱1,488,097,975**	₱1,501,794,285
Lease liability	**1,390,055,619**	1,278,685,842
Other credits	**172,250,634**	171,819,823
Undrawn portion of committed credit lines	**116,291,702**	108,115,156
Withholding taxes payable	**71,298,554**	47,805,315
Sundry credits	**56,900,998**	12,028,531

	March 31, 2022 (Unaudited)	December 31,2021 (Audited)
Due to the Treasurer of the Philippines	**22,027,747**	22,027,747
SSS, Medicare, ECP and HDMF premium payable	**13,920,698**	14,186,612
Miscellaneous	**68,930,125**	47,932,384
	₱3,399,774,052	₱3,204,395,695

Accounts payable includes payable to suppliers and service providers, and loan payments and other charges received from customers in advance.

Other credits represent long-outstanding unclaimed cashier's checks.

14. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of condition dates (in thousands):

	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	**₱2,039,751**	**₱–**	**₱2,039,751**	₱2,801,335	₱–	₱2,801,335
Due from BSP - gross	**70,951,586**	**–**	**70,951,586**	52,428,888	–	52,428,888
Due from other banks - gross	**1,531,047**	**–**	**1,531,047**	1,368,023	–	1,368,023
Interbank loans receivable and SPURA – gross	**8,697,730**	**–**	**8,697,730**	4,532,878	–	4,532,878
FVTPL investments	**40**	**–**	**40**	45	–	45
Financial assets at FVOCI	**37,643,332**	**1,832,501**	**39,475,833**	55,881,718	4,384,786	60,266,504
Investment securities at amortized cost	**259,264**	**22,844,995**	**23,104,259**	–	20,987,944	20,987,944
Loans and receivables - gross	**14,849,806**	**99,878,965**	**114,728,771**	16,240,016	101,664,218	117,904,234
Other assets - gross*	**28,355**	**183,851**	**212,206**	43,119	183,474	226,593
	₱136,000,911	**₱124,740,312**	**₱260,741,223**	₱133,296,022	₱127,220,422	₱260,516,444
Nonfinancial Assets						
Investment in a joint venture	**₱–**	**₱783,954**	**₱783,954**	₱–	₱762,926	₱762,926
Property and equipment - gross	**–**	**8,122,103**	**8,122,103**	–	7,958,241	7,958,241
Investment properties - gross	**–**	**4,428,464**	**4,428,464**	–	4,115,392	4,115,392
Deferred tax assets	**–**	**409,771**	**409,771**	–	576,787	576,787
Goodwill and intangible assets	**–**	**1,667,815**	**1,667,815**	–	474,842	474,842
Other assets - gross**	**359,763**	**697,300**	**1,057,063**	311,525	736,697	1,048,222
	₱359,763	**₱16,109,407**	**₱16,469,170**	₱311,525	₱14,624,885	₱14,936,410
Less: Allowance for credit and impairment losses			**6,568,257**			7,682,901
Accumulated depreciation			**6,961,145**			5,671,239
Unearned discounts and capitalized interest			**264,591**			292,604
			13,793,993			13,646,744
			₱263,416,401			₱261,806,110

* Others assets under financial assets comprise petty cash fund, shortages, RCOCI and security deposits.
** Other assets under nonfinancial assets comprise inter-office float items, prepaid expenses, stationery and supplies on hand, sundry debits, documentary stamps on hand, deferred charges, postages stamps and chattel mortgage properties.

	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Liabilities						
Deposit liabilities	**₱199,977,740**	**₱17,080,175**	**₱217,057,915**	₱199,230,418	₱17,565,132	₱216,795,550
Bills payable	**232,830**	**–**	**232,830**	–	–	–
Bonds Payable	**4,637,230**	**–**	**4,637,230**	–	4,633,613	4,633,613
Derivative Liabilities	**677**	**–**	**677**	–	–	–
Treasurer's, cashier's and manager's checks	**895,026**	**–**	**895,026**	593,631	–	593,631
Accrued other expenses payable	**1,195,495**	**–**	**1,195,495**	1,261,910	–	1,261,910
Accrued interest payable	**186,041**	**–**	**186,041**	204,439	–	204,439
Other liabilities						
Accounts payable	**1,488,098**	**–**	**1,488,098**	1,501,794	–	1,501,794
Other credits	**172,251**	**–**	**172,251**	171,820	–	171,820
Lease liability	**378,056**	**1,012,000**	**1,390,056**	353,149	925,537	1,278,686
Bills purchased - contra	**–**	**–**	**–**	–	–	–
Deposits for keys – SDB	**756**	**–**	**756**	759	–	759
Others*	**24,935**	**–**	**24,937**	2,759	–	2,759
	₱209,189,135	**₱18,092,175**	**₱227,281,310**	₱203,320,679	₱23,124,282	₱226,444,961
Nonfinancial Liabilities						
Accrued other taxes and licenses payable	**261,026**	**–**	**261,026**	218,414	–	218,414
Income tax payable	**105,383**	**–**	**105,383**	81	–	81
Withholding taxes payable	**71,299**	**–**	**71,299**	47,805	–	47,805

	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Other liabilities**	**252,378**	**–**	**252,378**	166,716	34,056	200,772
	690,086		**690,086**	433,016	34,056	467,072
	₱209,879,221	**₱18,092,175**	**₱227,971,396**	₱203,753,695	₱23,158,338	₱226,912,033

* Others under financial liabilities comprise payment orders payable and overages.
** Other liabilities under nonfinancial liabilities comprise advance rentals on bank premises, sundry credits, SSS, Medicare, ECP & HDMF premium payable, net retirement liability, and miscellaneous liabilities.

15. Equity

Issued Capital
The movement in the Bank's capital stock consists of:

	March 31, 2022		December 31, 2021	
	Shares	**Amount**	Shares	Amount
Authorized common stock - ₱10 par value	**600,000,000**	**₱6,000,000,000**	600,000,000	₱6,000,000,000
Common Stock - Issued and outstanding	**426,859,416**	**₱4,268,594,160**	426,859,416	₱4,268,594,160

The Bank became listed in the Philippine Stock Exchange (PSE) on October 10, 1994. Subsequently, the SEC approved the increase in the capital stock of the Bank. The summarized information on the Bank's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Type	Authorized Shares	Par Value
August 16, 1995	Common	300,000,000	₱10
October 8, 1997	Common	425,000,000	₱10
November 20, 2019	Common	600,000,000	₱10

As ofMarch 31, 2022 and December 31, 2021, the total number of stockholders is 1,444 and 1,447, respectively.

On November 28, 2018, the PSE approved the application of the Bank for the listing of additional 142,856,925 common shares to cover the Bank's 1:1.68177 stock rights offering at an offer price of ₱56.0 per share or additional capital of ₱8.0 billion. The Bank successfully completed ₱8.0 billion stock rights offer and shares were listed on January 18, 2019 in the PSE. Capital paid in excess of par related to the offering amounted to ₱6.5 billion, net of transactions costs of ₱101.5 million.

On March 12, 2019, the BOD approved (a) the amendment of the AOI to increase the authorized capital stock from ₱4.25 billion to ₱6.00 billion and (b) the declaration of a 11.42% stock dividend equivalent to 43,750,000 shares amounting to ₱2.57 billion representing the minimum 11.42% subscription and paid-up capital for the increase in the authorized capital stock of the Bank which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2019. These were approved by BSP on August 8, 2019 and by the SEC on November 20, 2019. Following this, the authorized capital stock of the Bank increased from ₱4.25 billion to ₱6.00 billion consisting of 600.00 million common shares with par value of ₱10.00 per share.

On January 16, 2020, the Bank received the SEC order fixing the record date of the 11.42% stock dividend on January 31, 2020. The 11.42% stock dividend was issued on February 21, 2020 with record date on January 31, 2020. On February 17, 2020, the PSE approved the listing of such stock dividend. Capital paid in excess of par related to the issuance of stock dividend amounted to ₱2.1billion.

Dividends Paid and Proposed
Details of the Bank's dividend distributions as approved by the Bank's BOD and the BSP follow:

	Cash Dividends			
Date of declaration	**Per share**	**Total amount**	**Record date**	**Payment date**
January 17, 2019	₱0.75	₱287,332,062	February 1, 2019	February 18, 2019
April 15, 2019	0.75	287,332,062	May 3, 2019	May 15, 2019
July 19, 2019	0.75	287,332,062	August 5, 2019	August 19, 2019
October 14, 2019	0.75	287,332,062	October 29, 2019	November 13, 2019
January 16, 2020	0.75	287,332,062	January 31, 2020	February 17, 2020
April 21, 2020	0.75	320,144,562	May 7, 2020	May 21, 2020
July 23, 2020	0.75	320,144,562	August 7, 2020	August 24, 2020

Cash Dividends				
Date of declaration	**Per share**	**Total amount**	**Record date**	**Payment date**
October 22, 2020	0.75	320,144,562	November 9, 2020	November 23, 2020
January 21, 2021	0.75	320,144,562	February 5, 2021	February 22, 2021
April 26, 2021	0.75	320,144,562	May 11, 2021	May 26, 2021
July 22, 2021	0.75	320,144,562	August 6, 2021	August 23, 2021
October 21, 2021	0.75	320,144,562	November 8, 2021	November 22, 2021
January 17, 2022	0.75	320,144,562.0	February 2, 2022	February 16, 2022

Stock Dividends				
Date of declaration	**Per share**	**Total amount**	**Record date**	**Payment date**
March 12, 2019	11.42%	₱–	January 31, 2020	February 21, 2020

The Bank's stock price closed at ₱55.60 per share as of March 31, 2022.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

The following table presents information used to calculate basic EPS:

		For the Quarters ended March 31	
		2022 **(Unaudited)**	2021 (Unaudited)
a.	Net income	**₱887,652,966**	₱438,538,394
b.	Weighted average number of common shares for basic EPS	**426,859,416**	426,859,416
c.	Basic/Diluted EPS (a/b)	**₱2.08**	₱1.03

As of March 31, 2022 and 2021, there were no potential common shares with dilutive effect on the basic EPS of the Bank.

Effect of Existing or Probable Government Regulations

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 capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis and consolidated basis. Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements,* which states the implementing guidelines on the revised risk-based capital adequacy framework, particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular took effect on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

Regulatory qualifying capital consists of Tier 1 (going concern) capital, which comprises capital stock, surplus, surplus reserves, net unrealized gains on FVOCI securities, cumulative foreign currency translation and remeasurements of net defined benefit asset. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (gone-concern) capital, which is comprised of the Bank's general loan loss provision and unsecured subordinated debt (refer to Note 17). Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to, outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations, and guarantees granted to subsidiaries and affiliates (net of specific provisions), deferred tax assets, goodwill, other intangible assets and significant minority investments in a joint venture.

Risk-weighted assets are determined by assigning defined risk weights to amounts of on-balance sheet exposures and to the credit equivalent amounts of off-balance sheet exposures.

In 2017, the General loan loss provision is limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof is deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio. Meanwhile, the credit-risk weighted asset is net of General loan loss provision, in excess of the amount permitted to be included in Tier 2.

On August 14, 2018, the Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1011 covering guidelines on the adoption of the Philippine Financial Reporting Standard (PFRS) 9 - Financial Instruments. Under the said circular, banks shall set up general loan loss provision (GLLP) equivalent to one percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. Banks are not required to provide a one percent (l%) GP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments. Banks shall use Retained Earnings Reserve-Others as temporary account of Retained Earnings-General Provision (RE-GP). As a temporary presentation in CAR reports, the Retained Earnings (RE) included in Common Equity Tier (CET)/Core Tier 1 shall be net of Retained Earnings-General Provision. In computing Tier 2 Capital, the General Loan Loss provision (GLLP), shall include the RE-GP. However, the GLLP added back to on-balance sheet assets subject to risk-weight shall not include the RE-GP since when appropriating the RE, total assets is not affected. The Bank is compliant with the BSP Circular No. 1011.

In 2018, the computation of GLLP is in compliance with BSP Circular No. 1011, wherein the Bank developed ECL parameters and methodologies for each portfolio of its loans and receivables, using historical data as well as forward-looking inputs and assumptions.

Risk-weighted on-balance sheet assets covered by credit risk mitigants were based on collateralized transactions as well as guarantees by the Philippine National Government (PNG) and those guarantors and exposures with highest credit rating. Third party credit assessments were based on the ratings by Standard & Poor's, Moody's, Fitch and PhilRatings on exposures to Sovereigns, MDBs, Banks, LGUs, Government Corporations and Corporates. The Bank has no exposures to securitization structures. Further, it has no structured products issued or purchased.

The Bank uses the standardized approach to compute the market risk exposures for the Capital Adequacy Ratio.

The Bank uses the Basic Indicator Approach in computing for the operational risk capital charge.

As of March 31, 2022 and December 31, 2021, the Bank has complied with the requirements of BSP Circular No. 781 and BSP Circular No. 538.

On October 29, 2014, the BSP issued Circular No. 856 which covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019. On September 27, 2019, the BSP issued Circular No. 1051 which covers the enhancements in the assessment methodology of D-SIBs. The Bank has complied with this requirement.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. In compliance with this new circular, the Metrobank Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. 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 Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget, as well as regulatory directives. The Bank follows the Group's ICAAP framework and submits the result of its assessment to the Parent Company. Per BSP Circular No. 869, effective January 31, 2015, submission of an ICAAP document is required by BSP every March 31 of each year. The Bank has complied with this requirement.

The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

BASEL III Leverage Ratio (BLR)
On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Basel III Leverage Ratio Framework which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.0 percent. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 under BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The Basel III Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. Capital measure is the Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items. The leverage ratio shall not be less than 5.0 percent computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but excluding insurance companies).

As of March 31, 2022 and December 31, 2021, the Bank maintains these ratios above minimum requirements as shown in the table below (in millions):

	March 31, 2022	December 31, 2021
A. Capital Measure	**₱31,475**	₱30,696
B. Exposure Measure	**261,030**	259,871
C. Basel III Leverage Ratio (A/B)	**12.06%**	11.81%

Summary Comparison of Accounting Assets and Common Disclosure vs. Leverage Ratio Exposures as of March 31, 2022 and December 31, 2021 are shown in the table below (in millions):

Summary Comparison of Accounting Assetsvs. Leverage RatioExposure	**March 31, 2022**	December 31, 2021	**Common Disclosure vs. Leverage Ratio Exposure**	**March 31, 2022**	December 31, 2021
Total consolidated assets	**₱262,074.923**	₱260,825.337	On-balance sheet exposures	**₱252,320.950**	₱255,325.161
Adjustments for derivative financial instruments	**1.035**	–	Derivative exposures	**1.035**	–
Adjustments for securities financial transactions	**–**	–	Securities financing transaction exposures	**8,697.730**	4,532.878
Adjustments for off-balance sheet items	**10.226**	12.776	Other off-balance sheet exposures	**10.226**	12.776
Other adjustments	**(1,056.242)**	(967.298)	Tier 1 capital	**31,474.894**	30,695.699
			Total Leverage Ratio exposures	**₱261,029.941**	₱259,870.815
Leverage Ratio Exposures	**₱261,029.941**	₱259,870.815	**Basel III Leverage Ratio**	**12.06%**	11.81%

Liquidity Coverage Ratio
On March 10, 2016 and February 8, 2018, the BSP issued Circular Nos. 905 and 996, respectively, which include guidelines on LCR, and LCR disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets (HQLAs) to total net cash outflows. To promote the short-term resilience of the liquidity risk profile of the Bank, it shall maintain an adequate stock of unencumbered HQLAs that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. The stock of liquid assets should enable the Bank to withstand significant liquidity shocks for at least thirty (30) calendar days, which would give time for corrective actions to be taken by the Bank's management and/or the BSP.

On March 15, 2019, the BSP issued Circular No. 1035 which approved the: (1) extension of the observation period of the minimum Basel III LCR requirement to December 31, 2019 for subsidiary banks and quasi-banks (QBs) of universal and commercial banks (U/KBs), (2) adoption of a seventy percent (70%) LCR floor for subsidiary banks and QBs during the observation period, (3) minimum requirement of one hundred (100%) starting January 1, 2020. As of March 31, 2022 and December 31, 2021, the LCR in single currency as reported to the BSP, is 154.93% and 159.47%, respectively

Net Stable Funding Ratio
On June 6, 2018, the BSP issued Circular No. 1007, covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards - NSFR. The NSFR limits overreliance on short-term wholesale funding and promotes enhanced assessment of funding risk across all on- and off-balance sheet accounts. The NSFR complements the LCR, which promotes short term resilience of the Bank's liquidity profile. The covered bank shall maintain an NSFR of at least 100.0 percent at all times. Compliance with this requirement was phased-in effective July 1, 2018, with full implementation of the minimum NSFR on January 1, 2019.

On March 15, 2019, the BSP issued Circular No. 1034 which approved the extension of the observation period for the Basel III Framework on Liquidity Standards - NSFR for subsidiary banks/quasi-banks.

The implementation of the minimum NSFR shall be phased in to help ensure that the covered banks/QBs can meet the standard through reasonable measures without disrupting credit extension and financial market activities. In order to facilitate compliance, covered banks/QBs shall undergo an observation period before the NSFR becomes a minimum requirement. Subsidiary banks/QBs of U/KBs shall be subject to an NSFR floor of seventy percent (70%) during the observation period. Starting January 1, 2020, the minimum NSFR for subsidiary banks/quasi-banks of universal and commercial banks (UBs/KBs) shall be 100%. As of March 31, 2022 and December 31, 2021, the NSFR as reported to the BSP, were at 155.41% and 155.20%, respectively.

Basel III Countercyclical Capital Buffer
On December 6, 2018, the BSP issued Circular No. 1024 covering the Philippine adoption of the Basel III Countercyclical Capital Buffer (CCyB) which imposed the following capital buffers:
- Capital Conservation buffer (CCB) of two and a half percent (2.5%); and
- Countercyclical capital buffer (CCyB) of zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board of the BSP when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increase in the CCyB rate shall be effective 12 months after its announcements. Decreases shall be effective immediately.

The prescribed ratios shall be maintained at all times.

Applicable Tax Regulations
Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as 'Taxes and licenses' 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 tax (DST). Income taxes include corporate income tax, further discussed below, and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, RA No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% depending on the criteria set by the law effective July 1, 2020. With the implementation of this Act, interest expense allowed as a deductible expense shall be reduced by 20.00% of the interest income subjected to final tax, compared to the 33.00% reduction prior to the Act.

The regulations also provide for MCIT of 2.00% (prior to CREATE) and 1.00% from (July 1, 2020 to June 30, 2023 before reverting to 2.00%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulation (RR) No. 25-2020.

Based on the provisions of RR No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates of the Bank for the taxable year 2020 are 27.50% and 1.50%, respectively. The reduced amounts were reflected in the Bank's 2020 annual income tax returns filed in 2021. However, for financial reporting purposes, the changes were only recognized in the 2021 financial statements.

The deferred tax assets and liabilities as of December 31, 2020 were also remeasured using the lower RCIT rate of 25.00%. These reductions were recognized in the 2021 financial statements.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Bank elected to claim itemized expense deductions instead of the OSD in computing for the RCIT in 2021 and 2020.

Current tax regulations also provide for the ceiling on the amount of EAR expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense for a service company is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and OBUs is taxed at 15.00% in 2021 and 2020. Under current tax regulations, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks, including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Financial Soundness Indicators

The following ratios measure the financial performance of the Bank:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Return on average equity	**10.10%**	4.44%
Return on average assets	**1.35%**	0.64%
Net interest margin on average earning assets	**4.60%**	5.81%
Liquidity ratio	**64.97%**	65.57%
Debt-to-equity ratio	**6.43:1**	6.50:1
Asset-to-equity ratio	**7.43:1**	7.50:1
Interest rate coverage ratio	**3.52:1**	2.51:1

16. Miscellaneous Income

This account consists of:

	For the Quarters ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
Insurance commission income	**₱140,728,046**	₱27,813,604
Recovery of charged-off assets	**70,566,173**	105,062,251
Rental income	**11,132,175**	9,881,375
Others	**49,603,354**	40,876,910
	₱272,029,748	₱183,634,140

Rental income arises from the lease of properties and safety deposit boxes of the Bank.

Other miscellaneous income includes renewal fees, checkbook charges, break funding cost and other miscellaneous income. In 2020, the Bank recorded modification loss amounting to ₱508.8 million. Subsequent accretion of modified loans amounted to ₱27.9 million and ₱31.6 million in March 31, 2022 and2021, respectively

17. Interest Expense on Deposit Liabilities and Miscellaneous Expenses

Interest expense on deposit liabilities consists of:

	For the Quarters ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
Time	**₱297,071,521**	₱257,601,011
LTNCD	**96,050,994**	96,956,516
Demand	**13,273,928**	16,166,006
Savings	**10,828,537**	12,634,923
	₱417,224,979	₱383,358,456

Miscellaneous expenses account consists of:

	For the Quarters ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
Litigation	**₱140,917,931**	₱84,646,440
Insurance	**124,345,051**	119,992,977
Information technology	**87,988,732**	87,761,252
Fines, penalties and other charges	**50,602,495**	31,503,521
Communications	**40,194,685**	42,746,599
Repairs and maintenance	**26,666,266**	26,686,697
Supervision and examination fees	**20,970,575**	19,852,305
Transportation and traveling	**12,828,405**	13,242,357
Stationery and supplies	**10,848,956**	13,399,833
Management and professional fees	**8,612,903**	10,847,320
Advertising	**2,934,930**	2,765,311
Donations and charitable contributions	**2,011,051**	1,813,188
Training and seminars	**1,122,579**	49,163
Banking activities expenses	**731,337**	404,546
Membership fees and dues	**706,975**	1,975,884
Others	**1,612,130**	6,474,837
	₱533,095,001	₱464,162,230

Insurance expense includes premiums paid to the Philippine Deposit Insurance Corporation (PDIC) amounting to million₱107.9 million and ₱84.0 millionin March 31, 2022 and 2021, respectively.

Other expenses include sponsorship expenses, home free loan expenses, appraisal fees and notarial fees.

18. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Bank's related parties are as follows:

- Bank's Directors, Officers, Stockholders and their Related Interests (DOSRI) as defined per BSP's existing DOSRI rules and regulations;
- Close Family Members (i.e., 2nd degree relatives) of the Bank's Directors, Officers with rank of SVP and up, and Individual Substantial Stockholders;

- Bank's Subsidiaries and Affiliates as defined per BSP's existing rules and regulations on lending to subsidiaries and affiliates;
- Any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Subsidiaries, Affiliates and Special Purpose Entities (SPEs) of any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Corresponding Persons in Affiliated Companies as defined in the Bank's Related Party Transaction (RPT) Policy; and
- Any natural person or juridical entity whose interest may pose potential conflict with the Bank's interest.

The Bank has several business relationships with related parties. The terms of the transactions with such parties are listed below on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties, and are usually settled in cash. These transactions also did not involve more than the nominal risk of collectability or present other unfavorable conditions.

Transactions with the Retirement Plan

On December 20, 2012, the SEC issued Memorandum Circular No. 12 providing for guidelines on the disclosure of transactions with retirement benefit funds. Under said circular, a reporting entity shall disclose information about any transaction with a related party (retirement fund, in this case) and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

Under PFRS, certain post-employment benefit plans are considered as related parties. The Bank has business relationships with its retirement plan pursuant to which it provides trust and management services to the said plan.The retirement plan of the employees of the Bank is being managed and maintained by the Trust Division of the Bank.

The following table shows the amount of outstanding balances of related party transactions of the Bank and SMFC with the retirement plan of the employees of the Bank as of March 31, 2022 and December 31, 2021:

		March 31, 2022 (Unaudited)	
		Elements of Transaction	
Related Party	**Nature of Transaction**	**Statement of Condition**	**Statement of Income**
Philippine Savings Bank	Savings Deposit	**₱20,279,025**	**₱–**
	Investment in Money Market Fund*	**32,006,286**	**–**
	Income from UITF**	–	**17,413**
	Interest income	–	**5,9256**
	Trust Fee	–	**8,388,183**
First Metro ETF	Equity investment***	**₱26,771,878**	**₱–**

*Includes fair value gains of 0.05 million
**Includes fair value loss of ₱0.18 million
***Includes fair value loss of ₱0.11 million

		December 31, 2021 (Audited)	
		Elements of Transaction	
Related Party	**Nature of Transaction**	Statement of Condition	Statement of Income
Philippine Savings Bank	Savings Deposit	₱3,778,999	₱–
	Investment in Money Market Fund*	31,988,896	–
	Income from UITF**	–	238,430
	Interest income	–	28,525
First Metro ETF	Equity investment***	26,310,294	–

*Includes fair value gains of ₱0.1 million
**Includes fair value loss of ₱0.04 million
***Includes fair value loss of ₱0.35 million

Transactions relating to the Bank's retirement plan are approved by its RetirementCommittee.The voting right over the investments in the Bank's capital stocks is exercised by a member of the Retirement Committee as approved by all members of the Retirement Committee, whom are senior officers of the Bank.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures.*

Total remunerations of key management personnel (covering assistant vice presidents and up) included under 'Compensation and fringe benefits' in the statements of income are as follows:

	March 31,2022 (Unaudited)	March 31, 2021 (Unaudited)
Short-term employee benefits	**₱121,150,103**	₱90,080,613
Post-employment pension benefits	**1,134,117**	4,803,265
	₱122,284,220	₱94,883,878

Short-term employee benefits include salaries and other non-monetary benefits.

Remunerations given to directors, as approved by the Board Remuneration Committee,amounted to ₱4.4 millionand ₱4.3 million in March 31, 2022and 2021, respectively.

The Bank also provides banking services to directors and other key management personnel and persons connected to them.

Other Related Party Transactions

Other related party transactions of the Bank by category of related party are presented below.The following tables show the amount and outstanding balances included in the financial statements (in thousands):

	March 31, 2022 (Unaudited)		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Entities with significant influence (MBTC)			
Due from other banks	**₱315,571**	**₱1,422,455**	Peso-denominated lending with 2.50% fixed interest rates
Investment securities at amortized cost	**(521)**	**59,197**	Pledged for security of payroll account with MBTC.
Accounts receivable	**(795)**	**4,994**	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	**(234)**	**1,713.49**	Security deposits on lease contracts
Miscellaneous liabilities	**–**	**5,919**	Advance payments of security deposits
Accrued other expense payable	**272**	**90,675**	Outstanding information technology expense payable, charges on current and savings accounts processing
Rental income	**3,013**	**–**	Income from leasing agreements with various lease terms ranging from 2 to 5 years
Information technology expense	**31,893**	**–**	Payment of information technology expenses
Trading gain/(loss)	**4**	**–**	Loss from securities transactions
Securities transactions			
Outright purchases	**1,060,000**	**–**	Outright purchase of FVTPL, FVOCI and investment at amortized cost
Outright sales	**(100,000)**	**–**	Outright sale of FVTPL and FVOCI investments
Joint Venture (SMFC)			
Investment in a joint venture	**21,027**	**783,954**	Capital investment in SMFC
Share in net income of a joint venture	**21,027**	**–**	30% share in net income of SMFC
Share in unrealized gain on remeasurement of retirement liability	**4,163**	**2,877**	30% share in remeasurement of SMFC retirement liability taken up in OCI
Accounts receivable	**138**	**1,043**	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	**3,091**	**17,091**	Demand and short-term peso time deposits with annual fixed rates of 1.25%
Rental income	**4,056**	**–**	Income from leasing agreements
Interest expense	**7**	**–**	Interest on deposit liabilities with 1.25% annual fixed rate
Other Related Parties			
Receivable from customers	**(653)**	**1,154,659**	Loans granted bear interest of ranging 7.05% to 8.75% with 1 to 10 years term.
Placements	**965,000**		
Maturities	**965,653**		
Miscellaneous assets	**28**	**2,977**	Three months advance security deposits
Accounts receivable	**704**	**2,489**	Outstanding ATM service fees, rental and utility receivables, non-interest bearing
Prepaid expense	**(4,383)**	**7,845**	Payment for various policy renewals
Deposit liabilities	**(4,539,965)**	**3,419,920**	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Accrued other expense payable	**–**	**1,151**	Outstanding group life insurance
Accounts payable	**(362)**	**7**	Various personal and car insurance payable
Miscellaneous liabilities	**–**	**1,872**	Advance payment of security deposits from various tenants
Interest income	**11,659**	**–**	Income on receivables from customers and interbank loans receivables
Trading and securities loss	**43**	**–**	Loss from securities transactions
Rental income	**2,664**	**–**	Income from leasing agreements with various lease terms
Bank commission	**399**	**–**	Commission income on ATM service fees
Miscellaneous income	**–**	**–**	Service income from referral fees on approved credit card issuances

Category	March 31, 2022 (Unaudited) Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			and bank insurance with rates ranging from 2.00% to 10.00%
Insurance expense	**15,772**	**–**	Payment of insurance premium
Interest expense	**393**	**–**	Interest on deposit liabilities and bills payable
Rent expense	**28**	**–**	Payment of rent expense to various lessors
Securities transactions			
Outright purchases	**1,000,000**	**–**	Outright purchase of FVTPL, FVOCI and investment at amortized cost
Outright sales	**(150,000)**	**–**	Outright sale of FVTPL and FVOCI investments
Key Personnel			
Receivables from customers	**(204)**	**10,864**	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Placements	**954**	**–**	
Maturities	**(1,158)**	**–**	
Interest income	**235**	**–**	Interest income from loans

Category	December 31, 2021 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Entities with significant influence (MBTC)			
Due from other banks	(₱267,443)	₱1,106,884	Peso and foreign denominated deposit with 2.50% fixed interest rates and maturities ranging from 360 days
Interbank loans receivable	–	–	Peso-denominated lending with 4.00% to 5.09% fixed interest rates and maturities ranging from 1 to 3 days
Placements	32,381,000	–	
Maturities	(32,381,000)	–	
Investment securities at amortized cost	59,581	59,581	Pledged for security of payroll account with MBTC.
Accounts receivable (payable)	(208)	(1,909)	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	1,763	1,834	Security deposits on lease contracts
Miscellaneous liabilities	(323)	5,919	Advance payments of security deposits
Bills Payable			Peso-denominated borrowing with fixed interest rate of 3.00% with 1 day maturity.
Deposits/placements	–	–	
Withdrawals/maturities	–	–	
Accrued other expense payable	36,124	68,584	Outstanding information technology expense payable, charges on current and savings accounts processing
Interest income	4,329	–	Income on deposits and interbank loans receivables
Rental income	8,209	–	Income from leasing agreements with various lease terms ranging from 2 to 5 years
Miscellaneous income	9,947	–	Income received from ATM service fees, rental and utilities
Information technology expense	121,476	–	Payment of information technology expenses
Trading and security loss	57,038	–	Gain from securities transactions
Parent Company			
Due from other banks	(267,443)	1,106,884	Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.00% to 5.00%
Financial assets at FVOCI	–	59,718	Pledged for security of MBTC's payroll account with the Bank.
Accounts receivable (payable)	7,698	5,789	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	114	1,948	Security deposits on lease contracts
Miscellaneous liabilities	–	5,919	Advance payments of security deposits from various tenants
Accrued other expense payable	21,819	90,403	Outstanding information technology expense payable, charges on current and savings accounts processing
Rental income	12,099	–	Income from leasing agreements with various lease terms ranging from 2 to 5 years
Miscellaneous income	22,033	–	Service income received from collection services
Information technology expense	154,170	–	Payment of information technology expenses
Trading and security loss	(3,242)	–	Loss from securities transactions
Securities transactions			
Outright purchases	11,770,583	–	Outright purchase of FVTPL, AC and FVOCI investments
Outright sales	(150,000)	–	Outright sale of FVTPL and FVOCI investments
Joint Venture			
Investment in a joint venture	57,449	762,926	Outstanding balance of capital investment in SMFC; movements in outstanding balance pertain to share in net income and other comprehensive income less dividends received
Dividends from joint venture	11,580	–	Dividends from SMFC
Accounts receivable	688	905	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	(474,007)	14,000	Demand and short-term peso time deposits with annual fixed rates of 1.25%
Miscellaneous liabilities	7,861	7,861	Payment of security deposits
Rental income	16,288	–	Income from leasing agreements
Miscellaneous income	6,882	–	Utilities and rental charges
Interest expense	66	–	Interest on deposit liabilities
Other Related Parties(DOSRI/Indirect)			
Receivable from customers	–	1,155,312	Loans granted bear interest of ranging 3.0% to 10.50% with terms from 12 to 60 months (excluding key personnel)
Placements	1,159,611	–	
Maturities	1,176,688	–	
Miscellaneous assets	353	2,949	Three months advance security deposits

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2021		
Accounts receivable	(4,908)	1,785	Outstanding ATM service fees, rental and utility receivables, non-interest bearing
Prepaid expense	5,455	12,228	Payment for various motor car vehicles, fire, money, security, payroll and robbery insurance
Deposit liabilities	7,044,834	7,959,885	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Accrued other expense payable	–	1,151	Outstanding group life insurance
(Forward)			
Accounts payable	368	369	Various personal and car insurance payable
Miscellaneous liabilities	–	1,872	Advance payment of security deposits from various tenants
Interest income	67,649	–	Income on receivables from customers and interbank loans receivables
Trading and securities loss	499	–	Loss from securities transactions
Rental income	7,785	–	Income from leasing agreements with various lease terms
Bank commission	1,936	–	Commission income on ATM service fees
Miscellaneous income	3,751	–	Service income received from insourcing agreements
Insurance expense	60,997	–	Payment of insurance premium
Interest expense	1,075	–	Interest on deposit liabilities
Rent expense	1,950	–	Payment of rent expense to various lessors
Securities transactions			
Outright purchases	3,269,725	–	Outright purchase of FVTPL and FVOCI investments
Outright sales	(50,000)	–	Outright sale of FVTPL and FVOCI investments
Key Personnel			
Receivables from customers	–	11,068	Unsecured, no impairment, with annual fixed interest
Availments	3,699	–	rates of 6.00% and maturities ranging from 2 to 10 years
Maturities	(1,444)	–	Utilities and rental charges
Interest income	824	–	Interest income from loans

19. Commitments and Contingent Liabilities

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are not reflected in the accompanying financial statements. The Bank, however, does not anticipate significant losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Trust department accounts	**₱9,622,249,257**	₱9,967,034,659
Forward exchange -bought	**103,480,000**	–
Spot foreign exchange and contracts sale	**–**	25,499,500
Stand-by credit lines	**21,100,000**	21,100,000
Items held for safekeeping	**308,223**	308,743
Others	**57,049**	63,528

Also, several suits and claims, on behalf of or against the Bank in relation to its banking operations and labor-related cases are pending before the courts and quasi-judicial bodies. The Bank and its legal counsel believe that any losses arising from suits and claims which are not specifically provided for will not have a material adverse effect on the financial statements.

20. Subsequent Event

Cash Dividend Declaration

On April 25, 2022, the BOD of the Bank approved the declaration of a 7.5% regular cash dividend for the first quarter of 2022 for stockholders on record as of May 11, 2022 amounting to ₱320.14 million or ₱0.75 per share, to be paid on May 25, 2022.

21. Other Disclosures

a) There are no unusual items of asset, liability, equity, net income or cash flow.

b) No material items of changes were noted in the comparison of actual results with estimated amounts.

c) No unregistered securities were sold or offered for sale by the Bank as of March 31, 2022

d) Segment revenue and result of business segments are found in subsequent tables.

e) The Bank was not engaged in any business combinations, acquisitions or disposal of subsidiaries and long-term investments.

Annex 7

PHILIPPINE SAVINGS BANK
UNAUDITED SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF AND FOR THE PERIOD ENDED MARCH 31, 2022 AND 2021

	March 31	
	2022	2021
PROFITABILITY RATIOS		
Return on Assets		
Net Income * / Average Total Resources	**1.35%**	0.78%
Return on Equity		
Net Income * / Average Stockholders' Equity	**10.10%**	5.07%
Net Interest Margin		
Net Interest Income / Average Earning Assets	**4.60%**	7.04%
Cost to Income Ratio		
Operating Expenses Excluding Provision for Impairment and Credit Losses and Income Taxes / Net Interest Income + Operating Income	**59.49%**	57.31%
SOLVENCY RATIOS		
Debt to Equity Ratio		
Total Liabilities / Total Stockholders' Equity	**6.43:1**	5.57:1
Asset-to-Equity Ratio		
Total Assets / Total Stockholders' Equity	**7.43:1**	6.57:1
Interest Rate Coverage Ratio		
Earnings Before Interest and Taxes / Interest Expense	**3.52:1**	1.91:1
LIQUIDITY RATIOS		
Liquidity Ratio		
Current Assets / Current Liabilities	**64.97%**	45.87%
Loans to Deposit Ratio		
Gross Loans / Total Deposits	**51.20%**	72.62%
Capital Adequacy Ratio		
Total Qualifying Capital / Total Risk-Weighted Assets	**24.46%**	21.00%

*Computed based on annualized net income

Annex 8

PHILIPPINE SAVINGS BANK
ITEM II. MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Statements of Condition

As of March 31, 2022 (Unaudited) and December 31, 2021 (Audited)

The Bank recorded Total Assets as of March 31, 2022 at ₱263.42 billion. This was 0.62% better than the ₱261.81 billion level in December 2021.

As of March 31, 2022, Loans and Receivables, net of allowance and unearned interest and discounts, representing 41.03% of total assets was lower by 1.85% to ₱108.07 billion from December 31, 2021 level of ₱110.11 billion. Auto Loans decreased by ₱0.44 billion to ₱57.53 billion from ₱57.97 billion in the previous year. Mortgage loans also dropped to ₱44.39 billion from ₱45.41 billion in December 2021.

Interbank Loans Receivable and Securities Purchased under Resale Agreements increased by 91.88% from ₱4.53 billion in December 2021 to ₱8.70 billion in March 2022. Cash and Other Cash Items was lower by 27.19% to ₱2.04 billion in March 2022 while Due from Other Banks increased by ₱160.44million to ₱1.53billion from₱1.37 billion in December 2021. Meanwhile, Due from Bangko Sentral ng Pilipinas, representing 26.93% of total assets, increased to ₱70.95 billion from ₱52.43 billion.

As of March 31, 2022, Fair Value Through Other Comprehensive Income (FVOCI) went down by ₱20.79 billion to₱39.48 billion from ₱60.27 billion in December 2021. Investment Securities at Amortized Cost amounted to ₱23.09 billion as of March 2022or an increase of ₱2.13 billion, while Fair Value through Profit or Loss Investments (FVTPL) decreased to ₱0.04 million in March 2022. These investment securities represent 23.75% of the total assets as of March 31, 2022.

Investment Properties increased by ₱304.62 million to ₱3.81 billion as of March 2022 from ₱3.51 billion in December 2021. In addition, Property and Equipment went up by ₱91.39 million to ₱3.03 billion as of March 31, 2022.

Investments in a joint venture increased by ₱21.03 million to ₱783.95 million from ₱762.93 million, due to the recognition of PSBank's share in the net performance of Sumisho Motor Finance Corporation (SMFC), a joint venture between PSBank and Sumitomo Corporation. As of March 31, 2022, the Bank's ownership interest in SMFC is 30.00%.

Deferred Tax Assets went down by 28.96% to ₱409.77million versus ₱576.79million in December 2021. Moreover, Goodwill and Other Intangibles decreased by 7.09% or ₱25.60 million to ₱335.59 million in March 2022 from ₱361.19 million in December 2021.

Other Assets as of March 31, 2022 and December 31, 2021 amounted to ₱1.19 billion.

The Bank's deposit level, representing 95.21% of total liabilities, reached ₱217.06 billion, 0.12% higher than ₱216.80 billion in December 2021. CASA went down by ₱1.40 billion to ₱73.66billion while Time deposits decreased by 0.84% to ₱134.95 billion in March 2022 from ₱136.10 billion in December 2021. As of March 31, 2022 and December 31, 2021, Long Term Negotiable Certificate of Time Deposits (LTNCD) amounted to ₱8.44 billion.

Bonds payable increased by ₱3.62 million to ₱4.64 billion as of March 31, 2022 from ₱4.63 billion as of December 31, 2021 due to amortization of bond issuance cost.

On February 04, 2020, the Bank issued fixed rate bonds amounting to ₱4.65 billion with a tenor of three (3) years and due on February 4, 2023 with interest rate of 4.5% per annum payable quarterly. The minimum investment size for the bonds payable is ₱0.5 million with increments of ₱0.1 million thereafter.

Treasurer's, Cashier's and Manager's Checks went up to ₽895.03 million in March 2022 from ₽593.63 million in December 2021. On the other hand, Accrued Taxes, Interest and Other Expenses decreased by ₽42.20 million to ₽1.64 billion from₽1.68 billion. Income Tax Payable as of March 31, 2022 was at ₽105.38 million representing accrual for the current quarter and previous year which is due for remittance to BIR on or before April 15, 2022. Meanwhile, Financial Liabilities at FVPL was recorded at ₽0.68 million.

Other Liabilities increased by 6.10% or ₽195.38 million to ₽3.40 billion in March 2022 from ₽3.20 billion as of year-end 2021.

Total Capital remained strong at ₽35.45 billion, ₽550.93 million higher than December 31, 2021 level of ₽34.89 billion. Fair Value Reserves on Financial Assets at FVOCI was recorded at (₽15.04) million in March 2022 versus ₽2.41 million in December 2021.

The Bank recorded Remeasurement Losses on Retirement Plan of ₽632.89 million as of March 31, 2022 and December 31, 2021. On the other hand, the Bank's share in the Remeasurement losses on retirement plan and Hedge Reserve of its joint venture was posted at ₽2.87 million and ₽12.14 million, respectively as of March 31, 2022.

As of March 31, 2022, Cumulative Translation Adjustment amounted to (₽6.09 million).

On November 28, 2018, the PSE approved the application of the Bank for the listing of additional 142,856,925 common shares to cover the Bank's 1:1.68177 stock rights offering at an offer price of ₽56.0 per share or additional capital of ₽8.0 billion. The Bank successfully completed ₽8.0 billion stock rights offer and shares were listed on January 18, 2019 in the PSE. Capital paid in excess of par related to the offering amounted to ₽6.5 billion, net of transactions costs of ₽101.5 million.

On March 12, 2019, the BOD approved (a) the amendment of the AOI to increase the authorized capital stock from ₱4.25 billion to ₱6.00 billion and (b) the declaration of a 11.42% stock dividend equivalent to 43,750,000 shares amounting to ₱2.57 billion representing the minimum 11.42% subscription and paid-up capital for the increase in the authorized capital stock of the Bank which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2019. These were approved by BSP on August 8, 2019 and by the SEC on November 20, 2019. Following this, the authorized capital stock of the Bank increased from ₱4.25 billion to ₱6.00 billion consisting of 600.00 million common shares with par value of ₱10.00 per share.

On January 16, 2020, the Bank received the SEC order fixing the record date of the 11.42% stock dividend on January 31, 2020. The 11.42% stock dividend was issued on February 21, 2020 with record date on January 31, 2020. On February 17, 2020, the PSE approved the listing of such stock dividend. Capital paid in excess of par related to the issuance of stock dividend amounted to ₽2.1billion.

As of March 31, 2022, Capital Adequacy Ratio (CAR) was at 24.46%. This is above the minimum regulatory requirement of 10%.

Return on Average Equity (ROAE) was registered at 10.10% in March 2022 compared to the 4.44% recorded in December 2021. Return on Average Assets (ROAA) was at 1.35% in March 2022 versus 0.64% in 2021.

Discussion of Results of Operations

March 31, 2022 (Unaudited) and March 31, 2021 (Unaudited)

The Bank registered a Net Income after Tax of ₽887.65 million for the quarter ended March 2022 or ₽449.11 million higher compared to the same period last year. The surge in net income was driven by revenues from other operating income and improved asset quality.

Total Interest Income for the first quarter of 2022 was reflected at ₽3.22 billion, 13.12% lower than ₽3.70 billion recorded in the same quarter last year. Total Interest Expense went down to ₽0.49 billion from ₽0.56 billion. Net Interest Income decreased by 13.45% or ₽0.42billion at ₽2.72 billion from the ₽3.14 billion posted during the same quarter last year.

Interest income on Loans and Receivables was recorded at₱2.53 billion, 23.90% lower than₱3.33 billion recorded on the same quarter last year. Interest earned from Interbank Loans Receivable and SPURA increased to ₱21.66 million or 34.56% better than the ₱16.10 million posted in 2021. Interest income on Investment Securities went up to ₱369.77 million from ₱245.78 million. On the other hand, Interest earned from deposits with BSP increased to ₱293.44 while interest income from other banks went down to ₱0.01 million.

Interest Expense on the Bank's deposit liabilities increased by 8.83% to ₱417.22 million. Interest Expense on Bonds payable significantly decreased by 63.02% to ₱55.88 million from ₱151.09 million last year due to maturity of outstanding bond in 2021. The Bank recorded ₱21.40 million in Interest Expense on lease liabilities for the quarter ended March 31, 2022.

On February 04, 2020, the Bank issued fixed rate bonds amounting to ₱4.65 billion with a tenor of three (3) years and due on February 4, 2023 with interest rate of 4.5% per annum payable quarterly.

Net Service Fees and Commission Income increased to ₱434.93 million, 14.12% higher than the ₱381.11 million recorded last year.

Meanwhile, Other Operating Income improved by 189.66% or ₱462.97 million to ₱707.08 million due to higher net Gain on Foreclosure and Sale of Chattel Mortgage Properties during first quarter of 2022.

The Bank posted a net gain (loss) on foreclosure and sale of chattel mortgage amounting to ₱175.14 million and (₱175.44) million for the quarter ended March 31, 2022 and March 31, 2021, respectively. Net gain on foreclosure and sale of investment properties amounting to ₱257.80 million in March 2022 from₱228.33 million in 2021.Gain on sale of property and equipment increased by ₱0.56 million to ₱0.97 million from year-ago level of ₱0.40 million. Miscellaneous Income was higher by ₱88.40 million to ₱272.03 million.The Bank reflected a₱0.10 million trading gains in 2022 versus ₱8.31 million trading gainsin 2021.

Meanwhile, Foreign Exchange gain (loss) was posted at ₱1.05 million and (₱1.13) millionfor the quarter ended March 31, 2022 and March 31, 2021, respectively.

Other Operating Expenses, excluding provision for impairment and credit losses, increased by 6.43% to ₱2.29 billion in March 2022 from₱2.16 billion in March 2021. Taxes and Licenses went up by ₱159.66 million or 48.10% to ₱491.61 million from ₱331.95 million. Depreciation and amortization of Bank's properties and leasehold improvementsslid to ₱182.85 million, 20.57% lower than ₱230.21 million recorded on March 2021. Meanwhile, amortization of software costs was recorded at ₱26.53 million. Compensation and Fringe Benefits amounted to ₱892.68 million while security, messengerial and janitorial services was at ₱90.49 million. Miscellaneous Expenses was registered at ₱533.10 million versus ₱464.16 million during the same period last year. On the other hand, Occupancy and equipment-related cost amounted to ₱77.16 million in March 2022.

For the period ended March 31, 2022, the Bank set aside ₱0.35 billion in provision for impairment and credit losses.

The Bank also reported share in net performance from its investment in Sumisho Motor Finance Corporation (SMFC) amounting to ₱21.03 million in March 2022 from (₱9.77) million in March 2021.

Analysis of Key Financial Soundness Indicators

March 2022 vs. March 2021 Comparative highlights on Key Financial Soundness I\indicators

The following ratios measure the financial performance of the Bank:

		March 31, 2022	March 31, 2021	December 31, 2021
		(Unaudited)		(Audited)
Return on Average Equity*	ROAE	**10.10%**	5.07%	4.44%
Return on Average Assets*	ROAA	**1.35%**	0.78%	0.64%
Net Interest Margin on Average Earning Assets	NIM	**4.60%**	7.04%	5.81%
Earnings per share	EPS	**₱2.08**	₱1.03	₱3.61
Capital-to-Risk Assets Ratio	CAR	**24.46%**	21.00%	24.29%
Liquidity Ratio	LR	**64.97%**	45.87%	65.57%

		March 31, 2022	March 31, 2021	December 31, 2021
		(Unaudited)		(Audited)
Debt-Equity Ratio	DER	**6.43:1**	5.57:1	6.50:1
Asset-to-Equity Ratio	AER	**7.43:1**	6.57:1	7.50:1
Interest Rate Coverage Ratio	IRCR	**3.52:1**	1.91:1	2.51:1

** computed based on annualized/normalized net income*

1. Return on Average Equity (ROAE) in March 31, 2022 increased to 10.10% from 5.07% in the same period last year. ROAE measures how well the Bank is using common shareholders' invested money. It is calculated by dividing the annualized/normalized net income by the average of the outstanding balances of shareholders' equity at the beginning and ending of the period.

2. Return on Average Assets (ROAA) increased to 1.35% from 0.78% in March 31, 2022versus the same period last year. ROAA is calculated by dividing the annualized/normalized net income by the average of the outstanding balances of total assets at the beginning and ending of the period.

3. Net Interest Margin on Average Earning Assets (NIM) was posted at 4.60% and 7.04% for the comparative periods of March 31, 2022 and 2021, respectively. NIM is calculated by dividing the net interest income by the average earning assets. Average interest-earning assets is based on outstanding balances at the beginning and ending of the period divided by two. (Earning assets comprised of Due from BSP - Specialized Deposit Account, Due from Other Banks, Interbank Loans Receivable and Securities Purchased Under Resale Agreements, Loans & Discounts (Current), Bills Purchased, and Sales Contract Receivables, Financial Assets at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive (FVOCI) and Investment at amortized cost.

4. Earnings per Share (EPS) was ₱2.08 as of March 31, 2022 compared to the ₱1.03 EPS as of March 31, 2021. EPS represents the net profit the Bank has generated per common share. It is computed by dividing the year to date net income by the weighted average number of outstanding common shares.

5. Capital-to-Risk Assets Ratio (CAR) was higher at24.46% in March 2022 versus 21.00% in March 2021. CAR is the measure of the Bank's capital strength. It is calculated by dividing the qualified capital by risk-weighted assets as defined by the Bangko Sentral ng Pilipinas (BSP).

6. Liquidity Ratio (LR) was higher at 64.97% in March 2022 from 45.87% the same period last year. LR measures the Bank's ability to meet its short-term liabilities. It is derived by dividing the current assets by current liabilities.

7. Debt-to-Equity Ratio (DER) increased to 6.43:1 as of March 31, 2022 from 5.57:1 in March 2021. DER indicates the extent to which the Bank's leveraged, or financed by credit. This is computed by dividing total liabilities by total stockholder's equity.

8. Asset-to-Equity Ratio (AER) was higher at 7.43:1 as of March 31, 2022 from 6.57:1 as of March 31, 2021. AER is computed by dividing the total assets by total shareholder's equity.

9. Interest Rate Coverage Ratio (IRCR) increased to 3.52:1 this year from 1.91:1 in March 2021. IRCR is a measure of the Bank's ability to meet its interest payments on outstanding debt. It is calculated by dividing the total earnings before interest and taxes over interest expense.

Key Variables and Other Qualitative and Quantitative Factors

Liquidity

PSBank manages its liquidity position to ensure that it has more than adequate funds to meet its obligations at any given time. The Bank monitors its daily liquidity and reserve position by determining inflows and outflows, short-term and long-term obligations, holdings and repayments. Short-term liquidity management identifies obligations and repayments in the next 12-months, aids in the determination of the securities trading strategy, and influences the Bank's pricing mechanism. On the other hand, long-term liquidity management covers maturing obligations and repayments of loans and investments beyond the next 12-months.

The level of liquid assets remained strong, exhibiting healthy growth in both placements with BSP/other banks and investments.

With the Bank's high capitalization, current liquidity position, strong deposit growth trend, continuing development of retail and corporate accounts, and prudent liquidity management, PSBank does not anticipate encountering any cash flow or liquidity problems in the next 12 months. It remains confident of its ability to meet its obligations and is committed to providing the necessary funding to support the projected loan growth, investment activities and expenditures for 2022.

The Bank also performs liquidity stress testing under various stress scenarios to ensure its ability to meet its funding obligations. The Bank has a Liquidity Contingency Funding Plan to anticipate and manage any funding crisis that may occur.

Material Commitments for Capital Expenditures

The Bank's capital expenditure target in 2022 includes projected expenses for IT-related activities on systems and licenses, and upgrade of bank premises including infrastructure, furniture, fixtures and equipment. Capital expenditures were sourced from the Bank's capital.

Causes for Any Material Changes from Period to Period of Financial Statements

See previous discussion on Analysis of Statement of Condition and Discussion of Results of Operations.

Known Trends, Events or Uncertainties or Seasonal Aspects

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Annex 9

PHILIPPINE SAVINGS BANK
AGING OF RECEIVABLES

As of March 31, 2022 (Unaudited)

	TOTAL LOAN PORTFOLIO	CURRENT	PAST DUE & ITEMS IN LITIGATION	PAST DUE				ITEMS IN LITIGATION
				90 Days or Less	91-180 Days	181 Days to 1 Year	More Than 1 Year	
Trade Receivables								
Loans and Discounts	₱111,140,574,748	₱100,630,653,552	₱10,509,921,196	₱6025249622	₱803,561,417	₱644,147,905	₱1,666,515,817	₱1,370,446,435
Agri Loans	188,744,124	188,744,124	–	–	–	–	–	–
Bills Purchased	66,867,151	24,636,880	42,230,271	30,115,690	–	6,151,399	5,963,182	–
Restructured Loans	111,396,186,022	100,844,034,556	10,552,151,4667	6,055,365,312	803,561,417	650,299,304	1,672,478,999	1,370,446,435
Total Trade Receivables	5,795,532,343							
Less :								
Allowance For Probable Losses	264,590,665							
Other Deferred Credits	105,336,063,014	100,844,034,556	10,552,151,4667	6,055,365,312	803,561,417	650,299,304	1,672,478,999	1,370,446,435
Net Trade Receivable								
Non-Trade Receivables	669,006,011	142,456,086	526,549,925	17,127,229	7,377,041	6,566,162	483,289,899	12,189,594
Accounts Receivables	2,647,726,647	2,302,425,199	345,301,448	195,652,568	32,352,422	23,385,077	53,224,031	40,687,350
Accrued Interest Receivables	3,316,732,658	2,444,881,285	871,851,373	212,779,797	39,729,463	29,951,239	536,513,930	52,876,944
Total Non-Trade Receivable	596,693,843							
Less :								
Allowance for Probable Losses	2,720,038,815	2,444,881,285	871,851,373	212,779,797	39,729,463	29,951,239	536,513,930	52,876,944
Net Non-Trade Receivable								
	108,056,101,829	103,288,915,841	11,424,002,840	6,268,145,109	843,290,880	680,250,543	2,208,992,929	1,423,323,379
Sales Contract Receivable								
Less :								
Allowance for Probable Losses	15,851,990	15,851,990	–	–	–	–	–	–
Net Sales Contract Receivable	251,863							
Net Receivables	15,600,127	15,851,990	–	–	–	–	–	–
	₱108,071,701,956	₱103,304,767,831	₱11,424,002,840	₱6,268,145,109	₱843,290,880	₱680,250,543	₱2,208,992,929	₱1,423,323,379