

# COVER SHEET

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S.E.C. Registration Number

P H I L T R U S T   B A N K

P H I L I P P I N E   T R U S T   C O M P A N Y

(Company's Full Name)

1 0 0 0   U N I T E D   N A T I O N S   A V E N U E   C O R

S A N   M A R C E L I N O   S T R E E T   M A N I L A

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

AGNES B. URBANO

Contact Person

8524-9061

Company Telephone Number

## DEFINITIVE INFORMATION STATEMENT

Ending December 31

Month   Day  
Fiscal Year

2 0 - I S

FORM TYPE

Last Tuesday of May

Month   Day  
Annual Meeting

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

**PHILTRUST BANK**  
**Philippine Trust Company**

**NOTICE OF THE ANNUAL MEETING OF THE STOCKHOLDERS**

TO ALL STOCKHOLDERS:

Please be informed that the Annual Meeting of the Stockholders of Philippine Trust Company, also known as PHILTRUST BANK, will be held on Tuesday, May 30, 2023 at 8:00 A.M. at Manila Prince Hotel, Grand Ballroom, 1000 San Marcelino Street, Ermita, Manila for the election of Directors and the transaction of the following:

AGENDA

1. Call to order.
2. Proof of service of the required notice of the meeting.
3. Proof of presence of quorum.
4. Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on May 31, 2022.
5. Approval of the Annual Report to the Stockholders and the Audited Financial Statements for the year 2022.
6. Ratification and approval of all the acts and transactions of the Board of Directors, the Committees and the Management, including related party transactions, since the 2022 Annual Meeting of the Stockholders.
7. Appointment of External Auditor.
8. Election of Directors.
9. Other matters.

Only stockholders as of the Record Date of April 28, 2023 are entitled to notice of, and vote at, the said meeting.

Management is not asking you for a proxy and you are requested not to send Management a proxy. In the event that you cannot attend in person, please accomplish the herein proxy instrument. For validation, please return the same to the Office of the Corporate Secretary not later than five (5) days prior to the date of the meeting.

An electronic copy of the Information Statement, Management Report, SEC Form 17-A, SEC Form 17-Q for the quarter ended March 31, 2023, and the Minutes of the 2022 Annual Stockholders' Meeting are available at the Bank's website at [www.philtrustbank.com](http://www.philtrustbank.com) and additionally, the said reports are available at PSE EDGE portal.

Adequate health and safety protocols will be strictly implemented to protect the stockholders and all other attendees.

Your kind presence will be highly appreciated.

Manila, April 26, 2023.

By Authority of the Board of Directors,

  
AGNES B. URBANO

FVP/Asst. Corporate Secretary

AGENDA  
RATIONALE and DETAILS

The Chairman will welcome the stockholders present, invite them to the singing of the National Anthem, followed by the opening prayer.

**1. Call to order**

The Chairman will call to order the 2023 Annual Stockholders' Meeting of Philippine Trust Company, also known as PHILTRUST BANK, at 8:00 A.M. in accordance with the Bank's By-Laws.

**2. Proof of service of the required notice of the meeting.**

The Asst. Corporate Secretary will submit to the Chairman her Affidavit of Service attesting that all stockholders of Philtrust Bank as of the Record Date of April 28, 2023 were duly notified of the 2023 Annual Stockholders' Meeting to be held on May 30, 2023 at 8:00 A.M.

**3. Proof of presence of quorum.**

The Asst. Corporate Secretary will attest to the presence of the required quorum for the valid proceedings of the meeting.

**4. Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on May 31, 2022.**

The Minutes of the Annual Stockholders' Meeting held on May 31, 2022 will be presented for the consideration and the approval of the stockholders. The said Minutes is posted on the Bank's website at [www.philtrustbank.com](http://www.philtrustbank.com).

**5. Approval of the Annual Report to the Stockholders and Audited Financial Statements for the year 2022.**

The highlights of the 2022 Annual Report and Audited Financial Statements will be discussed by the President. The full text thereof attached to the Definitive Information Statement to be posted at the Bank's website and at the PSE EDGE portal.

**6. Ratification and approval of all the acts and transactions of the Board of Directors, the Committees and the Management, including related party transactions, since the 2022 Annual Meeting of the Stockholders.**

All acts and transactions that were approved and adopted by the Board of Directors and its Committees, including related party transactions, and all actions of the Management to implement the aforesaid resolutions of the Board including those taken in the ordinary course of the Bank's business, since the Annual Meeting of the Stockholders held on May 31, 2022, will be presented to the stockholders for their consideration, approval and ratification.

**7. Appointment of External Auditor.**

The Chairman of the Audit Committee will recommend the grant of authority to the Board of Directors to appoint and/or change the Bank's external auditor for the year 2023. The said external auditor must be accredited by both the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission.

**8. Election of Directors.**

The Chairman of the Corporate Governance, Nomination and Remuneration Committee will endorse the Final List of Nominees who are eligible for election as Directors of the Bank for the ensuing year 2023-2024. The said Committee had evaluated their credentials and had determined that they possess all the qualifications and none of the disqualifications for bank directors. The twelve (12) Directors to be elected shall hold office for a term of one (1) year and until their successors are elected and shall have qualified.

Cumulative voting will be followed in the election of directors.

**9. Other matters.**

Matters that are relevant to, and appropriate for, the Annual Meeting of the Stockholders may be discussed.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20 - IS  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of registrant as specified in its charter  
Philippine Trust Company also known as PHILTRUST BANK
3. Province, country or other jurisdiction of incorporation  
Manila, Philippines
4. SEC Identification Number - PW00000105
5. BIR Tax Identification Code - 000-541-102
6. Address of Principal Office - Philtrust Bank Building  
1000 United Nations Avenue corner  
San Marcelino Street, Manila  
Postal Code - 1007
7. Telephone Number - (632) 8524-90-61
8. Date, time and place of the meeting of security holders  
May 30, 2023 at 8:00 A.M. at Manila Prince Hotel, Grand Ballroom  
1000 San Marcelino Street, Ermita, Manila
9. Approximate date on which the Information Statement is first to be sent or given to security holders  
May 9, 2023
10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of class | Number of shares of common stock |
|----------------|----------------------------------|
| Common shares  | 1,000,000,000                    |
11. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes  No

If yes, disclose the name of such stock exchange and the class of securities listed therein:

The Bank's 1,000,000,000 common shares are listed at the Philippine Stock Exchange.

**PART I.**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

**A. GENERAL INFORMATION**

**Item 1. Date, Time and Place of Meeting of Security Holders:**

Date : May 30, 2023  
Time : 8:00 A.M.  
Place : Manila Prince Hotel  
Grand Ballroom  
1000 San Marcelino Street, Ermita  
Manila

Mailing Address of the Bank:

Philtrust Bank Building  
1000 United Nations Avenue corner San Marcelino Street  
Manila

The Information Statement is first to be sent to security holders approximately on May 9, 2023.

**Item 2. Right of Appraisal**

As provided under Title X of the Revised Corporation Code of 2019 (RCC), any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of the shares in the following instances:

- (a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
- (c) In case of merger or consolidation; and
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The dissenting stockholder who voted against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken, provided that failure to make the demand within such period shall be deemed a waiver of the appraisal right.

There is no item in the Agenda that would cause the exercise by the stockholders of their right of appraisal.

**Item 3. Interest of Certain Persons in, or Opposition to, Matters to be Acted Upon**

- a. Other than their election to office, there is no matter to be acted upon by the stockholders in which any Director or Executive Officer of the Bank, at any time since the beginning of the last fiscal year, is involved or had a direct, indirect or substantial interest. No one of the Directors or Executive Officers has an Associate.
- b. Other than their election as Directors, there is no matter to be acted upon by the stockholders in which any Nominee is involved or had a direct, indirect or substantial interest. No one of the Nominees has an Associate.
- C. No one has informed the Bank of his opposition to any matter to be acted upon by the stockholders.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4 (a) Voting Securities and Principal Holders Thereof**

Stockholders as of the Record Date of April 28, 2023 shall be entitled to notice of, and to vote at, the Annual Stockholders' Meeting to be held on May 30, 2023. Stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the books of the corporation. Each share is entitled to one vote. However, in the election of Directors, every stockholder may cumulate his shares in accordance with the provisions of TITLE III Sec. 23 of the Revised Corporation Code. Hence, the stockholder may (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: Provided, That the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the corporation multiplied by the whole number of directors to be elected.

There is no condition precedent to the exercise of the cumulative voting rights in the election of directors.

Every stockholder entitled to vote at any meeting of the stockholders may so vote by proxy, provided that the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized representative and submitted to the Office of the Corporate Secretary not later than five (5) days prior to the scheduled meeting.

### **(b) Equity Ownership of Foreigners as of March 31, 2023:**

Name of Stockholders	Citizenship	Class of Share	No. of Shares Subscribed and Paid	%
1. PCD Nominee Corp.	Non-Filipino	Common	228,038	0.0228
2. Botschaft N. Cheng or Sevilla Ngo	Taiwanese	Common	1	0.0000
Total			228,039	0.0228%
			=====	=====

### **(c) Security Ownership of Certain Record and Beneficial Owners of More Than 5% as of March 31, 2023:**

Title of Class	Name, Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner and Relationship to Record Owner	Citizenship	No. of Shares Held	Percent
Common Shares	Philtrust Realty Corp. P.O. Box 1848, Manila Major Stockholder	U.S. Automotive Co., Inc. <i>Major Stockholder</i>  Dr. Emilio C. Yap III <i>Authorized Representative</i>	Filipino	269,000,014	26.9000%



Title of Class	Name, Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner and Relationship to Record Owner	Citizenship	No. of Shares Held	Percent
Common Shares	U.S. Automotive Co., Inc. P.O. Box 3399, Manila Major Stockholder	Yap Family <i>Major Stockholders</i>  Basilio C. Yap <i>Authorized Representative</i>	Filipino	209,873,774	20.9874%
Common Shares	Seabreeze Enterprises, Inc. P.O. Box 4279, Manila Major Stockholder	Basilio C. Yap <i>Major Stockholder</i>  Basilio C. Yap <i>Authorized Representative</i>	Filipino	194,746,709	19.4747%
Common Shares	Orient Enterprises, Inc. P.O. Box 3435, Manila Major Stockholder	Gaw Family <i>Major Stockholders</i>  Anthony Joseph Y. Gaw <i>Authorized Representative</i>	Filipino	184,783,230	18.4783%
Common Shares	Pioneer Insurance & Surety Corporation P.O. Box 1437 MCC, Makati Major Stockholder	Pioneer Inc. <i>Major Stockholder</i>  Ernesto O. Chan <i>Authorized Representative</i>	Filipino	70,950,696	7.0951%

Philtrust Realty Corporation, which owns 26.9% of Philtrust Bank's total issued and outstanding shares, is 98.37% owned by U.S. Automotive Co., Inc.

U.S. Automotive Co., Inc., which directly owns 20.9874% of Philtrust Bank is, in turn, owned by the Yap family.

Seabreeze Enterprises, Inc., which owns 19.4747% of Philtrust Bank is, majority-owned by Chairman Emeritus Basilio C. Yap.

Orient Enterprises, Inc., which owns 18.4783% of Philtrust Bank, is majority-owned by the Gaw Family.

Chairman Emeritus Basilio C. Yap, Vice Chairman Emilio C. Yap III and Director Benjamin C. Yap directly owns 0.1389%, 0.0183% and 0.0019% of Philtrust Bank, respectively. Additionally, they have indirect ownership of the Bank through their holdings in the principal corporate stockholders.

Director Ernesto O. Chan and the Pioneer Group of Companies collectively own 10% of Philtrust Bank. All other incumbent Directors directly own nominal qualifying shares while key Officers have insignificant holdings.

Total shares in the name of PCD Nominee Corporation stood at 19,258,892 as of March 31, 2023, with no material transfers for the past years.

The One Billion total issued and outstanding shares are entirely common shares with equal voting right per share.

**(d) Security Ownership of Management as of March 31, 2023:**

**DIRECTORS**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Common Shares	1. Gen. Hermogenes C. Esperon, Jr., (Ret.) <i>Chairman and Independent Director</i>	₱ 1,000.00	Indirect thru PCD Nominee Corp.	Filipino	0.0000
Common Shares	2. Dr. Jaime C. Laya <i>Vice Chairman</i>	₱ 333,250.00	Direct	Filipino	0.0033
Common Shares	3. Sr. Justice Josue N. Bellosillo (Ret.) <i>Vice Chairman and Corporate Counsel</i>	₱ 15,120.00	Direct	Filipino	0.0002
Common Shares	4. Dr. Emilio C. Yap III <i>Vice Chairman</i>	₱ 1,832,630.00	Direct	Filipino	0.0183
Common Shares	5. Mr. Carlos A. Pinpin, Jr. <i>Director and President</i>	₱ 1,000.00	Indirect thru PCD Nominee Corp.	Filipino	0.0000
Common Shares	6. Chief Justice Hilario G. Davide, Jr. (Ret.) <i>Director</i>	₱ 10,000.00	Direct	Filipino	0.0001
Common Shares	7. Mr. Ernesto O. Chan <i>Director</i>	₱ 175,660.00	Direct	Filipino	0.0018
Common Shares	8. Mr. Benjamin C. Yap <i>Director</i>	₱ 193,100.00	Direct	Filipino	0.0019
Common Shares	9. Ms. Miriam C. Cu <i>Director and Senior Vice President</i>	₱ 5,488,810.00	Direct	Filipino	0.0549
Common Shares	10. Mrs. Maria Georgina P. De Venecia <i>Independent Director</i>	₱ 1,000.00	Indirect thru PCD Nominee Corp.	Filipino	0.0000
Common Shares	11. Mr. Calixto V. Chikiamco <i>Independent Director</i>	₱ 1,000.00	Indirect thru PCD Nominee Corp.	Filipino	0.0000
Common Shares	12. Dr. Beatrice Jane L. Ang <i>Independent Director</i>	₱ 1,000.00	Indirect thru PCD Nominee Corp.	Filipino	0.0000

## OFFICERS

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership		Citizenship	Percent of Class
Common Shares	Ms. Virginia S. Choa-Shi <i>Executive Vice President</i>	₱ 5,050.00	Direct	Filipino	0.0001%
Common Shares	Ms. Luisa A. Lucin <i>SVP/Principal Accounting Officer</i>	₱ 52,600.00	Direct	Filipino	0.0005%
Common Shares	Atty. Agnes B. Urbano <i>FVP/Asst. Corporate Secretary</i>	₱ 66,710.00	Direct	Filipino	0.0007%
Common Shares	Mr. Benito D. Chua <i>VP/Treasurer</i>	₱ 15,120.00	Direct	Filipino	0.0002%

## DIRECTORS AND OFFICERS AS A GROUP

Common Shares	₱8,193,050.00	0.082%
	=====	=====

### **(e) Voting Trust Holders of 5% or More**

The Bank has no voting trust holders.

### **(f) Change in Control Since the Beginning of the Last Fiscal Year**

No change in control has occurred since January 1, 2022.

## **Item 5. Directors and Executive Officers:**

### **(a) Incumbent Directors:**

Name	Position	Age*	Citizenship	Length of Service
1. Gen. Hermogenes C. Esperon, Jr. (Ret.)	Chairman and Independent Director	71	Filipino	Less than 1 year
2. Dr. Jaime C. Laya	Vice Chairman	84	Filipino	More than 5 years
3. Senior Justice Josue N. Bellosillo (Ret.)	Vice Chairman	89	Filipino	More than 5 years
4. Dr. Emilio C. Yap III	Vice Chairman	51	Filipino	More than 5 years
5. Mr. Carlos A. Pinpin, Jr.	Director	66	Filipino	2 years
6. Chief Justice Hilario G. Davide, Jr. (Ret.)	Director	87	Filipino	More than 5 years
7. Mr. Ernesto O. Chan	Director	76	Filipino	More than 5 years
8. Mr. Benjamin C. Yap	Director	77	Filipino	More than 5 years
9. Ms. Miriam C. Cu	Director	64	Filipino	More than 5 years
10. Mrs. Maria Georgina P. De Venecia	Independent Director	74	Filipino	2 years
11. Mr. Calixto V. Chikiamco	Independent Director	72	Filipino	2 years
12. Dr. Beatrice Jane L. Ang	Independent Director	42	Filipino	Less than 1 year

\*As of last birthday

As provided for in the By-Laws, the corporate powers of the Corporation shall be exercised, its business conducted, and its property controlled by a Board of Directors, which shall consist of twelve (12) in number. Directors shall be chosen by the stockholders at the annual meeting, and shall hold office for one year and until their successors are elected and shall have qualified.

Accordingly, twelve (12) Directors were elected during the Annual Stockholders' Meeting held on May 31, 2022 to hold office for a term of one (1) year and until their successors are elected and shall have qualified. The Corporate Governance, Nomination and Remuneration Committee has determined that said Directors possess all the qualifications and none of the disqualifications for directors as mandated by the RCC and the Securities and Exchange Commission. No Director currently holds government position, or is connected with the government and the Bank has consistently adopted and complied with the requirements for the nomination and election of Independent Directors under SRC Rule 38.

Following their election on May 31, 2022, Independent Directors Daniel Y. Laogan and Lope M. Yuvienco were constrained to resign effective June 28, 2022 and August 23, 2022, respectively, for personal reasons. Retired General Hermogenes C. Esperon, Jr. and Dr. Beatrice Jane L. Ang were subsequently elected by the Board on August 23, 2022 as Independent Directors to serve the unexpired terms of Atty. Laogan and Mr. Yuvienco. The Corporate Governance Committee has determined Gen. Esperon and Dr. Ang as possessing all the qualifications and none of the disqualifications for independent directors.

The Directors' attendance in the 2022 ASM is presented under **Item 18** while their attendance in the 2022 Board meetings and Board Committee meetings are detailed as follows:

Attendance  
Board of Directors' Meetings  
2022  
(Total Number of Meetings Held = 15)

<b>Members of the Board of Directors</b>	<b>No. of Meetings Attended</b>
1. Gen. Hermogenes C. Esperon, Jr. (Ret.) Chairman and Independent Director <sup>1</sup>	4
2. Dr. Jaime C. Laya, Vice Chairman	15
3. Sr. Justice Josue N. Bellosillo (Ret.), Vice Chairman	15
4. Dr. Emilio C. Yap III, Vice Chairman	15
5. Mr. Carlos A. Pinpin, Jr., Director and President	15
6. Chief Justice Hilario G. Davide, Jr. (Ret.), Director	14
7. Mr. Ernesto O. Chan, Director	15
8. Mr. Benjamin C. Yap, Director	15
9. Ms. Miriam C. Cu, Director	15
10. Mrs. Maria Georgina P. De Venecia, Independent Director	15
11. Mr. Calixto V. Chikiamco, Independent Director	15
12. Dr. Beatrice Jane L. Ang, Independent Director <sup>1</sup>	4

<sup>1</sup> Effective Aug. 23, 2022

Mr. Tomas V. Apacible <sup>2</sup>	
Mr. Lope M. Yuvienco <sup>3</sup>	
Atty. Daniel Y. Laogan <sup>4</sup>	

<sup>2</sup> Term expired on May 31, 2022

<sup>3</sup> From May 31 to Aug. 23, 2022

<sup>4</sup> Resigned effective June 28, 2022

**Attendance  
Board Committee Meetings  
2022**

<b>Executive Committee</b>	<b>Total of Meetings Held</b>	<b>No. of Meetings Attended</b>
Dr. Jaime C. Laya, Chairman	11	11
Gen. Hermogenes C. Esperon, Jr. (Ret.), Member *	4	4
Sr. Justice Josue N. Bellosillo (Ret.), Member	11	11
Dr. Emilio C. Yap III, Member	11	11
Mr. Carlos A. Pinpin, Jr., Member	11	11
Ms. Miriam C. Cu, Member	11	11
Mr. Ernesto O. Chan, Member	11	11

\* Committee Member effective Aug. 23, 2022

<b>Trust and Investment Committee</b>	<b>Total of Meetings Held</b>	<b>No. of Meetings Attended</b>
Chief Justice Hilario G. Davide, Jr. (Ret.), Chairman	3	2
Dr. Jaime C. Laya, Member	3	3
Mr. Calixto V. Chikiamco, Member (ID) <sup>1</sup>	2	2
Mr. Carlos A. Pinpin, Jr., Member (President)	3	3
Mr. Adriano A. Tacata, Member (Trust Officer)	3	3
Mr. Benjamin C. Yap <sup>2</sup>	1	0
Mrs. Maria Georgina P. De Venecia <sup>3</sup>	1	0

<sup>1</sup> Committee Member effective June 1, 2022

<sup>2</sup> Committee Member until May 30, 2022

<sup>3</sup> Committee Member until May 30, 2022

<b>Audit Committee</b>	<b>Total of Meetings Held</b>	<b>No. of Meetings Attended</b>
Dr. Beatrice Jane L. Ang, Chairman (ID) <sup>1</sup>	2	2
Gen. Hermogenes C. Esperon, Jr. (Ret.), Member (ID) <sup>2</sup>	2	1
Mr. Ernesto O. Chan, Member	5	5
Mr. Lope M. Yuvienco <sup>3</sup>	1	1
Atty. Daniel Y. Laogan <sup>4</sup>	3	2
Mr. Calixto V. Chikiamco <sup>5</sup>	2	1

<sup>1</sup> Committee Chairman effective Aug. 23, 2022

<sup>2</sup> Committee member effective Aug. 23, 2022

<sup>3</sup> Committee member until Aug. 22, 2022

<sup>4</sup> Committee member until June 27, 2022

<sup>5</sup> Committee member until May 30, 2022

<b>Board Risk Oversight Committee</b>	<b>Total of Meetings Held</b>	<b>No. of Meetings Attended</b>
Mr. Calixto V. Chikiamco, Chairman (ID)	6	6
Chief Jus. Hilario G. Davide, Jr. (Ret.), Member	6	6
Dr. Beatrice Jane L. Ang, Member (ID) <sup>1</sup>	3	2
Atty. Daniel Y. Laogan <sup>2</sup>	2	0
Mr. Tomas V. Apacible <sup>3</sup>	2	2

<sup>1</sup> Committee member effective Aug. 23, 2022

<sup>2</sup> Committee member until June 27, 2022

<sup>3</sup> Committee member until May 30, 2022

<b>Corporate Governance, Nomination and Remuneration Committee</b>	<b>Total of Meetings Held</b>	<b>No. of Meetings Attended</b>
Gen. Hermogenes C. Esperon, Jr. (Ret.), Chairman (ID) <sup>1</sup>	1	1
Mrs. Ma. Georgina P. De Venecia, Member (ID)	3	3
Dr. Beatrice Jane L. Ang, Member (ID) <sup>2</sup>	1	1
Chief Jus. Hilario G. Davide, Jr. (Ret.), Member	3	3
Atty. Daniel Y. Laogan <sup>3</sup>	2	2
Mr. Lope M. Yuvienco <sup>4</sup>	0	0

<sup>1</sup> Committee Chairman effective Aug. 23, 2022

<sup>2</sup> Committee member effective August 23, 2022.

<sup>3</sup> Committee Chairman until June 27, 2022.

<sup>4</sup> Committee member until August 22, 2022.

<b>Related Party Transactions Committee</b>	<b>Total of Meetings Held</b>	<b>No. of Meetings Attended</b>
Mrs. Ma. Georgina P. De Venecia, Chairman (ID) <sup>1</sup>	3	3
Gen. Hermogenes C. Esperon, Jr. (Ret.), Member (ID) <sup>2</sup>	3	3
Mr. Calixto V. Chikiamco, Member (ID)	6	6
Chief Jus. Hilario G. Davide, Jr. (Ret.), Member	6	6
Atty. Daniel Y. Laogan <sup>3</sup>	3	2
Mr. Lope M. Yuvienco <sup>4</sup>	1	1

<sup>1</sup> Committee Chairman effective Aug. 23, 2022

<sup>2</sup> Committee Member effective Aug. 23, 2022

<sup>3</sup> Committee Chairman until June 27, 2022

<sup>4</sup> Committee member until August 22, 2022

No Director currently holds government position, or is connected with the government.

The incumbent Chairman and Members of the Corporate Governance, Nomination and Remuneration Committee are as follows:

1. Gen. Hermogenes C. Esperon, Jr. (Ret.) - Chairman (Independent Director)
2. Mrs. Maria Georgina P. De Venecia - Member (Independent Director)
3. Dr. Beatrice Jane L. Ang - Member (Independent Director)
4. Chief Justice Hilario G. Davide, Jr. (Ret.) - Member

In compliance with the Bank’s Manual on Corporate Governance (MCG), as amended, the Directors and Key Officers regularly attend corporate governance seminars. The latest of which was conducted by the Institute of Corporate Governance Directors on November 12, 2022. The annual continuing training program makes certain that directors and key officers are informed of the developments in the business and regulatory environments. Matters discussed included audit, internal controls, risk management/oversight, sustainability and other strategies relevant to banking operations.

The MCG mandates that the performance of the Board of Directors as a collegial body be assessed annually to determine its effectiveness and to ensure the optimum mix of competencies and backgrounds.

The performance of each Director is likewise assessed annually to measure individual competence and to ensure that each Director continuously possesses all the qualifications and none of the disqualifications for bank directors.

Please refer to Annexes “A” hereto attached for relevant information on said Directors.

**(b) Incumbent Corporate/Executive Officers:**

At its Organizational Meeting held on May 31, 2022, immediately after the adjournment of the annual stockholders’ meeting, the Board re-elected/re-appointed the following corporate/executive officers for the year 2022-2023, to wit:

Name	Position	Age*	Citizenship
1. Mr. Basilio C. Yap	Chairman Emeritus	72	Filipino
2. Dr. Jaime C. Laya	Chairman of the Board ( <i>Former Chairman, Monetary Board and Governor, Central Bank of the Philippines</i> )	84	Filipino
3. Mr. Carlos A. Pinpin, Jr.	President	66	Filipino
4. Senior Justice Josue N. Bellosillo (Ret.)	Vice Chairman of the Board and Corporate Counsel ( <i>Retired Senior Justice of the Supreme Court</i> )	89	Filipino
5. Dr. Emilio C. Yap III	Vice Chairman of the Board	51	Filipino
6. Atty. Agnes B. Urbano	Asst. Corporate Secretary	61	Filipino
7. Atty. Renniel C. Mailom	Asst. Corporate Secretary	48	Filipino

\*Age as of last birthday.

No one of the aforesaid Officers:

1. Has any substantial interest, direct or indirect, in the matters that were acted upon by the stockholders in their 2021 annual meeting;
2. Currently holds government position;
3. Is connected with the government.

On August 23, 2022 Dr. Laya resigned as Chairman of the Bank in view of a BSP ruling that he cannot serve as Chairman at that time due to his being immediate past President of the Bank. He was forthwith elected Vice Chairman while Gen. Esperon was elected Chairman

Please refer to Annex “A” hereto attached for relevant information on the said Officers.

At the said Organizational Meeting, the Board re-organized its Committees, namely: (1) Executive; (2) Trust and Investment; (3) Audit; (4) Risk Oversight; (5) Corporate Governance, Nomination and Remuneration; and (6) Related Party Transactions. Their respective Chairman and members were elected for a term of one (1) year effective June 1, 2022 consistent with the recommendations of the Code of Corporate Governance for Publicly-Listed Companies under SEC Memo Circular No. 19, Series of 2016 (SEC Memo Circular 19). The Board Committees were duly represented in the last two (2) Annual Meetings of the Stockholders.

**(c) Nominees for Directors for the Ensuing Year 2023-2024:**

The Corporate Governance, Nomination and Remuneration Committee (Corp. Gov. Committee) had screened, evaluated, approved and endorsed the Final List of Nominees for the positions of twelve (12) Directors of the Bank for the ensuing year 2023-2024. No one declined his/her nomination.

With Mr. Basilio C. Yap as Chairman Emeritus, the Final List of Nominees for Directors of the Bank for the ensuing year 2023-2024 consists of the following:

1. Gen. Hermogenes C. Esperon, Jr. (Ret.), Independent Director
2. Dr. Jaime C. Laya
3. Sr. Justice Josue N. Bellosillo (Ret.)
4. Dr. Emilio C. Yap III
5. Mr. Carlos A. Pinpin, Jr.
6. Chief Justice Hilario G. Davide, Jr. (Ret.)
7. Mr. Ernesto O. Chan
8. Mr. Benjamin C. Yap
9. Ms. Miriam C. Cu
10. Mrs. Maria Georgina P. De Venecia, Independent Director
11. Mr. Calixto V. Chikiamco, Independent Director
12. Dr. Beatrice Jane L. Ang, Independent Director

The nominees possess all the qualifications and none of the disqualifications as mandated by the RCC and the Securities and Exchange Commission. Further, the nominees for Independent Directors (ID) are compliant with the Requirements on Nomination and Election of Independent Directors under SRC Rule 38 and SEC Memo Circular 19. The Corp. Gov. Committee had taken into consideration, adopted and complied with the said SRC Rule 38 and SEC Memo Circular 19 before approving and endorsing the nominees for ID.

The nominees for regular directors were nominated by U.S. Automotive Co., Inc. and Philtrust Realty Corporation while those for independent directors were nominated by Mr. Ernesto O. Chan. Mr. Chan is not related to any of the nominees for independent director.

Chief Justice Davide and Mrs. De Venecia are concurrently Independent Director/Vice Chairman and Independent Director, respectively, of the Manila Bulletin Publishing Corporation.



No one of the nominees for independent director had served the Bank in such capacity for more than nine (9) years.

No one of the above nominees for directors of the Bank:

1. Has any substantial interest, direct or indirect, in any matter to be acted upon by the stockholders in their 2023 ASM, other than their election as Directors of the Bank;
2. Currently holds government position;
3. Is connected with the government.

Please refer to Annexes "A-1" to "A-4" for the Certifications of Independent Directors/Nominees.

**(d) Corporate/Executive Officers for the Ensuing Year 2023-2024:**

The Bank's corporate and executive officers for the ensuing year 2023-2024 will be elected by the Board of Directors in its organizational meeting to be held immediately after the adjournment of the 2023 ASM.

**(e) Significant Employees**

The Bank values the importance of each employee, whether officer or staff, and recognizes their significant contributions to the Bank's business and growth.

**(f) Family Relations**

Chairman Emeritus Basilio C. Yap, Vice-Chairman Dr. Emilio C. Yap III and Director Benjamin C. Yap are relatives by consanguinity.

**(g) Involvement in Certain Legal Proceedings**

During the past five (5) years up to the present, the Bank has no knowledge that any of its incumbent directors, nominees for directorship or incumbent executive officers is a party to, or any of their properties is subject of, any of the hereunder events that are material to an evaluation of their ability or integrity, as follows:

- (1) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior thereto;
- (2) Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offense;

(3) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

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

#### **(h) Certain Relationships and Related Transactions**

The Bank does not have a parent company, subsidiary or any transactions with promoters.

Based on SEC and BSP Circulars, related parties shall cover any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank, the Bank's directors, officers, shareholders and their related interests (DOSRI), their close family members, as well as corresponding persons in affiliated companies, and such other persons or juridical entities whose interest may pose a potential conflict with the interest of the Bank.

Related party transactions (RPTs) refer to dealings with the Bank's related parties, regardless of whether a price is charged. RPTs likewise include outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

Consistent with the Rules on Material Related Party Transactions for Publicly-Listed Companies under SEC Memorandum Circular No. 10, Series of 2019, the Board shall have over-all responsibility in ensuring that RPTs are handled with integrity, in a sound and prudent manner, on arm's length basis and compliant with applicable laws and regulations to protect the interest of the stakeholders. It requires the Directors to fully disclose to the Board all facts related to material RPTs as well as their direct and indirect financial interest in any transaction that may affect the company. Such disclosure shall be made at the board meeting where the material RPT will be presented for approval.

Material RPT refers to any related party transaction/s, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of a company's total assets based on its latest audited financial statement.

There were no related party transactions in 2022 that breached the 10% materiality threshold as would necessitate submission of a report to SEC under its Memorandum Circular 10.

As shown in the Notes to Financial Statements for the Years 2021 and 2022, the RPTs consisted of loans and receivables, investments in equity securities, deposit liabilities, rent income/expense and other transactions with entities under common management for services rendered by related parties that are included in the other operating expenses of the Bank.

These transactions were done on an arm's length basis and on substantially the same terms, such as rate of interest, collateral, surety, maturity, purpose and service charge, among others, as those prevailing at the time for transactions with non-related parties of comparable risks. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions. They were extensively evaluated and reviewed by the RPT Committee prior to their endorsement to the Board which has oversight responsibility in ensuring that material RPTs were handled with integrity, in a sound and prudent manner, and compliant with applicable laws and regulations so as to protect the interest of the Bank's stakeholders.

## **Item 6. Compensation of Directors and Executive Officers**

### **(a) Directors:**

Sec. 29 Title III of the RCC provides that in the absence of any provision in the By-Laws fixing their compensation, the directors shall not receive any compensation in their capacity as such, except for reasonable per diems x x x.

Philtrust Bank Directors do not receive compensation in their capacity as directors inasmuch as there is no provision in the Bank's By-Laws fixing their compensation. However, they receive per diem of P80,000.00 per Board meeting and an additional P10,000.00 per Committee meeting attended. The incumbent Directors did not participate in the determination of their own per diem because it was approved prior to their term. They also receive percentual bonus or profit sharing, as provided for in the By-Laws, as an incentive to promote the business of the Corporation. The profit sharing is distributed in proportion to the actual Board meetings attended by each Director.

The estimated total per diem and profit sharing to be paid to Directors in 2023 is ₱22.75 Million while ₱26.53 Million was paid in 2022 and ₱26 Million in 2021. For security considerations, the Bank has decided to disclose the aforesaid amounts on an aggregate basis having deemed it substantial compliance with Section 29 of the RCC.

There are no other arrangements, standard or otherwise, that would directly or indirectly compensate the Directors.

**(b) Officers:**

**Summary of Compensation  
(In Million Pesos)**

The aggregate compensation of the Bank's President and four (4) most highly compensated Officers are presented below. The 2023 figures are estimates based on the immediately preceding year.

	<i>Year</i>	<i>Salary</i>	<i>Bonus</i>	<i>Others</i>
1. Carlos A. Pinpin, Jr.	2023*	₱9.58	₱3.50	₱3.69
2. Miriam C. Cu				
3. Virginia S. Choa Shi	2022	₱9.46	₱3.45	₱4.47
4. Luisa A. Lucin	2021	₱8.13	₱3.24	₱4.27
5. Jane L. Suarez				

\*Estimated Amount.

	<i>Year</i>	<i>Salary</i>	<i>Bonus</i>	<i>Others</i>
All Directors and Officers As a group unnamed	2023*	₱370.59	₱132.43	₱54.81
	2022	₱360.31	₱128.15	₱65.45
	2021	₱338.854	₱120.23	₱91.77

\*Estimated Amount.

**(c) Employee Retirement Benefit Plan**

The Bank maintains a provident plan for the retirement and separation of its regular employees. The plan is being funded by the contributions of the employees and the Bank.

Other employee benefits which are higher than the statutory requirements are provided for in the Collective Bargaining Agreement (CBA) between the Management and the Union which was executed on October 16, 2019 covering a five-year period from January 1, 2020 to December 31, 2024. The CBA likewise recognizes the payment and distribution of the PS after declaration by the Board and confirmation/ratification by the stockholders in their annual meeting.

#### **(d) Profit Sharing**

Article VII of the Bank's Amended By-Laws provides for a percentual bonus or profit sharing (PS) which is distributed to the Directors, Officers and Staff in proportion to their actual attendance as an incentive to them to help promote the business of the corporation.

#### **(e) Outstanding Warrants or Options**

The Bank has no information on any outstanding warrant or option held by its directors or officers.

### **Item 7. Independent Public Accountant**

In their annual meeting held on May 31, 2022, the stockholders have authorized and empowered the Board of Directors to appoint and/or change the Bank's external auditor for the year 2022 from among the auditing firms accredited by both the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission.

Pursuant thereto, the Board, in its meeting on December 20, 2022, approved the re-appointment of Reyes Tacandong & Co. as the Bank's external auditor for the year 2022. It is accredited by both BSP and SEC.

In compliance with SRC Rule 68 requiring the five-year rotation of external auditors or engagement partners, Reyes Tacandong & Co. has assigned to the Bank an engagement partner who shall serve as such within the said term limit.

There had been no disagreement between the Bank and its external auditor concerning the years audited by it.

Representatives of Reyes Tacandong & Co. are expected to be present at the 2023 Annual Stockholders' Meeting with opportunity to make a statement, if they so desire, and respond to questions that may be raised regarding the 2022 Audited Financial Statements.

The aggregate fees billed for professional services rendered by the Bank's external auditors for the audit of the Bank's annual financial statements or services that are normally provided by them in connection with statutory and regulatory filings or engagements are as follows:

**(a) Schedule of External Audit Fees and Services**

	REYES TACANDONG & CO.	
	2021	2022
Audit and Audit-Related Fees (Retainer Fees and Audit Engagement Fees)	₱3,920,000.00	₱3,920,000.00
Tax Fees	-	-
All Other Fees (Reimbursements of various Audit-Related Expenses)	89,600.00	268,800.00
<b>Total</b>	<b>₱4,009,600.00</b>	<b>₱4,188,800.00</b>

The scope of services to be rendered by the external auditor as well as the fees to be charged therefor were previously considered and approved by the Board's Audit Committee whose members have relevant background, knowledge, skill and/or experience in the areas of accounting, auditing and finance.

The incumbent Chairman and Members of the Audit Committee are as follows:

1. Dr. Beatrice Jane L. Ang - Chairman (Independent Director)
2. Gen. Hermogenes C. Esperon, Jr. (Ret.) - Member (Independent Director)
3. Mr. Ernesto O. Chan - Member

**(b) Audit Committee's Approval Policies and Procedures on Dealings with External Auditors**

The Audit Committee shall assist the Board of Directors in fulfilling its oversight responsibilities for (1) the integrity of the company's financial statements, (2) the company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the company's internal audit function and independent auditors.

It shall have the authority to conduct or authorize investigations into any matter within its scope of responsibility, to wit:

- (1) Appoint, compensate, and oversee the work of the public accounting firm employed by the Bank to conduct the annual audit which will report directly to the Audit Committee.
- (2) Resolve any disagreements between Management and the Auditor regarding financial reporting.

- (3) Pre-approve all auditing and permit non-audit services performed by the Bank's external audit firm.
- (4) Retain independent counsel, accountants, or others experts to advise the Audit Committee or assist in the conduct of an investigation.
- (5) Seek relevant information it may require from employees or from external parties.
- (6) Meet with Bank Officers, external auditors, or outside counsel, as may be necessary.
- (7) The Audit Committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permit no-audit services, provided that such decisions are presented to the full Committee at its next scheduled meeting.

#### **Item 8. Compensation Plans**

Compensations are based on the designated salary scheme of the Bank.

##### **(a) Standard Arrangement and Material Terms of Other Arrangements**

The Bank has no standard arrangement or any other arrangement with regard to the remuneration of its incumbent officers other than their compensation.

##### **(b) Terms and Conditions of Employment of Executive Officers**

The Bank has the usual terms and conditions of employment for its senior executive officers and for rank and file employees.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

**NOT APPLICABLE**

### **Item 10. Modification or Exchange of Securities**

**NOT APPLICABLE**

### **Item 11. Financial and other Information**

Please refer to Annexes "C", "C1", "C2" and "C3" hereto attached.

### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

**NOT APPLICABLE**

### **Item 13. Acquisition or Disposition of Property**

There is no acquisition or disposition of any property requiring stockholders' approval.

### **Item 14. Restatement of Accounts**

There is no restatement of any asset, capital or surplus account of the Bank requiring stockholders' approval.



## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

In the forthcoming 2023 annual stockholders' meeting, only the matters included in the Agenda will be considered and acted upon, including the following reports:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on May 31, 2022.
2. Approval of the Annual Report to Stockholders and the Audited Financial Statements for the year 2022.
3. Approval/ratification of all the acts and transactions of the Board of Directors, the Committees and the Management, including related party transactions, since the last annual meeting of the stockholders held in 2022.

Hereunder is a brief summary of the 2022-2023 resolutions of the Board, the Committees and the Management for ratification of the stockholders:

1. The grant, renewal, increase and reinstatement of credit accommodations, including related party transactions.
2. Reorganization of the Board Committees and the Management Committees.
3. Adoption/amendment of various corporate manuals/guidelines/policies and procedures to conform with the requirements of the regulatory agencies.
4. Sale of real and other properties acquired by the Bank.
5. Promotion, appointment and retirement of Bank Officers.
6. Grant of authority to represent the Bank in certain legal and administrative matters.
7. Appointment/change of external auditor as authorized by the stockholders.
8. Other acts/resolutions/transactions in the regular course of universal banking operations conducted on an arm's length basis and for the best interest of the Bank's and its stakeholders.

### **Item 16. Matters Not Required to be Submitted**

**NOT APPLICABLE**

## **Item 17. Amendment of Charters, By-Laws or Other Documents**

**NOT APPLICABLE**

## **Item 18. Other Proposed Action**

Sec. 49 Title VI of the RCC provides that at each regular meeting of stockholders, the board of directors shall endeavor to present to stockholders the minutes of the most recent regular meeting.

Consistent therewith, the Minutes of the 2022 ASM will be presented to the stockholders for their consideration and approval during the 2023 ASM. The resolutions contained in the said 2022 ASM Minutes were voted upon viva voce.

Out of the 1,000,000,000 total issued and outstanding shares, 965,138,847, or 96.51%, attended the 2022 ASM. Each share was equivalent to one vote, except in the election of directors where cumulative voting was allowed.

The stockholders were given the opportunity to ask questions on each and every Agenda item presented for their consideration inasmuch the Chairman inquired from the stockholders present or represented by proxy if any of them has any questions so that the same could properly be addressed and clarified before the votes are taken. No questions on any Agenda item, or on any matters relevant to, or appropriate for, the ASM were raised during the meeting.

The matters discussed, resolutions and votes for each Agenda item of the 2022 ASM are presented below:

Discussion/Resolution	Votes Received		
	For	Against	Abstained
1. Approval of the Minutes of the ASM held on July 21, 2021.	965,138,847	0	0
2. Approval of the Annual Report to the Stockholders and Audited Financial Statements for the year 2021.	965,138,847	0	0
3. Ratification and approval of all the acts and transactions of the Board of Directors, the Committees and the Management, including related party transactions, since the Annual Meeting of the Stockholders on July 21, 2021.	965,138,847	0	0
4. Grant of authority for the Board of Directors to appoint/change the Bank's external auditors for the year 2021.	965,138,847	0	0
5. To cast in favor of each of the 12 nominees for the positions of 12 Directors of the Bank the unanimous vote all the shares present.	965,138,847	0	0

<p>Thereafter, the following were declared the duly Elected Directors of the Bank for the ensuing year 2022- 2023, to hold office for one year and until their successors are elected and shall have qualified, to wit:</p> <ol style="list-style-type: none"> <li>1. Dr. Jaime C. Laya</li> <li>2. Sr. Justice Josue N. Bellosillo (Ret.)</li> <li>3. Dr. Emilio C. Yap III</li> <li>4. Mr. Carlos A. Pinpin, Jr.</li> <li>5. Chief Justice Hilario G. Davide, Jr. (Ret.)</li> <li>6. Mr. Ernesto O. Chan</li> <li>7. Mr. Benjamin C. Yap</li> <li>8. Ms. Miriam C. Cu</li> <li>9. Mrs. Maria Georgina P. De Venecia, Independent Director</li> <li>10. Mr. Calixto V. Chikiamco Independent Director</li> <li>11. Atty. Daniel Y. Laogan Independent Director</li> <li>12. Mr. Lope M. Yuvienco Independent Director</li> </ol>			
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Hereunder is the list of Directors, Officers and Stockholders who attended the 2022 ASM:

I. Directors

1. Dr. Jaime C. Laya
2. Sr. Justice Josue N. Bellosillo (Ret.)
3. Dr. Emilio C. Yap III
4. Mr. Carlos A. Pinpin, Jr.
5. Chief Justice Hilario G. Davide, Jr. (Ret.)
6. Mr. Ernesto O. Chan
7. Mr. Benjamin C. Yap
8. Ms. Miriam C. Cu
9. Mrs. Maria Georgina P. De Venecia, Independent Director
10. Mr. Calixto V. Chikiamco, Independent Director
11. Atty. Daniel Y. Laogan, Independent Director
12. Mr. Lope M. Yuvienco, Independent Director

Sub-Total                                -                805,357

II. Officers

1. Ms. Virginia S. Choa-Shi, EVP
2. Ms. Corazon L. Ho, SVP
3. Ms. Victoria C. Lu, SVP
4. Ms. Luisa A. Lucin, SVP
5. Atty. Agnes B. Urbano, FVP
6. Atty. Nemesio M. Domingo, FVP
7. Mr. Benito D. Chua, VP
8. Ms. Amelita G. Cua, VP
9. Mr. George P. Castro, VP
10. Ms. Romana G. Lambengco, VP

Sub-Total                                -                81,773

### III. Principal Stockholders

1. Philtrust Realty Corporation
2. U.S. Automotive Co., Inc.
3. Seabreeze Enterprises, Inc.
4. Orient Enterprises, Inc.

Sub-Total	-	858,403,727
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IV. Other Stockholders	-	105,847,990
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Total shares present	-	965,138,847
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### **Item 19. Voting Procedures for the 2023 ASM**

Every stockholder entitled to vote at the 2023 Annual Stockholders' Meeting shall have the right to vote in person or by proxy the number of shares standing in his name. Each share is entitled to one (1) vote.

A quorum having been established, a majority vote of all the shares present or represented at the meeting is required to approve the actions of the stockholders, except in the election of directors where cumulative voting is allowed.

### **Item 20. Statement of Management's Responsibility for Financial Statements, the Audited Financial Statements and the Unaudited Interim Financial Statements**

The Statement of Management's Responsibility for Financial Statements, the Bank's 2022 Audited Financial Statements and the Unaudited Interim Financial Statements for the Quarter Ended March 31, 2023 are hereto attached as Annexes "B" and "B-1" and "B-2", respectively.

### **Item 21. Management Report and Management's Discussion and Analysis of Financial Condition and Results of Operations**

Please refer to Annexes "C", "C1", "C2" and "C3" hereto attached.

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Manila on MAY 05 2023.

Philippine Trust Company  
(PHILTRUST BANK)  
Issuer

By:

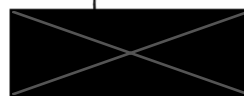


AGNES B. URBANO  
FVP/Asst. Corporate Secretary

NOTICE and UNDERTAKING

In compliance with SEC requirements, the Bank hereby gives notice that:

1. Copies of the Definitive Information Statement (SEC Form 20-IS) shall be made available to the stockholders at least 21 calendar days prior to the 2023 ASM. The Annual Report (SEC Form 17-A) shall be available not later than May 2, 2023, consistent with the SEC extended deadline. The Unaudited Interim Financial Statements for the Quarter Ended March 31, 2023 (SEC Form 17-Q) are hereto attached.
2. The said reports may be viewed on the Bank's website at [www.philtrustbank.com](http://www.philtrustbank.com) after their submission to the regulatory bodies concerned and at the PSE EDGE portal.
3. Hard copies of the Annual Report shall be provided upon written request of any stockholder.



AGNES B. URBANO  
FVP/Asst. Corporate Secretary

**BUSINESS EXPERIENCE OF DIRECTORS, NOMINEES AND OFFICERS**

<i>Name/Citizenship/Age*</i>	<i>Title</i>	<i>Corporate Affiliation**</i>	<i>Profession/Occupation</i>
<p><b>Gen. Hermogenes C. Esperon, Jr. (Ret.)</b>                      Filipino                      71 years old</p>	<p>Chairman and Independent Director                      Member                      Member Vice Chairman                      Vice Chairman</p> <p>National Security Adviser and                      Director General                      Chairman</p> <p>Co-Chairman</p> <p>Chairman                      Secretary                      Secretary                      Chief of Staff                      Commanding General                      Chairman of the Board</p> <p>Chairman of the Board</p> <p>Chairman of the Board</p> <p>Chairman of the Board</p>	<p>Philtrust Bank, August 2022 to date                      PMA Alumni Association, Inc.                      Association of Generals and Flag Officers                      Anti-Terrorism Council, 2020-2022                      National Task Force to End Local                      Communist and Armed Conflict, 2018-                      2022                      National Security Council, 2016-2022</p> <p>National Task Force on the West                      Philippine Sea, 2016-2022                      National Cyber Security Inter-Agency                      Committee, 2016-2022                      National Intelligence Board, 2016-2022                      Presidential Management Staff, 2008-2009                      Presidential Adviser on the Peace Process,                      2008                      Armed Forces of the Philippines, 2006-                      2008                      Philippine Army, 2005-2006                      AFP Retirement and Separation Benefits                      System (RSBS), 2006-2008                      AFP Savings and Loan Association, Inc.                      (AFPSLAI), 2006-2008                      AFP Mutual Benefit Association, Inc.                      (AFPMBAI), 2006-2008                      AFP General Insurance Corporation                      (AFPGEN), 2006-2008</p>	<p>Master in Business Administration                      Master in Public Administration</p> <p>Attended the following seminars/trainings:</p> <ol style="list-style-type: none"> <li>1. Annual Corporate Governance Training Program, 2022</li> <li>2. Anti-Money Laundering (AML) Seminar 2022</li> </ol>

\*As of last birthday.

\*\*Corporate affiliations held for the last five years unless otherwise specified.

<i>Name/Citizenship/Age*</i>	<i>Title</i>	<i>Corporate Affiliation**</i>	<i>Profession/Occupation</i>
<b>Dr. Jaime C. Laya</b> Filipino 84 years old	Vice Chairman Chairman President Governor Chairman  Deputy Governor for Supervision and Examination  Minister Minister  Independent Director Chairman Trustee Trustee Trustee Trustee Chairman Trustee Columnist Director Deputy Director General  Dean	Philtrust Bank, August 23, 2022-Present Philtrust Bank, 2003-2018, 2021-2022 Philtrust Bank, 1992-1998, 2012-2021 Central Bank of the Philippines, 1981- 1984 Monetary Board, Central Bank of the Philippines, 1981-1984 Central Bank of the Philippines, 1975-1981  Ministry of the Budget, 1975-1981 Ministry of Education, Culture and Sports, 1984-1986 GMA Network, Inc. and GMA Holdings, Inc. Cultural Center of the Philippines Metropolitan Museum of Manila Yuchengco Museum St. Paul University-Quezon City Escuela Taller Foundation of the Philippines, Inc., Don Norberto Ty Foundation, Inc. Ayala Foundation, Inc., Manila Bulletin Publishing Corp. BancNet National Economic Development Authority, 1974-1975 College of Business Administration, University of the Philippines, 1970-1974	Ph.D. – Financial Management CPA  Attended the following seminars/trainings:  a. Program for Teachers of Finance, 1962 b. AML Risk Rating System amendment to BSP Circular, 2014 c. Annual Corporate Governance Training Program, 2014-2022 d. BASEL III SEMINAR, 2017 e. AML, 2018-2022

\*As of last birthday.

\*\*Corporate affiliations held for the last five years unless otherwise specified.

<i>Name/Citizenship/Age*</i>	<i>Title</i>	<i>Corporate Affiliation**</i>	<i>Profession/Occupation</i>
<b>Senior Justice Josue N. Bellosillo (Ret.)</b> Filipino 89 years old	Vice Chairman Corporate Counsel Dean  Retired Senior Justice	Philtrust Bank Philtrust Bank Centro Escolar University-School of Law and Jurisprudence Supreme Court of the Philippines	Lawyer  Attended the following seminars/trainings: a. Annual Corporate Governance Training Program, 2009; 2014-2022 b. AML, 2020-2022 c. Organized a rural bank in Capiz, Panay, 2020 d. Wrote the Supreme Court opinions as ponente in various decisions dealing in banking, taxation and commercial law, 2020
<b>Dr. Emilio C. Yap III</b> Filipino 51 years old	Vice Chairman Vice Chairman/President Chairman Chairman Vice Chairman Director Vice Chairman/President Vice Chairman/President Vice Chairman/President Vice Chairman/President Vice Chairman/President Director Director Director Director/VP/Treasurer Director	Philtrust Bank Manila Bulletin Publishing Corporation Manila Prime Land Holdings, Inc. Park and Shop Manila Hotel Corporation Centro Escolar University U.S. Automotive Co., Inc. Usautoco, Inc. Philtrust Realty Corporation Cocusphil Development Corporation Manila Prince Hotel Corporation U.N. Properties Development Corporation MH F&B Ideas Inc. TMH Transport Limousine Services Inc. Orient Enterprises, Inc. Seabreeze Enterprises, Inc. Euro-Med Laboratories Phil., Inc., 2014-2017	Business Executive Doctor of Philosophy in Journalism Honoris Causa Doctor of Philosophy in Business Administration Honoris Causa  Attended the following seminars/trainings: a. Annual Corporate Governance Training Program, 2008-2009; 2014-2022 b. National Conference of Employers “The Global Crisis: Our Response”, 2009 c. Seminar on Signature Analysis & Forgery Detection, 2009 d. Seminar on AMLA, 2010 e. Seminar on AML Risk Rating System and AML Law, 2014 f. BASEL III, 2017 g. AML, 2018-2022

\*As of last birthday.

\*\*Corporate affiliations held for the last five years unless otherwise specified.



<i>Name/Citizenship/Age*</i>	<i>Title</i>	<i>Corporate Affiliation**</i>	<i>Profession/Occupation</i>
<b>Carlos A. Pinpin, Jr.</b> Filipino 66 years old	Director President Executive Vice President EVP/Group Head  Vice President/Group Head (Human Resources Group)  Assistant Group Head (Corporate Planning Group)  International Loan Officer Credit Platform  Loan Specialist Project/Market Analyst	Philtrust Bank, July 21, 2021 - Present Philtrust Bank, July 21, 2021 - Present Philtrust Bank, January 2020 - July 20, 2021 RCBC Savings Bank, 1996 - 2016  BA Savings Bank (formerly: BA Finance Corp.) 1990 - 1996  National Commercial Bank (K.S.A), 1989 - 1990  Bank of America NT & SA, 1981 – 1986  BanCom Finance Corp. , Aug. 1978 - Jan. 1979 Petrophil Corp., Jan. 1979 - June 1979	BS in Management Engineering Master in Business Management Bank Executive  Attended the following seminars/trainings:  a. Credit and Collection Seminar, 2007 b. Credit Risk Mgmt. Summit-Basel II Focus, 2006 c. Advance Financial Analysis and Financial Reporting Issues, 2002 d. Basel II and Risk Based Supervision, 2005 e. Workshop on Scorecard Development and Basel II, 2009 f. Camels is Here, 2000 g. Credit Risk Mgmt. Program, 2005 h. Annual Corporate Governance Training Program, 2019-2022 i. AML, 2019-2022

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<i>Name/Citizenship/Age*</i>	<i>Title</i>	<i>Corporate Affiliation**</i>	<i>Profession/Occupation</i>
<b>Chief Justice Hilario G. Davide, Jr. (Ret.)</b> Filipino 87 years old	Director Independent Director Independent Director/Vice Chairman  Chairman Trustee Chairman Trustee  Trustee  Chairman Supreme Commander Emeritus Member Independent Director Member  Retired Chief Justice	Philtrust Bank, May 2022 – Present Philtrust Bank, April 2013 – May 2022 Manila Bulletin Publishing Corporation, 2011 to date Kompass Credit and Financing Corporation University of San Carlos, Cebu City Claudio Teehankee Foundation, Inc. Knights of Columbus Fr. George J. Willmann, SJ Charities, Inc. Knights of Columbus of the Philippines Foundation, Inc. Heart of Francis Foundation, Inc. Knights of Rizal Knights of Rizal-Council of Elders Megawide Construction Corp. Association of Retired Justices of the Supreme Court of the Philippines Supreme Court of the Philippines	Lawyer  Attended the following seminars/trainings: a. Annual Corporate Governance Training Program, 2017-2022 b. AML, 2020-2022 c. Barcelona Conference on Climate Change, 2009 d. World Justice Forum, 2008 e. Global Forum on Liberty and Prosperity, 2006 f. International Conference and Showcase on Judicial Reforms, 2005 g. American Bar Association (ABA) International Forum on the Rule of Law, 2005 h. 22 <sup>nd</sup> Biennial Conference of the World Jurist Association, 2005 i. 13 <sup>th</sup> Annual International Judicial Conference, 2005 j. 2004 Ramon Magsaysay Awardees Conference, 2004 k. 22 <sup>nd</sup> Annual International Law and Religion Symposium, 2015 l. Various local and foreign Conferences

\*As of last birthday.

\*\*Corporate affiliations held for the last five years unless otherwise specified.

<i>Name/Citizenship/Age*</i>	<i>Title</i>	<i>Corporate Affiliation**</i>	<i>Profession/Occupation</i>
<b>Ernesto O. Chan</b> Filipino 76 years old	Director Independent Director Chairman/Treasurer Chairman/Treasurer Director/Treasurer Director/Treasurer Director/Treasurer	Philtrust Bank Philtrust Bank, April 2012 - April 2021 Pioneer Insurance and Surety Corp. Pioneer Intercontinental Insurance Corp. Pioneer Life, Inc. Bancasia Finance and Investment Corp. Bancasia Capital Corp.	Business Executive  Attended the following seminars/trainings: a. Annual Corporate Governance Training Program, 2009; 2014-2022 b. AML, 2018-2022
<b>Benjamin C. Yap</b> Filipino 77 years old	Director President/Chairman of the Board Chairman of the Board Director Director Director Director Director Director Director Director Director Director	Philtrust Bank Benjamin Favored Son, Inc. House of Refuge Foundation U.S. Automotive Co., Inc. Usautoco, Inc. Manila Hotel Corporation Centro Escolar University Seabreeze Enterprises, Inc. Philtrust Realty Corp. Euro-Med Laboratories Phil., Inc. Manila Prince Hotel Corp. U.N. Properties Development Corp. Manila Bulletin Publishing Corporation	Business Executive  Attended the following seminars/trainings: a. Annual Corporate Governance Training Program, 2015-2022 b. AML, 2019-2022
<b>Miriam C. Cu</b> Filipino 64 years old	Director Senior Vice President Director/Treasurer Vice President Director/Corporate Sec. Director	Philtrust Bank Philtrust Bank Orient Enterprises, Inc. Brightworld Int'l Trading, Inc. Seabreeze Enterprises, Inc. G.A. Cu Unjieng Realty, Inc.	CPA  Attended the following seminars/trainings: a. AML, 2007; 2016; 2018-2022 b. Annual Corporate Governance Training Program, 2008-2009; 2014-2016; 2020-2022 c. Seminar on Signature Analysis & Forgery Detection, 2009 d. Seminar on AMLA, 2010 e. Seminar on AML Risk Rating System and AMLA Law, 2014 f. Seminar on AML, 2016 g. BASEL III, 2017

\*As of last birthday.

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<i>Name/Citizenship/Age*</i>	<i>Title</i>	<i>Corporate Affiliation**</i>	<i>Profession/Occupation</i>
<b>Maria Georgina P. De Venecia</b> Filipino 74 years old	Independent Director Independent Director  Chairman Emeritus Chairman	Philtrust Bank (July 21, 2021 to date) Manila Bulletin Publishing Corporation (July 13, 2017 to date) Association of Women Legislators Foundation INA Foundation, Inc.	Doctorate Degree in Humanities Bachelor in Business Administration, Major in Economics, Minor in Banking and Finance  Attended the following seminars/trainings:  a. Annual Corporate Governance Training Program, 2017; 2019-2022 b. AML, 2022
<b>Calixto V. Chikiamco</b> Filipino 72 years old	Independent Director Founder and President Founder and President Director Vice Chairman Director President Director  Consultant Director President	Philtrust Bank (July 21, 2021 to date) MRM Studios Inc. Mobilemo, Inc. Heirs of Calixto Chikiamco Inc. CBY Inc. Golden Sunrise, Inc. Foundation for Economic Freedom Institute of Development and Econometric Analysis Inc. The Asia Foundation APMC Four Seas Trading Inc.	Bachelor of Arts, Major in Economics Master in Business Management  Attended the following seminars/trainings:  a. Annual Corporate Governance Training Program, 2008; 2015-2022 b. AML, 2022
<b>Dr. Beatrice Jane L. Ang</b> Filipino 42 years old	Independent Director Director Director/Corporate Secretary Managing Director/Treasurer Managing Director Administrator  Commissioner  Honorary Consul Special Assistant to the Hon. Consul General	Philtrust Bank (August 23, 2022 to date) Basic Energy Corporation Quindecim Holdings, Inc. BA Securities, Inc. CLMC Group of Companies Buddhist Tzu Chi Medical Foundation Philippines, Inc. Tzu Chi Buddhist Compassion Relief Foundation Honorary Consulate of Ukraine in Manila Honorary Consulate of Republic of Tanzania in Manila, 2012-2018	Doctor of Medicine (MD) Bachelor of Science in Biology Master of Business Administration in General Management  Attended the following seminars/trainings:  a. Annual Corporate Governance Training Program, 2022 b. AML, 2022 c. AMLC Targeted Financial Sanctions (TFS) Webinar for Covered Persons, 2022

\*As of last birthday.

\*\*Corporate affiliations held for the last five years unless otherwise specified.

<i>Name/Citizenship/Age*</i>	<i>Title</i>	<i>Corporate Affiliation**</i>	<i>Profession/Occupation</i>
<b>Virginia S. Choa-Shi</b> Filipino 67 years old	Executive Vice President	Philtrust Bank	Bachelor of Science in Business Administration Bank Executive  Attended the following seminars/trainings: a. Annual Corporate Governance Training Program, 2009; 2015- 2020; 2022 b. AML, 2020; 2022
<b>Luisa A. Lucin</b> Filipino 66 years old	Senior Vice President Principal Accounting Officer	Philtrust Bank Philtrust Bank	CPA Bank Executive  Attended the following seminars/trainings: a. Annual Corporate Governance Training Program, 2009; 2014 - 2022 b. AML, 2019-2022
<b>Atty. Agnes B. Urbano</b> Filipino 61 years old	Asst. Corporate Secretary First Vice President	Philtrust Bank Philtrust Bank	Lawyer B.S. Commerce – Management of Financial Institutions  Attended the following seminars/trainings: a. Annual Corporate Governance Training Program, 2009; 2014 – 2022 b. AML, 2007; 2018 - 2022 c. Mandatory Continuing Legal Education, 2003; 2007; 2010; 2013; 2016 and 2019 d. Forum for Issuers and Transfer Agents, 2009 e. Seminar on PSE and SEC Rules on Disclosures, 2005-2007; 2009 f. Seminar on AML Risk Rating System and AMLA Law, 2014 g. Seminar on Related Party Transactions, 2016 h. SEC Seminar on Ultimate Beneficial Ownership, 2019

\*As of last birthday.

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<i>Name/Citizenship/Age*</i>	<i>Title</i>	<i>Corporate Affiliation**</i>	<i>Profession/Occupation</i>
<b>Benito D. Chua</b> Filipino 66 years old	Treasurer Vice President	Philtrust Bank Philtrust Bank	Bank Executive  Attended the following seminars/trainings: a. Annual Corporate Governance Training Program, 2014-2022 b. AML, 2019-2022
<b>Pompeyo A. Claveria</b> Filipino 69 years old	Compliance Officer Vice President Senior FVP AVP Bank Examiner	Philtrust Bank Philtrust Bank The Real Bank, 2014 Philippine Savings Bank, 2003 Central Bank of the Philippines, 1978 - 1992	CPA Bank Executive  Attended the following seminars/trainings: a. PFRS9, 2017-2018 b. Annual Corporate Governance Training Program, 2017-2022 c. AML, 2019-2022 d. BSP Cir. 989, 2018
<b>Atty. Renniell C. Mailom</b> Filipino 48 years old	Data Protection Officer Assistant Manager Asst. Corporate Secretary Legal Assistant I Senior Assistant Manager Associate Professor	Philtrust Bank, July 2021 - Present Philtrust Bank, July 2021 - Present Philtrust Bank, July 2021 - Present Philtrust Bank, 2014-2018 The Real Bank, 2008 - 2014 San Sebastian College, 2002 - 2014	Lawyer A.B. Political Science  Attended the following seminars/trainings: a. Annual Corporate Governance Training Program, 2021 – 2022 b. AMLA, 2008, 2022 – 2022 c. Mandatory Continuing Legal Education (MCLE) VII - 2020 d. Combating Money Laundering during Pandemic, 2020 e. Annual National DPO Conference, 2019 f. DPO Ace Program, 2019 g. First National Data Privacy Conference, 2018 h. How safe are your Data, 2018 i. Securing Data in Modern Work Place, 2018 j. Countdown to Data Privacy, 2017 k. Loan Processing & Operation Seminar, 2010 l. Anti-Money Laundering Seminar, 2008

\*As of last birthday.

\*\*Corporate affiliations held for the last five years unless otherwise specified.

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **HERMOGENES C. ESPERON, JR.**, Filipino, of legal age and with office address at [REDACTED] after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Philippine Trust Company, also known as PHILTRUST BANK and have been its Independent Director since August 23, 2022.
2. I am also affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
PMA Alumni Association Inc.	Member	1974 to date
Association of Generals and Flag Officers (AGFO)	Member	2002 to date

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philtrust Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of Philtrust Bank and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding
6. I am not in government services/affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Philtrust Bank of any changes in the abovementioned information within five days from its occurrence.

Done this APR 19 2023 at the City of Manila.

  
HERMOGENES C. ESPERON, JR.  
Affiant

REPUBLIC OF THE PHILIPPINES)  
CITY OF MANILA ) s.s.

Subscribed and sworn to before me this APR 19 2023, at the City of Manila, affiant exhibiting to me his Philippine Identification Card

NOTARY PUBLIC

Doc. No. 202 ;  
Page No. 41 ;  
Book No. 2 ;  
Series of 2023.

  
ATTY. RENNIEL C. MAILOM  
Commission No.  until December 31, 2023, Manila  




**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **CALIXTO V. CHIKIAMCO**, Filipino, of legal age and with office address at [REDACTED], after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Philippine Trust Company, also known as PHILTRUST BANK and have been its Independent Director since July 21, 2021.
2. I am also affiliated with the following companies or organizations:

<b>COMPANY/ORGANIZATION</b>	<b>POSITION/RELATIONSHIP</b>	<b>PERIOD OF SERVICE</b>
MRM Studios Inc.	Founder and President	2001 to date
Mobilemo Inc.	Founder and President	2010 to date
Heirs of Calixto Chikiamco, Inc.	Director	2000 to date
CBY Inc.	Vice Chairman	1999 to date
Golden Sunrise, Inc.	Director	1984 to date
Foundation for Economic Freedom	President	2010 to date
IDEA Inc.	Director	2009 to date
The Asia Foundation	Consultant	2009 to date
APMC	Director	1985 to date
Four Seas Trading Inc.	President	2008 to date

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philtrust Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of Philtrust Bank and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not in government service/affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Philtrust Bank of any changes in the abovementioned information within five days from its occurrence.

Done this APR 19 2023 at the City of Manila.

  
CALIXTO V. CHIKIAMCO  
Affiant

Republic of the Philippines)  
City of Manila ) s.s.

SUBSCRIBED AND SWORN to before me this APR 19 2023 at the City of Manila affiant exhibiting to me his Tax Identification Number

NOTARY PUBLIC

Doc. No. 205 ;  
Page No. 41 ;  
Book No. 2 ;  
Series of 2023.

  
ATTY. RENNIEL C. MAILOM  
Commission No.  until December 31, 2023, Manila  


### CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARIA GEORGINA P. DE VENECIA**, Filipino, of legal age and with office address at [REDACTED] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Philippine Trust Company, also known as PHILTRUST BANK and have been its Independent Director since July 21, 2021.
2. I am also affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Manila Bulletin Publishing Corporation	Independent Director	2017 to date
INA Foundation, Inc.	Chairman	2005 to date

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philtrust Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of Philtrust Bank and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding
6. I am not in government services/affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Philtrust Bank of any changes in the abovementioned information within five days from its occurrence.

Done this APR 19 2023 at the City of Manila.

  
MARIA GEORGINA P. DE VENECIA  
Affiant

Republic of the Philippines)  
City of Manila ) s.s.

SUBSCRIBED AND SWORN to before me this APR 19 2023 at the City of Manila affiant exhibiting to me her Tax Identification Number

NOTARY PUBLIC

Doc. No. 204 ;  
Page No. 41 ;  
Book No. 2 ;  
Series of 2023.

  
ATTY. RENNIEL C. MAILOM  
Commission No. , until December 31, 2023, Manila  


**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **BEATRICE JANE L. ANG**, Filipino, of legal age and with office address at [REDACTED]  
[REDACTED] having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Philippine Trust Company, also known as PHILTRUST BANK and have been its Independent Director since August 23, 2022.
2. I am also affiliated with the following companies or organizations:

<b>COMPANY/ORGANIZATION</b>	<b>POSITION/RELATIONSHIP</b>	<b>PERIOD OF SERVICE</b>
Basic Energy Corporation	Director	2020 – Present
Quindecim Holdings, Inc.	Director and Corporate Secretary	2017 – Present
BA Securities, Inc.	Managing Director and Treasurer	2003 – Present
Honorary Consulate of Ukraine in Manila	Honorary Consul	2020 – Present
CLMC Group of Companies	Managing Director	2003 – Present
Buddhist Tzu Chi Medical Foundation Philippines, Inc.	Administrator	2019 – Present
Tzu Chi Buddhist Compassion Relief Foundation	Commissioner	1995 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philtrust Bank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of Philtrust Bank and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding

6. I am not in government services/affiliated with a government agency or GOCC.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Philtrust Bank of any changes in the abovementioned information within five days from its occurrence.

Done this APR 19 2023 at the City of Manila.



BEATRICE JANE L. ANG  
Affiant

Republic of the Philippines)  
City of Manila ) s.s.


SUBSCRIBED AND SWORN to before me this APR 19 2023 at the City of  
Manila affiant exhibiting to me her UMID

NOTARY PUBLIC

Doc. No. 205 ;  
Page No. 41 ;  
Book No. 2 ;  
Series of 2023.



ATTY/RENNIEL C. MAILOM

Commission No.  until December 31, 2023, Manila





# PHILTRUST BANK PHILIPPINE TRUST COMPANY

PHILTRUST BANK BUILDING  
UNITED NATIONS AVE. CORNER SAN MARCELINO ST.,  
MANILA, PHILIPPINES

TEL.: 8524-90-61 TO 76  
3498-01-90 TO 99  
FAX: 8521-73-09 / 3498-02-00  
SWIFT: PHTBPHMM  
EMAIL: ptc@philtrustbank.com

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PHILTRUST BANK (Philippine Trust Company)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

**REYES TACANDONG & CO.**, the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
GEN. HERMOGENES C. ESPERON JR. (Ret.)

Chairman of the Board

  
CARLOS A. PINPIN JR.

President

  
LUISA A. LUCIN

Chief Finance Officer

REPUBLIC OF THE PHILIPPINES)  
CITY OF MANILA

)s.s.

Subscribed and sworn to before me this MAR 28 2023, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

Gen. Hermogenes C. Esperon Jr. (Ret.)


Carlos A. Pinpin Jr.

Luisa A. Lucin

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Series of 2023

  
ATTY. RENNIEL C. MAILOM

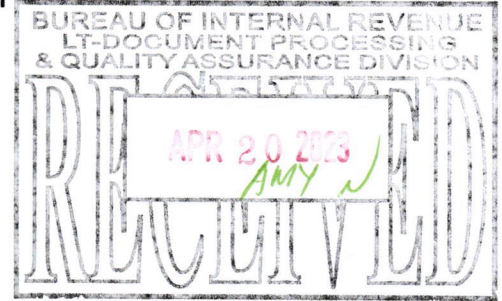
Commission No.  until December 31, 2023, Manila

March 28, 2023



**INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors  
Philippine Trust Company (Philtrust Bank)  
Philtrust Bank Building, 1000 United Nations Avenue corner  
San Marcelino Street, Manila



*Opinion*

We have audited the accompanying financial statements of Philippine Trust Company (Philtrust Bank) (the Bank), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2022, 2021 and 2020, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022, 2021 and 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

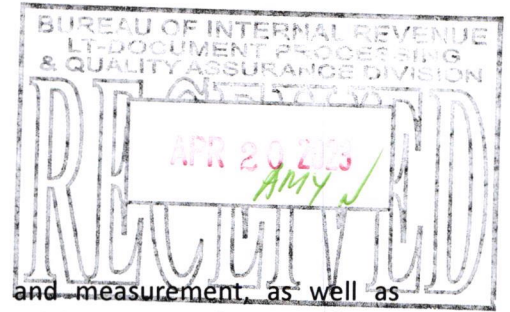
*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements as at and for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Investment Securities

The Bank has investment securities, which consist of financial assets at amortized cost and financial assets at fair value through other comprehensive income (FVOCI) amounting to ₱99,710.2 million and ₱21,701.2 million, respectively, as at December 31, 2022. The accounting for these investment securities is considered significant to our audit as it aggregates ₱121,411.4 million which comprises 71.69% of the total assets, and is substantial in relation to the financial statements as a whole.





We have assessed the propriety of the recognition, classification and measurement, as well as management's assessment of impairment of these investment securities. Our audit procedures, included, among others, (a) understanding of the financial asset management and recording process; (b) verifying the existence of these investment securities by obtaining confirmations from custodians and examination of underlying documents; (c) evaluating the propriety of the classification of the investment securities based on a duly approved business model; (d) testing the reasonableness of recognized interest income and the changes in fair values of financial assets at FVOCI; and (e) evaluating management's assessment of impairment losses on financial assets based on expected credit losses.

The relevant disclosures affecting investment securities are included in Note 8 to the financial statements.

#### Completeness and Accuracy of Loans and Receivables and Interest Income

The Bank has continued to utilize its traditional procedures and processes in maintaining loan records. Worksheets were prepared to summarize the terms and relevant information of the outstanding loans. Outstanding loans and receivables as at December 31, 2022 amounting to ₱21,074.4 million, net of allowance for credit and impairment losses, represent 12.44% of the Bank's total assets. Moreover, the related interest income on loans and receivables amounting to ₱1,128.1 million in 2022 represents 20.29% of the total revenue.

Due to the significant volume of transactions and various payment terms and conditions of the loan accounts, procedures were performed to ensure the completeness and validity of the loans and receivables, accuracy of the interest income, recognition of accrued interest, and timely and proper monitoring of loan account status.

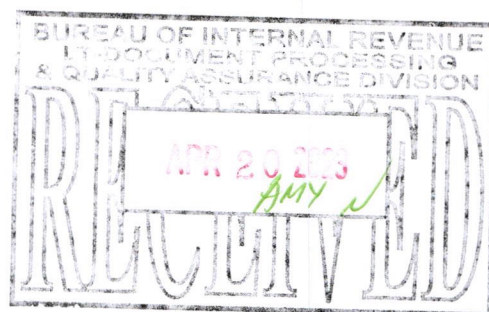
Our audit procedures included, among others, (a) obtaining an understanding of the recording and loan administration processes; (b) verifying the spreadsheet summary of significant loan accounts prepared by the Bank by comparing the same with relevant loan documents and ensuring the completeness of loan records; (c) re-computing the interest income and accrued interest of significant loan accounts in accordance with the terms and conditions reflected in the loan summaries; and (d) validating the status of the significant loan accounts on a sample basis.

The potential effect of item (d) in the allowance for credit and impairment losses is addressed in the discussion of key audit matter relating to the "Adequacy of Allowance for Credit and Impairment Losses on Loans and Receivables."

The relevant disclosures affecting loans and receivables and interest income are presented in Note 9 to the financial statements.

#### Adequacy of Allowance for Credit and Impairment Losses on Loans and Receivables

The Bank recognized allowance for credit and impairment losses on loans and receivables using the expected credit loss (ECL) model as at December 31, 2022 amounting to ₱4,131.6 million.



The Bank's allowance for credit and impairment losses on loans and receivables is significant to our audit because it involves the exercise of significant management judgment, which include, among others, (a) determining the appropriate groupings of the Bank's credit risk exposures to establish the portfolio of counterparties with similar credit risk characteristics; (b) defining what constitutes a default; (c) determining the appropriate method to estimate the ECL; (d) identifying the exposures with significant increase in credit risk; (e) determining the relevant assumptions to be used in the ECL model; and (f) incorporating the appropriate forward-looking information in the ECL calculation.

Our audit procedures include understanding the methodologies and ECL model used by the Bank and assessing the compliance with the key requirements of PFRS 9, *Financial Instruments*. We have performed an independent assessment of the significant management judgment incorporated in and used in the preparation of ECL model.

We have also assessed the reliability of the data used in the ECL model through inspection of the source data. On a sample basis, we have also performed recalculation of the allowance and provision for credit and impairment losses on loans and receivables.

We also checked the adequacy of disclosures made by the Bank in relation to the requirements of PFRS 9 and the discussion of the methodologies used and the related financial impact as disclosed in Notes 4, 9 and 13 to the financial statements.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

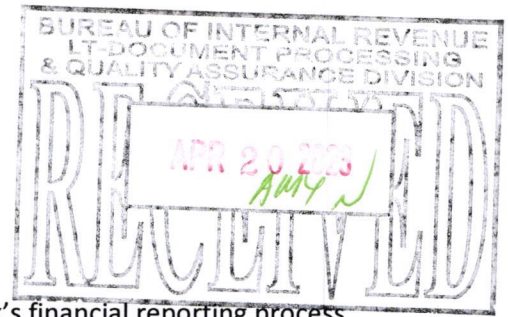
Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Bank's financial reporting process.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



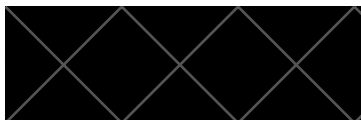
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Haydee M. Reyes.

**REYES TACANDONG & Co.**



*Handwritten mark resembling a checkmark or signature flourish.*

HAYDEE M. REYES

Partner

CPA Certificate No. [REDACTED]

Tax Identification No. [REDACTED]

BOA Accreditation No. [REDACTED] lid until April 13, 2024

SEC Accreditation No. [REDACTED] EC Group A

Issued March 10, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. [REDACTED]

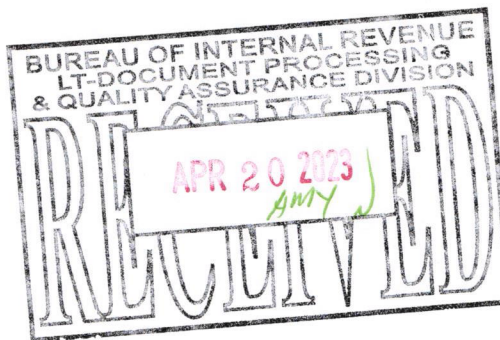
Valid until October 16, 2025

PTR No. [REDACTED]

Issued January 3, 2023, Makati City

March 28, 2023

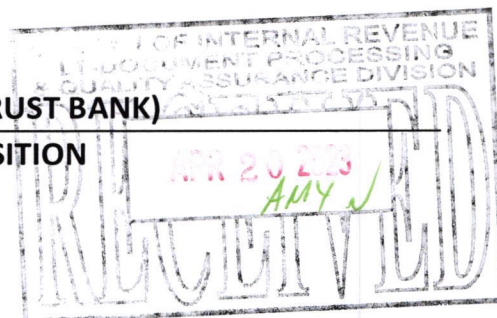
Makati City, Metro Manila



PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF FINANCIAL POSITION

Amounts in Thousands



December 31

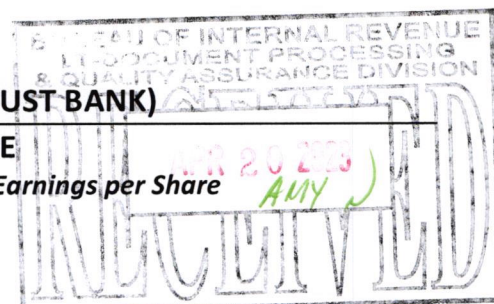
	Note	2022	2021
<b>ASSETS</b>			
Cash and other cash items	6	₱1,035,708	₱966,923
Due from Bangko Sentral ng Pilipinas	6	17,194,897	41,936,529
Due from other banks	6	1,196,557	2,196,721
Securities purchased under resale agreement	7	1,381,191	12,951,080
Investment securities	8	121,411,352	86,288,697
Loans and receivables	9	21,074,445	22,484,461
Property and equipment	10	3,187,581	2,960,414
Investment properties	11	2,005,435	1,661,528
Deferred tax assets - net	26	544,689	579,019
Other assets	12	323,510	253,705
		<b>₱169,355,365</b>	<b>₱172,279,077</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposit liabilities	14	₱147,072,526	₱145,314,679
Accrued interest, taxes and other expenses	15	208,389	156,061
Manager's checks		142,903	328,803
Lease liabilities	24	193,870	180,508
Other liabilities	16	269,224	236,053
Total Liabilities		<b>147,886,912</b>	<b>146,216,104</b>
<b>Equity</b>			
Capital stock	18	10,000,000	10,000,000
Reserves	18	72,320	72,320
Retained earnings		15,351,835	14,675,066
Other equity reserves		(3,955,702)	1,315,587
Total Equity		<b>21,468,453</b>	<b>26,062,973</b>
		<b>₱169,355,365</b>	<b>₱172,279,077</b>

See accompanying Notes to Financial Statements.

**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**

**STATEMENTS OF INCOME**

*Amounts in Thousands, except Basic and Diluted Earnings per Share*



Years Ended December 31

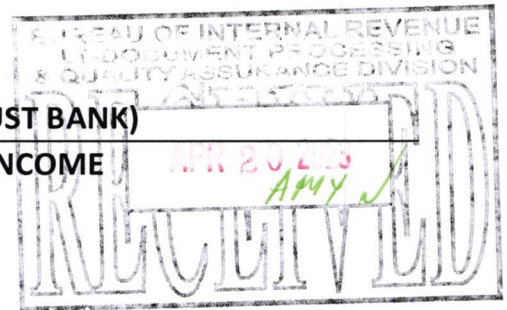
	Note	2022	2021	2020
<b>INTEREST INCOME ON:</b>				
Investment securities	8	<b>₱3,804,370</b>	₱2,746,773	₱3,107,686
Loans and receivables	9	<b>1,128,101</b>	1,048,431	1,276,845
Deposits from Bangko Sentral ng Pilipinas and other banks	6	<b>557,439</b>	560,440	870,278
Securities purchased under resale agreement	7	<b>69,579</b>	49,287	116,198
		<b>5,559,489</b>	4,404,931	5,371,007
<b>INTEREST EXPENSE ON DEPOSIT LIABILITIES</b>	14	<b>2,738,469</b>	1,936,965	3,295,586
<b>NET INTEREST INCOME</b>		<b>2,821,020</b>	2,467,966	2,075,421
<b>NET PROVISION (REVERSAL OF ALLOWANCE) FOR CREDIT AND IMPAIRMENT LOSSES</b>	13	<b>(157,393)</b>	254,429	152,700
<b>OTHER INCOME</b>				
Gain on sale of investment securities	8	<b>250,257</b>	770,545	1,944,966
Net foreign exchange gains		<b>163,154</b>	49,473	17,610
Gain on foreclosure of properties	11	<b>140,884</b>	36,210	173,628
Service fees and commissions		<b>56,222</b>	46,846	46,255
Gain on sale of investment properties	11	<b>28,564</b>	265,347	10,295
Others - net	20	<b>128,054</b>	87,962	39,206
		<b>767,135</b>	1,256,383	2,231,960
<b>OPERATING EXPENSES</b>				
Compensation and employee benefits	21	<b>925,607</b>	874,323	922,236
Occupancy and equipment-related expenses	22	<b>179,641</b>	176,255	169,746
Others	23	<b>1,206,997</b>	1,037,612	1,113,843
		<b>2,312,245</b>	2,088,190	2,205,825
<b>INCOME BEFORE INCOME TAX</b>		<b>1,433,303</b>	1,381,730	1,948,856
<b>INCOME TAX EXPENSE</b>	26	<b>688,017</b>	555,392	1,000,318
<b>NET INCOME</b>		<b>₱745,286</b>	₱826,338	₱948,538
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	19	<b>₱0.75</b>	₱0.83	₱0.95

See accompanying Notes to Financial Statements.

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF COMPREHENSIVE INCOME

Amounts in Thousands



Years Ended December 31

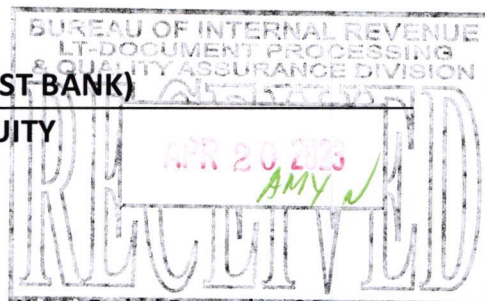
	Note	2022	2021	2020
<b>NET INCOME</b>		<b>P745,286</b>	<b>P826,338</b>	<b>P948,538</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items to be reclassified to profit or loss:</i>				
Net unrealized gains (losses) on fair value changes of debt securities	8	(5,025,011)	(1,167,794)	12,237
Translation adjustment		132,647	48,968	(93,832)
<i>Items not to be reclassified to profit or loss:</i>				
Net unrealized gains (losses) on fair value changes of equity securities	8	(446,917)	(553,175)	345,952
Remeasurement gain (loss) on retirement liability, net of deferred tax	21	(525)	(1,059)	325
Change in tax rates	21	-	585	-
		<b>(5,339,806)</b>	<b>(1,672,475)</b>	<b>264,682</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>(P4,594,520)</b>	<b>(P846,137)</b>	<b>P1,213,220</b>

See accompanying Notes to Financial Statements.

**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**

**STATEMENTS OF CHANGES IN EQUITY**

*Amounts in Thousands*



Years Ended December 31

	Note	2022	2021	2020
<b>CAPITAL STOCK</b>	18	<b>₱10,000,000</b>	<b>₱10,000,000</b>	<b>₱10,000,000</b>
<b>RESERVES</b>	18	<b>72,320</b>	<b>72,320</b>	<b>72,320</b>
<b>RETAINED EARNINGS</b>				
Balance at beginning of year		14,675,066	13,848,728	12,900,190
Net income		745,286	826,338	948,538
Realized portion of fair value changes	8	(68,517)	-	-
Balance at end of year		15,351,835	14,675,066	13,848,728
<b>OTHER EQUITY RESERVES</b>				
<b>Cumulative Unrealized Gains (Losses) on Fair Value Changes of Investment Securities</b>	8			
Balance at beginning of year		1,118,606	2,839,575	2,481,386
Net unrealized gains (losses)		(5,471,928)	(1,720,969)	358,189
Realized portion of fair value changes		68,517	-	-
Balance at end of year		(4,284,805)	1,118,606	2,839,575
<b>Cumulative Translation Adjustment</b>				
Balance at beginning of year		189,260	140,292	234,124
Translation adjustment		132,647	48,968	(93,832)
Balance at end of year		321,907	189,260	140,292
<b>Cumulative Remeasurement Gains on Retirement Liability</b>	21			
Balance at beginning of year		7,721	8,195	7,870
Net remeasurement gain (loss), net of deferred tax		(525)	(1,059)	325
Change in tax rate		-	585	-
Balance at end of year		7,196	7,721	8,195
		(3,955,702)	1,315,587	2,988,062
		<b>₱21,468,453</b>	<b>₱26,062,973</b>	<b>₱26,909,110</b>

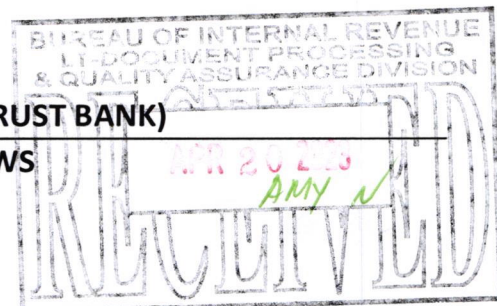
See accompanying Notes to Financial Statements.



**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**

**STATEMENTS OF CASH FLOWS**

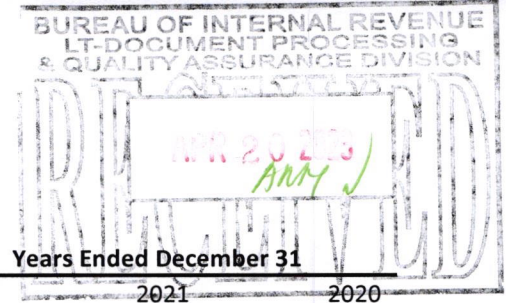
*Amounts in Thousands*



Years Ended December 31

	Note	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>₱1,433,303</b>	₱1,381,730	₱1,948,856
Adjustments for:				
Gain on sale of:				
Investment securities	8	<b>(250,257)</b>	(770,545)	(1,944,966)
Property and equipment	10	<b>(43,103)</b>	(2,237)	(8,131)
Investment properties	11	<b>(28,564)</b>	(265,347)	(10,295)
Depreciation and amortization	10	<b>175,035</b>	148,379	163,226
Net provision (reversal of allowance) for credit and impairment losses:	13			
Investment securities		<b>(157,393)</b>	141,107	(41,205)
Loans and receivables		-	113,322	199,084
Commitments and other contingent assets		-	-	(5,178)
Gain on foreclosure of properties	11	<b>(140,884)</b>	(36,210)	(173,628)
Amortization of premium/discount of investment securities	8	<b>137,992</b>	(2,033,094)	854,369
Retirement benefits	21	<b>54,192</b>	51,067	52,675
Provision for impairment losses on investment properties	11	<b>40,689</b>	-	-
Dividend income	20	<b>(14,557)</b>	(15,223)	(27,845)
Interest expense on lease liabilities	24	<b>9,999</b>	8,961	10,211
Loss on derecognition of investment property	11	-	-	84,765
Gain on pre-termination of lease contract		-	-	(493)
Operating income (loss) before working capital changes		<b>1,216,452</b>	(1,278,090)	1,101,445
Decrease (increase) in:				
Loans and receivables		<b>(2,610,422)</b>	157,110	(648,932)
Other assets		<b>(69,805)</b>	(32,259)	41,553
Increase (decrease) in:				
Deposit liabilities		<b>1,757,847</b>	4,487,098	6,481,413
Manager's checks		<b>(185,900)</b>	234,638	(61,771)
Accrued interest, taxes and other expenses		<b>52,328</b>	(73,174)	5,899
Other liabilities		<b>33,171</b>	8,010	6,901
Net cash generated from operations		<b>193,671</b>	3,503,333	6,926,508
Income tax paid		<b>(653,512)</b>	(435,490)	(737,314)
Contributions to the retirement fund	21	<b>(54,010)</b>	(51,009)	(52,588)
Net cash provided by (used in) operating activities		<b>(513,851)</b>	3,016,834	6,136,606
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Investment securities	8	<b>(514,199,641)</b>	(289,667,719)	(28,926,613)
Property and equipment	10	<b>(420,808)</b>	(269,543)	(51,583)
Computer software	12	<b>(611)</b>	(24,763)	(9,085)

(Forward)



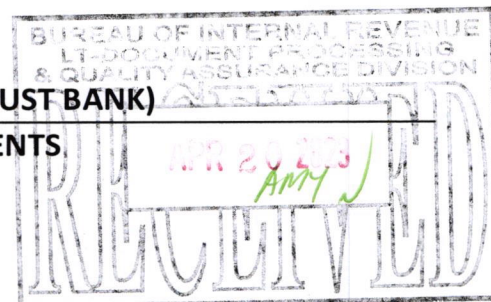
	Note	2022	2021	2020
<b>Years Ended December 31</b>				
<b>Proceeds from:</b>				
Maturities/disposal of investment securities	8	<b>₱477,585,883</b>	₱275,036,396	₱38,202,432
Sale of property and equipment	10	<b>167,837</b>	132,004	8,372
Sale of investment properties	11	<b>52,353</b>	340,218	25,417
Dividend received		<b>14,557</b>	15,223	27,845
Net cash provided by (used in) investing activities		<b>(36,800,430)</b>	(14,438,184)	9,276,785
<b>CASH FLOW FROM A FINANCING ACTIVITY</b>				
Payments of lease liabilities	24	<b>(61,266)</b>	(54,527)	(69,964)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>				
		<b>132,647</b>	48,968	(93,832)
<b>NET INCREASE (DECREASE) IN CASH</b>				
		<b>(37,242,900)</b>	(11,426,909)	15,249,595
<b>CASH AT BEGINNING OF YEAR</b>				
Cash and other cash items		<b>966,923</b>	1,053,253	904,496
Due from Bangko Sentral ng Pilipinas		<b>41,936,529</b>	53,609,068	30,355,961
Due from other banks		<b>2,196,721</b>	2,056,689	2,631,549
Securities purchased under resale agreement		<b>12,951,080</b>	12,759,152	20,336,561
		<b>58,051,253</b>	69,478,162	54,228,567
<b>CASH AT END OF YEAR</b>				
Cash and other cash items	6	<b>1,035,708</b>	966,923	1,053,253
Due from Bangko Sentral ng Pilipinas	6	<b>17,194,897</b>	41,936,529	53,609,068
Due from other banks	6	<b>1,196,557</b>	2,196,721	2,056,689
Securities purchased under resale agreement	7	<b>1,381,191</b>	12,951,080	12,759,152
		<b>₱20,808,353</b>	₱58,051,253	₱69,478,162
<b>OPERATING CASH FLOWS FROM INTEREST</b>				
Interest received		<b>₱5,724,714</b>	₱4,481,248	₱5,613,534
Interest paid		<b>2,700,256</b>	1,985,170	3,336,536
<b>NONCASH INFORMATION</b>				
Foreclosure of properties	11	<b>₱440,657</b>	₱95,970	₱263,262
Recognition of:				
Right-of-use assets	10	<b>64,629</b>	42,904	102,976
Lease liabilities	24	<b>64,629</b>	42,904	102,976

See accompanying Notes to Financial Statements.

**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**

**NOTES TO FINANCIAL STATEMENTS**

*Amounts in Thousands*



**1. General Information**

Philippine Trust Company (Philtrust Bank) (the Bank) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP). The Bank is primarily engaged in commercial banking. The Bank offers a wide range of products and services such as deposit products, loans, international services, treasury and trust functions. The Bank also provides investment management, estate administration, escrow services, insurance and pension plans, stock registry and transfer services.

The Bank is one of the oldest private commercial banks in the Philippines and originally issued with a Certificate of Incorporation by the SEC on October 21, 1916.

The Bank has its primary listing on the Philippine Stock Exchange, Inc. (PSE) on February 17, 1988.

The Bank was conferred full universal bank status on June 5, 2007.

As at December 31, 2022 and 2021, the Bank operates a total of 61 branches. The Bank has 78 automated teller machines (ATM): 53 on-site distributed at its head office and branches and 25 off-site in 2022 and 76 ATM: 51 on-site and 25 off-site in 2021.

The principal office of the Bank is at Philtrust Bank Building, 1000 United Nations Avenue corner San Marcelino Street, Manila.

**Approval of the Financial Statements**

The financial statements of the Bank as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 were approved and authorized for issuance by the Board of Directors (BOD) on March 28, 2023, as recommended for approval by the Audit Committee on the same date.

**2. Summary of Significant Accounting Policies**

**Basis of Preparation and Statement of Compliance**

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Financial and Sustainability Reporting Standards Council (formerly Philippine Financial Reporting Standards Council) and adopted by the SEC.

This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), and the SEC provisions. The accounting principles adopted by the Bank were consistently applied with those in the previous years.

**Measurement Bases**

The financial statements have been prepared on a historical cost basis, except for:

- financial assets measured at fair value through other comprehensive income (FVOCI);

- retirement liability that is carried at the present value of defined benefit obligation less fair value of plan assets; and

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Bank uses observable market data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) market prices in active market for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Information about the assumptions made in measuring fair values is included in Note 4, *Financial Risk Management*.

#### **Functional and Presentation Currency**

The financial statements are presented in Philippine Peso. The financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). Items in the financial statements of each banking unit are measured using the currency of the primary economic environment in which the banking unit operates (the functional currency).

The functional currency of the RBU and FCDU is the Philippine Peso and United States Dollar (USD), respectively. For financial reporting purposes, the FCDU accounts are translated into their equivalent amounts in Philippine Peso. The financial statements of RBU and FCDU are combined after eliminating inter-unit accounts.

All values are rounded to the nearest thousands, unless when otherwise indicated.

#### **Presentation of Financial Statements**

The Bank presents its statements of financial position broadly in the order of liquidity. An analysis of recoveries or settlements within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 17, *Classification of Assets and Liabilities*.

### **Adoption of Amendments to PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS effective January 1, 2022.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.
- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The ‘costs of fulfilling’ a contract comprise the ‘costs that relate directly to the contract’. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendment to PFRS 9, *Financial Instruments - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the ‘10 per cent’ test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is 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 the lender on the other’s behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.
  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

The adoption of the amendments to PFRS did not materially affect the financial statements of the Bank. Additional disclosures were included in the financial statements, as applicable.

### **Amendments to PFRS Issued but Not yet Effective**

Relevant amendments to PFRS, which are not yet effective and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making

decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Accounting Estimates – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Income Taxes* - Deferred Tax Related Assets and Liabilities from a Single Transaction – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16 - Lease Liability in a Sale and Leaseback – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period,

(ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - Noncurrent Liabilities with Covenants for that period.

- Amendments to PAS 1, Noncurrent Liabilities with Covenants – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - Classification of Liabilities as Current or Noncurrent for that period.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS is not expected to have any material effect on the financial statements of the Bank. Additional disclosures will be included in the notes to financial statements, as applicable.

### **Financial Instruments**

*Date of Recognition.* The Bank recognizes a financial asset or a liability in the statement of financial position when the Bank becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Bank deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss 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.

### **Financial Assets**

*Classification.* The Bank classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at FVOCI and (c) financial assets at amortized cost.

The classification of a financial asset largely depends on the Bank's business model and its contractual cash flow characteristics.

*Financial Assets at FVPL.* Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship. Interest income (calculated using the effective interest rate method) is recognized directly in profit or loss.

The Bank does not have financial assets at FVPL as at December 31, 2022 and 2021.

*Financial Assets at FVOCI - Debt Securities.* For debt securities that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

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

These debt securities are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt securities measured at FVOCI are recognized directly in profit or loss. Fair value changes are recognized in other comprehensive income and presented in the equity section of the statement of financial position. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Certain investments in government securities are included in this category.

*Financial Assets at FVOCI - Equity Instruments.* On initial recognition, equity instruments that are not held for trading may be irrevocably designated as a financial asset measured at FVOCI.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in other comprehensive income and presented in the equity section of the statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent years.

Quoted and unquoted equity securities are classified under this category.



*Financial Assets at Amortized Cost.* Financial assets should be measured at amortized cost if both of the following conditions are met:

- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for credit and impairment losses. 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.

Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

Cash and other cash items, due from BSP and other banks, securities purchased under resale agreement, loans and receivables, certain government securities and corporate bonds (presented under "Investment securities" account), refundable deposits, other investments and returned checks and other cash items (RCOCI), included under "Other assets" account, are classified under this category.

*Reclassification.* The Bank reclassifies its financial assets when, and only when, the Bank changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, the financial asset is reclassified at its fair value at the reclassification date, and the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date.

*Impairment.* The Bank recognizes an allowance for expected credit losses (ECL) for all debt instruments not measured at FVPL and for exposures arising from loan commitments and financial guarantee contracts. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate and adjusted for forward-looking estimates, as appropriate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The measurement of ECL reflects: (a) an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL is a function of the probability of default, loss given default and exposure of default, with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The probability of default represents the likelihood that the borrower will default either over the next 12 months or over the remaining life of the asset. Loss given default represents the Bank's expectation of the extent of loss on a default exposure. Exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Bank measures loss allowances at an amount equal to the 12-month ECL for the following:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Loans to customers and other financial instruments on which credit risk has not increased significantly since initial recognition.

The Bank considers its investment in debt securities to have a low credit risk when its credit risk rating is equivalent to "investment grade."

The 12-month ECL is the portion of ECL that results from default events on financial assets that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is determined, are referred to as "Stage 1 financial assets".

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. Lifetime ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is determined but which are not credit-impaired, are referred to as "Stage 2 financial assets."

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Bank also considers downgrade of credit risk rating or changes in the computed probabilities of default to determine whether significant increase in credit risk has occurred subsequent to initial recognition date. As a backstop indicator, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. In subsequent reporting years, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the Bank reverts them to Stage 1.

At each reporting date, the Bank assesses whether financial assets carried at amortized cost are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. ECL for credit-impaired financial assets is based on the difference between the gross carrying amount and present value of estimated future cash flows. The Bank transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both the quantitative and qualitative indicators of probable collection prior to the transfer. The quantitative indicator is characterized by payments made within an observation period. The qualitative indicator

pertains to the results of assessment of the borrower's financial capacity. As a general rule, full collection is probable when payments of interest and/or principal are received for at least six months.

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

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

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

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

## **Financial Liabilities**

*Classification.* The Bank classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost and (b) financial liabilities at FVPL.

The Bank does not have financial liabilities at FVPL as at December 31, 2022 and 2021.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when 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 settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest 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 effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

This category includes deposit liabilities, accrued interest and other expenses, manager's check, lease liabilities and other liabilities (excluding statutory liabilities, provision for impairment losses on commitments and other contingent assets and retirement liability).

*Classification of Financial Instrument between Liability and Equity.* A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank; or
- 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.

If the Bank does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

*Derecognition.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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, and the difference in the respective carrying amounts is recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Bank could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

#### **Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

**Repurchase and Reverse Repurchase Agreements**

Securities sold subject to repurchase agreements are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities purchased under agreements to resell are recorded as loans and receivables to the BSP, other banks or customers and are included in the statements of financial position. Securities lent to counterparties are also retained in the financial statements.

**Property and Equipment**

Land is stated at cost less any impairment in value. Depreciable properties are stated at cost less accumulated depreciation, amortization and any impairment in value.

Historical cost includes expenditure that is directly attributable to the acquisition of the items which comprises its purchase price, import duties and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or are recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the asset can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which these are incurred.

Depreciation and amortization are calculated using the straight-line method to allocate cost or residual values over the estimated useful lives as follows:

	Number of Years
Buildings and improvements	25
Furniture, fixtures and equipment	5
Transportation equipment	5
Right-of-use (ROU) assets	3 to 10 or the related lease term, whichever is shorter

The assets' estimated useful lives and depreciation and amortization method are reviewed and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever assets or changes in circumstances indicate that the carrying amount may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An item of the property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss, in the year the item is derecognized.

**Investment Properties**

Investment properties consist of foreclosed properties and properties held for capital appreciation that are not occupied by the Bank.

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired, unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at carrying amount of the asset given up. Foreclosed properties are recognized as "Investment properties" upon: (a) entry of judgment in case of judicial foreclosure; (b) execution of Certificate of Sale in case of extra-judicial foreclosure; or (c) notarization of the "Deed of Dacion" in case dation in payment (dacion en pago). Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation, and any impairment in value. Land is carried at cost less any impairment losses.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to profit or loss in the year in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful life from the time of acquisition of the investment properties but not to exceed 10 years for buildings, except if significant renovation is made thereon and the estimated useful life of the building has been extended.

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 view to sale.

Investment properties are derecognized upon disposal or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses arising on derecognition of investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the item) are recognized in profit or loss in the year of retirement or disposal.

#### **Computer Software**

Computer software is measured initially at cost. Subsequently, computer software is measured at cost less accumulated amortization and any impairment losses. Internally-generated computer software, excluding capitalized development costs, is not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred.

Computer software is amortized using straight-line method over the useful life of five years and assessed for impairment whenever there is an indication that the computer software may be impaired.

The amortization period and method used for computer software are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization on computer software is recognized in profit or loss.

Computer software is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the computer software asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss, in the year the item is derecognized.

### **Impairment of Nonfinancial Assets**

At each reporting date, the Bank assesses whether there is any indication of impairment on nonfinancial assets. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating units) 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 cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

An assessment is made at each reporting 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 recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### **Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to the additional paid-in capital in equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

*Reserves.* Reserves pertain to a portion of the Bank's income from trust operations set up on a yearly basis in compliance with the BSP regulations. Reserves also include of reserve for contingencies and self-insurance.

*Retained Earnings.* Retained earnings include cumulative balance of net income or loss, effects of the changes in accounting policy and other capital adjustments.

*Dividend Declaration.* Dividends 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 year end are dealt with as an event after the reporting date.

**Other Comprehensive Income (Loss)**

Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under equity) that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income, which is presented as “Other equity reserves,” pertains to cumulative unrealized gains (losses) on fair value changes of investment securities, cumulative translation adjustment and cumulative remeasurement gains (losses) on retirement liability.

**Revenue Recognition**

Revenue from contracts with customers is recognized when the customer obtains control of the services at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be measured reliably.

The Bank also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Bank has assessed that it acts as a principal in all of its revenue sources, except for revenue from trust operations.

The following specific recognition criteria must also be met before revenue is recognized:

*Interest Income.* For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective rate, transaction costs and all other premiums or discounts.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Bank calculates interest income by applying the effective interest rate 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.

*Service Fees and Commissions.* Service charges and penalties, which are presented as part of “Service charges and commissions” in profit or loss, are recognized only upon collection or accrued when there is a reasonable degree of certainty as to its collectability. Commissions arising from providing transaction services are recognized upon completion of the transaction.

*Rent Income.* Rent income arising on leased properties is accounted for on a straight-line basis of accounting over the lease terms of ongoing leases and is recognized in profit or loss as part of “Other Income.”

*Dividend Income.* Dividend income is recognized when the Bank’s right to receive payment is established.

*Other Income.* Revenue is recognized when earned.

**Costs and Expense Recognition**

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized upon receipt of goods, utilization of services or when the costs and expenses are incurred.



*Interest Expense.* Interest expense is recognized in profit or loss using the effective interest rate of the financial liabilities to which these relate.

*Operating Expenses.* Operating expenses constitute costs which arise in the normal business operations and are recognized when incurred.

### **Leases**

The Bank considers whether a contract is, or contains a lease at the inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*The Bank as a Lessee.* At commencement date of the lease, the Bank recognizes right of use (ROU) assets and corresponding lease liabilities, except for short-term leases (defined as leases with a lease term of 12 months or less).

For short-term leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities are initially measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease (if readily available) or the Bank's incremental borrowing rate. Incremental borrowing rate is the rate of interest that the Bank would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the ROU assets in a similar economic environment.

ROU assets are initially measured at cost, which consist of the initial measurement of the lease liabilities, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

Subsequent to initial measurement, the Bank amortizes ROU assets on a straight-line basis using the expected useful life of three to 10 years or the lease term, whichever is shorter. The Bank also assesses the ROU assets for impairment when such indicators exist.

ROU assets are presented as part of property and equipment.

Lease payments included in the measurement of the lease liabilities consists of fixed payments and, if any, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, lease liabilities will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in the fixed payments. When the lease liabilities are remeasured, the corresponding adjustment is reflected in the ROU assets, or profit and loss if the ROU assets are already reduced to zero.

*The Bank as a Lessor.* Leases where the Bank retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

### **Employee Benefits**

*Short-term Benefits.* Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognized for the amount expected to be paid under short-term cash bonus, short-term compensated absences or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

*Retirement Benefits.* The Bank operates a funded, defined contribution (DC) plan covering its regular employees wherein the Bank pays a fixed contribution into a separate entity known as the trustee, which administers, manages and invests the funds. The Bank is covered under Republic Act (RA) No. 7641, *Retirement Law*, which provides for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

The Bank accounts for its retirement obligation as the higher of the DB obligation relating to the minimum guarantee and the DC plan. For the DB minimum guarantee plan, the retirement liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting year. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method.

Retirement benefit costs reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. The Bank recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements, and net interest expense or income in profit or loss. Net interest expense or income is calculated by applying the discount rate to the net DB liability or asset. Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Bank recognizes restructuring-related costs.

The DC liability is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for any margin on asset returns where this is reflected in the DC benefits.

Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on unallocated plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent years.

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

### **Income Taxes**

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

*Current Tax.* Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*Deferred Tax.* Deferred tax is provided using the liability method on all temporary differences at the statement of financial position 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 with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of the minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year 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 re-assessed at the end of each reporting year and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates applicable to the year when the asset is realized or the liability is settled, based on tax rates (tax base) and regulations that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **Foreign Currency Transactions**

*RBU.* Transactions in currencies other than Philippine Peso are recorded at the rate of exchange prevailing on the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the reporting date. Foreign exchange gains or losses are recognized in profit or loss in the year in which these are incurred.

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 the reporting date, the assets and liabilities of the FCDU are translated into the Bank's functional and presentation currency at the Banking Association of the Philippines (BAP) closing rate, and its income and expenses are translated at the BAP weighted average rate for the year. Exchange differences arising from translation of foreign currency are recognized as other comprehensive income under "Cumulative translation adjustment". Upon disposal of the FCDU or actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized as "Cumulative translation adjustment" in other comprehensive income is reclassified to profit or loss.

### **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. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

Related party transactions are considered material and/or significant if (i) these transactions amount to 10% or higher of the Bank's total assets or, (ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Bank's total assets. Details of transactions entered into by the Bank with related parties are reviewed by the BOD in accordance with the Bank's related party transactions policies.

### **Earnings per Share (EPS)**

The Bank presents basic and diluted EPS data for its common shares. Basic EPS is computed by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential common shares, if any.

### **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.

### **Segment Reporting**

Operating segments are components of the Bank: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Bank); (b) whose operating results are regularly reviewed by the Bank's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Bank's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

### **Provisions**

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, 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 statements 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 a borrowing cost.

### **Contingencies**

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

### **Events after the Reporting Year**

The Bank identifies events after the end of the reporting year as those events, both favorable and unfavorable, that occur between the end of the reporting year and the date when the financial statements are authorized for issue. The financial statements of the Bank are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting year. Non-adjusting events after the end of the reporting year are disclosed in the notes to financial statements, when material.

### **Comparative Figures**

When necessary, comparative figures have been reclassified to conform to the changes in the presentation of the current year.

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### 3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the financial statements requires management to exercise judgment, make estimates, and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the financial statements and related disclosures. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

#### **Judgments**

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

*Determining the Classification of Financial Assets.* Classification of financial assets depends on the results of the business model test and sole payment of principal and interest (SPPI) test performed by the Bank.

The Bank exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives.

Below are the factors considered by the Bank in its business model assessment:

- Specific business objectives in holding the financial assets;
- Whether income that can be generated from the financial assets can cover the cost of deposits;
- Policies in managing the risks of the financial assets;
- Expected frequency, value and timing of sales; and
- Key performance indicators of the financial assets.

The Bank also determines whether the contractual terms of debt securities classified and measured as financial assets at amortized cost give rise to specified dates to cash flows that are SPPI, with interest representing time value of money and credit risk associated with the outstanding principal amount. Any other contractual term that changes the timing or amount of cash flows does not meet the SPPI test.

*Assessing the Existence of Significant Influence over an Investee.* An investor is generally considered to have significant influence over an investee, when the investor holds, directly or indirectly, 20% or more of the voting power of the investee. Conversely, if the entity holds less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

As at December 31, 2022 and 2021, the Bank only holds 9.68% ownership over the outstanding shares of Philippine Bank of Communications (PBCOM). Further, although the Bank has the capability to elect a seat in the BOD of PBCOM, the Bank has not exercised such right since the acquisition of the shares. Should the Bank exercise its right, it would only be represented in one of 15 seats of the BOD of PBCOM.

Accordingly, existence of significant influence cannot be demonstrated. The investment in PBCOM amounting to ₱747,096 and ₱832,691 as at December 31, 2022 and 2021, respectively, is classified as financial asset at FVOCI (see Note 8).

*Determining the Functional Currency.* The Bank uses its judgment to determine the functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

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

Based on the foregoing and the economic substance of the underlying circumstances relevant to the Bank, the functional currency of the Bank has been determined to be the Philippine Peso, which is the currency of the primary economic environment in which the Bank operates.

*Determining the Classification of Lease Arrangements and Appropriate Lease Term and Discount Rates.* The Bank, as a lessee, has existing lease agreements with related parties and third parties for its branches.

The Bank recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Bank's incremental borrowing rate, except for its short-term leases.

The Bank has exercised significant judgment in determining 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 in any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Significant management judgment was likewise exercised by the Bank in determining the discount rate, whether implicit rate, if readily available or incremental rate, to be used in calculating the present value of ROU assets and lease liabilities. The discount rate ranging from 1.86% to 7.08% and 2.44% to 7.08% in 2022 and 2021, respectively, are incremental borrowing rates based on the Bloomberg Valuation Service (BVAL) rates adjusted by credit spread of the Bank.

Reassessments are made on a continuing basis whether changes should be reflected in the amount of lease liabilities due to circumstances affecting lease payments and discount rates.

The Bank recognizes rent expense for leases considered short-term or with less than 12 months term.

Details are as follows (see Note 24):

	<b>2022</b>	2021
ROU assets	<b>₱171,430</b>	₱160,751
Lease liabilities	<b>193,870</b>	180,508
Amortization of ROU assets	<b>53,950</b>	47,383
Rent expense	<b>4,606</b>	27,876
Interest expense on lease liabilities	<b>9,999</b>	8,961

*Determining the Operating Segments.* Determination of operating segments is based on the information about components of the Bank that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Bank's chief operating decision maker in order to allocate resources to the segment and assess its performance.

The Bank determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment (see Note 29).

*Evaluating Contingencies.* The Bank is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Bank's defense in these matters and is based upon an analysis of potential results. Management does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Information about the various contingencies and commitments of the Bank are included in Note 28, *Commitments and Contingent Assets and Liabilities*.

### **Estimates and Assumptions**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

*Determining the Fair Values of Financial Instruments.* Certain financial assets and liabilities which are carried at fair value and whose fair values are disclosed, requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Bank utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity.

When the fair values of financial assets and liabilities recognized or disclosed in the financial statements cannot be derived from the active market, the fair values are determined using internal valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.



The fair values of the Bank's financial instruments are disclosed in Note 4.

*Estimating the Credit and Impairment Losses on Financial Assets.* Credit and impairment losses on financial assets are based on ECL. In assessing the ECL, the Bank uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

The Bank measures impairment loss based on the 12-month ECL for the following:

- Debt securities that are determined to have credit risk rating equivalent to "investment grade", and thus, a low credit risk at the reporting date; and
- Receivables from customers and other financial instruments on which credit risk has not increased significantly since initial recognition.

The Bank measures impairment loss based on the lifetime ECL for receivables from customers for which credit risk has increased significantly since initial recognition, or when:

- The account has missed payment for more than 30 days.
- The probability of default increased by at least 25%.

In estimating ECL, the Bank estimates the amounts and timing of future cash flows and collateral values and assesses whether there is a significant increase in credit risk. Below are the components considered in the calculation of ECL.

- Statistical models which are primarily based on regression analysis;
- Internal Credit Risk Rating (ICRR) and certain qualitative factors in determining whether there has been a significant increase in credit risk to determine when to measure lifetime credit losses;
- Latest fair values of collaterals and historical recovery rates of foreclosed assets for loss given default calculations; and
- Segmentation of financial assets for collective assessment of ECL.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concessions that the lenders would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Financial Assets at FVOCI - Debt Securities

The Bank recognized provision (reversal of allowance) for credit and impairment losses on debt securities classified as financial assets at FVOCI amounting to (₱90,939), ₱81,007 and (₱17,479) in 2022, 2021 and 2020, respectively (see Note 13).

Details of debt securities at FVOCI as at December 31 are as follows:

	Note	2022	2021
Gross amount		<b>₱20,786,753</b>	₱24,539,171
Allowance for impairment losses	13	<b>(24,352)</b>	(107,623)
Carrying amount	8	<b>₱20,762,401</b>	₱24,431,548

Financial Assets at Amortized Cost

The Bank recognized provision (reversal of allowance) for credit and impairment losses on government securities and corporate bonds classified under financial assets at amortized cost amounting to (₱66,454), ₱60,100 and (₱23,726) in 2022, 2021 and 2020, respectively (see Note 13).

Details of financial assets at amortized cost as at December 31 are as follows:

	Note	2022	2021
Gross amount		<b>₱99,728,773</b>	₱60,348,220
Allowance for impairment losses	13	<b>(18,582)</b>	(79,208)
Carrying amount	8	<b>₱99,710,191</b>	₱60,269,012

Loans and Receivables

No provision for credit and impairment losses was recognized in 2022. In 2021 and 2020, the net provision for credit and impairment losses on loans and receivables amounted to ₱113,322 and ₱199,083, respectively. Allowance for credit and impairment losses amounting to ₱120,800 was derecognized in 2022 (see Note 13).

Details of loans and receivables as at December 31 are as follows:

	Note	2022	2021
Gross amount	9	<b>₱25,206,073</b>	₱26,736,889
Allowance for credit and impairment losses	13	<b>(4,131,628)</b>	(4,252,428)
Carrying amount	9	<b>₱21,074,445</b>	₱22,484,461

Other Financial Assets at Amortized Cost

For other financial assets at amortized cost such as cash and other cash items, due from BSP and other banks, securities purchased under resale agreement, refundable deposits, other investments, and RCOCI (included under "Other assets" account), no allowance for credit and impairment losses was recognized because these are placements with reputable counterparties that possess good ratings.

The carrying amount of these financial assets aggregated ₱20,852,326 and ₱58,101,515 as at December 31, 2022 and 2021, respectively (see Notes 6, 7 and 12).

Commitments and Other Contingent Assets

The Bank has recognized allowance for impairment losses on commitments and other contingent assets amounting to ₱14,257 as at December 31, 2022 and 2021 (see Note 13). These pertain to various commitments and contingent assets which are not reflected in the accompanying financial statements.

*Determining between Investment Properties and Owner-occupied Properties.* The Bank determines whether a property qualifies as investment property. In making its judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the ordinary course of business.

Some properties consist of a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the ordinary course of business or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the ordinary course of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making judgment.

The Bank classifies all properties which have a portion that is earning rentals and another portion which are used in the ordinary course of business or used in administrative purposes as owner-occupied properties based on the criterion above. In this case, such properties were included under the "Property and equipment" account.

*Estimating the Useful Lives of Depreciable Property and Equipment, Investment Properties, and Computer Software.* The Bank estimates the useful lives of property and equipment, investment properties, and computer software, and for purposes of computing depreciation and amortization based on the year over which the assets are expected to be available for use.

The estimated useful lives are reviewed annually and changed if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. However, it is possible that future results of operations could be materially affected by changes in factors mentioned in the foregoing. The amounts and timing of recorded expenses for any year would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment, investment properties, and computer software would increase the recorded expenses and decrease assets.

There was no change in the estimated useful lives of the property and equipment, investment properties, and computer software. The carrying amounts of depreciable assets are as follows:

	Note	2022	2021
Property and equipment*	10	<b>₱826,693</b>	₱924,957
Investment properties*	11	<b>240,242</b>	238,497
Computer software	12	<b>25,161</b>	33,777
		<b>₱1,092,096</b>	<b>₱1,197,231</b>

\*Excluding land

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

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

No provision for impairment losses on property and equipment and computer software in 2022, 2021 and 2020.

In 2022, the Bank recognized provision for impairment losses on investment properties amounting to ₱40,689. No provision for impairment losses were recognized in 2021 and 2020 (see Note 11).

The carrying amounts of the nonfinancial assets are:

	Note	2022	2021
Property and equipment	10	<b>₱3,187,581</b>	₱2,960,414
Investment properties	11	<b>2,005,435</b>	1,661,528
Computer software	12	<b>25,161</b>	33,777
		<b>₱5,218,177</b>	<b>₱4,655,719</b>

*Determining the Retirement Liability.* The present value of the excess of the projected DB minimum guarantee over the projected DC obligation at the end of the reporting period depends on a number of factors that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement obligations.

The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Bank considers the interest rates of government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in Note 21.

As at December 31, 2022 and 2021, retirement liability amounted to ₱3,300 and ₱2,418, respectively (see Note 21).

*Assessing the Realizability of Deferred Tax Assets.* The Bank reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Any deferred tax asset will be re-measured if it might result in derecognition when the expected tax law to be enacted has a possible risk on the realization. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

As at December 31, 2022 and 2021, the recognized deferred tax assets amounted to ₱641,504 and ₱640,612, respectively (see Note 26).

As at December 31, 2022 and 2021, deferred tax assets amounting ₱2,140,529 and ₱2,105,796, respectively, were not recognized (see Note 26). Management assessed that it is not probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

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#### 4. Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

##### **Risk Management Framework**

The BOD is responsible for establishing and maintaining a sound risk management framework. This includes understanding the nature and level of risks assumed by the bank. The overall management of risks lies on the business strategy as directed by the BOD through approved policies in risk management.

The Bank identifies the major risks and said major risks are classified between quantifiable risks and non-quantifiable risks. Quantifiable risks include Liquidity Risk, Market Risk and Credit Risk, while Non-Quantifiable risks include Operational Risk and other related risks where impact is considered.

Through the direction of the BOD, the following comprise the risk management structure of the Bank:

*Executive Committee.* The Executive Committee plays the crucial role of analyzing, evaluating, and approving product attributes such as: market, liquidity and credit risk; operations risk; control and compliance; audit, legal and regulatory; and system and technology issues for new activities/products.

*Senior Management.* The Senior Management is responsible for the implementation and ensure compliance of department personnel to Risk Management policies and oversee day-to-day operations within the bank. They are tasked to make recommendations and endorse reports from departments to the BOD.

*Risk Oversight Committee (ROC).* The ROC is responsible for the creation and oversight of the Bank's corporate risk policy. Along with the Risk-Taking Party and Risk Management Department (RMD), they are tasked to identify and analyze the risks faced by the Bank, to set and recommend to the BOD the quantified reports and assessment of risks exposures, and to ensure that each business unit continuously monitors the adequacy and soundness of policies, assumptions and practices.

*Asset and Liability Committee (ALCO).* The ALCO ensures that at all times the Bank maintains adequate liquidity, sufficient capital and appropriate funding to meet all business requirements and complies with all regulatory requirements.

*Credit and Loan Review Committee (CLRC).* The CLRC is primarily responsible for credit risk management of the Bank. It establishes the standards for credit analysis, define credit risk measurements, establish internal risk ratings and review the credit risk infrastructure's ability to support the Bank's risk policies.

*Risk Management Department (RMD).* The RMD is an independent business function that is tasked to identify, measure, mitigate, monitor and report risks from the Bank's trading, position-taking, lending, borrowing, and other transactional activities.

*Audit Committee (AC).* The AC is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management system in place in relation to the risks faced by the Bank. The Bank's AC is assisted in its oversight role by Internal Audit. Internal Audit (IA) undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the AC.

### **Credit Risk**

The Bank's credit risk arises from lending, trade finance, and investment activities. The credit risk exposure of the Bank is mainly from the Account Management Department business lines. The portfolio comprises short-term business loans mainly for working capital requirements in credit lines, international and domestic trade finance facilities, and receivables financing. The credit terms are matched to address the borrowers' funding gap. The Bank also offers medium-term to long-term loans for capital expenditures.

The credit underwriting for commercial loans is based on the borrower's repayment capacity established through cash flow assessments, management capability, and industry projections. Although the Bank holds collateral on most of its loans and receivables in the form of mortgage interest over real property and deposits of the borrowers with the Bank, the Bank institutes risk-based lending standards over collateral-based lending as one of the risk mitigation techniques.

### **Credit Risk Management**

*Measurement of Credit Risk.* In measuring credit risk at a counterparty level, the Bank mainly relies on its sound lending philosophy and considers three components: (i) the probability of default by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development; and (iii) the likely recovery ratio on the defaulted obligations.

The Bank holds collateral on most of its loans and receivables in the form of mortgage interest over real property and deposits of the borrowers with the Bank. Estimates of fair value of the property are based on the value of collateral assessed at the time of borrowing, and are updated periodically or when a loan is individually assessed as impaired.

Credit risk exposure to financial assets is managed through detailed risk assessment of every credit exposure associated with a specific counterparty. The Bank also sets and frequently reviews compliance to transaction and counterparty limits, as well as lending authorities delegated to credit officers, to ensure that the Bank's portfolio or individual account credit risk is kept to acceptable levels.

*Due from BSP and Other Banks and Securities Purchased Under Resale Agreement.* The credit risk for due from BSP and other banks and securities purchased under resale agreement with the BSP is not considered significant because the counterparties are the BSP, which is considered risk free, and reputable banks with high quality external credit ratings.

As at December 31, 2022 and 2021, due from BSP and other banks and securities purchased under resale agreement are classified as “high grade” under Stage 1 financial assets.

*Investments in Debt Securities.* Investments in debt securities pertain to a portfolio of government securities and corporate bonds. ECL for these investments is determined using the probability of default provided in Bloomberg. Investments in debt securities are classified as “high grade” under Stage 1 financial assets.

*Loans and Receivables.* In respect of loans to borrowers, the Bank is not exposed to any significant credit risk to any single counterparty. Credit risk is determined by the Bank after considering historical, forward-looking information and credit enhancements on collaterals. The credit risk for loans and receivables are considered minimal since loans are fully covered by collaterals.

The amount and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. Guidelines are established and implemented regarding the acceptability of types of collateral valuation and parameters.

The Bank’s policy is to dispose of foreclosed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank’s accredited brokers and through evaluating and offering credit terms, which includes reduced rates for down payment as compared to prevailing market rates.

*Credit-related Commitments.* The primary purpose of these instruments is to ensure that funds are available to a customer as required. Standby letters of credit carry the same risk as loans. Documentary and commercial letters of credit - which are written undertaking by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

#### **Maximum Exposure to Credit Risk before Collaterals Held or Other Credit Enhancements**

Credit risk exposures relating to significant on-balance sheet financial assets are as follows:

	Note	2022	2021
Due from BSP	6	<b>₱17,194,897</b>	₱41,936,529
Due from other banks	6	<b>1,196,557</b>	2,196,721
Securities purchased under resale agreement	7	<b>1,381,191</b>	12,951,080
Investment securities*	8	<b>120,472,592</b>	84,700,560
Loans and receivables	9	<b>21,074,445</b>	22,484,461
		<b>₱161,319,682</b>	₱164,269,351

\*Excluding equity securities

The above table represents the maximum credit exposure of the Bank without taking into account any collateral held or other credit enhancements. The exposures set out above are based on net carrying amounts as reported in the statements of financial position.

Credit risk exposures relating to off-balance sheet items are as follows:

	2022	2021
Trust department accounts	P1,085,609	P1,117,265
Unused commercial letters of credit	214,140	188,671
Outward bills for collection	32,052	18,775
Late deposits	22,958	–
Inward bills for collection	12,459	2,186
Items held as collateral	5	12
	<b>P1,367,223</b>	<b>P1,326,909</b>

For loans receivable from customers, the credit quality is generally monitored using the Bank's internal rating system. It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates management to focus on major potential risk and the comparison of credit exposures across all lines of business, demographics and products. The rating system has two parts, namely: the borrower's risk rating and the facility risk rating. It is supported by a variety of financial analytics, combined with an assessment of management and market information to provide the main inputs for the measurement of credit risk.

The Bank uses ICRR to classify the credit quality of its receivables portfolio. This is being upgraded, as necessary, to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment.

Descriptions and classifications of the loan grades used by the Bank for receivables from customers are as follows:

Risk Rating	Classification	Credit Quality
1	Excellent	High Grade
2	Strong	High Grade
3	Good	High Grade
4	Satisfactory	Standard Grade
5	Acceptable	Standard Grade
6	Watchlist	Standard Grade
7	Special Mention	Impaired
8	Substandard	Impaired
9	Doubtful	Impaired
10	Loss	Impaired

*Risk Rating 1 – Excellent.* The borrower has no history of delinquency and is paying as agreed.

A borrower in this category is highly liquid, can be sustained and has a strong repayment capacity. The financial condition of the borrower is good, with above industry average financial indicators.

The borrower has no existing disruptions and/or future disruptions are unlikely. The borrower is a market leader with above average profit, not dependent on a few customers and suppliers, and stable with good probability for growth.

Under this category, the borrower's management ability demonstrated competence under the current business model, with well thought-out corporate strategy and sensible and efficient management structure.

*Risk Rating 2 – Strong.* The borrower has no history of delinquency and is paying as agreed.



A borrower in this category has strong operating trends and liquidity is adequate. The borrower has no existing disruptions and/or future disruptions are unlikely. The borrower's management ability demonstrated competence under the current business model.

Borrower has a strong market and financial position with a history of successful performance. The overall debt service capacity as measured by cash flow to total debt service is very strong; the critical balance sheet ratios are within the industry average.

*Risk Rating 3 – Good.* The borrower is paying as agreed and no history of default in the last 12 months.

The borrower's borrowing base supports the line of credit. The borrower has no existing disruptions and/or future disruptions are unlikely. The borrower's management ability demonstrated competence under the current business model.

A borrower in this category usually exhibits characteristics of some degree of stability and substance and the probability of default is still quite low.

*Risk Rating 4 – Satisfactory.* The borrower under this category is paying as agreed and has adequate to marginal repayment capacity. There are disruptions identified from external factors but the borrower has or will likely overcome.

*Risk Rating 5 – Acceptable.* Borrower's account status is current. However, it has marginal liquidity. There is a declining trend in operations of the borrower.

This category represents borrowers who may still be able to withstand normal business cycles. However, any prolonged unfavorable economic and/or market condition would create an immediate deterioration beyond acceptable level.

*Risk Rating 6 – Watchlist.* Borrower's account status is current. However, the borrower is incurring delays of up to 30 to 60 days, but with probability that it will be brought back to current. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial requirements.

Operating performance and financial strength may be marginal and it is uncertain whether the borrower can attract alternative sources of financing. Typically, the borrower will find it very hard to cope with any significant economic downturn and a default in such a case is more than a possibility.

*Risk Rating 7 – Special Mention.* There is an evidence of weakness in financial condition or credit-worthiness for borrowers under this category.

A borrower in this category is characterized by some probability of default, manifested by some or all of the following:

- Evidence of weakness in the borrower's financial condition or creditworthiness;
- Unacceptable risk generated by potential or emerging weaknesses as far as asset protection and/or cash flow is concerned. Concerns center on the potential for a continuation of unfavorable economic, market, or borrower specific conditions or trends, which may affect future debt service capacity;

- Indications that the borrower's ability or willingness to service debt are in doubt;
- Necessity or strong likelihood for rescheduling of the loan; and
- Decline in values of, or adverse developments on, collaterals securing the loan.

*Risk Rating 8 – Substandard.* Probability of default is assessed at up to 50%. Substandard loans are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Bank because of unfavorable or unsatisfactory characteristics. The debt burden for borrowers under this category is too heavy, with weak or negative cash flows.

*Risk Rating 9 – Doubtful.* Borrower is in a state of default, where any of the following factors are present:

- Account is already in "non-performing loan" (NPL) status;
- Any portion of any principal and/or interest repayment is in arrears for more than 90 days; and
- The borrower is unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service is doubtful.

*Risk Rating 10 – Loss.* Borrower is in a state of default and the prospect for re-establishment of creditworthiness and debt service is remote.

This category also applies where the Bank will take or has taken title to the assets of the borrower and is preparing a foreclosure and/or liquidation of the Bank.

*Significant Increase in Credit Risk.* When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. A significant increase in credit risk can be measured by comparing the probability of default of the counterparty as at reporting date from probability of default on the date of initial recognition.

Other indications may include, among others, potential credit weaknesses based on current and/or forward looking information that warrant management's close attention and adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

*Definition of Default.* The Bank considers default to have occurred when: (a) the obligor is past due for more than 90 days on any material credit obligation to the Bank; or (b) the obligor is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing collateral, as applicable. The Bank no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

#### **Credit Quality per Classification of Financial Assets**

The Bank has developed and continually reviews and calibrates its internal risk rating system for large exposures aimed at uniformly assessing its credit portfolio in terms of risk profile.

The following table provides the analysis of credit quality of the of the Bank's financial assets (gross of allowance for credit and impairment losses) classified as Stage 1, 2 or 3 financial assets as at December 31.

	2022			Total
	Stage 1	Stage 2	Stage 3	
<b>Financial assets at amortized cost</b>				
Due from BSP				
High grade	₱17,194,897	₱-	₱-	₱17,194,897
Due from other banks				
High grade	1,196,557	-	-	1,196,557
Securities purchased under resale agreement				
High grade	1,381,191	-	-	1,381,191
Government securities				
High grade	99,561,091	-	-	99,561,091
Corporate bonds				
High grade	167,682	-	-	167,682
Loans receivable from customers				
Corporate:				
High grade	15,671,635	-	-	15,671,635
Standard grade	-	1,116,592	-	1,116,592
Past due	-	-	2,814,618	2,814,618
Individual:				
High grade	3,553,706	-	-	3,553,706
Standard grade	-	534,312	-	534,312
Past due	-	-	852,653	852,653
Accrued interest				
High grade	583,119	1,718	26,026	610,863
Sales contracts receivables				
High grade	46,292	-	-	46,292
Other receivables				
High grade	5,402	-	-	5,402
<b>Other assets*</b>				
High grade	43,973	-	-	43,973
<b>Financial assets at FVOCI</b>				
Government securities				
High grade	20,762,401	-	-	20,762,401
	<b>₱160,167,946</b>	<b>₱1,652,622</b>	<b>₱3,693,297</b>	<b>₱165,513,865</b>

\*Includes refundable deposits, other investments and RCOI under "Other Assets".

	2021			Total
	Stage 1	Stage 2	Stage 3	
<b>Financial assets at amortized cost</b>				
Due from BSP				
High grade	₱41,936,529	₱-	₱-	₱41,936,529
Due from other banks				
High grade	2,196,721	-	-	2,196,721
Securities purchased under resale agreement				
High grade	12,951,080	-	-	12,951,080
Government securities				
High grade	60,194,099	-	-	60,194,099
Corporate bonds				
High grade	154,121	-	-	154,121
Loans receivable from customers				
Corporate:				
High grade	16,518,554	-	-	16,518,554
Standard grade	-	1,509,990	-	1,509,990
Past due	-	-	3,017,899	3,017,899
Individual:				
High grade	3,301,706	-	-	3,301,706
Standard grade	-	547,717	-	547,717
Past due	-	-	931,813	931,813
Accrued interest				
High grade	606,006	1,486	168,596	776,088

(Forward)

	2021			Total
	Stage 1	Stage 2	Stage 3	
Sales contracts receivables				
High grade	₱22,294	₱–	₱–	₱22,294
Other receivables				
High grade	110,828	–	–	110,828
<b>Other assets*</b>				
High grade	50,262	–	–	50,262
<b>Financial assets at FVOCI</b>				
Government securities				
High grade	24,431,548	–	–	24,431,548
	<b>₱162,473,748</b>	<b>₱2,059,193</b>	<b>₱4,118,308</b>	<b>₱168,651,249</b>

\*Includes refundable deposits, other investments and RCOCI under "Other Assets".

Present information on the concentration of credit risk exposure on financial assets as to industry as at December 31, 2022 and 2021:

	2022			Total
	Loans Receivables from Customers	Investment Securities <sup>1</sup>	Others <sup>2</sup>	
Financial intermediaries	₱801,627	₱–	₱19,816,618	₱20,618,245
Philippine government	–	120,347,844	–	120,347,844
Wholesale and retail trade	7,528,233	167,682	–	7,695,915
Real estate, renting and business activities	5,644,173	–	–	5,644,173
Manufacturing	2,931,285	–	–	2,931,285
Accommodation and food service activities	2,067,483	–	–	2,067,483
Agriculture	1,103,833	–	–	1,103,833
Construction	1,074,310	–	–	1,074,310
Information and communication	664,949	–	–	664,949
Education	506,370	–	–	506,370
Transportation, storage and communication	278,426	–	–	278,426
Health and social work	258,705	–	–	258,705
Arts, entertainment and recreation	250,337	–	–	250,337
Administrative and support service activities	135,685	–	–	135,685
Professional, scientific and technical activities	45,000	–	–	45,000
Private households with employed persons	43,351	–	–	43,351
Mining and quarrying	2,100	–	–	2,100
Water supply, sewerage, waste management	580	–	–	580
Others	1,207,069	–	–	1,207,069
	<b>24,543,516</b>	<b>120,515,526</b>	<b>19,816,618</b>	<b>164,875,660</b>
<b>Allowance for credit and impairment losses</b>	<b>(4,108,861)</b>	<b>(42,934)</b>	<b>–</b>	<b>(4,151,795)</b>
	<b>₱20,434,655</b>	<b>₱120,472,592</b>	<b>₱19,816,618</b>	<b>₱160,723,865</b>

<sup>1</sup>Comprised of financial assets at FVOCI and amortized cost (excluding equity securities).

<sup>2</sup>Comprised of due from BSP, due from other banks, securities purchased under resale agreement, refundable deposits, other investments, and RCOCI.

	2021			Total
	Loans Receivables from Customers	Investment Securities <sup>1</sup>	Others <sup>2</sup>	
Financial intermediaries	₱693,681	₱–	₱57,134,592	57,828,273
Philippine government	–	84,733,270	–	84,733,270
Wholesale and retail trade	6,638,672	154,121	–	6,792,793
Real estate, renting and business activities	6,078,765	–	–	6,078,765
Manufacturing	2,699,129	–	–	2,699,129
Accommodation and food service activities	2,227,724	–	–	2,227,724
Agriculture	1,966,227	–	–	1,966,227
Construction	1,114,077	–	–	1,114,077
Information and communication	1,052,821	–	–	1,052,821
Education	697,761	–	–	697,761
Transportation, storage and communication	357,437	–	–	357,437

(Forward)

	2021			Total
	Loans Receivables from Customers	Investment Securities <sup>1</sup>	Others <sup>2</sup>	
Health and social work	₱283,253	₱–	₱–	₱283,253
Arts, entertainment and recreation	262,577	–	–	262,577
Administrative and support service activities	114,441	–	–	114,441
Professional, scientific and technical activities	46,340	–	–	46,340
Private households with employed persons	13,164	–	–	13,164
Mining and quarrying	2,200	–	–	2,200
Water supply, sewerage, waste management	40,198	–	–	40,198
Others	1,539,212	–	–	1,539,212
	25,827,679	84,887,391	57,134,592	167,849,662
<b>Allowance for credit and impairment losses</b>	(4,125,432)	(186,831)	–	(4,312,263)
	<b>₱21,702,247</b>	<b>₱84,700,560</b>	<b>₱57,134,592</b>	<b>₱163,537,399</b>

<sup>1</sup>Comprised of financial assets at FVOCI and amortized cost (excluding equity securities).

<sup>2</sup>Comprised of due from BSP, due from other banks, securities purchased under resale agreement, refundable deposits, other investments, and RCOI.

### **Liquidity Risk**

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations in all currencies when they become due without incurring unacceptable losses or costs. The Bank's liquidity management is characterized by the following elements: a) good management information system, b) effective analysis of funding requirements under alternative scenarios, c) diversification of funding sources, and d) contingency planning.

### **Liquidity Risk Management**

The Bank's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Bank's business operations or unanticipated events created by customer behavior or capital market conditions. The Bank seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

The Bank's net funding requirements are determined by analyzing its future cash flows based on assumptions of the future behavior of assets, liabilities and off-balance sheet items, and then calculating the cumulative net excess or shortfall over the time frame for the liquidity assessment. Such analysis of net funding requirements involves construction of a Maturity Ladder and calculation of cumulative net excess or deficit. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities. Scenario stress tests are conducted periodically wherein liquidity managers analyze the behavior of cash flows under different conditions, i.e. from "normal" conditions to "extreme" situations. Finally, the BOD sets the Maximum Cumulative Outflow (MCO) Limit in order to control liquidity gap for each currency.

The table below shows the maturity profile of the Bank's financial assets and liabilities, based on contractual undiscounted cash flows (amounts in millions):

	2022				Total
	On Demand	Less than One Year	One to Five Years	Over Five Years	
<b>Financial Assets</b>					
Cash and other cash items	₱1,036	₱-	₱-	₱-	₱1,036
Due from BSP	17,195	-	-	-	17,195
Due from other banks	1,197	-	-	-	1,197
Securities purchased under resale agreement	-	1,381	-	-	1,381
Loans and receivables	6,738	14,212	4,388	1,681	27,019
Investment securities:					
Financial assets at FVOCI	-	2,401	2,559	27,135	32,095
Financial assets at amortized cost	-	64,831	16,220	30,738	111,789
Other assets	-	1	43	-	44
	<b>26,166</b>	<b>82,826</b>	<b>23,210</b>	<b>59,554</b>	<b>191,756</b>
<b>Financial Liabilities</b>					
Deposit liabilities	-	135,619	3,232	8,222	147,073
Manager's checks	-	143	-	-	143
Accrued interest and other expenses	-	144	-	-	144
Lease liabilities	-	60	147	7	214
Other liabilities	-	197	-	-	197
	-	<b>136,163</b>	<b>3,379</b>	<b>8,229</b>	<b>147,771</b>
	<b>₱26,166</b>	<b>(₱53,337)</b>	<b>₱19,831</b>	<b>₱51,325</b>	<b>₱43,985</b>
	2021				Total
	On Demand	Less than One Year	One to Five Years	Over Five Years	
<b>Financial Assets</b>					
Cash and other cash items	₱967	₱-	₱-	₱-	₱967
Due from BSP	41,937	-	-	-	41,937
Due from other banks	2,197	-	-	-	2,197
Securities purchased under resale agreement	-	12,951	-	-	12,951
Loans and receivables	8,280	13,325	5,297	1,212	28,114
Investment securities:					
Financial assets at FVOCI	-	1,185	4,179	25,446	30,810
Financial assets at amortized cost	-	26,275	17,239	27,860	71,374
Other assets	-	6	44	-	50
	<b>53,381</b>	<b>53,742</b>	<b>26,759</b>	<b>54,518</b>	<b>188,400</b>
<b>Financial Liabilities</b>					
Deposit liabilities	-	135,138	2,077	8,100	145,315
Manager's checks	-	329	-	-	329
Accrued interest and other expenses	-	105	-	-	105
Lease liabilities	-	43	113	7	163
Other liabilities	-	185	-	-	185
	-	<b>135,800</b>	<b>2,190</b>	<b>8,107</b>	<b>146,097</b>
	<b>₱53,381</b>	<b>(₱82,058)</b>	<b>₱24,569</b>	<b>₱46,411</b>	<b>₱42,303</b>

The Bank manages its short-term negative gap by making available funds sourced from various other financial institutions and taking measures to maintain long-term core deposits from regular clients.

#### Liquidity Positions and Leverage of the Bank

To promote short-term resilience of bank's liquidity risk profile, the BSP requires banks and other regulated entities to maintain:

- over a 30-day calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consists of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and

- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the Bank computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As at December 31, 2022 and 2021, LCR reported to the BSP is 1,722.84% and 777.49%, respectively.

The Bank also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100% on a daily basis under normal situations. As at December 31, NSFR reported to the BSP is as follows (amount in millions):

	<b>2022</b>	2021
Available stable funding	<b>₱142,367</b>	₱145,391
Required stable funding	<b>36,226</b>	36,889
NSFR	<b>3.93</b>	3.94

### **Market Risk**

Market risk is the risk of loss, immediate or overtime due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Bank's overall portfolio. The value of these financial instruments may change as a result of changes in interest rate, foreign exchange rate, and other market changes. The Bank's market risk originates from its inventory of foreign exchange and debt securities. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return on investments.

### **Interest Rate Risk**

Interest rate risk involves the movements of rates across yield curves of one or more instruments. The principal risk to which financial instruments are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. The Bank manages its resources and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for interest rate repricing. The Bank's management monitors compliance with these limits.

The details of the Bank's exposure to interest rate risk at the reporting date are shown below in reference to their contractual repricing or maturity dates (amounts in millions):

	<b>2022</b>				Total
	<b>Repricing</b>			Non-Repricing	
	Less than One Year	One to Five Years	Over Five Years		
<b>Financial Assets</b>					
Due from BSP	₱-	₱-	₱-	₱17,195	₱17,195
Due from other banks	-	-	-	1,197	1,197
Securities purchased under resale agreement	-	-	-	1,381	1,381
Loans and receivables	19,483	1,850	61	-	21,394
Investment securities:					
Debt securities at FVOCI	-	-	-	20,762	20,762
Financial assets at amortized cost	-	-	-	99,710	99,710
	<b>19,483</b>	<b>1,850</b>	<b>61</b>	<b>140,245</b>	<b>161,639</b>

(Forward)

	2022				
	Repricing			Non-Repricing	Total
	Less than One Year	One to Five Years	Over Five Years		
<b>Financial Liabilities</b>					
Deposit liabilities	₱135,619	₱3,232	₱8,222	₱-	₱147,073
Lease liabilities	-	-	-	194	194
	135,619	3,232	8,222	194	147,267
<b>Total Interest Gap</b>	<b>(₱116,136)</b>	<b>(₱1,382)</b>	<b>(₱8,161)</b>	<b>₱140,051</b>	<b>₱14,372</b>

	2021				
	Repricing			Non-Repricing	Total
	Less than One Year	One to Five Years	Over Five Years		
<b>Financial Assets</b>					
Due from BSP	₱-	₱-	₱-	₱41,937	₱41,937
Due from other banks	-	-	-	2,197	2,197
Securities purchased under resale agreement	-	-	-	12,951	12,951
Loans and receivables	20,183	1,829	499	-	22,511
Investment securities:					
Debt securities at FVOCI	-	-	-	24,432	24,432
Financial assets at amortized cost	-	-	-	60,269	60,269
	20,183	1,829	499	141,786	164,297
<b>Financial Liabilities</b>					
Deposit liabilities	135,138	2,077	8,100	-	145,315
Lease liabilities	-	-	-	181	181
	135,138	2,077	8,100	181	145,496
<b>Total Interest Gap</b>	<b>(₱114,955)</b>	<b>(₱248)</b>	<b>(₱7,601)</b>	<b>₱141,605</b>	<b>₱18,801</b>

The Bank computes stress test on interest sensitive assets and liabilities, except for financial assets at FVOCI through gapping. The details of the reported stress testing on interest gaps at the reporting date are shown below (amount in millions):

	2022			
	Less than One Month	One to Three Months	Over Three Months	Total
<b>Peso-denominated Interest Sensitive Assets and Liabilities</b>				
Assets	₱91,882	₱4,201	₱4,930	₱101,013
Liabilities	97,919	896	818	99,633
Gap	(6,037)	3,305	4,112	1,380
<b>Cumulative Asset - Liability Gap</b>	<b>(₱6,037)</b>	<b>(₱2,732)</b>	<b>₱1,380</b>	<b>₱1,380</b>
<b>Foreign-denominated Interest Sensitive Assets and Liabilities</b>				
Assets	₱22	₱-	₱31	₱53
Liabilities	57	412	176	645
Gap	(35)	(412)	(145)	(592)
<b>Cumulative Asset - Liability Gap</b>	<b>(₱35)</b>	<b>(₱447)</b>	<b>(₱592)</b>	<b>(₱592)</b>



	2021			
	Less than One Month	One to Three Months	Over Three Months	Total
<b>Peso-denominated Interest Sensitive Assets and Liabilities</b>				
Assets	₱90,740	₱1,718	₱7,639	₱100,097
Liabilities	99,309	775	890	100,974
Gap	(8,569)	943	6,749	(877)
<b>Cumulative Asset - Liability Gap</b>	<b>(₱8,569)</b>	<b>(₱7,626)</b>	<b>(₱877)</b>	<b>(₱877)</b>
<b>Foreign-denominated Interest Sensitive Assets and Liabilities</b>				
Assets	₱38	₱-	₱-	₱38
Liabilities	60	448	161	669
Gap	(22)	(448)	(161)	(631)
<b>Cumulative Asset - Liability Gap</b>	<b>(₱22)</b>	<b>(₱470)</b>	<b>(₱631)</b>	<b>(₱631)</b>

The details of the reported impact of negative gaps on net interest income at the reporting date are shown below (amounts in millions):

	2022		2021	
	Amount	Percentage to Net Income	Amount	Percentage to Net Income
<b>Peso-denominated</b>				
50 bps increase in Php interest rates	6.90	0.98%	(4.38)	(0.54%)
100 bps increase in Php interest rates	13.80	1.95%	(8.77)	(1.08%)
<b>Foreign-denominated</b>				
50 bps increase in USD interest rates (in USD)	(2.96)	(0.42%)	(3.16)	(0.25%)
100 bps increase in USD interest rates (in USD)	(5.90)	(0.84%)	(6.14)	(0.48%)
50 bps increase in USD interest rates (in Php)	(165.22)	(23.52%)	(161.05)	(19.91%)
100 bps increase in USD interest rates (in Php)	(330.44)	(47.04%)	(322.09)	(39.81%)
<b>Peso-denominated</b>				
50 bps decrease in Php interest rates	(6.90)	(0.98%)	4.38	0.54%
100 bps decrease in Php interest rates	(13.80)	(47.04%)	8.77	1.08%
<b>Foreign-denominated</b>				
50 bps decrease in USD interest rates (in USD)	2.96	0.42%	3.16	0.25%
100 bps decrease in USD interest rates (in USD)	5.93	0.84%	6.32	0.48%
50 bps decrease in USD interest rates (in Php)	165.22	23.52%	161.05	19.91%
100 bps decrease in USD interest rates (in Php)	330.44	47.04%	322.09	39.81%

The Bank also calculates price volatility on debt securities at FVOCI (through modified duration) in case of changes in interest rates. The following details are shown below:

	2022				
	Market value	- 50 bps	- 100 bps	+ 50 bps	+ 100 bps
Foreign-denominated:					
Less than one year	₱30,884	₱62	₱125	(₱62)	(₱125)
≥One to three years	-	-	-	-	-
≥Three to five years	-	-	-	-	-
≥Five to 15 years	233,137	8,836	17,671	(8,836)	(17,671)
Over 15 years	108,365	8,449	16,898	(8,449)	(16,898)
Total in USD	372,386	17,347	34,694	(17,347)	(34,694)
Total in Philippine Peso	₱20,762,401	₱967,182	₱1,934,364	(₱967,182)	(₱1,934,364)
As percentage of financial assets at FVOCI		4.66%	9.32%	(4.66%)	(9.32%)

	2021				
	Market value	- 50 bps	- 100 bps	+ 50 bps	+ 100 bps
<b>Peso-denominated:</b>					
≥Less than one year	₱552,000	₱338	₱675	₱338)	(₱675)
≥One to three years	166,354	2,997	5,994	(2,997)	(5,994)
≥Three to five years	53,369	796	1,592	(796)	(1,592)
≥Five to 15 years	-	-	-	-	-
Over 15 years	-	-	-	-	-
	771,723	4,131	8,261	(4,131)	(8,261)
<b>Foreign-denominated:</b>					
Less than one year	-	-	-	-	-
≥One to three years	32,905	-	316	632	(316)
≥Three to five years	8,753	-	-	-	-
≥Five to 15 years	229,749	-	7,689	15,379	(7,689)
Over 15 years	224,908	16,922	33,845	(16,922)	(33,845)
Total in USD	496,315	16,922	41,850	(911)	(41,850)
Total in Philippine Peso	23,659,825	1,271,277	2,542,554	(1,271,277)	(2,542,554)
Total (Philippine Peso and FX)	₱24,431,548	₱1,275,408	₱2,550,815	(₱1,275,408)	(₱2,550,815)
<b>As percentage of financial assets at</b>					
FVOCI		5.22%	10.44%	(5.22%)	(10.44%)

### Foreign Exchange Risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

In translating the foreign currency-denominated monetary assets into Peso, the exchange rates used were ₱55.76 to US\$1 as at December 31, 2022 and ₱51.00 to US\$1 as at December 31, 2021.

Information on the Bank's foreign currency-denominated monetary assets and liabilities in their Philippine Peso equivalents follows:

	2022	
	USD	In Peso
<b>Financial Assets:</b>		
Cash and other cash items	<b>\$3,092</b>	<b>₱172,410</b>
Due from other banks	<b>15,698</b>	<b>875,255</b>
Accrued interest receivables	<b>7,010</b>	<b>390,852</b>
<b>Investment securities:</b>		
Financial assets at FVOCI	<b>362,035</b>	<b>20,185,285</b>
Financial assets at amortized cost	<b>318,610</b>	<b>17,764,073</b>
	<b>706,445</b>	<b>39,387,875</b>
<b>Financial Liabilities:</b>		
<b>Deposit liabilities:</b>		
Savings	<b>56,836</b>	<b>3,168,908</b>
Time	<b>646,190</b>	<b>36,028,330</b>
Other liabilities	<b>1,379</b>	<b>76,879</b>
	<b>704,405</b>	<b>39,274,117</b>
<b>Net foreign currency-denominated assets</b>	<b>\$2,040</b>	<b>₱113,758</b>

	2021	
	USD	In Peso
<b>Financial Assets:</b>		
Cash and other cash items	\$3,951	₱201,520
Due from other banks	38,334	1,954,972
Accrued interest receivables	8,214	418,889
Investment securities:		
Financial assets at FVOCI	451,159	23,008,669
Financial assets at amortized cost	323,329	16,489,455
	<b>824,987</b>	<b>42,073,505</b>
<b>Financial Liabilities:</b>		
Deposit liabilities:		
Savings	60,425	3,081,597
Time	708,157	36,115,297
Other liabilities	810	41,300
	<b>769,392</b>	<b>39,238,194</b>
<b>Net foreign currency-denominated assets</b>	<b>\$55,595</b>	<b>₱2,835,311</b>

Foreign currency liabilities generally consist of foreign currency deposits in the Bank's FCDU, which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party.

Foreign currency deposits are generally used to fund the Bank's foreign currency denominated loans and FCDU investment portfolio. Banks are required by the BSP to match foreign currency assets with the foreign currency liabilities held through FCDU. In addition, the BSP requires a 30% liquidity reserve on all foreign currency liabilities held through FCDU.

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Bank is engaged.

### **Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market, and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from Bank operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;

- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

### **Fair Value Estimation**

As at December 31, 2022 and 2021, the fair value hierarchy of the Bank's financial assets and liabilities measured at fair values is presented below:

	Carrying Amount	2022 Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Assets</b>					
Cash and other cash items	₱1,035,708	₱1,035,708	₱–	₱–	₱1,035,708
Due from BSP	17,194,897	17,194,897	–	–	17,194,897
Due from other banks	1,196,557	1,196,557	–	–	1,196,557
Securities purchased under resale agreement	1,381,191	1,381,191	–	–	1,381,191
Loans and receivables	21,074,445	–	–	21,074,445	21,074,445
Financial assets at FVOCI:					
Debt securities -					
Government securities	20,762,401	20,762,401	–	–	20,762,401
Equity securities:					
Quoted equity securities	938,592	938,592	–	–	938,592
Unquoted equity securities	168	–	–	168	168
Financial assets at amortized cost:					
Government securities	99,543,601	95,117,909	–	–	95,117,909
Corporate bonds	166,590	165,919	–	–	165,919
Other assets*	43,973	562	–	43,411	43,973
	<b>₱163,338,123</b>	<b>₱137,793,736</b>	<b>₱–</b>	<b>₱21,118,024</b>	<b>₱158,911,760</b>
<b>Liabilities</b>					
Deposit liabilities	₱147,072,526	₱–	₱147,072,526	₱–	₱147,072,526
Manager's check	142,903	142,903	–	–	142,903
Accrued interest and other expenses	143,619	–	–	143,619	143,619
Lease liabilities	193,870	–	193,870	–	193,870
Other liabilities**	196,551	–	–	196,551	196,551
	<b>₱147,749,469</b>	<b>₱142,903</b>	<b>₱147,266,396</b>	<b>₱340,170</b>	<b>₱147,749,469</b>

\*Includes refundable deposits, other investments and RCOCI under "Other Assets".

\*\*Excluding statutory liabilities, provision for impairment losses on commitments and other contingent assets and retirement liability.

	Carrying Amount	2021 Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Assets</b>					
Cash and other cash items	₱966,923	₱966,923	₱–	₱–	₱966,923
Due from BSP	41,936,529	41,936,529	–	–	41,936,529
Due from other banks	2,196,721	2,196,721	–	–	2,196,721
Securities purchased under resale agreement	12,951,080	12,951,080	–	–	12,951,080
Loans and receivables	22,484,461	–	–	22,484,461	22,484,461

(Forward)

	Carrying Amount	2021 Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at FVOCI:</b>					
Debt securities -					
Government securities	₱24,431,548	₱24,431,548	₱-	₱-	₱24,431,548
Equity securities:					
Quoted equity securities	1,587,969	1,587,969	-	-	1,587,969
Unquoted equity securities	168	-	-	168	168
<b>Financial assets at amortized cost:</b>					
Government securities	60,115,612	60,608,141	-	-	60,608,141
Corporate bonds	153,400	153,813	-	-	153,813
Other assets*	50,262	6,245	-	44,017	50,262
	<b>₱166,874,673</b>	<b>₱144,838,969</b>	<b>₱-</b>	<b>₱22,528,646</b>	<b>₱167,367,615</b>
<b>Liabilities</b>					
Deposit liabilities	₱145,314,679	₱-	₱145,314,679	₱-	₱145,314,679
Manager's check	328,803	328,803	-	-	328,803
Accrued interest and other expenses	104,708	-	-	104,708	104,708
Lease liabilities	180,508	-	180,508	-	180,508
Other liabilities**	185,355	-	-	185,355	185,355
	<b>₱146,114,053</b>	<b>₱328,803</b>	<b>₱145,495,187</b>	<b>₱290,063</b>	<b>₱146,114,053</b>

\*Includes refundable deposits, other investments and RCOCI under "Other Assets".

\*\*Excluding statutory liabilities, provision for impairment losses on commitments and other contingent assets and retirement liability.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

*Cash and Other Cash Items, Due from BSP and Other Banks, Securities Purchased Under Resale Agreement, Refundable Deposits, Other Investments, and RCOCI.* The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments, or it approximates the amounts expected to be received.

*Debt Securities.* This pertains to government-issued debt securities. 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.

*Equity Securities.* This includes quoted and unquoted equity securities. For publicly traded equity securities, fair values are based on quoted prices published in the Philippine equity markets. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost net of impairment, if any.

*Loans and Receivables.* Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Bank's current incremental lending rates for similar types of loans and receivables.

Generally, significant increases (decreases) in rate would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in effective interest rate would result in a significantly lower (higher) fair value measurement.

*Deposit Liabilities.* Carrying amounts of deposit liabilities approximate fair values considering that these are currently due and demandable.

*Manager's Checks.* Carrying amounts approximate fair values due to the short-term nature of the accounts.

*Lease Liabilities.* Carrying amounts of lease liability approximates its fair value as these are measured at the present value of lease payments to be made over the lease term using the Bank's incremental borrowing rates based on the BVAL rates.

*Accrued Interest and Other Expenses and Other Liabilities.* Quoted market prices are not readily available for these liabilities. These are reported at cost and are not significant in relation to the Bank's total portfolio.

There were no transfers between levels 1, 2 and 3 during the year.

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## 5. Capital Risk Management

The Bank's capital management seeks to maintain adequate capital levels at all times, not only to comply with externally imposed capital requirements, maintain healthy capital ratios in order to support its business, withstand plausible stress events but also to optimize shareholders' value.

The Bank actively manages its capital structure and makes adjustments in light of the changes in economic conditions and the risk characteristics of its activities. In so doing, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made to the objectives, policies, and processes as of December 31, 2022 and 2021.

### **Capital Management**

Under the existing BSP regulations, the determination of compliance with regulatory requirements and ratios is based on the amount of the "qualifying capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of the Regulatory Accounting Principles (RAP) that differ from PFRS in some respects. In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR) expressed as a percentage of qualifying capital to risk-weighted assets should not be less than 10% at all times.

Qualifying capital and risk-weighted assets are computed based on the RAP. 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.

The CAR of the Bank as at December 31, as reported to the BSP, follows (amounts in millions):

	<b>2022</b>	2021
Tier 1 capital	<b>₱19,856</b>	₱26,063
Tier 2 capital	<b>239</b>	120
Gross qualifying capital	<b>20,095</b>	26,183
Less: regulatory adjustments/ required deductions	<b>1,522</b>	1,649
Total qualifying capital	<b>18,573</b>	24,534
Risk weighted assets	<b>48,164</b>	48,419
CAR (%)	<b>38.56%</b>	50.67%
Common Equity Tier 1 (%)	<b>41.23%</b>	53.83%

The Bank has fully complied with the CAR requirement of the BSP as at December 31, 2022 and 2021. The decrease in Tier 1 capital from ₱26.2 billion in 2021 to ₱20.1 billion in 2022 was primarily attributable to the mark-to-market loss on the Bank's investment securities' portfolio.

The Bank, as a universal bank with 61 branches, including Head Office, as at December 31, 2022 and 2021, is required to maintain a minimum capital of ₱15.0 billion. Accordingly, the Bank maintains an acceptable level of equity to comply with the minimum capital requirement. As at December 31, 2022 and 2021, the Bank has complied with the required capitalization.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of 10% of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Bank has fully complied with this requirement.

The BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. It also reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. The BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

As at December 31, 2022 and 2021, the BLR reported to the BSP is as follows (amounts in millions):

	<b>2022</b>	2021
Tier 1 capital	<b>₱19,856</b>	₱24,414
Total exposure measure	<b>168,049</b>	171,468
BLR	<b>11.82%</b>	14.24%

The BLR is computed based on the RAP. The Bank is compliant with the BSP requirements as at December 31, 2022 and 2021.

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## 6. Cash

This account consists of:

	<b>2022</b>	2021
Cash and other cash items	<b>₱1,035,708</b>	₱966,923
Due from BSP	<b>17,194,897</b>	41,936,529
Due from other banks	<b>1,196,557</b>	2,196,721
	<b>₱19,427,162</b>	₱45,100,173

Due from other banks represents balances of funds on deposit with other domestic and foreign banks.

Effective interest earned on the BSP deposits ranges from 1.50% to 6.38% in 2022, from 1.50% to 4.80% in 2021 and from 1.50% to 4.48% in 2020. Effective interest earned on deposits with other banks is from 0.01% to 1.30% in 2022, from 0.05% to 1.50% in 2021 and from 0.25% to 1.25% in 2020.

Interest income amounted to ₱557,439, ₱560,440 and ₱870,278 in 2022, 2021 and 2020, respectively.

## 7. Securities Purchased under Resale Agreement

These pertain to the overnight placements with the BSP as at December 31, 2022 and 2021, where the underlying securities cannot be sold or re-pledged to parties other than the BSP. Effective interest earned from these placements ranges from 2.0% to 5.5% in 2022, from 2.00% to 4.50% in 2021, and from 2.00% to 4.00% in 2020.

As at December 31, 2022 and 2021, the account amounted to ₱1,381,191 and ₱12,951,080, respectively.

Interest income amounted to ₱69,579, ₱49,287 and ₱116,198 in 2022, 2021 and 2020, respectively.

## 8. Investment Securities

Details and movements of this account are as follows:

	Note	2022		
		Financial Assets at		Total
		Amortized Cost	FVOCI	
Balances at beginning of year		₱60,269,012	₱26,019,685	₱86,288,697
Additions		514,060,018	139,623	514,199,641
Disposals/maturities		(476,146,720)	(1,188,906)	(477,335,626)
Net unrealized fair value loss		–	(5,471,928)	(5,471,928)
Translation adjustment		1,509,425	2,292,681	3,802,106
Net amortization of premium		(47,998)	(89,994)	(137,992)
		99,643,737	21,701,161	121,344,898
Reversal of impairment losses	13	66,454	–	66,454
Balances at end of year		₱99,710,191	₱21,701,161	₱121,411,352

	Note	2021		
		Financial Assets at		Total
		Amortized Cost	FVOCI	
Balances at beginning of year		₱44,270,291	₱26,364,513	₱70,634,804
Additions		285,403,659	4,264,060	289,667,719
Disposals/maturities		(270,297,175)	(3,968,676)	(274,265,851)
Net amortization of discount		952,337	1,080,757	2,033,094
Net unrealized fair value loss		–	(1,720,969)	(1,720,969)
		60,329,112	26,019,685	86,348,797
Provision for impairment losses	13	(60,100)	–	(60,100)
Balances at end of year		₱60,269,012	₱26,019,685	₱86,288,697

### Financial Assets at Amortized Cost

This account consists of:

	2022	2021
Government securities	₱99,543,601	₱60,115,612
Corporate bonds	166,590	153,400
	₱99,710,191	₱60,269,012



The range of average interest rates of financial assets at amortized cost follows:

	2022	2021	2020
Peso-denominated	<b>2.38% to 7.50%</b>	1.69% to 6.88%	1.69% to 6.88%
Foreign-denominated	<b>2.48% to 5.95%</b>	1.65% to 5.00%	2.46% to 4.38%

Details on sale/maturity of financial assets at amortized cost are as follows:

	2022	2021	2020
Proceeds	<b>₱476,359,686</b>	₱270,706,873	₱17,008,683
Carrying amount	<b>476,146,720</b>	270,297,175	16,778,454
Gain on sale	<b>₱212,966</b>	₱409,698	₱230,229

### **Financial Assets at FVOCI**

This account consists of:

	2022	2021
Debt securities -		
Government securities	<b>₱20,762,401</b>	₱24,431,548
Equity securities:		
Quoted	<b>938,592</b>	1,587,969
Unquoted	<b>168</b>	168
	<b>938,760</b>	1,588,137
	<b>₱21,701,161</b>	₱26,019,685

*Government-issued Debt Securities.* Investments in government-issued debt securities pertain to treasury notes, treasury bonds and dollar-denominated bonds issued by the Philippine government. The fair values of these debt securities are reported using quoted market prices as at reporting date.

The Bank has been managing its debt securities under the financial asset at FVOCI business model to address potential liquidity issues. As at December 31, 2022 and 2021, the Bank has assessed that it has sufficient liquid assets.

Quoted market prices vary with prevailing interest rates in 2022 and 2021. The fair values of the debt securities decreased significantly resulting to unrealized losses on fair value changes amounting to ₱5,471,928 and ₱1,720,969, respectively, recognized in other comprehensive losses pursuant to the financial reporting standard. The situation arose due to policy increases in interest rates decided upon by the authorities to control inflation. An increase in prevailing interest rates automatically reduces the reported value of fixed income securities considered as securities held for sale and classified as financial assets.

The Bank can hold these securities to maturity at which time they are scheduled to be redeemed at their principal value. However, the Bank can also dispose of these investments should the market conditions improve. If the Bank will hold to these securities up to its maturity, there should have been no unrealized losses.

*Quoted Equity Securities.* Investment in quoted equity securities pertain to various shares of companies listed in the PSE. Fair values of quoted equity securities are based on quoted market prices as at reporting date.

*Unquoted Equity Securities.* This account comprise of shares of stock of private corporations that are carried at cost since fair value cannot be reliably estimated due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value. There is currently no market for these investments and the Bank intends to hold them for long-term.

Movements in cumulative unrealized gains (losses) on fair value changes of financial assets at FVOCI are as follows:

	2022	2021
Balance at beginning of year	<b>₱1,118,606</b>	₱2,839,575
Unrealized fair value losses	<b>(5,562,867)</b>	(1,639,962)
Reversal of allowance (provision) for impairment losses	<b>90,939</b>	(81,007)
Net unrealized losses	<b>(5,471,928)</b>	(1,720,969)
Realized portion of fair value changes	<b>68,517</b>	-
Balance at end of year	<b>(₱4,284,805)</b>	₱1,118,606

In 2022, the Bank sold portion of its investments in quoted equity securities. Unrealized losses on fair value changes at the time of sale amounted to ₱68,517 were reclassified directly to retained earnings.

The range of average interest rates of debt securities at FVOCI is as follows:

	2022	2021	2020
Peso-denominated	<b>4.75% to 5.75%</b>	3.50% to 5.75%	3.50% to 5.75%
Foreign-denominated	<b>1.65% to 6.38%</b>	1.65% to 6.38%	1.65% to 7.39%

Details on sale/maturity of financial assets at FVOCI are as follows:

	2022	2021	2020
Proceeds	<b>₱1,226,197</b>	₱4,329,523	₱21,193,749
Carrying amount	<b>1,188,906</b>	3,968,676	19,479,012
Gain on sale	<b>₱37,291</b>	₱360,847	₱1,714,737

Interest income on investment securities consists of:

	2022	2021	2020
Financial assets at amortized cost	<b>₱3,052,802</b>	₱1,998,008	₱1,976,651
Financial assets at FVOCI	<b>751,568</b>	748,765	1,131,035
	<b>₱3,804,370</b>	₱2,746,773	₱3,107,686

## 9. Loans and Receivables

This account consists of:

	Note	2022	2021
Loans receivable from customers:			
Corporate		<b>₱19,602,845</b>	₱21,046,443
Individual		<b>4,940,671</b>	4,781,236

(Forward)

	Note	2022	2021
Accrued interest		<b>₱610,863</b>	₱776,088
Sales contract receivables		<b>46,292</b>	22,294
Others		<b>5,402</b>	110,828
		<b>25,206,073</b>	26,736,889
Allowance for credit and impairment losses	13	<b>(4,131,628)</b>	(4,252,428)
		<b>₱21,074,445</b>	₱22,484,461

Loans receivable from customers consists of:

	2022	2021
Bills discounted loans	<b>₱14,338,716</b>	₱13,797,044
Term loans	<b>7,879,908</b>	8,565,342
Trust receipts	<b>1,707,158</b>	1,220,870
Agrarian reform	<b>617,734</b>	2,244,423
	<b>₱24,543,516</b>	₱25,827,679

The range of average interest rates of loans receivables from customers of the Bank for the years ended December 31 follows:

	2022	2021	2020
Corporate loans	<b>2.25% to 10.52%</b>	2.00% to 10.00%	1.75% to 13.25%
Individual loans	<b>1.38% to 22.67%</b>	1.25% to 16.85%	1.25% to 16.85%

Interest income on loans and receivables consists of:

	2022	2021	2020
Loans receivable from customers	<b>₱1,126,687</b>	₱1,046,869	₱1,274,638
Sales contract receivables	<b>1,414</b>	1,562	2,207
	<b>₱1,128,101</b>	₱1,048,431	₱1,276,845

## 10. Property and Equipment

Details and movements of this account are as follows:

	2022					Total
	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets	
<b>Cost</b>						
Balance at beginning of year	<b>₱2,035,457</b>	<b>₱1,266,293</b>	<b>₱563,520</b>	<b>₱66,724</b>	<b>₱266,745</b>	<b>₱4,198,739</b>
Additions	<b>343,515</b>	<b>53,423</b>	<b>22,814</b>	<b>1,056</b>	<b>64,629</b>	<b>485,437</b>
Disposals	<b>(18,084)</b>	<b>(113,759)</b>	<b>(14,060)</b>	<b>(1,524)</b>	<b>(31,106)</b>	<b>(178,533)</b>
Balance at end of year	<b>2,360,888</b>	<b>1,205,957</b>	<b>572,274</b>	<b>66,256</b>	<b>300,268</b>	<b>4,505,643</b>
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	-	<b>573,207</b>	<b>506,288</b>	<b>52,836</b>	<b>105,994</b>	<b>1,238,325</b>
Depreciation and amortization	-	<b>42,523</b>	<b>31,863</b>	<b>5,200</b>	<b>53,950</b>	<b>133,536</b>
Disposals	-	<b>(10,186)</b>	<b>(10,983)</b>	<b>(1,524)</b>	<b>(31,106)</b>	<b>(53,799)</b>
Balance at end of year	-	<b>605,544</b>	<b>527,168</b>	<b>56,512</b>	<b>128,838</b>	<b>1,318,062</b>
<b>Carrying Amount</b>	<b>₱2,360,888</b>	<b>₱600,413</b>	<b>₱45,106</b>	<b>₱9,744</b>	<b>₱171,430</b>	<b>₱3,187,581</b>

	2021					Total
	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets	
<b>Cost</b>						
Balance at beginning of year	₱2,009,649	₱1,202,291	₱529,491	₱65,134	₱263,069	₱4,069,634
Additions	42,740	187,448	34,953	4,402	42,904	312,447
Disposals	(16,932)	(123,446)	(924)	(2,812)	(39,228)	(183,342)
Balance at end of year	2,035,457	1,266,293	563,520	66,724	266,745	4,198,739
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	–	529,981	485,674	55,465	97,839	1,168,959
Depreciation and amortization	–	43,726	26,988	4,844	47,383	122,941
Disposals	–	(500)	(6,374)	(7,473)	(39,228)	(53,575)
Balance at end of year	–	573,207	506,288	52,836	105,994	1,238,325
<b>Carrying Amount</b>	<b>₱2,035,457</b>	<b>₱693,086</b>	<b>₱57,232</b>	<b>₱13,888</b>	<b>₱160,751</b>	<b>₱2,960,414</b>

Details of depreciation and amortization are as follows:

	Note	2022	2021	2020
Property and equipment		<b>₱133,536</b>	₱122,941	₱135,882
Investment properties	11	<b>32,272</b>	19,160	22,735
Computer software	12	<b>9,227</b>	6,278	4,609
	22	<b>₱175,035</b>	₱148,379	₱163,226

Details on sale of property and equipment are as follows:

	Note	2022	2021	2020
Proceeds		<b>₱167,837</b>	₱132,004	₱8,372
Carrying amount		<b>124,734</b>	129,767	241
Gain on sale	20	<b>₱43,103</b>	₱2,237	₱8,131

## 11. Investment Properties

Details and movements of this account are as follows:

	Note	2022		Total
		Land	Buildings and Improvements	
<b>Cost</b>				
Balance at beginning of year		<b>₱1,452,485</b>	<b>₱380,056</b>	<b>₱1,832,541</b>
Foreclosures		<b>405,975</b>	<b>34,682</b>	<b>440,657</b>
Disposals		<b>(24,002)</b>	<b>(7,067)</b>	<b>(31,069)</b>
Balance at end of year		<b>1,834,458</b>	<b>407,671</b>	<b>2,242,129</b>
<b>Accumulated Depreciation and Amortization</b>				
Balance at beginning of year		–	<b>140,528</b>	<b>140,528</b>
Depreciation and amortization	10	–	<b>32,272</b>	<b>32,272</b>
Disposals		–	<b>(6,365)</b>	<b>(6,365)</b>
Balance at end of year		–	<b>166,435</b>	<b>166,435</b>
<b>Accumulated Impairment Losses</b>				
Balance at beginning of year		<b>29,454</b>	<b>1,031</b>	<b>30,485</b>
Provision		<b>40,689</b>	–	<b>40,689</b>
Disposals		<b>(878)</b>	<b>(37)</b>	<b>(915)</b>
Balance at end of year		<b>69,265</b>	<b>994</b>	<b>70,259</b>
<b>Carrying Amount</b>		<b>₱1,765,193</b>	<b>₱240,242</b>	<b>₱2,005,435</b>

	Note	2021		Total
		Land	Buildings and Improvements	
<b>Cost</b>				
Balance at beginning of year		₱1,484,364	₱330,191	₱1,814,555
Foreclosures		40,577	55,393	95,970
Disposals		(72,456)	(5,528)	(77,984)
Balance at end of year		1,452,485	380,056	1,832,541
<b>Accumulated Depreciation and Amortization</b>				
Balance at beginning of year		-	122,754	122,754
Depreciation and amortization	10	-	19,160	19,160
Disposals		-	(1,386)	(1,386)
Balance at end of year		-	140,528	140,528
<b>Accumulated Impairment Losses</b>				
Balance at beginning of year		31,181	1,031	32,212
Disposals		(1,727)	-	(1,727)
Balance at end of year		29,454	1,031	30,485
<b>Carrying Amount</b>		<b>₱1,423,031</b>	<b>₱238,497</b>	<b>₱1,661,528</b>

Details on the sale of investment properties are as follows:

	2022	2021	2020
Proceeds	₱52,353	₱340,218	₱25,417
Carrying amount	23,789	74,871	15,122
Gain on sale	₱28,564	₱265,347	₱10,295

In 2020, the Bank derecognized investment properties with carrying amount of ₱84,765.

The carrying value of properties for rental purposes amounted to ₱119.8 million and ₱289.8 million as at December 31, 2022 and 2021, respectively. Rent income amounted to ₱37.4 million, ₱49.4 million and ₱41.2 million in 2022, 2021, and 2020, respectively (see Note 20). Direct operating expenses from investment properties not generating rent income amounted to ₱25.2 million, ₱10.8 million and ₱16.7 million in 2022, 2021 and 2020, respectively.

In 2022, 2021 and 2020, loans with an aggregate carrying amount of ₱299.8 million, ₱53.0 million and ₱95.4 million, respectively, were derecognized in exchange for foreclosed properties. Gain on foreclosure amounted to ₱140,884, ₱36,210 and ₱173,628 in 2022, 2021 and 2020, respectively.

The aggregate fair value of the investment properties amounted to ₱4,758.6 million and ₱3,835.3 million as at December 31, 2022 and 2021, respectively. Fair value was determined based on valuations made by independent or in-house appraisers. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value. The fair value measurement is categorized as Level 2 (significant observable inputs).

## 12. Other Assets

This account consists of:

	2022	2021
Creditable withholding tax	₱88,975	₱45,671
Prepaid expenses	67,964	34,530
Documentary stamp tax	31,959	25,228
Computer software	25,161	33,777
Refundable deposits	22,354	23,260
Other investments	21,057	20,757
RCOCI	562	6,245
Others	65,478	64,237
	<b>₱323,510</b>	<b>₱253,705</b>

Prepaid expenses comprise of business taxes and licenses, and insurance premium paid in advance.

Movements in computer software are as follows:

	Note	2022	2021
<b>Cost</b>			
Balance at beginning of year		₱89,573	₱64,810
Additions		611	24,763
Balance at end of year		90,184	89,573
<b>Amortization</b>			
Balance at beginning of year		55,796	49,518
Amortization	10	9,227	6,278
Balance at end of year		65,023	55,796
<b>Carrying Amount</b>		<b>₱25,161</b>	<b>₱33,777</b>

Other investments represent the required minimum amount of investment in various banking facilities to avail of their services and support the viability and sustainability of the banking network system.

## 13. Allowance for Credit and Impairment Losses

Movements in the allowance for credit and impairment losses on financial assets are as follows:

	2022				Total
	Financial Assets at Amortized Cost (see Note 8)	Debt Securities at FVOCI (see Note 8)	Loans and Receivables (see Note 9)	Commitments and Other Contingent Assets (see Note 16)	
Balances at beginning of year	₱79,208	₱107,623	₱4,252,428	₱14,257	₱4,453,516
Reversal	(66,454)	(90,939)	-	-	(157,393)
Derecognition	-	-	(120,800)	-	(120,800)
Translation adjustment	5,828	7,668	-	-	13,496
Balances at end of year	<b>₱18,582</b>	<b>₱24,352</b>	<b>₱4,131,628</b>	<b>₱14,257</b>	<b>₱4,188,819</b>

2021					
	Financial Assets at Amortized Cost (see Note 8)	Debt Securities at FVOCI (see Note 8)	Loans and Receivables (see Note 9)	Commitments and Other Contingent Assets (see Note 16)	Total
Balances at beginning of year	₱19,108	₱26,616	₱4,201,515	₱14,257	₱4,261,496
Provision	60,100	81,007	1,321,046	-	1,462,153
Reversal	-	-	(1,207,724)	-	(1,207,724)
Derecognition	-	-	(62,409)	-	(62,409)
<b>Balances at end of year</b>	<b>₱79,208</b>	<b>₱107,623</b>	<b>₱4,252,428</b>	<b>₱14,257</b>	<b>₱4,453,516</b>

With the foregoing level of allowance for credit and impairment losses, management believes that the Bank has sufficient allowance to cover for any losses that the Bank may incur from the non-collection or non-realization of its financial assets.

Allowance for credit and impairment losses on loans and receivables relates to the following:

	2022	2021
Loans receivables from customers	<b>₱4,108,861</b>	₱4,125,432
Accrued interest	<b>22,767</b>	126,996
	<b>₱4,131,628</b>	₱4,252,428

Below is the analysis of movements of corporate accounts:

	2022			Total
	Stage 1	Stage 2	Stage 3	
<b>Gross Amount</b>				
Balances at beginning of year	₱16,518,554	₱1,509,990	₱3,017,899	₱21,046,443
Loan releases	3,803,093	-	-	3,803,093
Payments/foreclosures	(4,617,688)	(484,446)	(144,557)	(5,246,691)
Transfers to stage 1	594,418	(509,224)	(85,194)	-
Transfers to stage 2	(626,742)	661,574	(34,832)	-
Transfers to stage 3	-	(61,302)	61,302	-
<b>Balances at end of year</b>	<b>15,671,635</b>	<b>1,116,592</b>	<b>2,814,618</b>	<b>19,602,845</b>
<b>Allowance for Impairment and Credit Losses</b>				
Balances at beginning of year	203,898	807,004	2,163,002	3,173,904
Provisions	172,058	122,203	41,575	335,836
Reversals	(33,398)	(411,965)	(16,619)	(461,982)
Transfers to stage 1	72	(72)	-	-
Transfers to stage 2	(43,099)	55,952	(12,853)	-
<b>Balances at end of year</b>	<b>299,531</b>	<b>573,122</b>	<b>2,175,105</b>	<b>3,047,758</b>
<b>Carrying Amount</b>	<b>₱15,372,104</b>	<b>₱543,470</b>	<b>₱639,513</b>	<b>₱16,555,087</b>

	2021			Total
	Stage 1	Stage 2	Stage 3	
<b>Gross Amount</b>				
Balances at beginning of year	₱17,764,185	₱80,133	₱3,085,212	₱20,929,530
Loan releases	3,741,915	20,000	951,199	4,713,114
Payments/foreclosures	(3,896,392)	(80,132)	(619,677)	(4,596,201)
Transfers to stage 1	(893,152)	1,489,989	(596,837)	-
Transfers to stage 2	(198,002)	-	198,002	-
<b>Balances at end of year</b>	<b>16,518,554</b>	<b>1,509,990</b>	<b>3,017,899</b>	<b>21,046,443</b>
<b>Allowance for Impairment and Credit Losses</b>				
Balances at beginning of year	624,401	-	2,712,191	3,336,592
Provisions	133,155	44,913	444,446	622,514
Reversals	(186,576)	-	(598,626)	(785,202)
Transfers to stage 2	(367,082)	762,091	(395,009)	-
<b>Balances at end of year</b>	<b>203,898</b>	<b>807,004</b>	<b>2,163,002</b>	<b>3,173,904</b>
<b>Carrying Amount</b>	<b>₱16,314,656</b>	<b>₱702,986</b>	<b>₱854,897</b>	<b>₱17,872,539</b>

Below is the analysis of movements of individual accounts:

	2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Gross Amount</b>				
Balances at beginning of year	P3,301,706	P547,717	P931,813	P4,781,236
Loan releases	1,091,138	27,606	8,000	1,126,744
Payments/foreclosures	(914,761)	(8,653)	(43,895)	(967,309)
Transfers to stage 1	77,890	(36,263)	(41,627)	-
Transfers to stage 2	(2,267)	14,642	(12,375)	-
Transfers to stage 3	-	(10,737)	10,737	-
Balances at end of year	3,553,706	534,312	852,653	4,940,671
<b>Allowance for Impairment and Credit Losses</b>				
Balances at beginning of year	92,930	286,064	572,534	951,528
Provisions	26,150	90,430	192,774	309,354
Reversals	(30,364)	(18,289)	(151,126)	(199,779)
Transfers to stage 1	(19)	19	-	-
Transfers to stage 2	350	(4,950)	4,600	-
Transfers to stage 3	-	3,723	(3,723)	-
Balances at end of year	89,047	356,997	615,059	1,061,103
<b>Carrying Amount</b>	<b>P3,464,659</b>	<b>P177,315</b>	<b>P237,594</b>	<b>P3,879,568</b>

	2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Gross Amount</b>				
Balances at beginning of year	P4,219,222	P144,719	P955,266	P5,319,207
Loan releases	865,873	3,645	661,125	1,530,643
Payments	(1,355,489)	(1,182)	(658,943)	(2,015,614)
Foreclosures	-	-	(53,000)	(53,000)
Transfers to stage 1	143,537	(143,537)	-	-
Transfers to stage 2	(537,524)	544,072	(6,548)	-
Transfers to stage 3	(33,913)	-	33,913	-
Balances at end of year	3,301,706	547,717	931,813	4,781,236
<b>Allowance for Impairment and Credit Losses</b>				
Balances at beginning of year	339,018	14,472	433,230	786,720
Provisions	92,930	14,291	476,395	583,616
Reversals	(67,245)	(14,472)	(337,091)	(418,808)
Transfers to stage 2	(271,773)	271,773	-	-
Balances at end of year	92,930	286,064	572,534	951,528
<b>Carrying Amount</b>	<b>P3,208,776</b>	<b>P261,653</b>	<b>P359,279</b>	<b>P3,829,708</b>

#### 14. Deposit Liabilities

This account consists of:

	2022	2021
Demand	P766,727	P1,249,328
Savings	99,955,236	100,445,174
Time	46,350,563	43,620,177
	<b>P147,072,526</b>	<b>P145,314,679</b>

As mandated by the BSP, the Bank is subject to statutory reserve requirement on peso deposit and deposit substitute liabilities. The Bank is compliant with the 12% reserve requirement as at December 31, 2022 and 2021.



As at December 31, 2022 and 2021, the Bank is in compliance with such requirements. Available reserves of the Bank submitted to the BSP are as follows:

	2022	2021
Cash and other cash items	<b>₱1,035,708</b>	₱966,923
Due from BSP	<b>17,194,897</b>	41,936,529
	<b>₱18,230,605</b>	₱42,903,452

The deposit liabilities bear annual fixed interest rate of 0.05% to 4.25% in 2022, 0.05% to 1.75% in 2021 and 0.05% to 3.75% in 2020.

Interest expense on deposit liabilities account consists of:

	2022	2021	2020
Savings deposits	<b>₱2,136,202</b>	₱1,404,268	₱2,447,770
Time deposits	<b>602,267</b>	532,697	847,816
	<b>₱2,738,469</b>	₱1,936,965	₱3,295,586

#### 15. Accrued Interest, Taxes and Other Expenses

This account consists of:

	2022	2021
Accrued interest	<b>₱75,298</b>	₱37,085
Accrued expenses	<b>68,321</b>	67,623
Taxes and licenses payable	<b>64,770</b>	51,353
	<b>₱208,389</b>	₱156,061

#### 16. Other Liabilities

This account consists of:

	Note	2022	2021
Accounts payable		<b>₱68,346</b>	₱93,397
Outstanding acceptances and customers' liabilities		<b>60,588</b>	15,703
Statutory liabilities		<b>55,116</b>	34,023
Dormant deposit accounts		<b>18,417</b>	19,602
Due to the Treasurer of the Philippines		<b>15,911</b>	16,189
Provision for impairment losses on commitments and other contingent assets	13	<b>14,257</b>	14,257
Security deposit		<b>3,772</b>	3,772
Deposits for safety deposit boxes		<b>5,242</b>	5,183
Retirement liability	21	<b>3,300</b>	2,418
Others		<b>24,275</b>	31,509
		<b>₱269,224</b>	₱236,053

Accounts payable mainly consist of unpaid charges pertaining to cash card and trading transactions and are normally settled in the following month.

Outstanding acceptances and customers' liabilities pertain to payables arising from customer trade for which the Bank has given accommodations to the buyer/importer in the form of acceptance credit. These are normally settled within the next reporting year.

Due to the Treasurer of the Philippines pertains to remaining balances of dormant accounts surrendered to the Treasurer of the Philippines. These are normally settled within the next reporting year.

Others mainly consist of deferred charges.

## 17. Classification of Assets and Liabilities

The following tables present the carrying amount of assets and liabilities classified as either current or noncurrent as at December 31:

	Note	2022			2021		
		Current	Noncurrent	Total	Current	Noncurrent	Total
<b>Financial Assets</b>							
Cash and other cash items	6	₱1,035,708	₱–	₱1,035,708	₱966,923	₱–	₱966,923
Due from BSP	6	17,194,897	–	17,194,897	41,936,529	–	41,936,529
Due from other banks	6	1,196,557	–	1,196,557	2,196,721	–	2,196,721
Securities purchased under resale agreement	7	1,381,191	–	1,381,191	12,951,080	–	12,951,080
Loans and receivables	9	20,283,775	4,922,298	25,206,073	21,020,318	5,716,571	26,736,889
Investment securities:							
Financial assets at FVOCI		1,723,717	20,001,796	21,725,513	2,140,137	23,987,171	26,127,308
Financial assets at amortized cost		63,467,682	36,261,091	99,728,773	25,000,000	35,348,220	60,348,220
Other assets*	12	562	43,411	43,973	6,245	44,017	50,262
		106,284,089	61,228,596	167,512,685	106,217,953	65,095,979	171,313,932
Less allowance for credit and impairment losses**	13	3,327,682	846,880	4,174,562	3,343,223	1,096,036	4,439,259
		102,956,407	60,381,716	163,338,123	102,874,730	63,999,943	166,874,673
<b>Nonfinancial Assets</b>							
Property and equipment	10	–	4,505,643	4,505,643	–	4,198,739	4,198,739
Investment properties	11	–	2,242,129	2,242,129	–	1,832,541	1,832,541
Deferred tax assets	26	–	544,689	544,689	–	579,019	579,019
Other assets	12	188,898	155,662	344,560	105,429	153,810	259,239
		188,898	7,448,123	7,637,021	105,429	6,764,109	6,869,538
Less:							
Accumulated depreciation and amortization	10, 11	–	1,549,520	1,549,520	–	1,434,649	1,434,649
Allowance for impairment losses	11	–	70,259	70,259	–	30,485	30,485
		–	1,619,779	1,619,779	–	1,465,134	1,465,134
		188,898	5,828,344	6,017,242	105,429	5,298,975	5,404,404
		₱103,145,305	₱66,210,060	₱169,355,365	₱102,980,159	₱69,298,918	₱172,279,077
<b>Financial Liabilities</b>							
Deposit liabilities	14	₱100,721,963	₱46,350,563	₱147,072,526	₱135,154,238	₱10,160,441	₱145,314,679
Manager's checks		142,903	–	142,903	328,803	–	328,803
Accrued interest and others expenses	15	143,619	–	143,619	104,708	–	104,708
Lease liabilities	24	51,685	142,185	193,870	45,187	135,321	180,508
Other liabilities***	16	196,551	–	196,551	185,355	–	185,355
		101,256,721	46,492,748	147,749,469	135,818,291	10,295,762	146,114,053
<b>Nonfinancial Liabilities</b>							
Accrued taxes		64,770	–	64,770	51,353	–	51,353
Other liabilities		69,373	3,300	72,673	48,280	2,418	50,698
		134,143	3,300	137,443	99,633	2,418	102,051
		₱101,390,864	₱46,496,048	₱147,886,912	₱135,917,924	₱10,298,180	₱146,216,104

\*Includes refundable deposits, other investments and RCOCI under "Other assets".

\*\*Excluding allowance for commitments and other contingent assets.

\*\*\*Excluding statutory liabilities, provision for impairment losses on commitments and other contingent assets and retirement liability.

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## 18. Equity

### Capital Stock

Capital stock as at December 31, 2022 and 2021 consists of:

	Number of Shares	Amount
Authorized - ₱10 par value*	₱2,200,000	₱22,000,000
Issued and outstanding	1,000,000	10,000,000

*\*Par value is stated in absolute values*

The Bank listed its shares in the PSE on February 17, 1988. As at December 31, 2022 and 2021, 1,000,000 of the Bank's common shares are listed in the PSE.

There are no movements in the number of outstanding shares for all the periods presented. As at December 31, 2022 and 2021, the Bank has 82 stockholders of record.

### Reserves

Reserves as at December 31, 2022 and 2021 consist of:

Reserve for contingencies	₱38,658
Reserve for self-insurance	33,342
Reserve for trust business	320
	<u>₱72,320</u>

In compliance with the existing BSP regulations, the Bank should, before the declaration of dividends, carry to retained earnings at least 10% of its income from trust operations since the last preceding dividend declaration until the retained earnings amount to 20% of its authorized capital stock.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Bank's personnel or third parties.

### Cash Dividends

The Bank has not declared cash dividends in 2022, 2021 and 2020.

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## 19. Earnings Per Share

Basic EPS amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations:

	2022	2021	2020
Net income	<b>₱745,286</b>	₱826,338	₱948,538
Weighted average of outstanding common shares	<b>1,000,000</b>	1,000,000	1,000,000
	<b>₱0.75</b>	₱0.83	₱0.95

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As at December 31, 2022, 2021 and 2020, there were no outstanding dilutive potential common shares.

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## 20. Other Income (Charges)

This account consists of:

	Note	2022	2021	2020
Gain on sale of property and equipment	10	<b>₱43,103</b>	₱2,237	₱8,131
Rent income		<b>41,501</b>	54,574	46,047
Dividend income		<b>14,557</b>	15,223	27,845
Income from trust operations		<b>3,636</b>	3,026	2,838
Others		<b>25,257</b>	12,902	(45,655)
		<b>₱128,054</b>	₱87,962	₱39,206

Others consist of loss on derecognition of investment properties, commission from sale of COCI tickets, income on pre-terminated time deposits, sale of defective materials, charges for refitting lockset, and interest on bid amount of auctioned properties.

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## 21. Compensation and Employee Benefits

This account consists of:

	2022	2021	2020
Salaries and other employee benefits	<b>₱827,905</b>	₱778,676	₱829,904
Retirement benefits	<b>54,192</b>	51,067	52,675
Statutory benefits	<b>27,641</b>	24,669	20,612
Dental, medical and hospitalization	<b>15,869</b>	19,911	19,045
	<b>₱925,607</b>	₱874,323	₱922,236

### **Retirement Plan**

The Bank has a funded, DC plan for qualifying employees. Under the plan, the employees are entitled to retirement benefits in relation to the proportion of the fair value of the total contributions on their attainment of the retirement age. The assets of the fund are being administered by trustees and are held separately from those of the Bank.

Under RA 7641, the Bank also provides for its qualified employees a DB minimum guarantee, which is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service. The latest actuarial valuation report is for the year ended December 31, 2022.

The present value of the DB minimum guarantee under RA 7641 amounted to ₱3,300 and ₱2,418 as at December 31, 2022 and 2021, respectively (see Note 16). The Bank has no unallocated DC plan assets as at December 31, 2022 and 2021.

The Bank is exposed to the risk of changes in government securities yields, wherein a decrease in government securities yields will increase the projected DB minimum guarantee, although this will be partially offset by an increase in the value of any unallocated plan assets' securities holdings.

Details of the present value of the DB minimum guarantee obligation are as follows:

	Note	2022	2021
Balance at beginning of year		<b>₱2,418</b>	₱947
Interest expense		<b>118</b>	35
Current service cost		<b>64</b>	23
Remeasurement loss (gain) arising from:			
Experience adjustments		<b>718</b>	1,497
Changes in financial assumptions		<b>(18)</b>	(84)
Balance at end of year	16	<b>₱3,300</b>	₱2,418

Details of the retirement benefits recognized in profit or loss are as follows:

	2022	2021	2020
Interest expense	<b>₱118</b>	₱35	₱53
Current service cost	<b>64</b>	23	34
Retirement benefits recognized	<b>182</b>	58	87
Retirement benefits on DC plan (contributions during the year)	<b>54,010</b>	51,009	52,588
	<b>₱54,192</b>	₱51,067	₱52,675

Details of cumulative remeasurement gains on retirement liability follow:

	2022		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 26)	Net
Balance at beginning of year	<b>₱10,294</b>	<b>₱2,573</b>	<b>₱7,721</b>
Remeasurement loss	<b>(700)</b>	<b>(175)</b>	<b>(525)</b>
Balance at end of year	<b>₱9,594</b>	<b>₱2,398</b>	<b>₱7,196</b>

	2021		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 26)	Net
Balance at beginning of year	₱11,707	₱3,512	₱8,195
Remeasurement loss	(1,413)	(354)	(1,059)
Change in tax rates	—	(585)	585
Balance at end of year	₱10,294	₱2,573	₱7,721

The average duration of the defined benefit obligation at the end of 2022 is five years.

As at December 31, 2022 and 2021, the Bank's undiscounted benefit payments amounting to ₱3,415 and ₱2,649 are expected to be settled within one to five years.

The Bank's assumptions are based on actual historical experience and external data regarding salary and discount rate trends. The Bank considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimation of DB obligation.

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## 22. Occupancy and Equipment-related Expenses

This account consists of:

	Note	2022	2021	2020
Depreciation and amortization	10	<b>₱175,035</b>	₱148,379	₱163,226
Rent	24	<b>4,606</b>	27,876	6,520
		<b>₱179,641</b>	₱176,255	₱169,746

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## 23. Other Operating Expenses

This account consists of:

	Note	2022	2021	2020
Insurance		<b>₱301,011</b>	₱289,201	₱279,074
Taxes and licenses		<b>287,977</b>	231,837	373,262
Security, messengerial and janitorial		<b>168,118</b>	158,663	158,593
Information technology		<b>78,646</b>	36,980	31,074
Communications, light and water		<b>57,222</b>	50,985	47,146
Supervision and examination fees		<b>55,664</b>	112,590	50,875
Litigation expense		<b>45,769</b>	27,719	27,202
Provision for impairment losses on investment properties	11	<b>40,689</b>	–	–
Promotions and business development		<b>31,539</b>	31,189	17,676
Professional fees		<b>27,438</b>	17,101	17,880
Documentary stamp tax		<b>18,680</b>	2,993	18,093
Repairs and maintenance		<b>16,435</b>	14,360	14,160
Transportation and travel		<b>10,502</b>	7,906	5,350
Interest expense on lease liabilities	24	<b>9,999</b>	8,961	10,211
Supplies expense		<b>8,596</b>	7,999	7,667
Others		<b>48,712</b>	39,128	55,580
		<b>₱1,206,997</b>	₱1,037,612	₱1,113,843

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Others pertain to bank charges, meals and service charges.

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## 24. Leases

The Bank has various non-cancellable lease agreements for the use of its branches for a period of one to 10 years, renewable upon mutual agreement of both parties and subject to annual lease escalation of 5% to 10%.

ROU assets pertain to leased branch premises (see Note 10).

Movements in the lease liabilities are presented below.

	<b>2022</b>	2021
Balance at beginning of year	<b>₱180,508</b>	₱183,170
Additions	<b>64,629</b>	42,904
Payments	<b>(61,266)</b>	(54,527)
Interest expense	<b>9,999</b>	8,961
	<b>193,870</b>	180,508
Current portion	<b>51,685</b>	45,187
Noncurrent portion	<b>₱142,185</b>	₱135,321

Lease-related expenses are presented below.

	Note	<b>2022</b>	2021	2020
Amortization of ROU assets	10	<b>₱53,950</b>	₱47,383	₱63,161
Interest on lease liabilities	23	<b>9,999</b>	8,961	10,211
Rent expense	22	<b>4,606</b>	27,876	6,520
		<b>₱68,555</b>	₱84,220	₱79,892

Rent expense in 2022 and 2021 pertains to short-term lease on some branches with less than 12 months term at date of transition and variable lease payments.

Undiscounted amounts of future lease commitments are as follows:

	<b>2022</b>	2021
Not later than one year	<b>₱59,842</b>	₱42,612
Later than one year but not more than five years	<b>147,155</b>	112,976
Later than five years	<b>6,996</b>	6,996
	<b>₱213,993</b>	₱162,584

## 25. Related Party Transactions and Balances

In the ordinary course of business, the Bank can enter into loan and other transactions with its related parties and with certain directors, officers, stockholders, and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. These limits do not apply to loans secured by assets considered as non-risk as defined in the BSP regulations.

In the ordinary course of business, the Bank has transactions with related parties summarized as follows:

Nature of Transactions	2022		2021	
	Transactions during the Year	Outstanding Balances	Transactions during the Year	Outstanding Balances
<b>Entities under Common Management</b>				
Loans and receivables	<b>₱799,002</b>	<b>₱799,002</b>	₱5,000	₱804,002
Interest income	<b>12,603</b>	–	214,406	–
Investment in equity securities	–	<b>1,342</b>	–	208,353
Deposit liabilities	<b>159,051</b>	<b>441,845</b>	(10,911)	282,794
Interest expense	<b>5,877</b>	–	2,617	–
Rent income	<b>22,677</b>	–	29,797	–
Rent expense	<b>12,958</b>	–	13,641	–
Others	<b>14,282</b>	–	22,344	–
<b>Stockholders</b>				
Loans and receivables	<b>700,000</b>	<b>700,000</b>	130,000	1,000,000
Interest income	<b>32,406</b>	–	25,650	–
<b>Interest</b>				
Loans and receivables	<b>1,064,002</b>	<b>2,377,002</b>	160,000	1,313,000
Interest income	<b>88,470</b>	–	35,857	–

### Terms and Conditions

*Loans and Receivables.* Loans and receivables from related parties pertain to bills discounted loan with a term of three to five years and bear annual interest rates ranging from 3.50% to 5.00% in 2022 and 2021.

*Investments in Equity Securities.* This pertains to investments in quoted equity securities that are classified as financial assets at FVOCI.

*Deposit Liabilities.* Deposits made by related parties bear interest rates ranging from 0.25% to 3.25% in 2022 and 2021.

*Rent Income.* Lease transactions, as a lessor, have term of one to 10 years and renewable upon mutual agreement of the parties.

*Rent Expense.* Lease transaction, as a lessee, have term of one to two years and renewable upon mutual agreement of the parties.

*Other Transactions.* Other transactions with entities under common management pertain to services rendered by related parties to the Bank that are included under other operating expenses.

### Compensation of Key Management Personnel

The compensation of the key management personnel included under compensation and employee benefits follows:

	2022	2021	2020
Short-term employee benefits	<b>₱149,339</b>	₱138,002	₱146,546
Post-employment retirement benefits	<b>24,856</b>	48,696	13,197
	<b>₱174,195</b>	₱186,698	₱159,743



**Transactions with Retirement Plan**

Management of the retirement fund of the Bank is handled by its Trust Unit. The fair values of the fund amounted to ₱1,085,609 and ₱1,117,265 as at December 31, 2022 and 2021, respectively.

**26. Income Taxes**

Income taxes include corporate income tax and FCDU final taxes, as discussed below, and final tax paid at the rate of 20.00% on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as “Income tax expense” in the statements of income.

Effective in May 2004, RA No. 9294 restored the tax exemption of FCDU and offshore banking units (OBU). Under such law, the income derived by the FCDU from foreign currency transactions with nonresidents, OBU, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBU or other depository banks under the expanded system is subject to 10% final income tax.

Components of income tax expense are as follows:

	<b>2022</b>	2021	2020
Final tax	<b>₱653,512</b>	₱435,490	₱737,314
Deferred income tax	<b>34,505</b>	119,902	263,004
	<b>₱688,017</b>	₱555,392	₱1,000,318

The reconciliation of the income tax expense at statutory tax rate and income tax expense as presented in the statements of income is as follows:

	<b>2022</b>	2021	2020
Income tax expense at statutory tax rate	<b>₱358,325</b>	₱345,433	₱584,657
Tax effects of:			
Expiration of NOLCO	<b>566,382</b>	354,627	128,266
Nontaxable income	<b>(416,206)</b>	(494,556)	(1,072,759)
Nondeductible expenses	<b>271,854</b>	272,339	454,803
Interest income subjected to final tax	<b>(127,072)</b>	(83,337)	(60,451)
Changes in unrecognized deferred tax assets	<b>34,734</b>	44,555	961,676
Change in tax rate	-	116,331	-
Expiration of MCIT	-	-	4,126
	<b>₱688,017</b>	₱555,392	₱1,000,318

Deferred tax expense (benefit) is recognized as follows:

	<b>2022</b>	2021
Through:		
Profit or loss	<b>₱34,505</b>	₱119,902
Other comprehensive income	<b>(175)</b>	(939)
	<b>₱34,330</b>	₱118,963

Deferred tax assets arise from the following:

	2022	2021
Deferred tax assets on:		
Allowance for credit and impairment losses	P635,069	P635,069
Excess of lease liabilities over ROU assets	5,610	4,939
Retirement liability	825	604
	<b>641,504</b>	640,612
Deferred tax liabilities on:		
Unrealized gain on foreclosure of investment properties	(96,806)	(61,585)
Others	(9)	(8)
	<b>(96,815)</b>	(61,593)
	<b>P544,689</b>	P579,019

Net deferred tax assets are recognized as follows:

	Note	2022	2021
Through:			
Profit or loss		P542,291	P576,446
Other comprehensive income	21	2,398	2,573
		<b>P544,689</b>	P579,019

As at December 31, the Bank has not recognized deferred tax assets relating to the following deductible temporary differences:

	2022	2021
NOLCO	P1,721,563	P1,666,573
Allowance for impairment losses on:		
Loans	397,837	428,038
Investment properties	17,565	7,621
Commitments and other contingent assets	3,564	3,564
	<b>P2,140,529</b>	P2,105,796

Management assessed that it is not probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets on the foregoing deductible temporary differences to be utilized.

Details of NOLCO are as follows:

Year of incurrance	Year of expiry	Amount	Expired	Balance
2019	2022	P2,265,529	(P2,265,529)	P-
2020	2025	2,712,971	-	2,712,971
2021	2026	1,687,788	-	1,687,788
2022	2025	2,485,491	-	2,485,491
		<b>P9,151,779</b>	<b>(P2,265,529)</b>	<b>P6,886,250</b>

Under RA No. 11494, *Bayanihan to Recover as One Act*, and Revenue Regulations No. 25-2020, the Bank is allowed to carry over its net operating losses for the taxable years 2020 and 2021 for the next five consecutive taxable years immediately following the year of such loss.

On March 26, 2021, the CREATE Act was approved and signed into law by the country's President. Under the CREATE Act, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020.

The change in tax rates used, however, for the year ended December 31, 2020 was not adopted because the passing of the law is considered as a non-adjusting event for financial reporting. The change in tax rate from 30% to 25% for RCIT and 2% to 1% for MCIT was recognized in 2022 and 2021 in accordance with the relevant accounting standards.

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## 27. Trust Operations

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for clients and beneficiaries are not included in the accompanying statements of financial position since these are not assets of the Bank.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions: (a) government securities included under financial assets at amortized cost in the statements of financial position with a total face value of ₱20,000 and ₱15,000 as at December 31, 2022 and 2021, respectively, are deposited with the BSP as security for the Bank's faithful compliance with its fiduciary obligations; and (b) a certain percentage of the Bank's trust fee income is transferred to retained earnings. This yearly transfer is required until the retained earnings for trust function equals 20.00% of the Bank's authorized share capital.

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## 28. Commitments and Contingent Assets and Liabilities

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. Management does not anticipate any material losses as a result of these transactions.

As at December 31, 2022 and 2021, the Bank is involved in various legal proceedings relating to uncollected loans and acquired properties. Based on the opinion of its legal counsels, the Bank is in a good position to secure favorable judgment in most of these cases. Management therefore believes that the outcome of these proceedings will not have material adverse effect on the financial position and performance of the Bank.

The following is a summary of contingencies and commitments of the Bank with the contractual amounts:

	2022	2021
Trust department accounts	₱1,085,609	₱1,117,265
Unused commercial letters of credit	214,140	188,671
Outward bills for collection	32,052	18,775
Late deposits	22,958	–
Inward bills for collection	12,459	2,186
Items held as collateral	5	12
	₱1,367,223	₱1,326,909

## 29. Segment Information

A segment is a distinguishable component of the Bank that is engaged either in providing types of services (business segment).

Banking operations for the year 2022 and 2021 were only segmented into two (2) major business segments, lending and treasury operations. The foregoing segments contribute the most in the generated income of the Bank. Gross revenues for treasury operations accounted for 76% while the remaining 24% came from lending and allied operations of total revenues for the years 2022 and 2021. Lending operation is largely limited to commercial loans which accounted for approximately 99% of total loan portfolio for the two (2) years under review.

The table below present financial information on business segments as at and for the years ended December 31, 2022, 2021 and 2020:

	2022		Total
	Treasury Group	Lending Group	
<b>Segment Revenue</b>			
Interest income from treasury operations	₱4,431,388	₱-	₱4,431,388
Interest expense	(2,737,960)	(509)	(2,738,469)
Interest income from lending operations	-	1,128,101	1,128,101
Reversal of credit and impairment losses	157,393	-	157,393
Other income	597,686	169,448	767,134
	<b>2,448,507</b>	<b>1,297,040</b>	<b>3,745,547</b>
Compensation and employee benefits	(881,308)	(44,299)	(925,607)
Income tax expense	(688,017)	-	(688,017)
Occupancy and equipment-related expenses	(179,641)	-	(179,641)
Other operating expenses	(1,206,996)	-	(1,206,996)
<b>Segment Operating Profit (Loss)</b>	<b>(₱507,455)</b>	<b>₱1,252,741</b>	<b>₱745,286</b>
<b>Segment Assets</b>	<b>₱146,277,262</b>	<b>₱23,078,103</b>	<b>₱169,355,365</b>
	2021		Total
	Treasury Group	Lending Group	
<b>Segment Revenue</b>			
Interest income from treasury operations	₱3,356,500	₱-	₱3,356,500
Interest expense	(1,936,617)	(348)	(1,936,965)
Interest income from lending operations	-	1,048,431	1,048,431
Provision for credit and impairment losses	(116,483)	(137,946)	(254,429)
Other income	954,826	301,557	1,256,383
	<b>2,258,226</b>	<b>1,211,694</b>	<b>3,469,920</b>
Compensation and employee benefits	(836,643)	(37,680)	(874,323)
Income tax expense	(555,392)	-	(555,392)
Occupancy and equipment-related expenses	(176,255)	-	(176,255)
Other operating expenses	(1,037,612)	-	(1,037,612)
<b>Segment Operating Profit (Loss)</b>	<b>(₱347,676)</b>	<b>₱1,174,014</b>	<b>₱826,338</b>
<b>Segment Assets</b>	<b>₱148,162,140</b>	<b>₱24,116,937</b>	<b>₱172,279,077</b>

	2020		
	Treasury Group	Lending Group	Total
<b>Segment Revenue</b>			
Interest income from treasury operations	₱4,094,162	₱-	₱4,094,162
Interest expense	(3,295,586)	-	(3,295,586)
Interest income from lending operations	-	1,276,845	1,276,845
Reversal of (provision for) credit and impairment losses	(193,906)	41,206	(152,700)
Other income	113,366	2,118,594	2,231,960
	718,036	3,436,645	4,154,681
Income tax expense	(1,000,318)	-	(1,000,318)
Compensation and employee benefits	(922,236)	-	(922,236)
Occupancy and equipment-related expenses	(169,746)	-	(169,746)
Other operating expenses	(1,113,843)	-	(1,113,843)
	(₱2,488,107)	₱3,436,645	₱948,538
<b>Segment Assets</b>	<b>₱143,868,861</b>	<b>₱24,600,973</b>	<b>₱168,469,834</b>

## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
Philippine Trust Company (Philtrust Bank)  
Philtrust Bank Bldg., 1000 United Nations Avenue corner  
San Marcelino St., Manila

We have audited in accordance with Philippine Standards on Auditing, the accompanying financial statements of the Philippine Trust Company (Philtrust Bank) (the Bank) as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, and have issued our report dated March 28, 2023. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary schedules for submission to the Securities and Exchange Commission (SEC) are the responsibility of the Bank's management.

These supplementary schedules include the following:

- Reconciliation of Surplus/Retained Earnings Available for Dividend Declaration for the Year Ended December 31, 2022
- Schedule of Financial Soundness Indicators as at December 31, 2022 and 2021
- Schedules required by Paragraph 6 Part II of the Revised Securities Regulation Code (SRC) Rule 68

The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titles measures presented by other companies. The components of these financial soundness indicators have been traced to the Bank's Financial Statements as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, and no material exceptions were noted.



These foregoing supplementary schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 issued by the SEC, and are not part of the basic financial statements prepared in accordance with PFRS. These supplementary schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the financial statements taken as a whole.

**REYES TACANDONG & Co.**



HAYDEE M. REYES

Partner

CPA Certificate No. [REDACTED]

Tax Identification No. [REDACTED]

BOA Accreditation No. [REDACTED] Valid until April 13, 2024

SEC Accreditation No. [REDACTED] EC Group A

Issued March 10, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. [REDACTED]

Valid until October 16, 2025

PTR No. [REDACTED]

Issued January 3, 2023, Makati City

March 28, 2023

Makati City, Metro Manila

**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**  
**SCHEDULES AS REQUIRED UNDER ANNEX 68-3E**  
**OF THE REVISED SECURITIES REGULATIONS CODE RULE 68**  
**AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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Schedule	Description	Page
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B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	6
C	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements	7
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E	Indebtedness to Related Parties	9
F	Guarantees of Securities of Other Issuers	10
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*C – The Bank no longer prepares consolidated financial statements because its only subsidiary is already dissolved.*

*D – The Bank does not have long-term debt. Long-term liabilities pertain to deposit and lease liabilities.*

*E – The Bank does not have long-term loans from related companies.*

*F – None to report.*



**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**

**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
FOR THE YEAR ENDED DECEMBER 31, 2022**

*Amounts in Thousands*

<b>Retained earnings as shown in the financial statements, at beginning of year</b>		<b>₱14,675,066</b>
Adjustments for deferred tax assets at beginning of year		(579,019)
<b>Retained earnings, at beginning of year, as adjusted</b>		<b>14,096,047</b>
Net income		745,286
Add (Deduct):		
Fair value adjustment of investment properties resulting to gain	(140,884)	
Amortization of premium and discount of investment securities	(137,992)	
Net unrealized foreign exchange gain (excluding those attributable to cash and cash equivalents)	(59,450)	
Movement in deferred tax assets	34,330	(303,996)
<b>Net income actually earned</b>		<b>441,290</b>
<b>Retained Earnings Available for Dividend Declaration</b>		<b>₱14,537,337</b>

**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS AT DECEMBER 31, 2022 AND 2021**  
*Amounts in Thousands*

<b>Ratio</b>	<b>Formula</b>	<b>2022</b>	<b>2021</b>
Current ratio	Total current assets	<b>₱103,145,305</b>	₱102,980,159
	Divided by: total current liabilities	<b>101,390,864</b>	135,917,924
	<b>Current ratio</b>	<b>1.02:1</b>	0.76:1
Acid test ratio	Cash and other cash items, due from BSP and other banks, investment securities	<b>₱142,219,705</b>	₱144,339,950
	Divided by: total current liabilities	<b>101,390,864</b>	135,917,924
	<b>Acid test ratio</b>	<b>1.4:1</b>	1.06:1
Solvency ratio	Net income	<b>₱745,286</b>	₱826,338
	Add: interest, depreciation and amortization	<b>2,913,504</b>	2,085,344
	Net income before interest, depreciation and amortization	<b>3,658,790</b>	2,911,682
	Divided by: total liabilities	<b>147,886,912</b>	146,216,104
	<b>Solvency ratio</b>	<b>0.02:1</b>	0.02:1
Debt-to-equity ratio	Total liabilities	<b>₱147,886,912</b>	₱146,216,104
	Divided by: Total equity	<b>21,468,453</b>	26,062,973
	<b>Debt-to-equity ratio</b>	<b>6.89:1</b>	5.61:1
Asset-to-equity ratio	Total assets	<b>₱169,355,365</b>	₱172,279,077
	Divided by: total equity	<b>21,468,453</b>	26,062,973
	<b>Asset-to-equity ratio</b>	<b>7.89:1</b>	6.61:1
Interest rate coverage ratio	Earnings before interest expense and taxes	<b>₱4,171,772</b>	₱3,318,695
	Divided by: interest expense	<b>2,738,469</b>	1,936,965
	<b>Interest rate coverage ratio</b>	<b>1.52:1</b>	1.71:1

<b>Ratio</b>	<b>Formula</b>	<b>2022</b>	<b>2021</b>
Return on average equity	Net income	<b>₱745,286</b>	₱826,338
	Divided by: average equity	<b>23,765,713</b>	26,486,042
	Return on equity	<b>0.03:1</b>	0.03:1
Return on average assets	Net income	<b>₱745,286</b>	₱826,338
	Divided by: average assets	<b>170,817,221</b>	170,374,456
	Return on assets	<b>0.004:1</b>	0.005:1
Capital Adequacy Ratio	Tier 1 capital	<b>₱19,856</b>	₱26,063
	Tier 2 capital	<b>239</b>	120
	Gross qualifying capital	<b>20,095</b>	26,183
	Less: regulatory adjustments/required deductions	<b>1,522</b>	1,649
	Total qualifying capital	<b>18,573</b>	24,534
	Divided by: risk weighted assets	<b>48,164</b>	48,419
		<b>0.39:1</b>	0.51:1

**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**

**SCHEDULE A – FINANCIAL ASSETS**

**DECEMBER 31, 2022**

*Amounts in Thousands, except for Number of shares*

**I. Financial Assets at Fair Value through Other Comprehensive Income**

<b>Name of issuing entity and association of each issue</b>	<b>Number of shares</b>	<b>Amount shown on the statement of financial position</b>	<b>Valued based on market quotation at end of reporting period</b>	<b>Income received and accrued</b>
<b><i>Equity Securities</i></b>				
Philippine Bank of Communications	46,519,026	₱606,608	₱606,608	₱–
Euromed Lab. Phil., Inc.	365,111,291	317,647	317,647	12,779
Manila Electric Railroad and Light Company	34,296	10,248	10,248	–
Philippine Long Distance Corporation	1,868	2,460	2,460	78
Centro Escolar University	206,498	1,342	1,342	83
San Miguel Corporation	3,083	287	287	4
Casino Espanol De Manila	–	120	120	–
Philippine Columbian Association	–	27	27	–
Manila Executive Center	–	21	21	–
	<b>411,876,062</b>	<b>₱938,760</b>	<b>₱938,760</b>	<b>₱12,944</b>

<b>Name of issuing entity and association of each issue</b>	<b>Principal amount of bonds or notes</b>	<b>Amount shown on the statement of financial position</b>	<b>Valued based on market quotation at end of reporting period</b>	<b>Income received and accrued</b>
<b><i>Foreign currency-denominated Debt Securities</i></b>				
<b>Government Bonds</b>				
ROP Bonds	\$424,452	₱20,762,401	₱20,762,401	₱739,027
<b><i>Peso-denominated Debt Securities</i></b>				
<b>Government Securities</b>				
Fixed Treasury Notes	₱–	₱–	₱–	₱12,541

**II. Financial Assets at Amortized Cost**

Name of issuing entity and association of each issue	Principal amount of bonds or notes	Amount shown on the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
<b><i>Peso-denominated Debt Securities</i></b>				
Government Securities:				
BSP Bills	₱60,000,000	₱60,000,000	₱59,993,847	₱1,443,347
Retail Treasury Bond	17,101,000	17,101,000	16,349,294	871,702
Treasury Bond	128,700	123,055	97,562	10,861
Fixed Treasury Notes	4,743,690	4,722,063	4,532,464	148,654
	<b>₱81,973,390</b>	<b>₱81,946,118</b>	<b>₱80,973,167</b>	<b>₱2,474,564</b>
<b><i>Foreign currency-denominated Debt Securities</i></b>				
Government Securities	\$304,842	₱17,597,483	₱14,144,742	572,212
Corporate Bond -				
JG Summit Holdings	3,000	166,590	165,919	6,026
	<b>\$307,842</b>	<b>₱17,764,073</b>	<b>₱14,310,661</b>	<b>₱578,238</b>

**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**

**SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND  
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

**DECEMBER 31, 2022**

*Amounts in Thousands*

<b>Name and designation of debtor</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Balance at end of year</b>
Manila Bulletin Publishing Corp.	₱1,000,000	₱1,000,000	(₱1,000,000)	₱–	₱1,000,000	₱–	₱1,000,000
Manila Hotel Corporation	809,002	799,002	(809,002)	–	799,002	–	799,002
U.S. Automotive Co. Inc.	1,000,000	700,000	(1,000,000)	–	700,000	–	700,000
U.N. Properties Development Corp.	313,000	313,000	(313,000)	–	313,000	–	313,000
ODV Creative Media	5,000	5,000	(5,000)	–	5,000	–	5,000
	<b>₱3,127,002</b>	<b>₱2,817,002</b>	<b>(₱3,127,002)</b>	<b>₱–</b>	<b>₱2,817,002</b>	<b>₱–</b>	<b>₱2,817,002</b>

*Note: Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders are subject to usual terms in the normal course of business.*

**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**

**SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

<b>Name of Debtor</b>	<b>Balance at the beginning of the period</b>	<b>Additions</b>	<b>Amounts collected (i)</b>	<b>Amounts written-off(ii)</b>	<b>Current</b>	<b>Non- current</b>	<b>Balance at the end of period</b>
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None to report.

*i. If collected was other than in cash, explain.*

*ii. Give reasons to write-off.*

**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**

**SCHEDULE D – LONG-TERM DEBT**

**DECEMBER 31, 2022**

<b>Title of issue and type of obligation (i)</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption "Current portion of long-term debt in related balance sheet " (ii)</b>	<b>Amount shown under caption "Long- term debt in related balance sheet " (iii)</b>	<b>Interest Rate %</b>	<b>Maturity Date</b>
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None to report.

*i. Include in this column each type of obligation authorized.*

*ii. This column is to be totalled to correspond to the related balance sheet caption.*

*iii. Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates*



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**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**  
**SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES**  
**DECEMBER 31, 2022**

<b>Name of Related Parties (i)</b>	<b>Balance at the beginning of the period</b>	<b>Balance at the end of the period (ii)</b>
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None to report.

- i. The related party shall be grouped as in Schedule D. The information called for shall be stated for any persons whose investments shown in separately in such related schedule.*
- ii. For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10% of the related balance at either the beginning or end of the period.*

**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**  
**SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**DECEMBER 31, 2022**

Name of the issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding (i)	Amount owned by person of which statement is filed	Nature of Guarantee (ii)
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None to report.

*i. Indicate in the note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.*

*ii. There must be a brief statement of the nature of the guarantee, such as "Guarantee of Principal and Interest", "Guarantee of Interest" or "Guarantee of Dividend". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.*

**PHILIPPINE TRUST COMPANY (PHILTRUST BANK)**

**SCHEDULE G – CAPITAL STOCK**

**DECEMBER 31, 2022**

<b>Title of Issue (i)</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under the related balance sheet caption</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by related parties (ii)</b>	<b>Directors, officers and employees</b>	<b>Others (iii)</b>
Common	2,200,000	1,000,000	–	–	889	–

*i. Include in this column each type of issue authorized*

*ii. Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.*

*iii. Indicate in a note any significant changes since the date of the last balance sheet filed.*

SEC Number : PW 105  
File Number

PHILTRUST BANK

(PHILIPPINE TRUST COMPANY)

(Company's Full Name)

UNITED NATIONS AVENUE COR. SAN MARCELINO ST. MANILA

(Company's Address)

524- 90 - 61

(Telephone Number)

(Fiscal Year Ending)

(month & day)

SEC 17- Q

(Form Type)

N / A

(Amendment Designation (If applicable))

QUARTER ENDED MARCH 31, 2023

(Period Encoded Date)

NONE

(Secondary License Type and File Number)

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, 2023
2. Commission Identification Number 105
3. BIR Tax Identification Number 000-541-102
4. Exact name of issuer as specified in its charter PHILIPPINE TRUST COMPANY-PHILTRUST BANK
5. Province, country or other jurisdiction of incorporation or organization MANILA
6. Industry Classification Code (SEC Use Only) \_\_\_\_\_
7. Address of issuer's principal office United Nations Avenue corner San Marcelino St. Manila
8. Issuer's telephone number, including area code 524-90-61 02
9. Former name, former address and former fiscal year, if changed since last report NA

10. Securities registered pursuant to Section 8 & 12 of the Code or Section 4 & 8 of the RSA

Title of each class	Number of Shares of common stock outstanding and amount of debt outstanding
<u>COMMON</u>	<u>1,000,000,000</u>

11. Are any or all of the securities listed on a Stock Exchange?

Yes ( / )                      No ( )

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

PHILIPPINE STOCK EXCHANGE                      COMMON

12. Indicate by check mark whether the registrant

(a) has filed all reports required to be filed Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ( / )                      No ( )

(b) has been subject to such filing requirements for the past ninety (90) days

Yes ( )                      No ( / )

**Part 1 - Financial Information**

Item 1. Financial Statements

SCHEDULE 1

**PHILTRUST BANK  
PHILIPPINE TRUST COMPANY  
COMPARATIVE STATEMENT OF CONDITION**

	UNAUDITED	AUDITED
	MARCH 31, 2023	DECEMBER 31, 2022
<b><u>ASSETS</u></b>		
Cash and Other Cash Items	922,833,942.12	1,035,707,582.29
Due from Bangko Sentral ng Pilipinas	16,453,935,804.37	17,194,897,054.31
Due from Other Banks	1,396,659,577.57	1,196,557,104.43
Available-for-Sale Investments	21,411,183,489.68	21,701,160,872.66
Held-to-Maturity Investments	95,687,252,243.88	99,710,190,597.04
Reverse Repurchase Agreements with the BSP	3,266,280,613.00	1,381,191,457.00
Loans and Receivables, net	21,373,527,552.83	21,074,444,967.24
Property and equipment	3,146,364,502.66	3,187,580,673.08
Investment properties	1,682,070,900.98	2,005,434,970.98
Deferred Tax Assets	579,019,171.43	544,689,450.48
Other Assets	432,723,899.25	323,509,739.80
<b>TOTAL ASSETS</b>	<b>166,351,851,697.77</b>	<b>169,355,364,469.31</b>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b><u>LIABILITIES</u></b>		
Deposits - Demand	843,207,913.22	766,727,182.26
- Savings	97,588,119,326.40	99,955,236,332.12
- Time Certificate of Deposits	45,436,012,751.77	46,350,562,639.87
Total Deposits	143,867,339,991.39	147,072,526,154.25
Manager's Checks and Demand Drafts Outstanding	103,605,208.02	142,903,170.49
Accrued Taxes, Interest and Other Expenses	255,921,052.25	208,388,660.53
Deferred Credits and Other Liabilities	477,388,573.53	463,094,201.23
<b>TOTAL LIABILITIES</b>	<b>144,704,254,825.19</b>	<b>147,886,912,186.50</b>
<b><u>EQUITY ACCOUNTS</u></b>		
Capital Stock	10,000,000,000.00	10,000,000,000.00
Reserves	72,320,381.78	72,320,381.78
Surplus	15,143,539,783.42	14,606,549,544.96
Undivided Profits	65,377,710.22	745,285,038.52
Net Unrealized Gains/(Losses)	(3,830,621,805.90)	(4,284,804,902.00)
Cummulative Translation Adjustments	189,259,904.66	321,906,547.15
Remeasurements of retirement benefit obligation	7,720,898.40	7,195,672.40
<b>TOTAL EQUITY ACCOUNTS</b>	<b>21,647,596,872.58</b>	<b>21,468,452,282.81</b>
<b>TOTAL LIABILITIES &amp; EQUITY ACCOUNTS</b>	<b>166,351,851,697.77</b>	<b>169,355,364,469.31</b>
<b><u>CONTINGENT ACCOUNTS</u></b>		
Financial Standby Letters of Credit	0.00	0.00
Performance Standby Letters of Credit	22,099,000.00	22,403,625.00
Commercial Letters of Credit	136,507,977.66	191,736,471.92
Trade Related Guarantees	0.00	0.00
Trust Department Accounts	1,112,139,165.15	1,085,609,369.80
Others	18,791,852.33	67,473,859.52
<b>TOTAL CONTINGENT ACCOUNTS</b>	<b>1,289,537,995.14</b>	<b>1,367,223,326.24</b>

**PHILTRUST BANK**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2023 & 2022**

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
<b>Net Income</b>	65,377,710.22	180,664,406.81
<b>Other Comprehensive Income</b>	<u>322,061,679.61</u>	<u>(2,435,709,249.80)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>387,439,389.83</u></u>	<u><u>(2,255,044,842.99)</u></u>

**PHILTRUST BANK**  
**STATEMENTS OF INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2023 & 2022**

	March 31, 2023	March 31, 2022
<b>INTEREST INCOME</b>		
On Loans and Advances	354,161,046.47	244,877,944.90
On Investments & Trading Account Securities	1,302,209,649.19	507,992,689.46
On Available for Sale Securities	179,319,629.25	173,294,405.55
On Securities Purchased under Resale Agreement	36,904,593.78	17,392,095.88
On Deposits with Banks	149,538,580.59	159,479,322.82
<b>TOTAL INTEREST INCOME</b>	2,022,133,499.28	1,103,036,458.61
<b>INTEREST EXPENSE</b>		
On Deposits	1,122,790,596.58	645,919,067.22
<b>NET INTEREST INCOME</b>	899,342,902.70	457,117,391.39
<b>PROVISION FOR PROBABLE LOSSES</b>	-2,192,899.83	-131,374,115.85
<b>NET INTEREST INCOME AFTER PROVISION FOR PROBABLE LOSSES</b>	901,535,802.53	588,491,507.24
<b>OTHER INCOME</b>		
Income from Foreign Exchange Profit	(93,077,326.92)	35,047,674.90
Service Charges and Commissions	15,546,127.78	11,686,008.21
Gains/(Losses) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	103,849,224.05	77,628,023.05
Other Operating Income	23,633,608.64	77,384,274.01
<b>TOTAL OTHER INCOME</b>	49,951,633.55	201,745,980.17
<b>OTHER EXPENSES</b>		
Compensation and Fringe Benefits	193,183,897.27	194,948,220.89
Occupancy and Equipment-related Expenses-Rental	7,919,137.84	8,847,119.50
Depreciation/Amortization	37,675,924.67	26,182,298.61
Taxes and Licenses	124,989,987.65	62,835,647.47
Other Operating Expenses	238,071,989.15	199,856,584.98
<b>TOTAL OTHER EXPENSES</b>	601,840,936.58	492,669,871.45
<b>INCOME BEFORE INCOME TAX</b>	349,646,499.50	297,567,615.96
<b>PROVISION FOR INCOME TAX</b>	284,268,789.28	116,903,209.15
<b>NET INCOME FOR THE QUARTER</b>	65,377,710.22	180,664,406.81
<b>EARNINGS PER SHARE</b>	0.07	0.18



PHILTRUST BANK  
Computation of Earnings Per Share

No. of Shares - 1,000,000,000

	March 31, 2023	March 31, 2022
Net Income for the period	65,377,710.22	180,664,406.81
Net Income Divided by No. of Shares	65,377,710.22	180,664,406.81
	1,000,000,000	1,000,000,000
Earnings Per Share	0.07	0.18

## **Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Financial Condition**

The Bank ended the first quarter of 2023 with P166.352 Billion, slightly lower than last year's level of P169.355 Billion. Due from other banks increased by 16.7% due to higher level of deposits and working balances with local and foreign correspondents. Cash and other cash items decreased by 10.9% as funds were shifted to higher yielding short-term investments. Due from Bangko Sentral ng Pilipinas fell by 4.3% as more excess funds were shifted to deposit placement with Bangko Sentral ng Pilipinas overnight deposit facility and securities purchased under resale agreement (SPURA) to investment securities and other non interest earning assets. SPURA surged to 136.5%, higher by P1.885 Billion from the previous year's of P1.381 Billion as more excess funds were invested to relatively higher yielding SPURA. Investment properties decreased by 16.1% due to the sale of some of the Bank's acquired real properties. Other asset accounts increased by 33.8% or by P109.214 Million as movements in these asset accounts can be accounted for by transactions in the ordinary course of business.

Deposit liabilities at the end of the first quarter closed at P143.867 Billion, a slight 2.2% decrease from last year's level of P147.072 Billion. On the other hand, demand deposits grew 10%. The 27.5% decrease in Manager's checks represents lower outstanding checks issued compared to last year's level of P142.903 Million. Accrued taxes and other expenses increased by 22.8% due to higher accruals of gross receipts tax and on interest expenses and other expenses. All other payables were paid by the Bank within the stated terms.

Capital Funds for the first quarter closed at P21.648 Billion, an increase of P179.145 Million compared to last year's level of P21.468 Billion. This is attributable to the impact of P65.377 Million earnings for the first quarter, the improvement in net unrealized gain/loss by P454.183 Million and the effect of cumulative translation adjustment of P132.647 Million.

The Bank has outstanding commitments, contingent liabilities, and bank guarantees that arise from normal course of operations. The Bank does not anticipate any losses that will materially affect its financial position and results of operations. Changes in nature and amounts in the financial statements were due more to market related factors inherent in nature of the issuer's business operations and were not considered unusual.

### **Results of Operations**

The Bank generated gross earnings for the first quarter amounting to P2.072 Billion versus last year's level of P1.305 Billion, P767.303 Million increase. Interest on loans and advances increased by P109.283 Million or 44.6% due to higher collection of interest for the quarter. Interest income on held-to-maturity rose by hefty 156.3% due to the increase in yields. Securities purchased under resale agreement

(SPURA) surged by 112.1% from P17.392 Million to P36.905 Million mainly due to the increase in the level of SPURA and the higher yields. Foreign exchange profit decreased by P128.125 Million because of unrealized foreign currency revaluation. On the other hand, service charges and commissions increased by 33% due to higher volume of transactions for the quarter. Gains/Losses from sale or redemption of investments likewise increased by 33.8% as the bank took advantage of market opportunities in unloading some of its peso securities. Other operating income decreased by P43.8 Million due to lower gains from ROPA.

Interest Expenses went up by P476.871 Million from previous year's P457.117 Million primarily due to the general increase in deposit rates in the market. Occupancy and equipment related expenses decreased by 10.5% due to PFRS 16 related expenses. Depreciation and amortization expenses increased by over P11 Million or 43.9% due to recognition of depreciation expenses for buildings under finance lease. Taxes and licenses increased by 98.9% due to higher gross receipts tax compared to the same period last year. All other expenses increased/decreased by less than or more than 10% which is normal in the ordinary course of business. Net income closed at P65.378 Million, 63.8% lower than last year's level of P180.664 Million mainly due to foreign currency revaluation loss.

As in the previous years, the Bank will continue to take a more conservative stance in the management of depositors and stockholder's funds. It will continue to focus on its core business, deepen its banking relationship with existing customers and target more prospective clients by providing personalized service. Furthermore, the Bank aims to expand its network with additional branches and ATMs in strategic locations to provide greater accessibility to its clientele.

### Key Performance Indicators

The performance of the bank is reflected in the following financial ratios:

	<u>Mar. 31, 2023</u>	<u>Mar. 31, 2022</u>
Return on Average Equity	1.23%	2.98%
Return on Average Assets	0.16%	0.43%
Net Interest Margin	2.15%	1.10%
Capital to Risk Assets	42.40%	49.47%
Cost to Income Ratio	63.17%	45.72%

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

<u>Key Performance Indicator</u>	<u>Formula</u>
1. Return on Average Equity (%)	$\frac{\text{Net Income After Income Tax}}{\text{Average Total Capital Accounts}}$
2. Return on Average Assets (%)	$\frac{\text{Net Income After Income Tax}}{\text{Average Total Assets}}$

3. Net Interest Margin (%)	$\frac{\text{Net Interest Income}}{\text{Average Interest Earning Assets}}$
4. Capital to Risk Assets (%)	$\frac{\text{Total Qualifying Capital}}{\text{Total Risk-Weighted Assets}}$
5. Cost to Income Ratio (%)	$\frac{\text{Total Operating Expenses}}{\text{Net Interest Income} + \text{Other Income}}$

## Part II - Other Information

Our financial report for the first quarter of 2023 was prepared in compliance with Generally Accepted Accounting Principles as set forth in Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS and SIC/IFRIC interpretations which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC pronouncements. The same accounting policies and methods of computation were consistently followed in our financial statements as compared with the annual audited financial statements. There were no cash dividends paid during the year 2023. There were no material contingencies or any other unusual events or transactions affecting our financial condition since December 31, 2022. There are no known trends, demands, commitments, events or uncertainties that would have had a material conflict on our financial condition or results of operations or unfavorable impact on net revenues from continuing operations. There is no material commitment for capital expenditures. We don't anticipate any events that may cause any default or acceleration of an obligation. There are no material off-balance sheet transactions, arrangements, obligations, including contingent obligations with unconsolidated entities.

For the first quarter of 2023, the Bank had no transactions that would require the following information or disclosures:

- a. Explanatory comments about the seasonality or cyclicity of interim operations.
- b. The nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents.
- c. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.
- d. Issuances, repurchases and repayments of debt and equity securities.
- e. Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting.
- f. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
- g. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discounting operations.
- h. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.
- i. Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- j. Any seasonal aspects that had a material effect on the financial condition or results of operations.
- k. There are no causes for any material changes for our financial from period to period (5%).

**PHILTRUST BANK**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**AS OF MARCH 31, 2023 & 2022**

<b>AS OF MARCH 31, 2023</b>	<b>COMMON</b>	<b>SURPLUS</b>	<b>RESERVE</b>	<b>UNDIVIDED PROFIT</b>	<b>NET UNREALIZED GAINS/(LOSSES)</b>	<b>CUMMULATIVE TRANS. ADJUSTMENTS</b>	<b>RETIREMENT BENEFIT</b>
Balance, Dec. 31, 2022	10,000,000,000.00	14,441,104,467.96	72,320,381.78	702,435,315.46			
Transfer of Undivided Profit to Surplus		702,435,315.46		(702,435,315.46)			
Adjustment on Undivided Profit		0.00		0.00			
Net Income for the period March 31, 2023				65,377,710.22			
Net Unrealized Gains/(Losses)					(3,830,621,805.90)		
Cummulative Translation Adjustments						189,259,904.66	
Retirement Benefit							7,720,898.40
Balance, March 31, 2023	10,000,000,000.00	15,143,539,783.42	72,320,381.78	65,377,710.22	(3,830,621,805.90)	189,259,904.66	7,720,898.40

<b>AS OF MARCH 31, 2022</b>	<b>COMMON</b>	<b>SURPLUS</b>	<b>RESERVE</b>	<b>UNDIVIDED PROFIT</b>	<b>NET UNREALIZED GAINS/(LOSSES)</b>	<b>CUMMULATIVE TRANS. ADJUSTMENTS</b>	<b>RETIREMENT BENEFIT</b>
Balance, Dec. 31, 2021	10,000,000,000.00	13,848,728,364.11	72,320,381.78	809,048,807.69			
Transfer of Undivided Profit to Surplus		809,048,807.69		(809,048,807.69)			
Adjustment on Undivided Profit		0.00		0.00			
Net Income for the period March 31, 2022				180,664,406.81			
Net Unrealized Gains/(Losses)					(1,268,610,100.74)		
Cummulative Translation Adjustments						140,292,323.66	
Retirement Benefit							8,194,987.40
Balance, March 31, 2022	10,000,000,000.00	14,657,777,171.80	72,320,381.78	180,664,406.81	(1,268,610,100.74)	140,292,323.66	8,194,987.40

**PHILTRUST BANK**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED MARCH 31, 2023 & 2022**

	<u>MARCH 31, 2023</u>	<u>MARCH 31, 2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before tax	349,646,499.50	297,567,615.96
Adjustments for:		
Allowance for Losses	(2,192,899.83)	(131,374,115.85)
Depreciation/Amortization	37,675,924.67	26,182,298.61
Auditor's adjustments	-	-
Operating Income before working capital changes	385,129,524.34	192,375,798.72
Decrease(Increase) in:		
Loans & Receivables	(2,143,563,811.55)	11,037,148,208.66
Investment Properties	323,364,070.00	(21,930,594.33)
Other Resources	(143,543,880.40)	242,740,898.36
Increase (Decrease) in:		
Deposit Liabilities	(3,205,186,162.86)	1,352,756,467.60
Manager's Checks	(39,297,962.47)	54,776,971.62
Accrued Taxes	47,532,391.72	51,625,361.78
Deferred Credits & Other Liabilities	14,294,372.30	97,520,786.03
Cash Generated from Operations	(4,761,271,458.92)	13,007,013,898.44
Income Taxes Paid	(284,268,789.28)	(116,903,209.15)
Net Cash Provided by Operating Activities	(5,045,540,248.20)	12,890,110,689.29
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property & Equipment	78,892,095.09	(40,854,608.34)
Decrease(Increase) in:		
Investment Securities	4,312,915,736.14	(6,817,273,257.44)
Cash used in Investing Activities	4,391,807,831.23	(6,858,127,865.78)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(653,732,416.97)</b>	<b>6,031,982,823.51</b>
<b>Cash &amp; Cash Equivalents, Beginning</b>		
Cash & Other Cash Items	1,035,707,582.29	966,923,251.07
Due from Bangko Sentral ng Pilipinas	17,194,897,054.31	41,936,528,597.31
Due from Other Banks	1,196,557,104.43	2,196,720,698.74
	19,427,161,741.03	45,100,172,547.12
<b>Cash &amp; Cash Equivalents, End</b>		
Cash & Other Cash Items	922,833,942.12	1,021,071,434.52
Due from Bangko Sentral ng Pilipinas	16,453,935,804.37	48,510,969,133.34
Due from Other Banks	1,396,659,577.57	1,600,114,802.77
	18,773,429,324.06	51,132,155,370.63

1. Proposed Format for Aging of Accounts Receivable

Name of Company: PHILTRUST BANK									
Aging of Accounts Receivable									
As of March 31, 2023									
Type of Accounts Receivable	TOTAL	1 Month	2 - 3 Mos.	4 - 6 Mos.	7Mons. To 1 Year	1 - 2 Yrs.	3 - 5 Yrs.	5 Yrs - above	Past due & Items in Lit.
<b>a. Trade Receivbles</b>									
1. L & D	2,500.00	0.00	2,500.00	0.00	0.00	0.00	0.00	0.00	
2. Trust	0.00	0.00							
3. Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
4. BIR	0.00		0.00		0.00	0.00	0.00	0.00	
5. Various	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Net Trade Rec'ble	2,500.00	0.00	2,500.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>b. Non-Trade Receivbles</b>									
1. Officer	53,600.00	27,600.00	26,000.00	0.00	0.00	0.00	0.00	0.00	
2. ATM	0.00	0.00							
3. Various	11,426,217.02	11,426,217.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal	11,479,817.02	11,453,817.02	26,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Allow for Doubt- ful Account	0.00								
Net Non-Trade Rec'ble	11,479,817.02								
Net Receivables (a+b)	11,482,317.02								
Notes: If the Company's collection period does not match the above schedule and revision is necessary to make the schedule not misleading, the proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.									

2. Accounts Receivable Description

Type of Receivable	Nature/Description	Collection Period
1. Trade	L & D, Collection - insurance/realty tax	monthly
2. Non-Trade	Officer/Employees - shortage	monthly
3. Non-Trade	Various	monthly
Notes: Indicate a brief description of the nature and collection period of each receivable accounts with major balances or separate receivbles captions, both for trade and non-trade accounts.		

3. Normal Operating Cycle:



**PHILTRUST BANK**  
**SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS**  
**FOR THE PERIOD ENDED MARCH 31, 2023 & 2022**

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
<b>Current Ratio</b>	110.92%	112.26%
<b>Debt to Equity Ratio</b>	668.45%	620.91%
<b>Asset to Equity Ratio</b>	768.45%	720.91%
<b>Net Interest Margin Ratio</b>	2.15%	0.35%
<b>PROFITABILITY RATIO:</b>		
<b>Profit Margin Ratio</b>	224.30%	187.43%
<b>Return to Assets</b>	0.16%	0.11%
<b>Return on Equity</b>	1.23%	0.75%

## FINANCIAL RISK DISCLOSURE

### A. Assessment of Financial Risk Exposure of the Bank as of March 31, 2023.

#### I. Market Risk: Foreign Exchange and Interest Rates.

##### 1.1 Foreign Exchange Position

The net overbought open FX position of the bank as of **March 31, 2023**, is **90,193,141.61 (All currencies)**, the peso equivalent of **₱4,902,889,177.92 Billion (₱54.36/\$)** or **24.361%** of the bank's unimpaired capital which is **₱20.126 Billion**.

Exposure to foreign exchange risk is moderate considering the current conditions and the monetary policies of BSP, the economic fundamentals are also considered as a factor. In our specific case, the bank managed the risk quite well and made foreign exchange profit.

The foreign exchange and interest rates volatility will remain within moderate conditions because of BSP's proactive stance and any variance would be within the level of confidence for the following reasons:

- 1.1.1 BSP's effective management of foreign exchange reserves vis-à-vis the major global currencies, to wit: USD, EURO, SGD, GBP, JPY, HKD and AUD.
- 1.1.2 The interest rate on the USD is within the range in the short, medium, and longer term and in which case the bank will necessarily align its position.
- 1.1.3 Net open position of our bank is manageable and not speculative.

#### II. Liquidity Risk

The risk profile of the bank's balance sheet remains low with more concentration in liquid assets and investments in government securities other than lending. Liquid assets and investment securities accounted for **₱139.14 Billion** while loans (net of allowances) amounted to **₱21.17 Billion**. Marginal returns have been low by the distribution in our assets portfolio but the bank has always been strategically conservative in business policy.

#### III. Credit Risk

The bulk of company's loans are fully secured by real estate while some of the loan accounts are backed by guarantees, and only a small percentage of the loans are in clean basis but these are usually extended to clients with very satisfactory payment record &/or who are known to the bank for their good credit reputation. The lending process begins with credit selection and continues to administration and review of loan accounts on a regular basis. Reporting to and review by the Credit and Loans Review Committee is part of the whole credit process and done on a regular basis.

1. The bank has none of hedging or derivatives financial contracts. The bank's main financial contracts are:

Available for Sale Securities (FVOCI), and Held to Maturity Securities (AC)<sup>1</sup>.

2. Other than ROP bonds, the bank has no investment in foreign securities or equities.


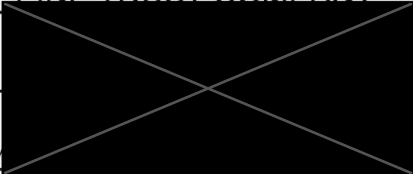

3. Asset and liability management is involved in matching the economic characteristics of the bank's cash flows. We look at duration, the fixed/floating nature of our commitments, the repricing period and liquidity position and stress testing. The decisions are strategically made based on interest rate exposure. Impairment is recognized via valuation reserves in accordance with PFRS 9.

4. Before the bank makes any investment decision, it ensures that the secondary market must have liquidity, breadth, and depth to transact all tenors of financial instruments.

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<sup>1</sup> AC – Amortized Cost

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

Registrant	PHILIPPINE TRUST COMPANY -	CARLOS A. PINPIN JR.	
Signature and Title		President	
Date		May 03, 2023	
Principal Financial/Accounting Officer/Controller		LUISA A. LUCIN	
Signature and Title		Senior Vice President	
Date		May 03, 2023	

## **MANAGEMENT REPORT**

### **A. Description of the general nature and scope of the business of the registrant**

#### **(1) Business Development**

The Philippine Trust Company, also known as PHILTRUST BANK, was established more than a hundred years ago on October 21, 1916 as a trust institution. It is one of the oldest private commercial banks in the country that was granted by the Bangko Sentral ng Pilipinas (BSP) the authority to operate as a universal bank on June 5, 2007.

Throughout its more than 100 years in banking, Philtrust Bank has acquired a reputation for conservatism and reliability and has enjoyed the trust and confidence of the business community and the general public. The said policy has enabled the Bank to grow consistently, maintain strong liquidity position, generate reasonable return on investment and create more value to the Bank.

The principal office is located at Philtrust Bank Building, 1000 United Nations Avenue corner San Marcelino Street, Manila and it has a network of sixty (60) branches, 39 in Metro Manila and 21 provincial.

The Bank does not anticipate any material reclassification, merger, consolidation or purchase/sale of a significant amount of its assets outside the course of its business.

Having officially listed on February 17, 1988, Philtrust Bank is one of the first few banks that traded their shares in the then Manila Stock Exchange and Makati Stock Exchange now Philippine Stock Exchange, Inc. (PSE).

On October 14, 2014 and November 19, 2014, the BSP and SEC, respectively, approved the amendment of Article FOURTH of the Bank's Articles of Incorporation extending the Bank's corporate existence for another fifty (50) years from and after October 21, 2016. Its corporate life was further extended perpetually when the Revised Corporation Code (RCC) took effect on February 23, 2019. Section 11 of the

RCC provides that corporations with certificates of incorporation issued prior to the effectivity of the RCC and which continue to exist shall have perpetual existence. Philtrust Bank's Certificate of Incorporation was issued on October 21, 2016 and it has continued to exist thereafter.

## **(2) Business of Issuer**

The Bank offers domestic, international and trust services. Domestic services include commercial and consumer loans such as auto loans, checking/savings/time deposits, money market placements, transfer of funds, collections, remittances, securities investments and safety deposit boxes. International transactions involve commercial letters of credit, collections, remittances, foreign exchange, traveler's checks and FCDU transactions. Trust operations include trust placement, investment management, estate administration, acting as trustee of bond issues, savings and pension plan administration, insurance trust, and acting as escrow agent/stock registrar/ transfer agent.

On June 5, 2007, the BSP granted Philtrust Bank authority to operate as a universal bank. The Securities and Exchange Commission (SEC) approved the registration of the Bank's Amended Articles of Incorporation, with powers among others, to engage in the business of expanded commercial banking as a universal bank, to carry on the business of a trust company, exercise the powers of investment houses as provided in pertinent laws and the power and authority to invest in the equity of allied and non-allied corporations, businesses or undertakings, and to perform such other acts and functions as may be permitted by law.

Moving forward, the Bank has invested in digital banking infrastructure to keep pace with the changing time, expedite banking transactions and expand its client base.

## **(3) Holders**

The Bank has an authorized capital stock of Twenty Two Billion Pesos (P22,000,000,000.00) divided into Two Billion Two Hundred Million shares with the par value of P10.00 per share. The capital stock consists entirely of common shares with the same voting rights. Each share is entitled to one vote except in the election of directors where every stockholder may cumulate his shares in accordance with the provisions of the Title III Sec. 23 of the RCC.

Paid-up capital stands at Ten Billion Pesos (P10,000,000,000.00). There are no unpaid subscriptions and there are no Treasury shares.

As of the Record Date of April 28, 2023, there are 82 holders of the Bank's 1,000,000,000 issued and outstanding shares, including PCD Nominee Corporation which is comprised of several brokers/participants holding shares on behalf of their client beneficial owners.

The Top Twenty Stockholders as of the Record Date of April 28, 2023 are the same as of those for the quarter ended March 31, 2023, as follows:

	Name of Stockholder	Total number of shares subscribed and paid	%
1	Philtrust Realty Corporation	269,000,014	26.9000
2	U.S. Automotive Co., Inc.	209,873,774	20.9874
3	Seabreeze Enterprises, Inc.	194,746,709	19.4747
4	Orient Enterprises, Inc.	184,783,230	18.4783
5	Pioneer Insurance and Surety Corp.	70,950,696	7.0951
6	Marketsource Corporation	20,077,690	2.0078
7	PCD Nominee Corporation	19,258,892	1.9259
8	Pioneer Life, Inc.	8,031,883	0.8032
9	Gaw, Rosalinda Y.	6,400,510	0.6400
10	Tan, Teodora D.	4,321,814	0.4322
11	Pioneer Intercontinental Insurance Corporation	2,697,385	0.2697
12	Pioneer Insurance Co. Retirement Plan	1,411,116	0.1411
13	Yap, Basilio C.	1,389,030	0.1389
14	Go, Carlos S.	683,352	0.0683
15	Go, Edgar S.; Go, Edmund S.; Go-Tan Queto, Elena S.; Go-Lim, Ethel S.; and Go, Elke S.	683,352	0.0683
16	Go, Eusebio S.	683,352	0.0683
17	Go, Victoriano S.	683,352	0.0683
18	Goldclass Inc.	550,698	0.0550
19	Cu, Miriam C.	548,881	0.0549
20	Go, Arturo S.	536,920	0.0537

The top 4 corporations are considered principal stockholders inasmuch as they own at least 10% each of the Bank's total issued and outstanding shares. Their collective holdings is 85.84% and are majority-owned by the Yap Family.

The incumbent Directors collectively own 0.08% while the aggregate holdings of the Officers is insignificant.

The total public ownership as of March 31, 2023 is 14.071%, inclusive of the 1.9259% in the name of PCD Nominee Corporation.

**(4) Market Information**

The principal market of the Bank's equity is the Philippine Stock Exchange where the Bank's 1,000,000,000 common shares are listed.

**(a) Quarterly Sales Prices**

2021	High	Low
March 31	P 96.55	P 96.55
June 30	97.25	97.25
September 30	109.90	100.00
December 31	118.00	109.80

2022	High	Low
March 31	P108.00	P108.00
June 30	100.00	100.00
Sept. 30	105.00	105.00
Dec. 31	120.00	114.00

2023	High	Low
March 31	P103.20	P103.20

**(b) Latest Price Information**

The latest price information on the Bank's shares based on the market quotations published by the Philippine Stock Exchange are as follows:

Date	Open	High	Low	Close	Prev. Close
April 11, 2023	P115.00	P115.00	P115.00	P115.00	P119.00



**(5) Recent Sales of Securities**

Based on the PDTC\* transmittal letter/upliftment report forwarded to the Bank on November 5, 2019, hereunder is the most recent sale/transfer of the Bank's shares, to wit:

Transaction Date	Title	Amount	To Whom Sold	Terms
November 5, 2019	Common shares	P503,828.60**	Anthony Joseph Y. Gaw or Francis Y. Gaw	4,321 shares were uplifted from PCD Nominee Corp.-Filipino

\*Philippine Depository and Trust Corp.

\*\*The market price then prevailing was P116.60/share.

Thereafter, while PDTC has reported minor changes within PCD Nominee Corporation due to stock trades among its broker-participants, no sales of PTC shares involving change in the beneficial ownership were reported to the Bank.

**(6) Dividends**

As provided for in the Bank's By-Laws, the Board of Directors may declare dividends only from the profit of the business of the Corporation, and then only after retaining unimpaired the entire subscribed and paid capital stock, the reserve fund required by law, and a sum sufficient to pay all the expenses then incurred by the Corporation, inclusive of taxes.

On April 25, 2017, the Board of Directors declared a cash dividend of P0.20 per share or Two Hundred Million Pesos (P200,000,000.00) to all stockholders of record as of July 11, 2017 and payable on July 12, 2017.

The said cash dividend declaration was subsequently approved, confirmed and ratified by the stockholders at their annual meeting held on the same day, April 25, 2017.

## **(7) Corporate Governance**

The Directors and Management of the Bank are fully aware of, and sensitive to, the need for good corporate governance. The Bank Management with its traditional and usual practice strictly observes the tenets of good governance in its dealing with depositors, stockholders, employees and other stakeholders.

- a) Based on the Performance Evaluation System approved by the Board of Directors, a self-assessment is conducted annually by the Members of the Board, the Management, and the Staff to determine and measure the level of their respective compliance with the Bank's MCG.

Evaluation results have shown that the Board, the Directors, the Officers and Staff have complied with their respective duties and responsibilities under the Bank's MCG as well as with relevant laws, regulations, and code of best business practice.

- b) The Board of Directors approved on May 30, 2017 the amendment of the Bank's MCG in accordance with the SEC Memo Circular 19, and with the leading practices on good corporate governance.

As mandated by the said SEC Memo Circular 19, the Directors and key Officers annually attend corporate governance seminars, the latest of which was on November 12, 2022 conducted by the Institute of Corporate Directors. The annual continuing training program makes certain that directors and key officers are informed of the developments in the business and regulatory environments. It includes corporate governance matters such as audit, internal controls, risk management, sustainability and strategy relevant to banking.

- c) Based on the Bank's Compliance Reports, there were no material deviation from the Bank's MCG.
- d) The Bank actively participates in corporate governance seminars and other undertakings of regulatory agencies which aim to provide empirical data on the current state of corporate governance and to help publicly-listed companies strengthen their corporate governance structures and mechanisms.

**UNDERTAKING**

Upon written request by any stockholder, the Bank undertakes to furnish said stockholder a copy of the Bank's Annual Report (SEC Form 17-A), free of charge except for the exhibits attached thereto which shall be charged at cost. Written requests for a copy of SEC Form 17-A shall be addressed to the following:

**PHILTRUST BANK**  
1000 United Nations Avenue  
Corner San Marcelino Street, Manila

Attention: **CARLOS A. PINPIN, JR.**  
President

**PHILTRUST BANK**  
(Philippine Trust Company)

By:

A black rectangular box with a white 'X' inside, used to redact a signature.

**AGNES B. URBANO**  
FVP/Asst. Corporate Secretary

### **Management's Discussion and Analysis of Financial Condition and Results of Operations for Calendar Year 2020**

#### **Financial Condition**

The Bank closed the year 2020 with Total Resources reaching a new record high of P168.470 Billion, a remarkable increase of P7.678 Billion over the previous year. Growth in resources came primarily from Due from Bangko Sentral ng Pilipinas and Deposit Liabilities representing 31.82% and 83.59% respectively. Due from Bangko Sentral ng Pilipinas increased by 76.60% or by P23.253 Billion because of minimal allocation of Reverse Repurchase Agreement which decreased by 37.26% or by P7.577 Billion. Cash and Other Cash Items increased by 16.45% or by P148.756 Million on account of higher cash placements this period compared from last year's level. Due from Other Banks decreased by 21.84% due to lower level of deposits and working balances with both local and correspondent banks. Available for Sale Investments decreased by P10.640 Billion or by 28.77% as the Bank dispose some of its securities. Deferred Tax Assets decreased by 27.38% compared from last year's level as the Bank did not recognized deferred tax asset for the year 2020. Other Assets increased by 15.45% as movements in these accounts can be accounted for by transactions in the ordinary course of business.

Deposit Liabilities stood at P140.828 Billion, compared to P134.346 Billion from last year's level, a remarkable P6.481 Billion. The increase in Deposit Liabilities came primarily from savings deposit which registered a P7.980 Billion. The 39.61% decrease in Manager's Checks represents lower volume of outstanding checks issued compared from last year's level. Deferred Credits and Other Liabilities increased by 10.71% or by P39.650 Million due to higher level of transactions for the year. All other payables were paid within the stated terms.

Capital Funds now at P26.909 Billion, reflected a P1.213 Billion increase compared to last year's level of P25.696 Billion. This can be accounted from the earnings for the year amounting to P948.538 Million and the increase in Net Unrealized Gains of P358.189 Million due largely on account of mark to market valuation of investments and the decrease of Cumulative Transition Adjustment amounting to P93.506 Million. The Capital Adequacy Ratio (CAR) for the period is 50.74%, which is well above the BSP minimum requirements of 10% is indicative of the sufficiency of the Bank's capital to support the current level of its risk assets.

The Bank has outstanding commitments, contingent liabilities, and bank guarantees that arise from the normal course of operations. The Bank does not anticipate any losses that will materially affect its financial position and results of operation. Changes in nature and amounts in the financial statement were due more to market related factors inherent in nature of the issuer's business operations and were not considered unusual.

## Results of Operations

Total gross earnings for the period amounted to P7.602 Billion compared to P7.713 Billion of the previous year. Declining interest rates on loans resulted in the decrease on interest on Loans and Receivables by 37.81% or by P776.296 Million. Interest on Available for Sale Securities decreased by 27.59% as the Bank hold on its securities due to lower market rate. Interest on Deposit with Bank decreased by 12.07% due to lower availment of Reverse Repurchase Agreement with the Bangko Sentral ng Pilipinas. Income from Foreign Exchange Profit decreased by 29.01% due to lower exchange rate compared from last year's level. Service Charges and Commissions decreased by 39.58% due to lower volume of transactions. Other Operating Income increased by 125.11% due to higher profits on Sale or Redemption of Investments. We provided additional allowance for credit losses for the year, thus provision for probable losses closed at P152.700 Million compared from P37.349 Million from previous year.

Interest Expense decreased by 19.24% because of lower interest rate compared from last year level. Occupancy and Equipment related expenses increased by 197.38% due to some renovation for relocation of some branches. Depreciation/Amortization decreased by 26.84%. Taxes and Licenses increased by 23.18% due to higher gross receipts tax compared from last year's level. All other expenses with an increase/decrease by less than 10% are normal in the ordinary course of business. Net Income closed at P948.538 Million compared from last year's level of P780.429 Million.

We are confident that we can successfully meet the challenges of times as we have proven in the past and make the Bank an even stronger financial institution. We will continue investing in technology and thereby fully support electronic commerce in the coming years. The Bank will continue to focus on its core business and to deepen its banking relationship with more prospective clients and to offer more excellent customer serve despot with the recent Covid 19 pandemic.

Covid 19 and its effect for the year 2020. The Bank has been determining critically of function on the basis of importance in completing needed transactions. So far the pandemic does not hampered Bank operations whether at the Head Office of in Branches. The Bank has been observing health protocols established by the government agencies concerned.

## Key Performance Indicators

The performance of the bank is reflected in the following financial ratios:

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Return on Average Equity	4.34%	3.15%
Return on Average Assets	0.71%	0.50%
Net Interest Margin	1.23%	1.67%
Capital to Risk Assets	50.74%	45.55%
Cost to Income Ratio	57.66%	59.60%

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

<u>Key Performance Indicator</u>	<u>Formula</u>
1. Return on Average Equity (%)	$\frac{\text{Net Income After Income Tax}}{\text{Average Total Capital Accounts}}$
2. Return on Average Assets (%)	$\frac{\text{Net Income After Income Tax}}{\text{Average Total Assets}}$
3. Net Interest Margin (%)	$\frac{\text{Net Interest Income}}{\text{Average Interest Earning Assets}}$
4. Capital to Risk Assets (%)	$\frac{\text{Total Qualifying Capital}}{\text{Market and Credit Risk Weighted Exposures}}$
5. Cost to Income Ratio (%)	$\frac{\text{Total Operating Expenses}}{\text{Net Interest Income + Other Income}}$

## **Part II - Other Information**

Our financial report for the year 2020 was prepared in compliance with Generally Accepted Accounting Principles as set forth in Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS and SIC/IFRIC interpretations which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC pronouncements. The same accounting policies and methods of computation were consistently followed in our financial statements as compared with the annual audited financial statements. There were no cash dividends paid during the year of 2020. There were no material contingencies or any other unusual events or transactions affecting our financial condition since December 31, 2019. There are no known trends, demands, commitments, events or uncertainties that would have had a material conflict on our financial condition or results of operations or unfavorable impact on net revenues from continuing operations. There is no material commitment for capital expenditures. We don't anticipate any events that may cause any default or acceleration of an obligation. There are no material off-balance sheet transactions, arrangements, obligations, including contingent obligations with unconsolidated entities.

### **PFRS 9, Financial Instruments: Classification and Measurement**

**Transition.** As allowed under transitory provisions of PFRS 9, the Bank applied the requirements of PFRS 9 retrospectively but opted not to restate the comparative information. Differences in the carrying amounts of financial assets resulting from the adoption of PFRS 9 were recognized in the unrealized gains and losses and beginning balance of cumulative unrealized gains on investment securities and other upon reclassification of the financial assets. The beginning balances of allowance for credit and impairment losses on loans and receivables and surplus were adjusted as a result of the adoption of PFRS 9.

**Classification and Measurement.** Based on the Bank's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at January 1, 2019, the Bank has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39, except for some of its government securities

**Impairment.** The Bank has determined that the application for the new requirement for impairment under PFRS 9 resulted in an additional allowance for credit and impairment losses on loans and receivables and investment securities.

**PFRS 16, Leases** – As at January 1, 2019, the Bank has adopted the modified retrospective approach in initial application of PFRS 16. Accordingly, no adjustment in the beginning retained earnings/surplus and 2018 financial statements were not restated.

As a practical expedient, the Bank applied the exemption not to recognize right-of-use (ROU) assets and liabilities for leases with lease term that ends within 12 months from the date of initial adoption. Rent expense for these leases amounted to P20.2 Million in 2019.

\*For the year 2020 bulk of earning liquid assets of P139.014 Billion were invested in high yielding deposits with Bangko Sentral ng Pilipinas at P53.609 Billion, in 2019 majority of earning assets of P131.698 Billion were invested in investments securities totaling P 78.374 Billion. Such earning liquid assets likewise sufficiently cover 98.71% and 98.01% of total liabilities respectively for the years 2020 and 2019. Deposit Liabilities, which comprise majority of funds used for investing and lending activities represent 83.59% and 83.55% of total assets for the years 2020 and 2019 respectively. Equity account at P26.909 Billion in 2020 and P25.696 Billion in 2019 remained in compliance with required capital for universal banks. Noted increase is due to profits from operation and improvement in the market value of investment securities.

For the year 2020, the Bank had no transactions that would require the following information or disclosures:

- a. Explanatory comments about the seasonality or cyclicity of interim operations.
- b. The nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents.
- c. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.
- d. Issuances, repurchases and repayments of debt and equity securities.
- e. Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting.
- f. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
- g. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discounting operations.
- h. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.
- i. Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- j. Any seasonal aspects that had a material effect on the financial condition or results of operations.

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\*Causes for Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%)



FINANCIAL RISK DISCLOSURE	REMARKS
<p>a. Assess the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks. If any change thereof would materially affect the financial condition and results of operation of the company, provide a discussion in the report on the qualitative and quantitative impact of such risks and include a description of any enhancement in the company's risk management policies to address the same;</p>	<p><b>A. Assessment of Financial Risk Exposure of the Bank as of December 31, 2020.</b></p> <p><b>I. Market Risk:</b> Foreign Exchange and Interest Rates.</p> <p><b>1.1 Foreign Exchange Position</b>  The net overbought open FX position of the bank as of <b>December 31, 2020</b>, the bulk of which is in USD is <b>USD44.64 Million</b>, the peso equivalent of <b>Php2.144 Billion</b> or <b>8.779%</b> of the bank's unimpaired capital which is well within the 20 percent limit prescribed by BSP regulation. The overbought (long) USD position is exposed to foreign exchange risk as well as interest rate risk. But the probability of risks is moderate because of the normal volatility of exchange rates and also owing to effective monetary policy of BSP and strong economic fundamentals of the country. In our specific case, the bank managed the risk quite well and made foreign exchange profit on a year-on-year basis.</p> <p>It is our view that foreign exchange and interest rates volatility will remain within normal bounds of 2SD because of BSP proactive stance and any variance would be within our level of confidence for the following reasons:</p> <p>1.1.1 BSP's effective management of foreign exchange reserves vis-à-vis the major global currencies, to wit: USD, EURO, SGD, GBP, JPY, HKD and AUD.</p> <p>1.1.2 The interest rate on the USD will remain low (0.05</p>

	<p>to 1.5% range) in the short, medium, and longer term and in which case the bank will necessarily align its position.</p> <p>1.1.3 Net open position of our bank is not speculative and manageable.</p> <p><b>II. Liquidity Risk</b></p> <p>The risk profile of the bank's balance sheet remains low with more concentration in liquid assets and investments in government securities other than lending. Liquid assets and investment securities accounted for <b>Php140.075 Billion</b> while loans amounted to <b>Php22.216 Billion</b>. Marginal returns have been low by the distribution in our assets portfolio but the bank has always been strategically conservative in business policy.</p> <p><b>III. Credit Risk</b></p> <p>The bulk of bank loans are fully secured by real estate. Some major loan accounts are backed by guarantees, and a small percentage of the loans are clean, without collateral or guarantee but extended to clients who are known to the bank for their good credit reputation. The lending process begins with credit selection and continues to administration and review of loan accounts on a regular basis. Reporting to and review by the credit committee are parts of the whole credit process and done on a regular basis.</p>
<p>b. Evaluate whether the company could provide clearer and more transparent disclosure regarding its financial instruments including but not limited to the following information:</p>	

<p>1. A description of the financial instruments of the company and the classification and measurements applied for each. If material in amount, provide detailed explanation on complex securities particularly on derivatives and their impact on the financial condition of the company;</p>	<p>1. The bank has none of hedging or derivatives financial contracts. The bank main financial contracts are: Available for Sale Securities (as FVOCI) and Held to Maturity Securities (AC). The bulk of these securities are securitized government obligations.</p>
<p>2. The amount and description of the company's investment in foreign securities;</p>	<p>2. The bank has no investment in foreign securities or equities.</p>
<p>4. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities;</p>	<p>4. Asset and liability management involved in matching the economic characteristics of the bank cash flows. Our bank strives to match inflows and outflows despite the natural structural difference of the terms of assets and liabilities by averaging and scheduling terms and maturities of assets vs. liabilities. We look at duration, the fixed/floating nature of our commitments, the repricing period and over liquidity position and stress testing. Strategic decisions are made regarding interest rate exposure. Impairments are recognized via valuation reserves as in loan valuation, in accordance with PFRS 9.</p>
<p>6. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under PAS 39- Financial instruments.</p>	<p>6. Before our bank makes any investment decision, it is a precondition that the secondary market must have liquidity, breadth and depth to transact all tenors of financial instruments.</p>

### **Management's Discussion and Analysis of Financial Condition and Results of Operations for Calendar Year 2021**

#### **Financial Condition**

The Bank Total Resources for the year 2021 reached P172.279 Billion, a remarkable P3.809 Billion increased compared from last year's level of P168.470 Billion. Growth in resources came primarily from Held to Maturity Investments and Deposit Liabilities representing 35.00% and 84.35% of the Total Resources respectively. Cash and Other Cash Items decreased by 8.20% as funds were shifted to higher yielding investments. Due from Bangko Sentral ng Pilipinas representing 24.35% of Total Resources decreased by P11.672 Billion as fund were shifted to Held to Maturity Investments, now at P60.269 Billion, up by 36.20% or by P16.018 Billion as the Bank rationalized its holdings of Investment Securities. Deferred Tax Assets down by P118.963 Million mainly due to the impact of the new tax rate under the CREATE law. Movements in Other Assets Account can be accounted for by transaction in the ordinary course of business.

Deposit Liabilities stood at P145.315 Billion, a P4.487 Billion increase compared from last year's level of P140.828 Billion. The increase is attributable to the growth in savings and time deposits amounting to P3.160 Billion and P1.406 Billion respectively. The increase in Manager's Check amounting to P234.638 Million can be attributed to higher volume of outstanding manager's checks as of year end. Accrued Taxes, Interest and Other Expenses closed at P156.060 Million, lower by P73.172 Million due to interest payment on matured time deposits and other taxes. Retirement Benefit Obligation increased by 155.36% compared from last year's level.. All other payables were paid within the stated term.

Capital Funds closed at P26.062 Billion compared to P26.909 Billion from last year's level, a minimal 3.14% decrease. This can be accounted for from the earnings for the year amounting to P826.338 Million, the decrease and Net Unrealized Gain of P1.721 Billion and the increase of Cumulative Translation Adjustments amounting to P48.968 Million. Capital Adequacy Ratio (CAR) for the year is 50.67% which is well above the Bangko Sentral ng Pilipinas minimum requirements of 10%.

The Bank has outstanding commitments, contingent liabilities, and bank guarantees that arise from normal course of operations. The Bank does not anticipate any losses that will materially affect its financial position and results of operations. Changes in nature and amounts in the financial statements were due more to market-related factors inherent in nature of the issuer's business operations and were not considered unusual.

## Results of Operations

The Bank's generated at year end of 2021, Gross Earnings amounting to P5.661 Billion compared from last year's level of P 7.602 Billion, a decrease of P1.941 Billion. The decrease can be attributed mainly to the decrease of Gains/Losses from Sales/Redemptions of Investments. Likewise Interest on Loans and Receivable decrease by P228.413 Million or by 17.89% due to less accrual compared from last year's level. Interest on Available for Sale Securities decreased by 33.53% as the Bank hold on its securities due to lower market rate. Interest on Securities purchased under Resale Agreement went down by P66.911 Million due to lower availment from Bangko Sentral ng Pilipinas. Interest on Deposit with Banks decreased by P309.838 Million due to decline in average volume. Gains/Losses for Sale/Redemption of Securities decreased by P1.174 Billion or by 60.38% due to lower volume of transactions for the year. Income from Foreign Exchange Profit increased by P31.862 Million due to higher exchange rate compared from last year's level. Other Operating Income increase by P166.389 Million or by 74.57% due to gain in foreclosed ROPA sales.

Interest expense decreased by P1.358 Billion or by 41.23% because of lower interest rate compared from last year's level. Occupancy and related expenses increased by P68.738 Million due to higher technology related services cost. Depreciation and Amortization increased by P62.230 Million due to increases in amortization of IT related equipment and other office equipment. Taxes and Licenses decreased by P141.425 Million due to lower gross receipt tax compared from last year's level. 20% Final Withholding Tax and Provision for Income Tax decreased by P301.823 Million and P143.102 Million respectively. Net Income for the year closed at P826.339 Million.

We are confident that we can overcome the challenges posed by the current pandemic as we have proven in the past. So far, the pandemic has not hampered Bank operations whether at the Head Office or in our Branches. The Bank has been observing health protocols established by the agencies concerned. The Bank IT operations are continuing as planned although it recognizes the need to accelerate and expand services/product through digital channels. The availability of a vaccine in the second half of 2021 may accelerate the slowly reopening of our economy. With this, the Bank will continue to focus on its core business and to deepen its banking relationship with more prospective clients and to offer more excellent customer services. We will be reallocating resources for future growth and realigning our various asset portfolios.

## Key Performance Indicators

The performance of the bank is reflected in the following financial ratios:

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Return on Average Equity	3.18%	4.34%
Return on Average Assets	0.50%	0.71%
Net Interest Margin	0.52%	1.23%

Capital to Risk Assets	50.67%	50.74%
Cost to Income Ratio	62.90%	57.66%

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

<u>Key Performance Indicator</u>	<u>Formula</u>
1. Return on Average Equity (%)	$\frac{\text{Net Income After Income Tax}}{\text{Average Total Capital Accounts}}$
2. Return on Average Assets (%)	$\frac{\text{Net Income After Income Tax}}{\text{Average Total Assets}}$
3. Net Interest Margin (%)	$\frac{\text{Net Interest Income}}{\text{Average Interest Earning Assets}}$
4. Capital to Risk Assets (%)	$\frac{\text{Total Qualifying Capital}}{\text{Total Risk-Weighted Assets}}$
5. Cost to Income Ratio (%)	$\frac{\text{Total Operating Expenses}}{\text{Net Interest Income + Other Income}}$

## Part II - Other Information

Our financial report for the year 2021 was prepared in compliance with Generally Accepted Accounting Principles as set forth in Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS and SIC/IFRIC interpretations which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC pronouncements. The same accounting policies and methods of computation were consistently followed in our financial statements as compared with the annual audited financial statements. There were no cash dividends paid during the year of 2021. There were no material contingencies or any other unusual events or transactions affecting our financial condition since December 31, 2020. There are no known trends, demands, commitments, events or uncertainties that would have had a material conflict on our financial condition or results of operations or unfavorable impact on net revenues from continuing operations. There is no material commitment for capital expenditures. We don't anticipate any events that may cause any default or acceleration of an obligation. There are no material off-balance sheet transactions, arrangements, obligations, including contingent obligations with unconsolidated entities.

### Adoption of Amendment to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amendment to PFRS 16.

- Amendment to PFRS 16, *Leases – Corona Virus Disease (COVID-19)-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Bank applied the practical expedient in its financial statements for the year ended December 31, 2020.

Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19 related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021 but earlier application is permitted. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Company has applied the amendment in the 2021 financial statements.

The adoption of the amendment to PFRS did not materially affect the separate financial statements of the Bank. Additional disclosures were included in the separate financial statements, as applicable.

For the year 2021, the Bank had no transactions that would require the following information or disclosures:

- a. Explanatory comments about the seasonality or cyclicity of interim operations.
- b. The nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents.
- c. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.
- d. Issuances, repurchases and repayments of debt and equity securities.
- e. Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting.
- f. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
- g. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discounting operations.
- h. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.
- i. Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- j. Any seasonal aspects that had a material effect on the financial condition or results of operations.



## FINANCIAL RISK DISCLOSURE

### A. Assessment of Financial Risk Exposure of the Bank as of December 31, 2021.

#### I. Market Risk: Foreign Exchange and Interest Rates.

##### 1.1 Foreign Exchange Position

The net overbought open FX position of the bank as of **December 31, 2021**, the bulk of which is in USD is **USD45 million**, the peso equivalent of **Php2.295 billion or 9.158%** of the bank's unimpaired capital which is well within the 20 percent limit prescribed by BSP regulation. The overbought (long) USD position is exposed to foreign exchange risk as well as interest rate risk. But the probability of risks is moderate because of the normal volatility of exchange rates and also owing to effective monetary policy of BSP and strong economic fundamentals of the country. In our specific case, the bank managed the risk quite well and made foreign exchange profit on a year-on-year basis.

The foreign exchange and interest rates volatility will remain within normal bounds because of BSP's proactive stance and any variance would be within the level of confidence for the following reasons:

- 1.1.1 BSP's effective management of foreign exchange reserves vis-à-vis the major global currencies, to wit: USD, EURO, SGD, GBP, JPY, HKD and AUD.
- 1.1.2 The interest rate on the USD is within the range in the short, medium, and longer term and in which case the bank will necessarily align its position.
- 1.1.3 Net open position of our bank is not speculative and manageable.

#### II. Liquidity Risk

The risk profile of the bank's balance sheet remains low with more concentration in liquid assets and investments in government securities other than lending. Liquid assets and investment securities accounted for **Php144.339 billion** while loans (net of allowances) amounted to **Php21.717 billion**. Marginal returns have been low by the distribution in our assets portfolio but the bank has always been strategically conservative in business policy.

#### III. Credit Risk

The bulk of bank loans are fully secured by real estate. Some major loan accounts are backed by guarantees, and a small percentage of the loans are clean, without collateral or guarantee but extended to clients who are known to the bank for their good credit reputation. The lending process begins with credit selection and continues to administration and review of loan accounts on a regular basis. Reporting to and review by the credit committee are parts of the whole credit process and done on a regular basis.

1. The bank has none of hedging or derivatives financial contracts. The banks' main financial contracts are:

Available for Sale Securities (FVOCI), and Held to Maturity Securities (AC)<sup>1</sup>. The bulk of these securities are securitized government obligations.

2. The bank has no investment in foreign securities or equities.

3. Asset and liability management involved in matching the economic characteristics of the banks' cash flows. We look at duration, the fixed/floating nature of our commitments, the repricing period and over liquidity position and stress testing. The decisions are strategically made based on interest rate exposure. Impairments are recognized via valuation reserves as in loan valuation, in accordance with PFRS 9.

4. Before our bank makes any investment decision, it is a precondition that the secondary market must have liquidity, breadth, and depth to transact all tenors of financial instruments.

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<sup>1</sup> AC – Amortized Cost

## ANNEX C3

### **Management's Discussion and Analysis of Financial Condition and Results of Operations for Calendar Year 2022**

#### **Financial Condition**

At the end of the fourth quarter of 2022 Total Resources closed at P169.355 Billion lower by P2.924 Billion compared to P172.279 Billion in the same period last year. This was dragged down by lower excess funds placed with Bangko Sentral ng Pilipinas overnight deposit facility as well as Securities Purchased under Resale Agreement (SPURA) as funds generated from incremental deposits were channeled to fund the purchase of additional investment securities and as capital contracted due to higher net unrealized loss on Available for Sale Securities. Due from Bangko Sentral ng Pilipinas fell by 59.00% lower by P24.741 Billion from P41.936 Billion a year ago to P17.195 Billion as more excess funds were shifted from deposit placement with Bangko Sentral ng Pilipinas overnight deposit facility and Securities Purchase under Resale Agreement (SPURA) to investment securities and other non interest earning assets. Due From Other Banks decreased by 45.53% due to lower level of deposits and working balances maintained with our correspondent banks. Loans and Receivable, net closed at P21.074 Billion, 6.27% lower compared from last year's level of P22.484 Billion due mainly to lower gross loans and advances level as cumulative repayment outpaced loan releases. Securities Purchased under Resale Agreement (SPURA) fell by 89.34% as more excess funds were shifted to relatively higher yielding investment securities. Held to Maturity investments (HTM) increased by 65.44%, mainly due to purchase of additional held to maturity financial assets consisting of peso retail agreement HTM bonds and peso government treasury HTM bonds. Available for Sale Securities decrease by 16.60% arising from disposal of some peso AFS and equity securities. Investment properties increased by 20.62% due mainly to foreclosure of some assets. Other Assets Accounts increased by 27.53% as movements in these accounts can be accounted for by transactions in the ordinary course of business.

Deposit Liabilities stood at P147.072 Billion compared to P145.315 Billion from last year's level, a P1.758 Billion increase. The increase in deposits was fueled by peso time deposits with an increase of 6.26%. The 56.54% decrease in Manager's Checks represents outstanding payables already collected from the Bank. Accrued taxes, interest and other expenses closed at P208.389 Million, higher by 33.53% from last year's level of P156.060 Million mainly due to high interest rate for the quarter of December. Deferred Credits and Other Liabilities increased by 11.02% due to higher level of transactions for the period. All other payables were paid within the stated terms.

Capital Funds closed at P21.468 Billion reflecting a 17.63% or by P4.594 Billion decrease from last year's level of P26.063 Billion. This can be accounted for from the earnings for the year amounting to P745.286 Million, the increase in Net Unrealized Gain/Loss of P5.074 Billion and the decrease of Cumulative Translation Adjustments amounting to P31.537 Million. Capital Adequacy Ratio (CAR) for the year is 41.72% which is well above the Bangko Sentral ng Pilipinas minimum requirements of 10%.

The Bank has outstanding commitments, contingent liabilities, and bank guarantees that arise from normal course of operations. The Bank does not anticipate any losses that will materially affect its financial position and results of operations. Changes in nature and amounts in the financial statements were due more to market-related factors inherent in nature of the issuer's business operations and were not considered unusual.

## Results of Operations

The Bank generated at year end of 2022, Gross Earnings amounting to P6.327 Billion compared from last year's level of P5.661 Billion, an increase of P665.310 Million. Interest on Held to Maturity investments increased by a hefty 52.79% or by P1.054 Billion as the bank disposed some of its maturing securities at a higher market rate. Interest on Securities purchased under resale agreement increased by 41.17% due to higher availment from Bangko Sentral ng Pilipinas. Income from foreign exchange profit increased by a remarkable 229.78% or by P113.681 Million compared from last year's level of P49.473 Million due to higher exchange rate compared from last year's level. Service charges and commissions increased by 20.01% due to higher volume of transactions for the period. Gains/Losses from sale/redemption of securities decreased by 67.52% due to lower volume of transactions for the year. Other operating income decrease by 23.62% due to sale of ROPA already taken in the previous year's audited financial books.

Interest expense increased by 41.38% triggered by higher interest rates compared from last years level. Occupancy and equipment related expenses decreased by 83.48% due to higher technology related services cost. Depreciation/Amortization increased by 17.97% arising from the increase in fixed assets and recognition of depreciation expenses for buildings under finance lease and amortization. Taxes and Licenses increased by 24.09% due to higher gross receipt tax and realty taxes compared from last year's level. Other Operating Expenses increased by 14.09% due mainly to the payment of initial subscription charge for the new core banking system and new accounting system. All other expenses increased/decreased by less than 10% which is normal in the ordinary course of business. Net Income for the year 2022 closed at P745.286 Million, 9.81% lower from last year's level of P826.338 Million.

For the past years, the Bank continued to be conservative in the management of depositors and stockholder funds. The Bank will continue to focus on its core business and to deepen its banking relationship with more prospective clients and to offer more excellent services. Furthermore, more branches will be opened including ATM offsite in strategic locations to provide access to new clients. We will be reallocating resources for future growth and realigning our various asset portfolios.

### Key Performance Indicators

The performance of the bank is reflected in the following financial ratios:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Return on Average Equity	3.15%	3.18%
Return on Average Assets	0.41%	0.50%
Net Interest Margin	1.71%	0.52%

Capital to Risk Assets	41.72%	50.67%
Cost to Income Ratio	60.75%	62.90%

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

<u>Key Performance Indicator</u>	<u>Formula</u>
1. Return on Average Equity (%)	$\frac{\text{Net Income After Income Tax}}{\text{Average Total Capital Accounts}}$
2. Return on Average Assets (%)	$\frac{\text{Net Income After Income Tax}}{\text{Average Total Assets}}$
3. Net Interest Margin (%)	$\frac{\text{Net Interest Income}}{\text{Average Interest Earning Assets}}$
4. Capital to Risk Assets (%)	$\frac{\text{Total Qualifying Capital}}{\text{Total Risk-Weighted Assets}}$
5. Cost to Income Ratio (%)	$\frac{\text{Total Operating Expenses}}{\text{Net Interest Income + Other Income}}$

## Part II - Other Information

Our financial report for the year 2022 was prepared in compliance with Generally Accepted Accounting Principles as set forth in Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS and SIC/IFRIC interpretations which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC pronouncements. The same accounting policies and methods of computation were consistently followed in our financial statements as compared with the annual audited financial statements. There were no cash dividends paid during the year of 2022. There were no material contingencies or any other unusual events or transactions affecting our financial condition since December 31, 2021. There are no known trends, demands, commitments, events or uncertainties that would have had a material conflict on our financial condition or results of operations or unfavorable impact on net revenues from continuing operations. There is no material commitment for capital expenditures. We don't anticipate any events that may cause any default or acceleration of an obligation. There are no material off-balance sheet transactions, arrangements, obligations, including contingent obligations with unconsolidated entities.

For the year 2022, the Bank had no transactions that would require the following information or disclosures:

- a. Explanatory comments about the seasonality or cyclicity of interim operations.
- b. The nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents.
- c. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.
- d. Issuances, repurchases and repayments of debt and equity securities.
- e. Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting.
- f. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
- g. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discounting operations.
- h. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.
- i. Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- j. Any seasonal aspects that had a material effect on the financial condition or results of operations.
- k. There are no causes for any material changes for our financial from period to period (5%).

## FINANCIAL RISK DISCLOSURE

### A. Assessment of Financial Risk Exposure of the Bank as of December 31, 2022.

#### I. Market Risk: Foreign Exchange and Interest Rates.

##### 1.1 Foreign Exchange Position

The net overbought open FX position of the bank as of **December 31, 2022**, is **79,281,584.99 (All currencies)**, the peso equivalent of **₱4,420,344,771.12billion (₱55.755/\$) or 22.262%** of the bank's unimpaired capital which is ₱19.856Billion.

Exposure to foreign exchange risk is moderate considering the current conditions and the monetary policies of BSP, the economic fundamentals are also considered as a factor. In our specific case, the bank managed the risk quite well and made foreign exchange profit.

The foreign exchange and interest rates volatility will remain within moderate conditions because of BSP's proactive stance and any variance would be within the level of confidence for the following reasons:

- 1.1.1 BSP's effective management of foreign exchange reserves vis-à-vis the major global currencies, to wit: USD, EURO, SGD, GBP, JPY, HKD and AUD.
- 1.1.2 The interest rate on the USD is within the range in the short, medium, and longer term and in which case the bank will necessarily align its position.
- 1.1.3 Net open position of our bank is manageable and not speculative.

#### II. Liquidity Risk

The risk profile of the bank's balance sheet remains low with more concentration in liquid assets and investments in government securities other than lending. Liquid assets and investment securities accounted for **₱142.36 Billion** while loans (net of allowances) amounted to **₱20.68 Billion**. Marginal returns have been low by the distribution in our assets portfolio but the bank has always been strategically conservative in business policy.

#### III. Credit Risk

The bulk of company's loans are fully secured by real estate while some of the major loan accounts are backed by guarantees and only a small percentage of the loans are clean but these are usually extended to clients with very satisfactory payment record &/or who are known to the bank for their good credit reputation. The lending process begins with credit selection and continues to administration and review of loan accounts on a regular basis. Reporting to and review by the credit committee is part of the whole credit process and done on a regular basis.

1. The bank has none of hedging or derivatives financial contracts. The bank's main financial contracts are:

Available for Sale Securities (FVOCI), and Held to Maturity Securities (AC)<sup>1</sup>. The bulk of these securities are securitized government obligations.

2. The bank has no investment in foreign securities or equities.

3. Asset and liability management involved in matching the economic characteristics of the bank's cash flows. We look at duration, the fixed/floating nature of our commitments, the repricing period and over liquidity position and stress testing. The decisions are strategically made based on interest rate exposure. Impairment is recognized via valuation reserves in accordance with PFRS 9.

4. Before the bank makes any investment decision, it ensures that the secondary market must have liquidity, breadth, and depth to transact all tenors of financial instruments.

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<sup>1</sup> AC – Amortized Cost